

Company registration number 00587618 (England and Wales)

LEEDS COMMERCIAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

LEEDS COMMERCIAL LIMITED

COMPANY INFORMATION

Directors	Mr C J Miller Mr P R Bumford Mr J G Wilson Mr L D Margel	(Appointed 1 January 2023)
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Company number	00587618
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Registered office	The Old Test Station Patrick Green Leeds West Yorkshire LS26 8HE
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Auditor	BHP LLP Mayesbrook House Lawnswood Business Park Redvers Close Leeds LS16 6QY
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Solicitors	Bury & Walkers LLP Britannic House Regent Street Barnsley South Yorkshire S70 2EQ Clarion Solicitors Limited Elizabeth House 13-19 Queen Street Leeds LS1 2TW
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LEEDS COMMERCIAL LIMITED

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LEEDS COMMERCIAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present the strategic report for the year ended 30 September 2022.

Fair review of the business

The company has continued to maintain six operating depots: Leeds, Bradford, Barnsley, Sherburn, Manchester and Bristol. All depots were fully operational during the year and have contributed positively to the result for the year.

Turnover increased 13.1% year on year to £39.6M reflecting the continued high demand for the hire fleet. Utilisation rates remained extremely high throughout the year with the average being 88.2% (2021 – 85.2%). The company continued investing in new vehicles and the fleet size steadily increased to end the year at 1,940 (2021 – 1,816) vehicles. The growth in fleet size combined with consistent high utilisation rates has resulted in the significantly higher turnover.

The company has continued to suffer from worldwide supply-chain problems which has severely impacted the supply of new vehicles and slowed the rate of fleet growth and replacement of the older vehicles. Consequently, the number of second-hand vehicles released for resale reduced 24% year on year. The continued shortage of supply of second-hand vehicles in the marketplace meant that selling values and margins remained very favourable. The exceptional margins on fleet sales throughout the year, supported by high cost inflation on new vehicles, more than compensated for the reduction in numbers sold and the total profit on disposals increased.

The company continued to concentrate on acquiring more specialist vehicles with higher capital and rental values. The cost of replacement vehicles is increasing due to current exceptionally high inflation which has added to normal levels of cost increases expected over the vehicle replacement cycle. The increase in fleet size and unit cost in the year has resulted in the original cost of the motor vehicle fleet increasing by 9.4% to end the year at £124.5M.

In the previous financial year the directors reviewed the depreciation rates applying to the fleet and reduced the rate of depreciation from 25% to 20% per annum on a reducing balance basis. For a transitional period of at least four years this change enhances the normal underlying trading performance (but at a reducing rate). The impact in the current year was c £2.9M (2021 – c £3.7M), increasing gross margin and fleet net book value.

Due to the improved utilisation and high second-hand fleet margins, gross profit was up 0.5% at £19.4M.

On 27 September 2021 the company completed the acquisition of new premises at Patrick Green, Leeds. Following a period of refurbishment the premises became the new Leeds Depot & Head Office in January 2022 replacing The Roundhouse, Leeds. Due to its proximity to the Sherburn depot a significant proportion of the operations previously managed from Sherburn have been consolidated into the new Leeds depot.

Administration expenses increased 20.8% driven by higher equipment depreciation and refurbishment costs at Patrick Green, business rates and payroll increases. Cost increases were in line with expectations.

At the year-end hire purchase obligations had decreased year on year by 3.3% due to positive operating cashflows but associated interest costs increased 42% due to increased Bank of England base rates.

Overall the reported profit before tax increased year on year by £1.2M and after-tax profits improved by £1.0M.

During the year the business invested £32.2M in new assets, sold vehicles for £15.1M, generated £20.8M from operations and decreased hire purchase borrowing by net £1.5M. The closing hire purchase obligation represented 63.8% (2021 – 74.3%) of the fleet net book value.

LEEDS COMMERCIAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Principal risks and uncertainties

The commercial vehicle hire market continues to be highly competitive with rental rates remaining under pressure. This could result in a loss of key customers to competitors. The company manages this risk by developing and maintaining strong relationships with key customers and ensuring it offers a market leading level of service.

The company recognises the risks arising from a failure to deliver key support and engineering services to the highest standards. The business has an unwavering dedication to maintenance compliance and health and safety which means customers can be reassured about the quality and condition of the vehicles. The company has invested in the latest IT systems to manage, schedule and control maintenance. In addition, it works with vehicle manufacturers and bodybuilders to improve and develop the fleet with better and safer methods of working for drivers and operators.

The business needs to secure hire purchase funding from lenders to fund the purchase of new vehicles. It currently has a ready source of funding from a carefully selected pool of lenders at very competitive rates. The facilities available from these lenders are significantly in excess of foreseeable requirements.

As is typical in this sector, the balance sheet shows net current liabilities due to the inclusion of future hire purchase payments. These are covered by future rental incomes which provide matching cashflows but are not recognised in current assets until billed. Any vehicle which is not adequately utilised would be sold to settle any outstanding hire purchase liability. Hire purchase terms are such that residual values on sale exceed the outstanding hire purchase liability. The business also maintains a substantial pool of new vehicles available for re-financing which provide additional liquidity in addition to normal banking facilities. Budgets and cashflow forecasts are used by the directors, with substantial safety margins, to ensure that liabilities are met as they fall due.

The company's borrowings are a mix of fixed and variable interest rates. Any increases in the variable rate would increase future borrowing costs. The directors monitor interest rate fluctuations and would consider available financial instruments to limit exposure should the need arise. No such financial instruments are currently considered necessary.

The construction sector has always been a key sector for the business due to its need for large volumes of specialist vehicles but the business continues to seek opportunities to diversify its client base into other areas to reduce its exposure to any one sector.

The realisable value of the fleet at the point of disposal depends on the state of the used vehicle market at the time. This can be volatile due to fluctuations in demand, exchange rates and the cost of new vehicles. Consequently, depreciation rates are set to ensure vehicle carrying values are not overstated.

Factors in the general economy which can potentially impact the business include inflation, interest rates and BREXIT and wider supply chain issues. At the present time the directors have no specific areas of significant concern but will continue to monitor the impact of these issues. We remain vigilant for signs of change in the wider economy.

The directors are conscious of the increasing impact of environmentally friendly regulations. The risk is mitigated by our fleet replacement policy which ensures that vehicles meet the latest technical specifications and standards. At the year-end the average age of fleet vehicles was 2.2 years.

LEEDS COMMERCIAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Key performance indicators

		<u>Year on year variance*</u>
		<u>%</u>
Turnover	Up	13.1%
Gross profit	Up	14.2%
Gross profit %	Up	0.5%
Administrative expenses	Up	(20.8%)
Hire purchase interest payable	Up	(42.1%)
Profit before tax	Up	10.2%
Original cost of fleet	Up	9.4%
NBV of fleet	Up	12.6%
Fleet size	Up	6.8%
Utilisation rates	Up	3.0%
Hire purchase obligations	Down	3.3%
Ratio of hire purchase obligations to NBV	Down	10.5%
Employees	No movement	(0.0%)
*Note – a positive variance indicates an increase in incomes and assets or decrease in costs and liabilities		

Non-financial KPIs include MOT pass rates which we expect to be exceptionally high due to our rigorous maintenance procedures. Any failures are fully investigated and reported. During the year the overall pass rate was 98%.

Health & Safety statistics are monitored recording actual accidents and near misses with the aim reducing accidents to an absolute minimum. There were no major/RIDDOR reportable incidents, 1 minor accident, 1 lost time accident and no reported near misses in the financial year.

Staff turnover is monitored. During the year the number of leavers represented 17% (2021 – 23%) of the average workforce. Having regard to the specific circumstances of each individual case and the nature of some work within the business the turnover is considered to be normal for the sector.

The directors anticipate that the company will remain profitable in the year to 30 September 2023. Although the market is competitive, demand for the rental fleet has remained very strong. Fleet numbers are increasing in line with customer demand. The results in the first quarter have been encouraging.

The company will continue to seek new opportunities to grow organically and through acquisition but only when growth can be achieved profitably.

LEEDS COMMERCIAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

On behalf of the board

Mr C J Miller
Director

24 February 2023

LEEDS COMMERCIAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present their annual report and financial statements for the year ended 30 September 2022.

Principal activities

The principal activity of the company continued to be that of commercial vehicle hire.

Directors

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

Mr C J Miller

Mr P R Bumford

Mr P J Graham

(Retired 31 December 2022)

Mr J G Wilson

Mr L D Margel

(Appointed 1 January 2023)

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £2,000,000. The directors do not recommend payment of a further dividend.

Auditor

The auditor, BHP LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually 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.

LEEDS COMMERCIAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Quality, Environmental and Health & Safety matters

The company is committed to maintaining its Quality, Environmental Management and Health & Safety Systems and is accredited under ISO 9001, ISO 14001 and ISO 45001 respectively.

On behalf of the board

Mr C J Miller

Director

24 February 2023

LEEDS COMMERCIAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEEDS COMMERCIAL LIMITED

Opinion

We have audited the financial statements of Leeds Commercial Limited (the 'company') for the year ended 30 September 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 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 30 September 2022 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.

LEEDS COMMERCIAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEEDS COMMERCIAL LIMITED

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 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 extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations, relevant to the Company, which could give rise to a material misstatement in the financial statements. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management, review of company minutes and legal expenses. There are inherent limitations in the audit procedures described and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As part of our audit, we addressed the risk of management override of internal controls, including testing of journals and review of nominal ledger. We evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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.

LEEDS COMMERCIAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF LEEDS COMMERCIAL LIMITED

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 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.

Chris Neale
Senior Statutory Auditor
For and on behalf of BHP LLP

24 February 2023

Chartered Accountants
Statutory Auditor

Mayesbrook House
Lawnswood Business Park
Redvers Close
Leeds
LS16 6QY

LEEDS COMMERCIAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	39,564,121	34,993,503
Cost of sales		(20,131,577)	(17,972,559)
Gross profit		19,432,544	17,020,944
Administrative expenses		(5,591,056)	(4,629,517)
Other operating income		127,592	78,253
Operating profit	4	13,969,080	12,469,680
Interest receivable and similar income	7	52,634	17,557
Interest payable and similar expenses	8	(1,014,310)	(682,080)
Profit before taxation		13,007,404	11,805,157
Tax on profit	9	(2,829,435)	(2,633,385)
Profit for the financial year		10,177,969	9,171,772

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

LEEDS COMMERCIAL LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2022

		2022	2021
	Notes	£	£
Fixed assets			
Tangible assets	11	80,975,134	72,996,534
Current assets			
Stocks		188,306	148,454
Debtors falling due after more than one year	13	1,650,192	1,580,000
Debtors falling due within one year	13	6,342,163	5,316,498
Cash at bank and in hand		7,567,082	5,631,528
		15,747,743	12,676,480
Creditors: amounts falling due within one year	14	(29,488,328)	(24,344,123)
Net current liabilities		(13,740,585)	(11,667,643)
Total assets less current liabilities		67,234,549	61,328,891
Creditors: amounts falling due after more than one year	15	(23,304,260)	(27,114,315)
Provisions for liabilities			
Provisions	18	200,000	200,000
Deferred tax liability	19	3,169,843	1,632,099
		(3,369,843)	(1,832,099)
Net assets		40,560,446	32,382,477
Capital and reserves			
Called up share capital	21	195,300	195,300
Capital redemption reserve		62,825	62,825
Profit and loss reserves		40,302,321	32,124,352
Total equity		40,560,446	32,382,477

The financial statements were approved by the board of directors and authorised for issue on 24 February 2023 and are signed on its behalf by:

Mr C J Miller
Director

Company Registration No. 00587618

LEEDS COMMERCIAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 October 2020		195,300	62,825	23,952,580	24,210,705
Year ended 30 September 2021:					
Profit and total comprehensive income for the year		-	-	9,171,772	9,171,772
Dividends	10	-	-	(1,000,000)	(1,000,000)
Balance at 30 September 2021		195,300	62,825	32,124,352	32,382,477
Year ended 30 September 2022:					
Profit and total comprehensive income for the year		-	-	10,177,969	10,177,969
Dividends	10	-	-	(2,000,000)	(2,000,000)
Balance at 30 September 2022		195,300	62,825	40,302,321	40,560,446

LEEDS COMMERCIAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

		2022		2021	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	26	23,155,703		17,100,337	
Interest paid		(1,014,310)		(682,080)	
Income taxes paid		(1,385,063)		(895,975)	
Net cash inflow from operating activities		20,756,330		15,522,282	
Investing activities					
Purchase of tangible fixed assets		(32,233,801)		(41,427,084)	
Proceeds on disposal of tangible fixed assets		15,087,724		14,860,959	
Interest received		52,634		17,557	
Net cash used in investing activities		(17,093,443)		(26,548,568)	
Financing activities					
Increase/(repayment) of borrowings		1,802,852		1,107,215	
Proceeds of hire purchase agreements		20,866,665		27,301,638	
Repayment of hire purchase agreements		(22,396,850)		(20,668,691)	
Dividends paid		(2,000,000)		(1,000,000)	
Net cash (used in)/generated from financing activities		(1,727,333)		6,740,162	
Net increase/(decrease) in cash and cash equivalents		1,935,554		(4,286,124)	
Cash and cash equivalents at beginning of year		5,631,528		9,917,652	
Cash and cash equivalents at end of year		7,567,082		5,631,528	

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

Company information

Leeds Commercial Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Old Test Station, Patrick Green, Leeds, West Yorkshire, LS26 8HE.

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 amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

As covered in the Strategic Report and is typical in this sector, the balance sheet shows net current liabilities due to the inclusion of future hire purchase payments. The directors are confident that future rental incomes from hired-out vehicles, or the sales receipts receivable from vehicles no longer required, will exceed the hire purchase obligations falling due at any time. In addition, the directors have access to numerous unutilised and agreed lending facilities and substantial unencumbered assets due to the level of equity in the balance sheet.

The Directors have also considered the impact of the current economic environment and are confident in the ability of the business to generate sufficient cash to mitigate the risk of rising interest rates and inflationary pressure in the supply chain on cash flow.

Consequently the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover on contract and hire sales is recognised in the period in which the services are provided. Turnover is measured at the fair value of the consideration received or receivable, 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.

Turnover from the supply of related services such as vehicle repairs is recognised at the point the service is provided.

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.

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

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:

Freehold buildings	2% to 10% straight line
Leasehold buildings	Over the life of the lease
Fixtures and fittings	25% reducing balance
Motor vehicles	20% reducing balance
Motor vehicles for hire	20% reducing balance

There is no depreciation charged on freehold land.

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 cost of sales.

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 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' 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.

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

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.

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.

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, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

Derecognition of financial liabilities

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

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

1.8 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.

1.9 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.

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.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

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

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

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.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation

The depreciation policy has been set according to management's experience of the useful lives of a typical asset in each category. It is not considered practical to use a per unit basis to allocate depreciation. The depreciation charged during the year was £17,176,598 (2021: £15,138,791) which the directors feel is a fair reflection of the benefits derived from consumption of the tangible fixed assets in use during the period.

In respect of motor vehicles a full year of depreciation is charged in the year of addition and none in the year of disposal because the directors believe this better reflects the consumption of the economic benefit of the assets.

Dilapidations provision

Dilapidations are an assessment of works required to return a rented property back to the condition prescribed within the tenant's covenants of the lease. Based on the advice obtained from Chartered Surveyors, the directors have estimated that a provision of £200,000 is required in relation to the former Leeds property.

The Directors have determined that a provision is not required in relation to the Manchester or Bradford sites because no significant changes to the properties have been made and the properties are being kept in good working condition. There are no plans to exit these sites and therefore there is significant uncertainty as to when any dilapidations would become due.

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3 Turnover and other revenue

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

	2022	2021
	£	£
Turnover analysed by class of business		
Hire Sales	29,014,168	25,305,311
Contract sales	7,843,836	7,161,930
Fuel sales	304,964	257,046
Repair sales	2,222,796	1,935,498
Miscellaneous sales	178,357	333,718
	<u>39,564,121</u>	<u>34,993,503</u>
Grants received	2,592	7,534
	<u>2,592</u>	<u>7,534</u>

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(2,592)	(7,534)
Fees payable to the company's auditor for the audit of the company's financial statements	12,550	11,200
Depreciation of owned tangible fixed assets	5,829,722	3,470,677
Depreciation of tangible fixed assets held under finance leases	11,346,876	11,668,114
Profit on disposal of tangible fixed assets	(8,009,121)	(7,632,000)
Operating lease charges	177,259	368,607
	<u>177,259</u>	<u>368,607</u>

5 Employees

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

	2022	2021
	Number	Number
Administration & support	40	42
Sales	12	14
Operations	88	84
Total	<u>140</u>	<u>140</u>

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

5 Employees (Continued)

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	6,377,366	5,782,263
Social security costs	730,079	686,691
Pension costs	213,587	182,370
	<u>7,321,032</u>	<u>6,651,324</u>

6 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	567,818	546,792
Company pension contributions to defined contribution schemes	28,111	56,051
	<u>595,929</u>	<u>602,843</u>

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

	2022 £	2021 £
Remuneration for qualifying services	<u>179,827</u>	<u>151,803</u>

7 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Other interest income	<u>52,634</u>	<u>17,557</u>

8 Interest payable and similar expenses

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Interest on hire purchase contracts	893,228	628,417
Other finance costs:		
Other interest	<u>121,082</u>	<u>53,663</u>
	<u>1,014,310</u>	<u>682,080</u>

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	1,305,844	1,107,412
Adjustments in respect of prior periods	(14,153)	3,874
Total current tax	1,291,691	1,111,286
Deferred tax		
Origination and reversal of timing differences	1,168,685	1,487,363
Changes in tax rates on opening balance	369,059	34,736
Total deferred tax	1,537,744	1,522,099
Total tax charge	2,829,435	2,633,385

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:

	2022 £	2021 £
Profit before taxation	13,007,404	11,805,157
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	2,471,407	2,242,980
Tax effect of expenses that are not deductible in determining taxable profit	4,067	200
Adjustments in respect of prior years	(14,153)	3,874
Remeasurement of deferred tax for changes in tax rates	369,059	391,704
Deferred tax movement not recognised	11,120	(12,977)
Other	(12,065)	7,604
Taxation charge for the year	2,829,435	2,633,385

10 Dividends

	2022 £	2021 £
Interim paid	2,000,000	1,000,000

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

11	Tangible fixed assets						
	Freehold buildings £	Leasehold buildings £	Fixtures and fittings £	Motor vehicles £	Motor vehicles for hire £	Total £	
Cost							
At 1 October 2021	10,665,899	830,603	1,533,824	1,363,459	112,390,352	126,784,137	
Additions	-	-	642,141	829,878	30,761,782	32,233,801	
Disposals	-	-	-	(318,366)	(20,523,838)	(20,842,204)	
Transfers	-	-	-	(67,250)	67,250	-	
At 30 September 2022	10,665,899	830,603	2,175,965	1,807,721	122,695,546	138,175,734	
Depreciation and impairment							
At 1 October 2021	655,629	156,811	1,187,601	682,440	51,105,122	53,787,603	
Depreciation charged in the year	167,814	13,515	275,230	269,269	16,450,770	17,176,598	
Eliminated in respect of disposals	-	-	-	(184,064)	(13,579,537)	(13,763,601)	
Transfers	-	-	-	(36,867)	36,867	-	
At 30 September 2022	823,443	170,326	1,462,831	730,778	54,013,222	57,200,600	
Carrying amount							
At 30 September 2022	9,842,456	660,277	713,134	1,076,943	68,682,324	80,975,134	
At 30 September 2021	10,010,270	673,792	346,223	681,019	61,285,230	72,996,534	

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

11 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under hire purchase agreements.

	2022 £	2021 £
Motor vehicles	45,387,503	46,672,460
Depreciation charge for the year in respect of hire purchase assets	11,346,876	11,668,114

Freehold & leasehold land and buildings with a carrying amount of £2,505,559 (2021 - £2,573,307) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Assets under hire purchase obligations are secured against the assets to which they relate.

12 Financial instruments

All financial assets and liabilities are held at amortised cost.

13 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	5,834,629	4,688,657
Other debtors	1,811	-
Prepayments and accrued income	505,723	627,841
	6,342,163	5,316,498
Amounts falling due after more than one year:		
Other debtors	1,650,192	1,580,000
Total debtors	7,992,355	6,896,498

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

14 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Obligations under hire purchase agreements	17	21,191,529	18,911,659
Other borrowings	16	3,357,480	1,554,628
Trade creditors		993,823	1,017,504
Corporation tax		494,039	587,411
Other taxation and social security		1,347,089	613,726
Other creditors		674,022	653,479
Accruals and deferred income		1,430,346	1,005,716
		<u>29,488,328</u>	<u>24,344,123</u>

15 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Obligations under hire purchase agreements	17	<u>23,304,260</u>	<u>27,114,315</u>

Obligations under hire purchase contracts are secured on the assets to which they relate.

16 Loans and overdrafts

	2022 £	2021 £
Other loans	<u>3,357,480</u>	<u>1,554,628</u>
Payable within one year	<u>3,357,480</u>	<u>1,554,628</u>

17 Hire purchase obligations

	2022 £	2021 £
Future minimum hire purchase payments due under hire purchase agreements:		
Within one year	21,191,529	18,911,659
In two to five years	23,304,260	27,114,315
	<u>44,495,789</u>	<u>46,025,974</u>

Hire purchase payments represent net capital repayments payable by the company for certain vehicles. Agreements include purchase options at the end of the period, and no restrictions are placed on the use of the assets. The average hire purchase term is 4 years. Hire purchase agreements are on a mixture of fixed and variable repayment basis and no arrangements have been entered into for contingent capital repayments.

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

18 Provisions for liabilities

	2022 £	2021 £
Dilapidations provision	200,000	200,000

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances / depreciation	3,243,278	1,705,584
Short term timing differences	(73,435)	(73,485)
	<u>3,169,843</u>	<u>1,632,099</u>
Movements in the year:		2022 £
Liability at 1 October 2021		1,632,099
Charge to profit or loss		1,537,744
		<u>3,169,843</u>
Liability at 30 September 2022		

20 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	213,587	182,370

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.

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

21 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary A shares of £1 each	135,450	135,450	135,450	135,450
Ordinary B shares of £1 each	29,925	29,925	29,925	29,925
Ordinary C shares of £1 each	29,925	29,925	29,925	29,925
	<u>195,300</u>	<u>195,300</u>	<u>195,300</u>	<u>195,300</u>

The Ordinary A, Ordinary B and Ordinary C shares are entitled to vote at shareholders meetings and are entitled to receive dividends.

The holder of the Ordinary A shares holds the casting vote.

22 Financial commitments, guarantees and contingent liabilities

The company's bankers hold a debenture including a fixed charge over all freehold and leasehold property, first fixed charge over book and other debtors, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertakings both present and future.

Assets under hire purchase obligations are secured against the assets to which they relate.

23 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:

	2022	2021
	£	£
Within one year	114,600	121,796
Between two and five years	180,732	282,462
In over five years	735,216	748,007
	<u>1,030,548</u>	<u>1,152,265</u>

24 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022	2021
	£	£
Acquisition of tangible fixed assets	<u>27,352,955</u>	<u>32,506,962</u>

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

25 Related party transactions

Remuneration of key management personnel

Key management personnel are the directors of the business. Their remuneration is disclosed within the Directors' remuneration note.

Directors' transactions

Dividends totalling £2,000,000 (2021 - £1,000,000) were paid in the year in respect of shares held by a company Director and their family members.

The company has been provided loans by a Director and their family members. Interest is charged on these loans at 5%. The amount due as at 30 September 2022 was £3,357,480 (2021 - £1,554,628).

The company rents a property from a pension scheme of which one of the directors is a trustee. The rent paid during the year was £101,800 (2021 - £99,960).

A loan was made to an entity under common control during the prior year, on which interest is charged at 2.5% above base rate. The balance due at the 30 September 2022 was £1,650,192 (2021 - £1,580,000).

26 Cash generated from operations

	2022 £	2021 £
Profit for the year after tax	10,177,969	9,171,772
Adjustments for:		
Taxation charged	2,829,435	2,633,385
Finance costs	1,014,310	682,080
Investment income	(52,634)	(17,557)
Gain on disposal of tangible fixed assets	(8,009,121)	(7,632,000)
Depreciation and impairment of tangible fixed assets	17,176,598	15,138,791
Movements in working capital:		
(Increase)/decrease in stocks	(39,852)	27,011
Increase in debtors	(1,095,857)	(2,253,218)
Increase/(decrease) in creditors	1,154,855	(649,927)
Cash generated from operations	23,155,703	17,100,337

LEEDS COMMERCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

27 Analysis of changes in net debt

	1 October 2021	Cash flows	30 September 2022
	£	£	£
Cash at bank and in hand	5,631,528	1,935,554	7,567,082
Borrowings excluding overdrafts	(1,554,628)	(1,802,852)	(3,357,480)
Obligations under finance leases	(46,025,974)	1,530,185	(44,495,789)
	<u>(41,949,074)</u>	<u>1,662,887</u>	<u>(40,286,187)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.