

THOMAS GRAHAM & SONS LIMITED

FINANCIAL STATEMENTS

31 MAY 2021

THOMAS GRAHAM & SONS LIMITED

COMPANY INFORMATION

Directors	Mr I D Smith Mr R D Smith Mr M C Davidson (retired 28 September 2021) Mr G M Smith Mr P S Barnes Mr R M Smith Mrs A J Ward Mr I W Rae
Registered number	00656879
Registered office	8 Spellar Way Kingmoor Park East Carlisle Cumbria CA6 4SQ
Independent auditors	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditors Fairview House Victoria Place Carlisle Cumbria CA1 1HP
Bankers	HSBC Plc PO Box 5 29 English Street Carlisle Cumbria CA3 8JW

THOMAS GRAHAM & SONS LIMITED

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THOMAS GRAHAM & SONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2021

Introduction

The directors present their Strategic Report for Thomas Graham & Sons Limited for the year ended 31 May 2021.

Business review

The company continued its principal activity of steel wholesale, and industrial and engineering supplies throughout the current year.

Development and financial performance during the year

As reported in the Company's profit and loss account, company revenue increased by 32.6% to £46.7m in 2021 from £35.2m in 2020. Gross profit margin has increased from 29.7% to 29.8%, while gross profit increased by 33% from £10.4m to £13.9m. Profit after tax has increased from £1.50m to £3.86m, profit after tax margin has increased from 4.3% to 8.2%. The performance was driven by increased purchase costs and increased selling prices.

Financial position at the reporting date

The balance sheet shows that the company's net assets at the year end have increased by £3.66m from £22.95m to £26.61m.

Principal risks and uncertainties

The directors continually monitor the key risks facing the company together with assessment of the controls used for managing these risks.

The risks and uncertainties faced by the company continue to be generated by external market factors entirely out of its control, principally the worldwide cost of raw materials to steel producers. This exposes the company to a risk which is managed through closely monitoring costs to ensure that wherever possible adequate returns are achieved. As reported in previous years, the directors continue to utilise their buying strengths and stock management systems to enable the company to source alternative supply routes, benefiting from the lowest market prices without sacrificing product quality.

From 2019 real steel consumption started to largely outpace the steel supply to the market, with dramatic negative consequences on product availability and inducing a spectacular surge in steel pricing. A supply gap is estimated to still prevail throughout 2021 and 2022. In the wake of EU anti-dumping/anti-subsidy measures and EU "safeguard" measures, steel imports into the EU have been shrinking at nearly 10% since 2018

The company continues to strive to provide an excellent service to its customers. This is achieved through investment in staff training and continuously reviewing working practices to ensure that customer service is at the centre of all its operations.

THOMAS GRAHAM & SONS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021**

The principal risks and uncertainties facing the company are as follows:

Economic downturn - the company acknowledges the importance of maintaining close relationships with its key customers in order to be able to identify the early signs of potential difficulties. Sales trends in its major markets are constantly reviewed to enable early action to be taken in the event of sales declining.

The UK's exit from the European Union - demand has been and could continue to be affected by lower confidence as a result of Brexit causing investment decisions to be delayed or cancelled. There is also an element of currency risk since the steel price as a commodity is priced in dollars, and some of the sales which the company makes are of imported goods.

Competitor pressure - the market in which the company operates is considered to be relatively competitive, and therefore competitor pressure could result in losing sales to key competitors. The company manages this risk by providing quality products and maintaining strong relationships with its key customers.

Loss of key personnel - this could present significant operational difficulties for the group. The directors seek to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.

Financial key performance indicators

The directors use a range of financial performance measures to monitor and manage the business. The key performance indicators are set out below.

	2021	2020
	£000	£000
Turnover	46,683	35,194
Gross profit	13,911	10,443
Profit on ordinary activities before taxation	4,703	2,032
Profit on ordinary activities after taxation	3,857	1,500
Shareholders' funds	26,606	22,949
	<u>95,760</u>	<u>72,118</u>

There have been many challenges to the business operations during 2021 and the Directors are proud of the agility, camaraderie and determination of the Thomas Graham team in adapting to and navigating the hurdles encountered.

This report was approved by the board and signed on its behalf.

Mrs A J Ward

Director

Date: 7 February 2022

THOMAS GRAHAM & SONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2021

The directors present their report and the financial statements for the year ended 31 May 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principle activity of the company is the provision of industrial and engineering supplies, and wholesale of steel products.

Results and dividends

The profit for the year, after taxation, amounted to £3,857,048 (2020 - £1,499,609).

The directors proposed and paid dividends during the year of £200,160 (2020 - £100,080).

Directors

The directors who served during the year were:

Mr I D Smith
Mr R D Smith
Mr M C Davidson (retired 28 September 2021)
Mr G M Smith
Mr P S Barnes
Mr R M Smith
Mrs A J Ward
Mr I W Rae

THOMAS GRAHAM & SONS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Mrs A J Ward

Director

Date: 7 February 2022

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS, AS A BODY, OF THOMAS GRAHAM & SONS LIMITED

Opinion

We have audited the financial statements of Thomas Graham & Sons Limited (the 'company') for the year ended 31 May 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS, AS A BODY, OF THOMAS GRAHAM & SONS LIMITED
(CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS, AS A BODY, OF THOMAS GRAHAM & SONS LIMITED
(CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including

fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations, such as the Health & Safety at Work Act 1974 and Companies Act 2006;
- we identified the laws and regulations applicable to the company through discussions with directors and other management;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships; and
- tested journal entries to identify unusual transactions; and
- tested the operating effectiveness of key controls over purchase cycles on a sample basis; and
- reviewed the application of accounting policies including the application of capitalisation of intangible assets.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures

which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

THOMAS GRAHAM & SONS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS, AS A BODY, OF THOMAS GRAHAM & SONS LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Joanna Gray (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Carlisle

9 February 2022

THOMAS GRAHAM & SONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2021

	Note	2021 £	2020 £
Turnover	4	46,682,881	35,194,452
Cost of sales		(32,772,318)	(24,751,506)
Gross profit		13,910,563	10,442,946
Distribution costs		(482,905)	(399,011)
Administrative expenses		(9,110,156)	(8,599,459)
Other operating income	5	387,538	532,769
Operating profit		4,705,040	1,977,245
Interest receivable and similar income	9	23,219	79,985
Interest payable and similar expenses	10	(25,001)	(25,030)
Profit before tax		4,703,258	2,032,200
Tax on profit	11	(846,210)	(532,591)
Profit for the financial year		3,857,048	1,499,609
Other comprehensive income for the year			

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 14 to 29 form part of these financial statements.

THOMAS GRAHAM & SONS LIMITED
REGISTERED NUMBER: 00656879

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	12	9,472,147	8,610,326
Investments	13	2,399	2,399
		9,474,546	8,612,725
Current assets			
Stocks	14	5,617,774	5,254,135
Debtors: amounts falling due within one year	15	7,699,270	6,089,142
Cash at bank and in hand	16	14,292,894	7,609,321
		27,609,938	18,952,598
Creditors: amounts falling due within one year	17	(9,948,845)	(4,027,426)
		17,661,093	14,925,172
Net current assets		17,661,093	14,925,172
Total assets less current liabilities		27,135,639	23,537,897
Creditors: amounts falling due after more than one year	18	(250,000)	(250,000)
Provisions for liabilities			
Deferred tax	21	(279,470)	(338,616)
		(279,470)	(338,616)
Net assets		26,606,169	22,949,281
Capital and reserves			
Called up share capital	22	3,751	3,751
Capital redemption reserve	23	11,949	11,949
Other reserves	23	14,083	14,083
Profit and loss account	23	26,576,386	22,919,498
		26,606,169	22,949,281

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mrs A J Ward
Director
Date: 7 February 2022

Mr R D Smith
Director

The notes on pages 14 to 29 form part of these financial statements.

THOMAS GRAHAM & SONS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2021

	Called up share capital £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 June 2020	3,751	11,949	14,083	22,919,498	22,949,281
Comprehensive income for the year					
Profit for the year	-	-	-	3,857,048	3,857,048
Other comprehensive income for the year					
	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,857,048	3,857,048
Dividends: Equity capital	-	-	-	(200,160)	(200,160)
Total transactions with owners	-	-	-	(200,160)	(200,160)
At 31 May 2021	3,751	11,949	14,083	26,576,386	26,606,169

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020

	Called up share capital £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 June 2019	3,751	11,949	14,083	21,519,969	21,549,752
Comprehensive income for the year					
Profit for the year	-	-	-	1,499,609	1,499,609
Other comprehensive income for the year					
	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,499,609	1,499,609
Dividends: Equity capital	-	-	-	(100,080)	(100,080)
Total transactions with owners	-	-	-	(100,080)	(100,080)
At 31 May 2020	3,751	11,949	14,083	22,919,498	22,949,281

The notes on pages 14 to 29 form part of these financial statements.

THOMAS GRAHAM & SONS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	3,857,048	1,499,609
Adjustments for:		
Depreciation of tangible assets	607,593	576,574
Loss on disposal of tangible assets	(10,371)	(18,692)
Interest paid	25,001	25,030
Interest received	(23,219)	(79,985)
Taxation charge	846,210	532,591
(Increase)/decrease in stocks	(363,639)	369,797
(Increase)/decrease in debtors	(1,610,130)	125,541
Increase/(decrease) in creditors	2,624,041	(314,735)
Corporation tax (paid)	(607,975)	(217,640)
Net cash generated from operating activities	<u>5,344,559</u>	<u>2,498,090</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,483,211)	(190,971)
Sale of tangible fixed assets	24,167	27,294
Interest received	23,219	79,985
Net cash from investing activities	<u>(1,435,825)</u>	<u>(83,692)</u>
Cash flows from financing activities		
New secured loans	3,000,000	-
Dividends paid	(200,160)	(100,080)
Interest paid	(25,001)	(25,030)
Net cash used in financing activities	<u>2,774,839</u>	<u>(125,110)</u>
Net increase in cash and cash equivalents	<u>6,683,573</u>	<u>2,289,288</u>
Cash and cash equivalents at beginning of year	7,609,321	5,320,033
Cash and cash equivalents at the end of year	<u><u>14,292,894</u></u>	<u><u>7,609,321</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>14,292,894</u>	<u>7,609,321</u>
	<u><u>14,292,894</u></u>	<u><u>7,609,321</u></u>

The notes on pages 14 to 29 form part of these financial statements.

THOMAS GRAHAM & SONS LIMITED

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MAY 2021

	At 1 June 2020	Cash flows	At 31 May
	£	£	2021 £
Cash at bank and in hand	7,609,321	6,683,573	14,292,894
Debt due after 1 year	(250,000)	-	(250,000)
Debt due within 1 year	(666,670)	(2,977,585)	(3,644,255)
	<u>6,692,651</u>	<u>3,705,988</u>	<u>10,398,639</u>

The notes on pages 14 to 29 form part of these financial statements.

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

1. General information

Thomas Graham & Sons Limited is a private company limited by shares, incorporated in England. Its registered office is 8 Spellar Way, Kingmoor Park East, Carlisle, Cumbria CA6 4SQ.

These financial statements are presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

Group accounts have not been prepared as all of the company's subsidiaries are permitted to be excluded from group accounts by virtue of sections 402 and 405 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

2.2 Going concern

The company has net current assets of £17.66m, net assets of £26.61m, following a profit in the year of £3.86m. The company also had a strong cash position at the balance sheet date of £14.29m.

The directors have considered the post year end performance together with forecasts over the next 12 months, and expect the business to be profitable and be able to meet its liabilities as they fall due. Based on this information the directors conclude that the going concern basis of preparation for the accounts is appropriate for the company.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

2. Accounting policies (continued)

2.4 Operating leases: the company as lessor

Rental income from operating leases is credited to profit or loss on a straight line basis over the lease term.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.5 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.10 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line and reducing balance methods.

Depreciation is provided on the following basis:

Freehold property	-	4% straight line
Leasehold property	-	4% straight line
S/term leasehold property	-	4% straight line
Plant and machinery	-	15% reducing balance
Motor vehicles	-	25% straight line
Computers and fittings	-	25% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

2. Accounting policies (continued)

2.13 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in profit or loss

2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents mature within 12 months and there is no risk to the capital value.

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.19 Deferral of VAT

Where the payment of VAT liabilities has been deferred, the liability is included within other taxation and social security within creditors due within one year.

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

2. Accounting policies (continued)

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.22 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

2.23 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of these financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Establishing useful economic lives for depreciation purposes of tangible fixed assets

Long-lived assets, consisting primarily of tangible fixed assets, comprise a significant portion of the total fixed assets. The annual depreciation charge depends primarily on the estimated useful economic lives of each type of asset and estimates of residual values. The directors regularly review these assets' useful economic lives and change them as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of the assets concerned. Changes in asset useful lives can have a significant impact on depreciation charges for the period. Details of the depreciation policies based on estimated useful economic lives are included in accounting policies note 2.12.

(b) Providing for doubtful debts

The company makes an estimate of the recoverable value of trade and other debtors. The company uses estimates based on historical experience in determining the level of debts, which the company believes, will not be collected. These estimates include such factors as the credit rating of the debtor, the ageing profile of debtors and historical experience. Any significant change in the level of customers that default on payments or other significant improvements that resulted in a change in the level of bad debt provision would have an impact on the operating results. The level of provision required is reviewed on an on-going basis.

(c) Stock provision

The company holds finished goods for sale. Stocks are held at the lower of cost and net realisable value. The assessment of net realisable value requires estimation regarding the future sale proceeds less the costs incurred to sell. The company uses estimations based on historical experience and expectation of market conditions in determining net realisable value. The company recognises the risk of stock obsolescence and the related potential impact on stock carrying values. Stocks are assessed at each reporting date for impairment and estimates based on a review of sale activity in the period are used in determining the level of stock provision provided.

4. Turnover

The whole of the turnover is attributable to steel stockholding and industrial supplies.

All turnover arose within the United Kingdom.

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

5. Other operating income

	2021 £	2020 £
Other operating income	70,600	53,100
Sundry income	44,987	60,349
Coronavirus Job Retention Scheme	271,951	419,320
	<u>387,538</u>	<u>532,769</u>

The total operating profit for the period was £4,705,040 (2020 - £1,977,245).

6. Auditors' remuneration

	2021 £	2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>13,650</u>	<u>12,700</u>

Fees payable to the company's auditor and its associates in respect of:

All other services	<u>1,424</u>	1,382
	<u>1,424</u>	<u>1,382</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	6,051,687	5,527,603
Social security costs	600,911	532,121
Cost of defined contribution scheme	304,538	307,899
	<u>6,957,136</u>	<u>6,367,623</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Office and management	101	96
Warehouse and distribution	96	103
	<u>197</u>	<u>199</u>

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	995,111	677,496
Company contributions to defined contribution pension schemes	38,368	79,624
	<u>1,033,479</u>	<u>757,120</u>

During the year retirement benefits were accruing to 6 directors (2020 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £288,799 (2020 - £155,678).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2020 - £NIL).

9. Interest receivable

	2021 £	2020 £
Other interest receivable	23,219	79,985
	<u>23,219</u>	<u>79,985</u>

10. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	1	30
Preference share dividends	25,000	25,000
	<u>25,001</u>	<u>25,030</u>

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	905,356	457,975
	<u>905,356</u>	<u>457,975</u>
Total current tax	<u>905,356</u>	<u>457,975</u>
Deferred tax		
Origination and reversal of timing differences	(59,146)	74,616
	<u>(59,146)</u>	<u>74,616</u>
Total deferred tax	<u>(59,146)</u>	<u>74,616</u>
Taxation on profit on ordinary activities	<u>846,210</u>	<u>532,591</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>4,703,258</u>	<u>2,032,201</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	893,619	386,118
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	17,323	5,646
Capital allowances for year in excess of depreciation	(2,927)	63,114
Changes in provisions leading to an increase (decrease) in the tax charge	(7,410)	3,097
Deferred tax movement	(59,145)	74,616
Other differences leading to an increase (decrease) in the tax charge	4,750	-
Total tax charge for the year	<u>846,210</u>	<u>532,591</u>

Factors that may affect future tax charges

An increase in the UK corporate tax from 19% to 25% was announced in the 2021 budget, this is scheduled to take effect from April 2023. The rate for small profits under £50,000 will remain at 19%, and there will be taper relief for businesses with profits between £50,000 and £250,000. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

12. Tangible fixed assets

	Freehold property £	L/Term Leasehold Property £	Plant and machinery £	Motor vehicles £	Computers and fittings £	Total £
Cost or valuation						
At 1 June 2020	9,625,066	170,348	1,602,365	1,388,167	69,731	12,855,677
Additions	1,119,136	-	159,967	204,108	-	1,483,211
Disposals	-	-	(39,235)	(117,892)	(7,074)	(164,201)
					62,657	
At 31 May 2021	<u>10,744,202</u>	<u>170,348</u>	<u>1,723,097</u>	<u>1,474,383</u>		<u>14,174,687</u>
Depreciation						
At 1 June 2020	1,869,054	61,326	1,065,236	1,189,564	60,171	4,245,351
Charge for the year on owned assets	335,084	6,814	102,678	160,932	2,086	607,594
Disposals	-	-	(26,657)	(117,892)	(5,856)	(150,405)
					56,401	
At 31 May 2021	<u>2,204,138</u>	<u>68,140</u>	<u>1,141,257</u>	<u>1,232,604</u>		<u>4,702,540</u>
Net book value						
At 31 May 2021	<u>8,540,064</u>	<u>102,208</u>	<u>581,840</u>	<u>241,779</u>	<u>6,256</u>	<u>9,472,147</u>
At 31 May 2020	<u>7,756,012</u>	<u>109,022</u>	<u>537,129</u>	<u>198,603</u>	<u>9,560</u>	<u>8,610,326</u>

The carrying value of land not depreciated within freehold property is £2,121,857 (2020: £2,121,857).

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 June 2020	2,399
At 31 May 2021	<u>2,399</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Hygiene Cleaning Supplies Limited	Dormant company	Ordinary	100%
Sancho Smith Limited	Dormant company	Ordinary	100%

The subsidiary undertaking shares a registered office address with the company.

The aggregate of the share capital and reserves as at 31 May 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings was as follows:

Name	Aggregate of share capital and reserves £
Hygiene Cleaning Supplies Ltd	1,099
Sancho Smith Limited	1

14. Stocks

	2021 £	2020 £
Goods for resale	5,617,774	5,254,135
	<u>5,617,774</u>	<u>5,254,135</u>

The carrying value of stocks are stated net of impairment losses totaling £1,172,724 (2020 - £1,412,875).

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

15. Debtors

	2021 £	2020 £
Trade debtors	7,496,001	5,281,669
Other debtors	61,269	662,869
Prepayments and accrued income	142,000	144,604
	<u>7,699,270</u>	<u>6,089,142</u>

16. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	14,292,894	7,609,321
	<u>14,292,894</u>	<u>7,609,321</u>

17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Coronavirus Business Interruption Loan	3,000,000	-
Trade creditors	4,048,485	1,600,033
Amounts owed to group undertakings	3,265	3,265
Corporation tax	455,366	157,985
Other taxation and social security	674,870	935,690
Other creditors	644,255	666,670
Accruals and deferred income	1,122,604	663,783
	<u>9,948,845</u>	<u>4,027,426</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 22.

The Coronavirus Business Interruption Loan of £3,000,000 was secured by way of a debenture over the assets of the company. This charge was satisfied on 21 July 2021. The loan bears interest at 3.99% per annum over the Bank of England Base rate, however the first 12 months interest is covered by the business interruption payment provided by the UK Government.

18. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Share capital treated as debt	250,000	250,000
	<u>250,000</u>	<u>250,000</u>

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

19. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	14,292,894	7,609,321
Financial assets that are debt instruments measured at amortised cost	7,557,271	5,944,539
	<u>21,850,165</u>	<u>13,553,860</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(8,424,355)</u>	<u>(2,517,079)</u>

Financial assets measured at fair value through profit or loss comprise bank balances and unlisted investments.

Financial assets measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, preference shares treated as debt and accruals and deferred income.

20. Dividends

	2021 £	2020 £
A Ordinary shares	200,160	100,080
Preference shares	25,000	25,000
	<u>225,160</u>	<u>125,080</u>

The directors proposed no further dividends at the year end (2020 - £Nil).

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

21. Deferred taxation

	2021 £
At beginning of year	(338,616)
Charged to profit or loss	7,410
Utilised in year	51,736
At end of year	<u>(279,470)</u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(286,880)	(331,206)
Short term timing differences	7,410	(7,410)
	<u>(279,470)</u>	<u>(338,616)</u>

THOMAS GRAHAM & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

22. Share capital

	2021 £	2020 £
Shares classified as equity		
Allotted, called up and fully paid		
2,500 (2020 - 2,500) Ordinary shares of £1 each	2,500	2,500
1,251 (2020 - 1,251) A Ordinary shares of £1 each	1,251	1,251
	<u>3,751</u>	<u>3,751</u>

Ordinary shares and A Ordinary shares carry equal voting rights.

	2021 £	2020 £
Shares classified as debt		
Allotted, called up and fully paid		
250,000 (2020 - 250,000) Preference shares of £1 each	<u>250,000</u>	<u>250,000</u>

The preference shares in issue are 10% cumulative non-redeemable preference shares of £1 each. These shares have no entitlement to participate in surplus assets on winding up beyond their par value of £1. The 10% coupon attached to these non-redeemable shares is non-discretionary.

23. Reserves

Capital redemption reserve

This reserve relates to capital value of own shares purchased by the company.

Other reserves

This reserve arose on the sale of property.

Profit and loss account

This reserve represents cumulative profits and losses.

24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the funds and amounted to £266,170 (2020 - £267,491) on behalf of the staff and £38,368 (2020 - £40,407) for the directors.

There are accrued contributions outstanding at the balance sheet date of £Nil (2020 - £39,000).

THOMAS GRAHAM & SONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

25. Commitments under operating leases

At 31 May 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	120,734	117,250
Later than 1 year and not later than 5 years	338,140	150,930
Later than 5 years	31,000	-
	489,874	268,180

The amount charged to the profit and loss account in respect of commitments under land and buildings operating leases in the year amounted to £133,758 (2020 - £138,502).

26. Related party transactions

Three directors have current accounts with the company totaling £644,255 (2020 - £666,669) These are included within other creditors, interest free and repayable on demand.

During the year preference share dividends were paid to a director amounting to £18,737 (2020 - £18,737). The director who received the dividends was Mr I D Smith.

During the year preference share dividends amounting to £6,263 (2020 - £6,263) were paid to Thomas Graham & Sons Ltd Retirement Benefit Scheme. Mr I D Smith, Mr R D Smith and Mrs A J Ward, directors, are also trustees and beneficiaries of the scheme.

During the year dividends on A Ordinary shares of £200,160 (2020 - £100,080) were paid to The Ian Davidson Smith 2018 Discretionary Settlement Trust, of which Mr I D Smith, Mr R D Smith and Mrs A J Ward, directors, are also trustees.

Key management personnel

During the year key management personnel received remuneration of £1,036,165 (2020 - £671,422).

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