Company registration number SC344021 (Scotland)

Kingdom Timber Engineering Limited

Annual report and financial statements

for the year ended 30 September 2023

Kingdom Timber Engineering Limited

Company information

Directors	GE Low BA Welsh MD Grant
Secretary	S Mason ACMA
Company number	SC344021
Registered office	30-34 Reform Street Dundee DD1 1RJ
Auditor	Henderson Loggie LLP The Vision Building 20 Greenmarket Dundee DD1 4QB
Bankers	Virgin Money 7/8 High Street Dundee DD1 1SS
Solicitors	Blackadders LLP 30 & 34 Reform Street Dundee DD1 1RJ

Kingdom Timber Engineering Limited

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Kingdom Timber Engineering Limited

Strategic Report

for the year ended 30 September 2023

The directors present the strategic report for the year ended 30 September 2023.

Kingdom Timber Engineering continues to be a major designer and manufacturer of engineered roof and floor solutions to the construction sector throughout Scotland.

Review of the business

The directors are pleased with the overall business performance with the company reporting a pre-tax profit of £1.7m (2022 - £1.7m) from a turnover of £13.0m (2022 - £15.7m).

Demand across the product range remained strong during the first half of the year, however there was some evidence of the market softening a little towards the end of the financial year.

Despite challenging conditions in the construction sector, the business ended the year with a strong balance sheet which will see the business through any potential slow down in the construction market.

Principal risks and uncertainties

The principal risks and uncertainties facing the company, as well as mitigation are:

Market Risk

The strength of the construction sector in Scotland, as this accounts for almost all revenue. The business maintains strong relations with key customers and aims to deal with a diverse product mix and range of customer types across the country.

Competitive Risk

The business operates in a highly competitive market. The business continues to invest in new machinery, improving productivity, cutting down on waste and becoming more efficient in an effort to maintain a competitive advantage in the market place.

Supply Chain Risk

The company is exposed to timber and metal commodity price risk and the market is continually monitored to ensure product availability and pricing remains at commercial levels, particularly when global demand for these products remains strong. The business continues to trade with key long standing suppliers, which reduces risk for both parties.

Credit Risk

The company has implemented a policy that requires credit checks on all new and existing customers. Credit limits are regularly reviewed by the board, and the company maintains strong relationships with key customers.

Development and performance

Continued investment in new modern plant and machinery has enabled the business to increase its productivity, expand its presence in Scotland and improve the quality of finished goods, which puts the company in a strong position moving forward.

The business has generated strong cashflows during the year, and ends the year with a strong balance sheet with no borrowings. Therefore in the opinion of the directors the business is well placed to weather any volatility within the construction sector.

The directors will continue to monitor ongoing opportunities for investment to further enhance the company's performance.

Key performance indicators

Key financial performance indicators include the monitoring of the management of profitability and working capital.

	2023	2022	**Measure (on continuing operations)**
Return on capital	**38.0%**	51.0%	Profit before tax/net assets
Current ratio	**2.70:1**	1.84:1	Current assets:current liabilities
Debtors days	**50**	45	Trade debtors/average turnover

On behalf of the board

BA Welsh
Director

29 March 2024

The directors present their annual report and financial statements for the year ended 30 September 2023.

Principal activities
The principal activity of the company is the manufacture and supply of roof trusses to the construction industry.

Results and dividends
The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £200,000. The directors do not recommend payment of a further dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

GE Low
BA Welsh
MD Grant

Statement of disclosure to auditor
So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

BA Welsh
Director

29 March 2024

Kingdom Timber Engineering Limited

Directors' responsibilities statement

for the year ended 30 September 2023

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

Opinion

We have audited the financial statements of Kingdom Timber Engineering Limited (the 'company') for the year ended 30 September 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 30 September 2023 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 *Auditor's 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 UK, including the FRC'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 auditor's 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 and the directors' report.

We have nothing to report in respect of the following matters where 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 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, 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.

Auditor's 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 auditor's 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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the company. We determined that the following were most relevant: health and safety, membership with relevant bodies, driving hours laws, operating lease terms & conditions, Data Protection Act 2018, employment law regulations; and compliance with the UK Companies Act;
- We considered the incentives and opportunities that exist in the company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and

- Using our knowledge of the company, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing membership and the internal audit report with Certification and Timber Grading;
- Reviewing membership with the Truss Rafter Association;
- Discussions to confirm compliance with driving hours laws;
- Reviewing the terms and conditions included within operating lease agreements;
- Reviewing the nature of legal and professional fees incurred;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the carrying value of tangible fixed assets and stock, the recoverability of debtors, and the valuation of accruals; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

Use of our 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 auditor's 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.

Blair Davidson
Senior Statutory Auditor
For and on behalf of Henderson Loggie LLP

29 March 2024

Chartered Accountants
Statutory Auditor

The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Kingdom Timber Engineering Limited

Statement of comprehensive income

for the year ended 30 September 2023

	Notes	2023 £	2022 £
Turnover	3	**13,046,703**	15,731,449
Cost of sales		**(9,732,246)**	(12,537,609)
Gross profit		**3,314,457**	3,193,840
Administrative expenses		**(1,607,748)**	(1,460,632)
Other operating income		**-**	944
Operating profit	4	**1,706,709**	1,734,152
Interest receivable and similar income	7	**21,525**	-
Interest payable and similar expenses	8	**(2,521)**	(2,521)
Profit before taxation		**1,725,713**	1,731,631
Tax on profit	9	**(375,900)**	(334,032)
Profit for the financial year		**1,349,813**	1,397,599

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Kingdom Timber Engineering Limited

Balance sheet

as at 30 September 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Tangible assets	**11**		**916,471**		830,063
Current assets					
Stocks	**12**	**437,260**		490,541	
Debtors	**13**	**2,169,817**		3,262,341	
Cash at bank and in hand		**3,330,805**		2,099,199	
		5,937,882		5,852,081	
Creditors: amounts falling due within one year	**14**	**(2,197,924)**		(3,178,030)	
Net current assets			**3,739,958**		2,674,051
Total assets less current liabilities			**4,656,429**		3,504,114
Creditors: amounts falling due after more than one year	**15**		**-**		(21,423)
Provisions for liabilities					
Deferred tax liability	**17**	**(114,776)**		(90,851)	
			(114,776)		(90,851)
Net assets			**4,541,653**		3,391,840
Capital and reserves					
Called up share capital	**19**		**200,000**		200,000
Profit and loss reserves			**4,341,653**		3,191,840
Total equity			**4,541,653**		3,391,840

The financial statements were approved by the board of directors and authorised for issue on 29 March 2024 and are signed on its behalf by:

BA Welsh
Director

Company Registration No. SC344021

Kingdom Timber Engineering Limited

Statement of changes in equity

for the year ended 30 September 2023

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 1 October 2021		200,000	1,994,241	2,194,241
Year ended 30 September 2022:				
Profit and total comprehensive income for the year		-	1,397,599	1,397,599
Dividends	**10**	-	(200,000)	(200,000)
Balance at 30 September 2022		200,000	3,191,840	3,391,840
Year ended 30 September 2023:				
Profit and total comprehensive income for the year		**-**	**1,349,813**	**1,349,813**
Dividends	**10**	**-**	**(200,000)**	**(200,000)**
Balance at 30 September 2023		**200,000**	**4,341,653**	**4,541,653**

1 Accounting policies

Company information

Kingdom Timber Engineering Limited is a private company limited by shares incorporated in Scotland. The registered office is 30-34 Reform Street, Dundee, DD1 1RJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures; and
- Section 33 'Related Party Disclosures': Compensation for key management personnel and transactions with fellow group entities

The financial statements of the company are consolidated in the financial statements of LHSL 1 Limited. These consolidated financial statements are available from its registered office.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The directors have considered relevant information, including the financial projections, forecast future cash flows and the impact of subsequent events in making their assessment. The directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from rising input costs and the economic conditions in the UK. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the company, the directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1 Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	10% straight line
Plant and machinery	10% - 25% straight line
Fixtures, fittings & equipment	33.3% straight line
Computer equipment	33.3% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1 Accounting policies (continued)

1.7 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, and deposits held at call with banks.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies (continued)

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (continued)

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Stock provision

Stock is valued at the lower of cost and net realisable value. Management will write down obsolete and damaged stock items throughout the year but in addition at the year end they will consider whether the stock value is appropriate and where required they will apply a stock provision to bring the value down to net realisable value in line with accounting standards. The provision is calculated by management based on their knowledge of the market they sell to and their products.

Trade debtor recovery

Credit control is an important function within the group which requires management to assess on an ongoing basis the recoverability of amounts due from trade debtors. Where recovery is in doubt management will adequately provide against this debt and will arrive at such conclusions based on internal and external knowledge of that customers performance and "ability to pay". Management adopt a prudent approach to credit control.

Accruals

Management estimate requirements for accruals using post year end information and information available from detailed budgets. This identifies cost and income that are expected to be incurred. Accruals are only released where there is a reasonable expectation that these costs will not be invoiced in the future.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2023	2022
	£	£
Turnover analysed by class of business		
Sales of Goods	**13,046,703**	15,731,449

3 Turnover and other revenue (continued)

	2023	2022
	£	£
Other revenue		
Interest income	**21,525**	-

4 Operating profit

	2023	2022
Operating profit for the year is stated after charging:	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	**9,975**	7,350
Depreciation of owned tangible fixed assets	**125,283**	100,236
Depreciation of tangible fixed assets held under finance leases	**15,303**	15,303
Operating lease charges	**276,333**	216,141

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023	2022
	Number	Number
Office and management	**16**	16
Production	**46**	52
Total	**62**	68

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	**1,804,979**	1,815,717
Social security costs	**167,300**	166,119
Pension costs	**87,484**	74,296
	2,059,763	2,056,132

6 Directors' remuneration

	2023	2022
	£	£
Remuneration for qualifying services	**220,315**	212,339
Company pension contributions to defined contribution schemes	**48,768**	37,822
	269,083	250,161

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023	2022
	£	£
Remuneration for qualifying services	**97,303**	96,273
Company pension contributions to defined contribution schemes	**45,121**	34,803

7 Interest receivable and similar income

	2023	2022
	£	£
Interest income		
Interest on bank deposits	**21,525**	-

8 Interest payable and similar expenses

	2023	2022
	£	£
Interest on finance leases and hire purchase contracts	**2,521**	2,521

9 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	**359,177**	326,463
Adjustments in respect of prior periods	**(7,202)**	(587)
Total current tax	**351,975**	325,876
Deferred tax		
Origination and reversal of timing differences	**21,447**	8,156
Adjustment in respect of prior periods	**2,478**	-
Total deferred tax	**23,925**	8,156
Total tax charge	**375,900**	334,032

9 Taxation (continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2023	2022
	£	£
Profit before taxation	**1,725,713**	1,731,631
Expected tax charge based on the standard rate of corporation tax in the UK of 22% (2022: 19%)	**379,798**	329,010
Tax effect of expenses that are not deductible in determining taxable profit	**975**	884
Adjustments in respect of prior years	**(7,202)**	(587)
Depreciation on assets not qualifying for tax allowances	**2,378**	6,832
Deferred tax adjustments in respect of prior years	**2,478**	-
Difference between local corporation and deferred tax rates	**2,567**	1,957
Super-deduction expenditure adjustment	**(5,094)**	(4,064)
Taxation charge for the year	**375,900**	334,032

On 3 March 2021, the UK Budget 2021 announcements included measures to support economic recovery as a result of the COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which became effective from 1 April 2023. The 25% rate was granted Royal Assent on 10 June 2021 and so was substantively enacted at the balance sheet date. As a result the closing deferred tax balances as at 30 September 2023 are recognised at 25% (2022 - 25%) and the corporation tax rate effective in the period has been apportioned between the previous rate of 19% and the new rate of 25% at 22% (2022 - 19%).

10 Dividends

	2023	2022
	£	£
Final paid	**200,000**	200,000

11 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 October 2022	**536,466**	**774,768**	**44,122**	**36,226**	**1,391,582**
Additions	**31,432**	**180,854**	**2,732**	**11,976**	**226,994**
At 30 September 2023	**567,898**	**955,622**	**46,854**	**48,202**	**1,618,576**
Depreciation and impairment					
At 1 October 2022	**106,086**	**405,775**	**25,476**	**24,182**	**561,519**
Depreciation charged in the year	**54,680**	**70,433**	**9,169**	**6,304**	**140,586**
At 30 September 2023	**160,766**	**476,208**	**34,645**	**30,486**	**702,105**
Carrying amount					
At 30 September 2023	**407,132**	**479,414**	**12,209**	**17,716**	**916,471**
At 30 September 2022	430,380	368,993	18,646	12,044	830,063

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2023	2022
	£	£
Plant and machinery	**85,439**	100,742

12 Stocks

	2023	2022
	£	£
Raw materials and consumables	**382,789**	439,315
Work in progress	**54,471**	51,226
	437,260	490,541

13 Debtors

Amounts falling due within one year:	2023 £	2022 £
Trade debtors	**1,894,279**	2,807,682
Corporation tax recoverable	**-**	180,870
Other debtors	**153,224**	172,013
Prepayments and accrued income	**122,314**	101,776
	2,169,817	3,262,341

14 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Obligations under finance leases	**16**	**22,826**	28,795
Trade creditors		**1,532,993**	2,398,219
Amounts owed to group undertakings		**883**	-
Corporation tax		**17,767**	-
Other taxation and social security		**315,136**	452,812
Other creditors		**63,381**	72,262
Accruals and deferred income		**244,938**	225,942
		2,197,924	3,178,030

15 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Obligations under finance leases	**16**	**-**	21,423

16 Finance lease obligations

Future minimum lease payments due under finance leases:	2023 £	2022 £
Within one year	**22,826**	28,795
In two to five years	**-**	21,423
	22,826	50,218

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

These leases are secured against the assets concerned.

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2023	Liabilities 2022
Balances:	**£**	£
Accelerated capital allowances	**118,113**	93,895
Provisions	**(3,337)**	(3,044)
	114,776	90,851

Movements in the year:	**2023 £**
Liability at 1 October 2022	**90,851**
Charge to profit or loss	**23,925**
Liability at 30 September 2023	**114,776**

18 Retirement benefit schemes

Defined contribution schemes	**2023 £**	2022 £
Charge to profit or loss in respect of defined contribution schemes	**87,484**	74,296

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

Ordinary share capital	**2023 Number**	2022 Number	**2023 £**	2022 £
Issued and fully paid				
Ordinary shares of £1 each	**200,000**	200,000	**200,000**	200,000

Each ordinary share carries one vote and is entitled to participate pari passu with other ordinary shares in any dividend or capital distribution.

20 Profit and loss reserves

Profit and loss reserves include all current and prior years' retained profits and losses.

21 Financial commitments, guarantees and contingent liabilities

Virgin Money has a floating charge over the assets and undertakings of the company.

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£	£
Within one year	**166,242**	220,973
Between two and five years	**212,753**	302,575
	378,995	523,548

23 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Services received	
	2023	2022
	£	£
Other related parties	**14,216**	11,925

24 Ultimate controlling party

The company is a subsidiary of LHSL 1 Limited, a company incorporated in Great Britain and registered Scotland. LHSL 1 Limited is controlled by GE Low.

LHSL 1 Limited draws up consolidated financial statements of which the company is a member. LHSL 1 Limited has its registered office situated at 30-34 Reform Street, Dundee, DD1 1RJ.

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