

Company registration number SC025270 (Scotland)

DAVIDSON BROTHERS (SHOTTS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

DAVIDSON BROTHERS (SHOTTS) LIMITED

COMPANY INFORMATION

Directors	Mr W M Davidson Mr W G Davidson
Secretary	Mr G Dow
Company number	SC025270
Registered office	3 Gray Street Shotts Lanarkshire United Kingdom ML7 5EZ
Auditor	Azets Audit Services Titanium 1 King's Inch Place Renfrew Renfrewshire United Kingdom PA4 8WF

DAVIDSON BROTHERS (SHOTTS) LIMITED

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DAVIDSON BROTHERS (SHOTTS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2023

The directors present the strategic report for the year ended 31 July 2023.

Review of the business

The directors are pleased to report that the company has continued its recent growth trajectory with another year-on-year increase in Turnover and profitability levels.

The business has traded well throughout the year despite challenging times in the market with continued economic uncertainty.

Our industry continues to experience volatility caused by fluctuations in raw material prices and currency markets. Despite this, the hard work and experience gained over the years has allowed the company to be able to successfully manage its supply volatility, respond quickly to changing circumstances and control its pricing and margin.

This is demonstrated by the significant increase in Turnover and profitability in the year, and the company continues to increase its market share under what are competitive market conditions.

Highlight results are shown as below.

	2023	2022	2021
	£	£	£
Turnover	53.1m	44.4m	39.5m
Gross Profit	12.8m	12.41m	9.68m
Operating profit	2.14m	1.59m	0.65m

The company continues to invest in its people and facilities and remains free of any external borrowings. At the year end the net assets of the company amounted to £10.6m (2022 - £9.5m).

Overall, the directors are pleased with the company's performance and remain confident about its future prospects.

Principal risks and uncertainties

The management of the business and execution of the company's strategy is subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to the farming/agricultural industry in general. The directors have in place a risk management system which aims to manage and reduce the above risks to which the company is exposed.

Key performance indicators

Given the nature of the business, the directors are of the opinion that analysis using KPIs other than those above is not necessary for an understanding of the development, performance or position of the business.

Financial Instruments

Objectives

Our financial risk management objectives are to ensure there is sufficient working capital and cash flow to meet the operating needs of the company and to ensure there is sufficient support for its growth strategy. This is achieved through careful management of our cash resources and by obtaining finance leases or other loans where necessary. No treasury transactions or derivatives are entered into.

Risks

The company trades with companies based in the UK and is thus subject to no forex risk. The company also maintains a low gearing position and is thus exposed to minimal interest rate risk. All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

DAVIDSON BROTHERS (SHOTTS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

Future Outlook

The Directors and staff are constantly looking to continuous improvements to our animal feed with enhancements to our mill through technology, raw materials, efficiencies and formulations.

We are eagerly working towards a Net Zero position with new green technologies to be installed and operated on site through close collaborations and developing innovations.

The outlook for Agriculture is always difficult to predict. Our focus and outlook is to ensure we have resources in place to meet our increasing customer demand.

By order of the board

Mr G Dow

Secretary

30 November 2023

DAVIDSON BROTHERS (SHOTTS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2023

The directors present their annual report and financial statements for the year ended 31 July 2023.

Principal activities

The principal activity of the company continued to be that of the manufacture and sale of animal feedstuffs.

Results and dividends

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

Ordinary dividends were paid amounting to £997,833. The directors do not recommend payment of a final dividend.

Directors

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

Mr W M Davidson

Mr W G Davidson

Auditor

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

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial instruments and risks.

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.

By order of the board

Mr G Dow

Secretary

30 November 2023

DAVIDSON BROTHERS (SHOTTS) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JULY 2023

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

DAVIDSON BROTHERS (SHOTTS) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DAVIDSON BROTHERS (SHOTTS) LIMITED

Opinion

We have audited the financial statements of Davidson Brothers (Shotts) Limited (the 'company') for the year ended 31 July 2023 which comprise the profit and loss account, 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 31 July 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

DAVIDSON BROTHERS (SHOTTS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF DAVIDSON BROTHERS (SHOTTS) 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.

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.

DAVIDSON BROTHERS (SHOTTS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF DAVIDSON BROTHERS (SHOTTS) LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Alan Brown
Senior Statutory Auditor
For and on behalf of Azets Audit Services

4 December 2023

Chartered Accountants
Statutory Auditor

Titanium 1
King's Inch Place
Renfrew
Renfrewshire
United Kingdom
PA4 8WF

DAVIDSON BROTHERS (SHOTTS) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2023

	Notes	2023 £000	2022 £000
Turnover	3	53,126	44,410
Cost of sales		(40,286)	(32,002)
Gross profit		12,840	12,408
Distribution costs		(484)	(860)
Administrative expenses		(10,584)	(10,146)
Other operating income		193	183
Operating profit	4	1,965	1,585
Interest receivable and similar income	7	100	7
Interest payable and similar expenses	8	(28)	(18)
Profit before taxation		2,037	1,574
Tax on profit	9	90	143
Profit for the financial year		2,127	1,717

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

DAVIDSON BROTHERS (SHOTTS) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2023

	2023 £000	2022 £000
Profit for the year	2,127	1,717
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,127</u>	<u>1,717</u>

DAVIDSON BROTHERS (SHOTTS) LIMITED

BALANCE SHEET

AS AT 31 JULY 2023

		2023		2022	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	11		5,364		5,073
Current assets					
Stocks	12	1,715		2,203	
Debtors	13	2,866		2,300	
Cash at bank and in hand		3,743		2,771	
		<u>8,324</u>		<u>7,274</u>	
Creditors: amounts falling due within one year	14	<u>(2,889)</u>		<u>(2,756)</u>	
Net current assets			5,435		4,518
Total assets less current liabilities			<u>10,799</u>		<u>9,591</u>
Provisions for liabilities					
Deferred tax liability	15	<u>193</u>	(193)	<u>114</u>	(114)
Net assets			<u>10,606</u>		<u>9,477</u>
Capital and reserves					
Called up share capital	17		140		140
Capital redemption reserve			13		13
Profit and loss reserves			<u>10,453</u>		<u>9,324</u>
Total equity			<u>10,606</u>		<u>9,477</u>

The financial statements were approved by the board of directors and authorised for issue on 30 November 2023 and are signed on its behalf by:

Mr W G Davidson
Director

Company Registration No. SC025270

DAVIDSON BROTHERS (SHOTTS) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2023

		Share capital	Capital redemption reserve	Profit and loss reserves	Total
	Notes	£000	£000	£000	£000
Balance at 1 August 2021		140	13	8,441	8,594
Year ended 31 July 2022:					
Profit and total comprehensive income for the year		-	-	1,717	1,717
Dividends	10	-	-	(834)	(834)
Balance at 31 July 2022		140	13	9,324	9,477
Year ended 31 July 2023:					
Profit and total comprehensive income for the year		-	-	2,127	2,127
Dividends	10	-	-	(998)	(998)
Balance at 31 July 2023		140	13	10,453	10,606

DAVIDSON BROTHERS (SHOTTS) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2023

		2023		2022	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operations	22		3,060		1,868
Interest paid			(28)		(18)
Income taxes refunded			169		257
Net cash inflow from operating activities			3,201		2,107
Investing activities					
Purchase of tangible fixed assets		(914)		(367)	
Proceeds from disposal of tangible fixed assets		208		46	
Interest received		100		7	
Net cash used in investing activities			(606)		(314)
Financing activities					
Repayment of borrowings		-		(21)	
Payment of finance leases obligations		(625)		(1,342)	
Dividends paid		(998)		(834)	
Net cash used in financing activities			(1,623)		(2,197)
Net increase/(decrease) in cash and cash equivalents			972		(404)
Cash and cash equivalents at beginning of year			2,771		3,175
Cash and cash equivalents at end of year			3,743		2,771

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

Company information

Davidson Brothers (Shotts) Limited is a private company limited by shares incorporated in Scotland. The registered office is 3 Gray Street, Shotts, Lanarkshire, United Kingdom, ML7 5EZ.

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 £000.

The financial statements have been prepared under the historical cost convention. 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. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

1.4 Research and development expenditure

Research and development expenditure is written off against profits in the year in which it is incurred.

1.5 Tangible fixed assets

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

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

Freehold land and buildings	2% on cost
Plant and equipment	10% on cost
Computer and office equipment	20% on cost
Motor vehicles	14%, 20% and 33% on cost

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

(Continued)

Freehold land and assets in the course of construction are not depreciated.

Assets under construction are transferred to the appropriate asset category when they come into use. Assets under construction are reviewed annually for impairment. Where there are signs of impairment, the assets are impaired down to their fair value through an impairment charge to the income statement.

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

1.6 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.

1.7 Stocks

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

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

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

1.8 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.

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

(Continued)

1.9 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.

Basic financial assets

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

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

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.

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

(Continued)

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.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.10 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.

1.11 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.

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

1 Accounting policies

(Continued)

Deferred tax

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

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

1.12 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.

1.13 Retirement benefits

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

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.15 Foreign exchange

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

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

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.

Stock

The company's stock consists of raw material grains, compounds and processed animal feed. The storage of stock takes place in Silos and in the company's warehouse. Due to the nature of the stock held, the assessment of the quantities of inventory held is subject to a degree of judgement.

The directors are of the opinion there are no further matters of significant judgement and estimation which are material to the financial statements.

3 Turnover and other revenue

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

	2023 £000	2022 £000
Turnover analysed by class of business		
Manufactured product	51,764	43,027
Raw materials and bought-in	1,362	1,383
	<u>53,126</u>	<u>44,410</u>
	2023 £000	2022 £000
Other revenue		
Interest income	100	7
Grants received	20	36
	<u></u>	<u></u>

All turnover was generated within the UK.

4 Operating profit

	2023 £000	2022 £000
Operating profit for the year is stated after charging/(crediting):		
Research and development costs	1,635	987
Government grants	(20)	(36)
Fees payable to the company's auditor for the audit of the company's financial statements	29	24
Depreciation of owned tangible fixed assets	1,050	875
Depreciation of tangible fixed assets held under finance leases	84	366
Profit on disposal of tangible fixed assets	(94)	(45)
	<u></u>	<u></u>

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

5 Employees

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

	2023 Number	2022 Number
Production	14	14
Selling and distribution	42	47
Administration	6	6
	<hr/>	<hr/>
Total	62	67
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	2023 £000	2022 £000
Wages and salaries	2,484	2,676
Social security costs	239	287
Pension costs	152	170
	<hr/>	<hr/>
	2,875	3,133
	<hr/>	<hr/>

6 Directors' remuneration

	2023 £000	2022 £000
Remuneration for qualifying services	56	56
Company pension contributions to defined contribution schemes	92	72
	<hr/>	<hr/>
	148	128
	<hr/>	<hr/>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022 - 2).

7 Interest receivable and similar income

	2023 £000	2022 £000
Interest income		
Interest on bank deposits	100	7
	<hr/>	<hr/>
	100	7
	<hr/>	<hr/>

	2023 £000	2022 £000
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	100	7
	<hr/>	<hr/>
	100	7
	<hr/>	<hr/>

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

8 Interest payable and similar expenses

	2023 £000	2022 £000
Other finance costs:		
Interest on finance leases and hire purchase contracts	28	18
	<u>28</u>	<u>18</u>

9 Taxation

	2023 £000	2022 £000
Current tax		
Adjustments in respect of prior periods	(169)	(257)
	<u>(169)</u>	<u>(257)</u>
Deferred tax		
Origination and reversal of timing differences	79	114
	<u>79</u>	<u>114</u>
Total tax credit	<u>(90)</u>	<u>(143)</u>

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

	2023 £000	2022 £000
Profit before taxation	2,037	1,574
	<u>2,037</u>	<u>1,574</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 21.00% (2022: 19.00%)	428	299
Change in unrecognised deferred tax assets	-	(290)
Permanent capital allowances in excess of depreciation	(16)	8
Research and development tax credit	(169)	(257)
Deferred tax adjustments in respect of prior years	(414)	-
Remeasurement of deferred tax for changes in tax rates	81	97
	<u>(90)</u>	<u>(143)</u>
Taxation credit for the year	<u>(90)</u>	<u>(143)</u>

In April 2023, the rate of corporation tax increased from 19% to 25%. The effective rate applicable in for the year to 31 July 2023 was 21%.

10 Dividends

	2023 £000	2022 £000
Interim paid	998	834
	<u>998</u>	<u>834</u>

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

11 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Computer and office equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 August 2022	2,654	2,667	7	5,275	10,603
Additions	-	142	-	1,397	1,539
Disposals	-	-	-	(988)	(988)
At 31 July 2023	2,654	2,809	7	5,684	11,154
Depreciation and impairment					
At 1 August 2022	1,060	1,504	2	2,964	5,530
Depreciation charged in the year	136	301	5	692	1,134
Eliminated in respect of disposals	-	-	-	(874)	(874)
At 31 July 2023	1,196	1,805	7	2,782	5,790
Carrying amount					
At 31 July 2023	1,458	1,004	-	2,902	5,364
At 31 July 2022	1,594	1,163	5	2,311	5,073

12 Stocks

	2023 £000	2022 £000
Raw materials and consumables	1,480	2,047
Finished goods and goods for resale	235	156
	1,715	2,203

13 Debtors

	2023 £000	2022 £000
Amounts falling due within one year:		
Trade debtors	2,460	1,980
Other debtors	296	228
Prepayments and accrued income	110	92
	2,866	2,300

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

14 Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	1,814	1,428
Taxation and social security	-	96
Other creditors	354	376
Accruals and deferred income	721	856
	<u>2,889</u>	<u>2,756</u>

15 Deferred taxation

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

	Liabilities 2023 £000	Liabilities 2022 £000
Balances:		
Accelerated capital allowances	669	490
Tax losses	(467)	(365)
Short term timing differences	(9)	(11)
	<u>193</u>	<u>114</u>

Movements in the year:

	2023 £000
Liability at 1 August 2022	114
Charge to profit or loss	79
	<u>193</u>
Liability at 31 July 2023	<u>193</u>

16 Retirement benefit schemes

	2023 £000	2022 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	152	170
	<u>152</u>	<u>170</u>

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. The pension cost charge represents contributions payable by the company to the fund.

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

17 Share capital

	2023	2022	2023	2022
	Number	Number	£000	£000
Ordinary share capital				
Issued and fully paid				
Ordinary "A" shares of £1 each	96,215	96,215	96	96
Ordinary "B" shares of £1 each	31,186	31,186	31	31
Ordinary "C" shares of £1 each	12,537	12,537	13	13
Ordinary "D" shares of £1 each	1	1	-	-
Ordinary "E" shares of £1 each	1	1	-	-
Ordinary "F" shares of £1 each	1	1	-	-
	<u>139,941</u>	<u>139,941</u>	<u>140</u>	<u>140</u>

Ordinary shares carry one vote per share. There are no restrictions on the distribution of dividends and the repayment of capital.

18 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2023	2022
	£000	£000
Acquisition of tangible fixed assets	<u>1,174</u>	<u>1,322</u>

Capital commitments relate to assets ordered during the year but received by the company subsequent to the year end.

19 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2023	2022
	£000	£000
Aggregate compensation	<u>222</u>	<u>152</u>

Transactions with related parties

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

	Purchases	Purchases
	2023	2022
	£000	£000
Other related parties	<u>900</u>	<u>508</u>

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

19 Related party transactions

(Continued)

	Recharges		Dividends	
	2023	2022	2023	2022
	£000	£000	£000	£000
Other related parties	68	73	810	675
	<u>68</u>	<u>73</u>	<u>810</u>	<u>675</u>

The following amounts were outstanding at the reporting end date:

	2023	2022
	£000	£000
Amounts due to related parties		
Other related parties	41	27
	<u>41</u>	<u>27</u>

The following amounts were outstanding at the reporting end date:

	2023	2022
	£000	£000
Amounts due from related parties		
Other related parties	90	105
	<u>90</u>	<u>105</u>

20 Directors' transactions

Dividends totalling £92,000 (2022 - £92,000) were paid in the year in respect of shares held by the company's directors.

At the year end the company owed £313,000 (2022 - 349,000) to the directors of the company. Loans to directors are provided interest free. There are no repayment terms attached to these loans, and they are disclosed within other creditors due within one year.

21 Ultimate controlling party

W M Davidson, a director, is the controlling party of the company by virtue of his controlling interest in the company's equity capital.

DAVIDSON BROTHERS (SHOTTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2023

22 Cash generated from operations

	2023 £000	2022 £000
Profit for the year after tax	2,127	1,717
Adjustments for:		
Taxation credited	(90)	(143)
Finance costs	28	18
Investment income	(100)	(7)
Gain on disposal of tangible fixed assets	(94)	(45)
Depreciation and impairment of tangible fixed assets	1,134	1,241
Movements in working capital:		
Decrease/(increase) in stocks	488	(1,235)
(Increase)/decrease in debtors	(566)	316
Increase in creditors	133	16
Decrease in deferred income	-	(10)
Cash generated from operations	3,060	1,868

23 Analysis of changes in net funds

	1 August 2022 £000	Cash flows £000	New finance leases £000	31 July 2023 £000
Cash at bank and in hand	2,771	972	-	3,743
Obligations under finance leases	-	625	(625)	-
	<u>2,771</u>	<u>1,597</u>	<u>(625)</u>	<u>3,743</u>

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