

Philip Payne Limited
Annual Report and Financial Statements
for the year ended 30 June 2023

Registered number: 1361523



Philip Payne Limited

Annual Report and Financial Statements for the year ended 30 June 2023

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Philip Payne Limited

Directors' Report for the year ended 30 June 2023

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

Principal activities

The Company's principal activity during the year was the manufacture, distribution and sale of specialist lighting equipment and illuminated signs.

Review of business and future developments

The level of business and the financial position at 30 June 2023 were satisfactory and the directors expect this to continue into the coming year.

The most significant uncertainties for the business arise from fluctuations in the macro-economic cycle and the competitive market. In particular, the Company's revenue and profit will be affected by possible spending reductions due to interest rate hikes, and inflationary pressures and exchange rate risks for purchases of materials and trade debtors. Wherever possible the Company seeks to minimise these risks by diversification and risk management strategies. Competition within the market is strong with evolving technologies, products and pricing. The Company seeks to minimise these risks by offering innovative solutions and working closely with customers to satisfy their requirements. Prices are reviewed regularly, particularly where there is an element of the products made that relies on components priced in foreign currencies.

The key performance indicators for the business are revenue and operating profit. Revenue increased by 20% (2022: increased by 16%) in the year and operating profit increased by 37% (2022: increased by 1%). The directors monitor non-financial areas of the business relating to energy saving and environmental responsibility, market and product development, customer service and support on a regular basis. Objectives are set including financial and non-financial targets and these are monitored by the board.

The Company has financial risks and seeks to minimise and manage these by incorporating controls into key functions as part of the normal business operation.

Management reviews prices at least annually to take into account fluctuations in costs in order to minimise the risk of reduction in gross margin, or loss of market share from lack of competitiveness.

Financial risk management

The Company, which is limited by shares, has operations exposing it to a variety of financial risks that include credit risk and liquidity risk. The Company has in place a risk management programme that seeks to limit adverse effects on its financial performance. The policies set by the directors are implemented by the Company's management team.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed at least annually by the management of the Company. Management reviews the debt profile regularly to minimise the impact of bad debt exposure and the risk of slow payment by customers. The Company has underwritten a significant part of its customer debt with a credit insurance policy, which is managed in accordance with Group control procedures.

The Company's cash resources are managed centrally by the Parent Company in accordance with their treasury policy apart from a small amount of physical cash and foreign currency, which is held securely and is subject to agreed internal control procedures. The Parent Company, FW Thorpe Plc, manages the risks associated with cash and deposits.

Philip Payne Limited

Directors' Report for the year ended 30 June 2023 (continued)

Financial risk management (continued)

Liquidity risk

The Company actively maintains its liquidity risk using operating cash flows, cash equivalents and a mixture of short and long-term inter-company debt that is designed to ensure the Company has sufficient available funds for its operations. The Company also has access to intergroup borrowings if necessary, to fund any one-off liquidity requirements.

Price risk

The Company has exposure to the risk of commodity price changes, in particular metals. The Company seeks to minimise the risk by agreeing prices with major suppliers in advance.

Results and dividends

The profit for the financial year amounted to £448,000 (2022: £334,000) and was transferred directly to reserves. The dividend paid during the year was £150,000 (2022: £250,000). The directors recommend the payment of a dividend of £250,000 (2022: £150,000) for the year.

Directors

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

C Muncaster
N Revell (appointed 3 July 2023)
D Taylor (resigned 3 July 2023)

Development activities

The Company is committed to development activities in order to maintain its market share in the lighting components market. These activities encompass constant development of both new and existing products to ensure that a leading position in the lighting market is maintained.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are 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.

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Directors' Report for the year ended 30 June 2023 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Parent Company, FW Thorpe Plc also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Independent Auditors

The Company have chosen not to hold annual general meetings. For the year ending 30 June 2023, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Going concern

The directors confirm that they are satisfied the Company has adequate resources to continue in business for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing these financial statements.

Small company exemption

The directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Company has also taken advantage of the exemption available to it not to prepare a strategic report.

On behalf of the Board



C Muncaster
Director

4 December 2023

Philip Payne Limited

Income Statement for the year ended 30 June 2023

		2023	2022
	Note	£'000	£'000
Revenue	2	3,864	3,231
Cost of sales		(1,963)	(1,651)
Gross profit		1,901	1,580
Distribution costs		(199)	(330)
Administrative expenses		(1,155)	(861)
Other operating income	3	20	27
Operating profit		567	416
Finance income	5	1	-
Profit before tax		568	416
Income tax expense	6	(120)	(82)
Profit for the year		448	334

All income derives from continuing operations.

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Statement of Comprehensive Income for the year ended 30 June 2023

	2023	2022
	£'000	£'000
Profit and total comprehensive income for the year	448	334

All comprehensive income is attributable to the owners of the Company and derives from continuing operations.

Philip Payne Limited

Statement of Financial Position as at 30 June 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	7	255	229
Property, plant and equipment	8	388	319
Total non-current assets		643	548
Current assets			
Inventories	9	639	588
Trade and other receivables	10	1,422	1,167
Cash and cash equivalents		1	1
Total current assets		2,062	1,756
Creditors - amounts falling due within one year	11	(844)	(788)
Net current assets		1,218	968
Total assets less current liabilities		1,861	1,516
Non-current liabilities			
Provisions for liabilities	12	(23)	(22)
Deferred tax liabilities	13	(101)	(55)
Total non-current liabilities		(124)	(77)
Net assets		1,737	1,439
Equity			
Share capital	14	-	-
Retained earnings		1,737	1,439
Total equity		1,737	1,439

For the year ended 30 June 2023, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The notes on pages 8 to 22 form part of the financial statements.

The financial statements on pages 4 to 7 were approved by the Board of Directors on the below date and were signed on its behalf by:



C Muncaster
Director

4 December 2023

Registered number 1361523

Philip Payne Limited

Statement of Changes in Equity for the year ended 30 June 2023

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2021		-	1,355	1,355
Comprehensive income		-		
<i>Profit for the year</i>		-	334	334
Total comprehensive income		-	334	334
Transactions with owner				
Dividends paid to shareholder	15	-	(250)	(250)
Balance at 30 June 2022		-	1,439	1,439
Balance at 1 July 2022		-	1,439	1,439
Comprehensive income				
<i>Profit for the year</i>		-	448	448
Total comprehensive income		-	448	448
Transactions with owner				
Dividends paid to shareholder	15	-	(150)	(150)
Balance at 30 June 2023		-	1,737	1,737

Philip Payne Limited

Notes to the Financial Statements for the year ended 30 June 2023

1 Summary of significant accounting policies

The principal accounting policies, which have been applied, are set out below.

General information

Philip Payne Limited (the Company) is a private company limited by shares incorporated and domiciled in England and Wales under the Companies Act 2006. The Company's registered address is Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH.

Basis of preparation

The Company has prepared the financial statements using FRS101 'Reduced Disclosure Framework'. Therefore, the recognition and measurement requirements of International Accounting Standards are in conformity with the requirements of the Companies Act 2006.

Where required, equivalent disclosures are given in the FW Thorpe Plc Group financial statements.

The Company has adopted all IFRS adopted in the UK, with the exception of the disclosure exemptions listed below. The Company has not early adopted any other standards or interpretations not yet endorsed by the UK.

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS101. The accounting policies set out below have been consistently applied.

There are no other standards that are not yet effective that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Going concern

The directors confirm that they are satisfied the Company has adequate resources to continue in business for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing these financial statements.

Disclosure exemptions adopted

The Company has taken advantage of the following disclosure exemptions permitted under FRS 101 in relation to the following:

- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 73(e) of IAS 16 Property, Plant and Equipment, and paragraph 118(e) of IAS 38 Intangible Assets;
- The requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements to present information on the Company's capital management;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of IFRS 7 Financial instruments: Disclosures;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors to present disclosure of new standards and interpretations that have been issued but not yet effective; and
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Philip Payne Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

1 Summary of significant accounting policies (continued)

Revenue recognition

The Company recognises revenue earned from contracts based on individual performance obligations using the five-step model. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration the Company is entitled to in exchange for those goods or services, excluding VAT, trade discounts and rebates.

The Company has generally concluded that it is the principal in its revenue arrangements. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The normal credit terms are 30 to 90 days from delivery.

Revenue from external customers is derived from the supply of light fittings.

<u>Revenue Stream</u>	<u>Revenue Recognition</u>
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Light Fittings	Revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods
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The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, service agreements). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Interest income

Interest income from Parent Company is recognised on a time proportion basis using the effective interest method.

Intangible assets

Development costs

The Company undertakes development activities on an ongoing basis. Part of these costs relate to projects where the benefit is received in the short term (less than one year) and part relates to longer term projects where the benefit is expected to be received for several years to come. Costs associated with the shorter-term activities are expensed as and when they are incurred. Costs associated with the longer-term projects are capitalised as an intangible asset and amortised over the expected life of the benefit, generally at 33.33% per annum, commencing when the asset is available for use within the business. Development assets are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

1 Summary of significant accounting policies (continued)

Intangible assets (continued)

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period

The economic success for development activities is uncertain and carrying amounts are reviewed at each statement of financial position date for impairment in accordance with IAS 36

Development assets are valued at cost less accumulated amortisation and any impairment losses

Software costs

Software costs are stated at cost less accumulated amortisation and impairment where applicable. Amortisation is calculated on a straight-line basis to write down the cost less estimated residual value over its useful life. The amortisation rates are between 20% and 50% per annum, reflecting the life of the assets.

Property plant and equipment

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price together with the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated on a straight-line basis to write off the cost of assets over their useful life as shown below:

Plant and machinery	3 to 10 years
Office furniture and equipment	3 to 10 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Assets are reviewed for impairment where there is an indication that the carrying value may not be recoverable.

Dividend distribution

Dividend distributions to the Company's shareholder are recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholder.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first in, first out method (FIFO). The cost of work in progress and finished goods comprises the cost of raw materials, direct labour and other direct and related production overheads, relating to the normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made against the cost of slow moving, obsolete inventory lines based on the estimated recoverable amounts.

Trade receivables

Trade receivables are recognised initially at fair value and the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

1 Summary of significant accounting policies (continued)

Trade receivables (continued)

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period 12 months up to the end of the relevant year, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "distribution costs". When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "distribution costs" in the income statement.

Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the year in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on an undiscounted basis.

Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the financial liability using effective interest method.

Financial liabilities are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss as other income or finance costs.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Costs for financial liabilities are expensed in the period in which they occur.

Philip Payne Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

1 Summary of significant accounting policies (continued)

Pension obligations

The Company participates in the Group's multi-employer defined benefit/contribution hybrid scheme of which the scheme assets and liabilities can't be accurately separated for each participating company. The pension cost represents contributions during the period to the Group scheme, the level of which is based on the recommendation of the actuary, adjusted for any prepaid or accrued pension costs. Details of the scheme can be found in the financial statements of FW Thorpe Plc.

The Company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Lease liability: The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets: The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Company's existing impairment accounting policy.

Short term leases and low value assets

For these leases, payments made under them, are charged to the income statement on a straight-line basis over the term of the lease.

Warranty

The Company recognises a provision for the estimated cost to repair or replace products still under warranty at the statement of financial position date. The provision is calculated based on past history of the level of repairs and replacements.

Share capital

Ordinary shares are classified as equity.

When ordinary shares are issued to the shareholder by the Company, the face value of the ordinary shares issued is credited to issued share capital.

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

1 Summary of significant accounting policies (continued)

Foreign currency translation

Transactions in foreign currency are converted to sterling using the exchange rate applicable to the date of the transaction. Foreign currency gains and losses resulting from the settlement of foreign currency transactions at a different time are recognised in the income statement. Currency exchange differences arising from holding monetary assets or liabilities in a foreign currency are fair valued at the statement of financial position date in accordance with prevailing exchange rates and resulting gains or losses are recognised in the income statement.

Critical accounting estimates and judgements

The presentation of the annual financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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 and in any future periods affected. *The key estimates and judgements used in the financial statements are as follows:*

Estimates

Warranty

The Company provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims in order to estimate the expected costs that will arise in respect of products sold within the remaining warranty periods. The expected future warranty claims provision is calculated by assessing historical data, industry failure rates and the Company's knowledge of products to determine the percentage of sales that should be provided for to cover future associated warranty costs. Note 12 contains details of the warranty provision.

Judgements

Development costs

The Company undertakes development activities, and the commercial viability of these activities is assessed on a continual basis. As such the Company assesses each new project to determine whether development costs incurred should be capitalised within intangible assets or recognised as an expense within administrative expenses. The Company determines this classification based on the future value of the work based on past experience of similar development projects and the feedback from the marketplace about future expectations for technological development.

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Revenue

The revenue and profit before income tax are predominantly attributable to one activity, manufacture, distribution and sale of specialist lighting equipment and illuminated signs, predominantly in the UK.

3 Operating Profit

The operating profit is stated after charging/(crediting):

	2023 £'000	2022 £'000
Cost of inventories recognised as an expense	1,317	1,121
Amortisation of intangible assets (note 7)	84	63
Depreciation of property, plant and equipment (note 8)	113	81
Profit on disposal of property, plant and equipment	(29)	(16)
Research and development expenditure credit	(20)	(27)
Expense on short-term and low value leases:		
– land and buildings	42	42
– Other equipment	2	-

Amortisation of intangible assets relates to computer software and internally generated development costs and is charged to administrative expenses, within the income statement.

Other operating income consists of the research and expenditure credit of £21,000 (2022: £27,000). This is a credit provided by the UK government for carrying out research and development.

4 Directors and employees

	2023 £'000	2022 £'000
Staff costs:		
Wages and salaries	1,279	1,120
Social security costs	127	111
Other pension costs (note 17)	45	36
	1,451	1,267

Included in wages and salaries are £140,000 (2022: £96,000) of temporary employee costs.

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

4 Directors and employees (continued)

The monthly average number of directors and employees employed by the Company during the year is set out below:

By activity	2023 Number	2022 Number
Production	16	12
Selling and distribution	6	7
Administration	5	8
	27	27

Directors' emoluments

Remuneration in respect of the directors was payable as follows:

	2023 £'000	2022 £'000
Aggregate emoluments	134	207

Included in aggregate emoluments are £nil (2022: £nil) of exercised share options, the cost of which was borne by the Parent Company FW Thorpe Plc. No recharge is made to the Company for such costs.

Retirement benefits are not accruing to any directors (2022: nil) under a defined benefit scheme.

The emoluments of the highest paid director were £134,000 (2022: £207,000) with £nil (2022: £nil) being contributed to FW Thorpe retirements benefits scheme. Compensation payments for the loss of pension contributions for the highest paid director were £17,000 (2022: £20,000).

The other director of the Company is also a director of FW Thorpe Plc and received emoluments from that company and did not receive any emoluments in respect of their services to the Company (2022: £nil). Disclosure of the total emoluments of the directors of FW Thorpe Plc are made in the financial statements of FW Thorpe Plc. It is not possible to allocate the emoluments attributable to the Company of that director, and as such no recharge has been made to the Company for these costs.

5 Finance income

	2023 £'000	2022 £'000
Interest income from Parent Company	1	-

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

6 Income tax expense

The tax expense is based on the profit before tax for the year:

	2023	2022
	£'000	£'000
Current tax:		
UK corporation tax on profit for the year	99	73
Adjustments in respect of previous years	(25)	-
Total current tax	74	73
Deferred tax:		
Origination and reversal of timing differences (note 13)	46	9
Total deferred tax	46	9
Tax on profit	120	82

The tax assessed for the year is higher (2022: higher) than the standard rate of corporation tax in the UK of 20.50% (2022: 19.00 %). The differences are explained below.

	2023	2022
	£'000	£'000
Profit before tax	568	416
Profit multiplied by the standard rate in the UK of 20.50% (2022: 19.00%)	116	79
Accelerated capital allowances and timing differences	29	3
Adjustments in respect of previous years	(25)	-
Tax expense for the year	120	82

The UK corporation tax rate increase from 19% to 25% from 1 April 2023, which was substantively enacted in May 2021 and an average standard rate of 20.50% is applicable to the Company during the current year. Deferred tax assets and liabilities at 30 June 2023 have been calculated based on a rate at which they are expected to crystallise.

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

7 Intangible assets

	Development costs £'000	Software £'000	Total £'000
Cost			
At 1 July 2022	644	24	668
Additions	105	5	110
At 30 June 2023	749	29	778
Accumulated amortisation			
At 1 July 2022	421	18	439
Charge for the year	82	2	84
At 30 June 2023	503	20	523
Net book value			
At 30 June 2023	246	9	255
At 30 June 2022	223	6	229

Development costs are longer term projects where the benefit is received for several years to come.

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

8 Property, plant and equipment

	Plant and machinery £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 2022	441	226	268	935
Additions	29	24	135	188
Disposals	-	-	(60)	(60)
At 30 June 2023	470	250	343	1,063
Accumulated depreciation				
At 1 July 2022	339	200	77	616
Charge for the year	32	9	72	113
Disposals	-	-	(54)	(54)
At 30 June 2023	371	209	95	675
Net book value				
At 30 June 2023	99	41	248	388
At 30 June 2022	102	26	191	319

9 Inventories

	2023 £'000	2022 £'000
Raw materials and consumables	559	540
Work in progress	52	38
Finished goods and goods for resale	28	10
	639	588

The value of inventory provision is £63,000 (2022: £70,000).

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

10 Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables	460	542
Other receivables	4	4
Amounts owed by Parent Company	870	581
Amounts owed by Group undertakings	6	-
Prepayments and accrued income	82	40
	1,422	1,167

Except for an amount owed by the Parent Company of £702,000 (2022: £318,000) in relation to working capital balances which generate interest in-line with the Group's deposit facilities with the bank, amounts owed by Group undertakings and Parent Company are unsecured, interest free and repayable on demand.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The expected credit losses are assessed based on whether each receivable is performing or underperforming in accordance with IFRS9, and a provision is made where appropriate. With the exception of trade receivables from Government departments or agencies, a significant proportion of the trade receivables are insured. The policy covers 90% of the debt in the event of a claim for default. The bad debt provision includes the remaining 10% of the default in the event of a potential claim. At 30 June 2023, the bad debt provision amounted to £29,000 (2022: £nil).

11 Creditors – amounts falling due within one year

	2023	2022
	£'000	£'000
Trade payables	353	334
Amounts owed to Parent Company	63	63
Amounts owed to Group undertakings	21	-
Corporation tax	100	45
Other payables	8	-
Accruals and deferred income	167	222
Other taxation and social security	132	124
	844	788

Amounts owed to Parent Company and Group undertakings are unsecured, interest free and repayable on demand.

Philip Payne Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

12 Provisions for liabilities

Warranty

	2023 £'000	2022 £'000
At 1 July	22	18
Additions during the year	3	4
Released during the year	(2)	-
At 30 June	23	22

The Company provides variable warranty periods on the products it sells. Such warranty is in respect of the Company's undertaking to repair or replace those items that fail to perform satisfactorily upon meeting the terms and conditions set by the Company. This is calculated in accordance with the accounting policy estimates section included in Note 1.

13 Deferred tax liabilities

	Accelerated tax depreciation £'000	Research & development costs £'000	Total £'000
At 1 July 2021	(3)	49	46
Charged to the income statement (note 6)	-	9	9
At 1 July 2022	(3)	58	55
Charged to the Income statement (note 6)	43	3	46
At 30 June 2023	40	61	101

There are no unused tax losses or unused tax credits.

Philip Payne Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

14 Share capital

	2023	2022
	£	£
Authorised, allotted and fully paid:		
100 ordinary shares of £1 each	100	100
(2022: 100 ordinary shares of £1 each)		

There were no shares issued during the year (2022: nil).

15 Dividends

Dividends paid	2023	2022
	£'000	£'000
Dividends paid for the year £1,500 per share		
(2022: £2,500 per share)	150	250

Dividends proposed	2023	2022
	£'000	£'000
Proposed dividend for the year of £2,500 per share		
(2022: £1,500 per share)	250	150

Proposed dividends are not paid or formally approved at the year end and hence have not been recognised within the statement of financial position or reserves in the current year. The proposed dividends have also not been approved at the time of signing the financial statements.

16 Capital Commitments

At 30 June 2023, the Company had no capital commitments (2022: £nil).

17 Pension scheme

The Company participates in the Group multi-employer defined benefits/defined contribution hybrid scheme in the UK operated by the Parent Company FW Thorpe Plc with identification of individual company shares of assets and liabilities not being possible. This is a funded scheme with the assets held in a separate trustee administered fund.

There is no contractual arrangement for charging the net defined benefit cost of this scheme between companies that participate in the scheme. As a result, the net defined benefit cost of the scheme is recognised in the financial statements of the sponsoring employer, FW Thorpe Plc.

Philip Payne Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

17 Pension scheme (continued)

Details of the FW Thorpe Plc Pension and Life Assurance Scheme and the most recent valuation are disclosed in that Company's annual report and financial statements for the year ended 30 June 2023.

The contributions made by the Company for members of this scheme during the year totalled £10,000 (2022: £10,000). There are no prepaid or accrued amounts.

From April 2014 the Company has provided an auto-enrolment pension scheme, administered independently of the FW Thorpe pension scheme. Contributions to the auto-enrolment scheme amounted to £35,000 (2022: £26,000).

18 Related party transactions and balances

The Company is included in the consolidated financial statements of FW Thorpe Plc and the financial statements of the Group are publicly available.

The Company has taken advantage of the exemption allowed by FRS101 'Related Party Disclosures' not to disclose transactions and balances with fellow wholly owned Group undertakings of FW Thorpe Plc in these financial statements.

Trading balances arise from transactions of goods and services carried out under normal trading terms

Other related parties	Purchases	Sales	Amounts due to related party at 30 June	Amounts due from related party at 30 June
	£'000	£'000	£'000	£'000
2023				
Thorlux Lighting L.L.C	-	2	-	-
Ratio B.V	1	-	-	-
Luxintec S.L.	-	-	-	29
2022				
Thorlux Lighting L.L.C	-	15	-	-
Luxintec S.L.	(1)	-	-	29

19 Ultimate Parent Company and controlling party

The directors consider FW Thorpe Plc, a company registered in England and Wales to be the ultimate Parent Company and controlling party by virtue of its interest in the share capital of the Company.

Copies of the Parent's consolidated financial statements, being the smallest and largest group of undertakings, whose consolidated financial statements contain the Company's numbers, may be obtained from The Secretary, FW Thorpe Plc, Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH.