

Company registration number SC029454 (Scotland)

David Ritchie (Implements) Limited
Annual report and consolidated financial statements
for the year ended 31 May 2023

David Ritchie (Implements) Limited

Company information

Directors	R Ritchie AI Agr E D Ritchie Dr AR Edwards
Secretary	S Blair
Company number	SC029454
Registered office	Carseview Road Suttieside Forfar DD8 3BT
Auditor	Henderson Loggie LLP The Vision Building 20 Greenmarket Dundee DD1 4QB

David Ritchie (Implements) Limited

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David Ritchie (Implements) Limited

Strategic report

for the year ended 31 May 2023

The Directors present the strategic report for the year ended 31 May 2023.

Fair review of the business

The business entered the financial year with a strong order book, anticipating a year of growth, and had budgeted accordingly. Investments in our people, plant and machinery, health and safety, and infrastructure were maintained. There were no COVID-19 restrictions in place during the financial year however there has been some continued fallout, notably the reduced availability of labour. Protracted constraints will be a risk and a concern. Overall, the resulting outcomes are considered acceptable. Erratic dynamics in input costs, energy prices, global politics, labour shortages, and the ongoing Brexit situation will continue to have consequences for the Group.

Principal risks and uncertainties

The principal risks and uncertainties affecting the group include the following:

- the loss of, and changes to, existing markets and the time to develop new strategies - the group operates in a highly competitive market but continues to develop new products and markets to compensate.
- increased commodity prices - the group has continued to see variability in material costs during the year, with some continuing to rise while others retreated from the high levels of the previous year, but such costs are monitored and regular reviews in terms of sales pricing are performed.
- credit risk - the group maintains strong relationships with customers and has established contractual terms and credit control procedures, as well as processes for dispute resolution, to minimise the risk relating to non-payment by customers.
- unfavourable exchange rates - although the functional currency for the group is GBP, it is exposed to other currencies as part of its trading. The position is regularly reviewed by the directors and senior management and, from time to time, the group makes use of forward currency contracts.
- interest and liquidity - the group has current and non-current liabilities and is exposed to interest risks on the interest-bearing elements of those liabilities. Borrowing arrangements are in place and the group maintains regular, open dialogue with the finance provider to ensure that the required support is available to allow the group to deliver the performance budgeted for the next 12 months.
- legislative and regulatory - the group monitors current and forthcoming legislation and seeks advice from professional advisors where appropriate.

Development and performance

The directors continue to recognise the need for investment and will maintain such investment in staff, equipment, training and infrastructure necessary to support the viability and growth of the Group.

Key performance indicators

The directors rely upon a number of financial KPIs. Turnover fell by 3.5% as a result of difficult trading conditions in some markets, however gross margin % improved as material cost pressures eased.

	2023	2022
Turnover	£14,469,662	£14,987,589
Gross margin %	19%	16%
Operating profit/(loss)	£286,570	£280,668

Other financial KPIs such as wage costs and overheads are analysed on a regular basis.

David Ritchie (Implements) Limited

Strategic report (continued)

for the year ended 31 May 2023

Other performance indicators

In assessing business performance, the directors also monitor a number of non-financial measurements, including customer and supplier service levels, distribution efficiency, staff turnover and absence, and health and safety reports.

By order of the board

S Blair

Secretary

29 February 2024

David Ritchie (Implements) Limited

Directors' report

for the year ended 31 May 2023

The Directors present their annual report and financial statements for the year ended 31 May 2023.

Principal activities

The principal activity of the company and group continued to be that of the design, manufacture, surface coating and marketing of a range of agricultural and industrial equipment and machinery.

Directors

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

R Ritchie AI Agr E
D Ritchie
Dr AR Edwards

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The Directors do not recommend payment of a further dividend.

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 auditor of the company 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 auditor of the company is aware of that information.

Strategic Report

Included within the strategic report is an indication of the principal risks and uncertainties including the risks associated with the market conditions, commodity prices, credit, foreign currency, interest and liquidity and legislative and compliance.

By order of the board

S Blair
Secretary

29 February 2024

David Ritchie (Implements) Limited

Directors' responsibilities statement

for the year ended 31 May 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 group and company, and of the profit or loss of the group 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 on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

David Ritchie (Implements) Limited

Independent auditor's report

to the members of David Ritchie (Implements) Limited

Opinion

We have audited the financial statements of David Ritchie (Implements) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2023 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company 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 group's and the parent company's affairs as at 31 May 2023 and of the group's 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 group and parent 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 group's and parent 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.

David Ritchie (Implements) Limited

Independent auditor's report (continued)

to the members of David Ritchie (Implements) Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 parent 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 parent 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, are detailed below.

David Ritchie (Implements) Limited

Independent auditor's report (continued)

to the members of David Ritchie (Implements) Limited

As part of our planning process:

- We enquired of management the systems and controls the group has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the group. We determined that the following were most relevant: FRS 102, Health and Safety; COSHH; SEPA; ISO9001 accreditation, employment law (including the Working Time Directive); and compliance with the UK Companies Act;
- We considered the incentives and opportunities that exist in the group, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and
- Using our knowledge of the group, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

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

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing feedback from recent third party compliance visits;
- Reviewing Board meeting minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the carrying value of tangible fixed assets, stock and debtors; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
- Testing key revenue lines, in particular cut-off, for evidence of management bias; and
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors.

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.

David Ritchie (Implements) Limited

Independent auditor's report (continued)

to the members of David Ritchie (Implements) Limited

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.

Gavin Black (Senior Statutory Auditor)
For and on behalf of Henderson Loggie LLP

29 February 2024

Chartered Accountants
Statutory Auditor

The Vision Building
20 Greenmarket
Dundee
DD1 4QB

David Ritchie (Implements) Limited

Group statement of comprehensive income

for the year ended 31 May 2023

	Notes	2023 £	2022 £
Turnover	3	14,469,662	14,987,589
Cost of sales		(11,746,954)	(12,646,501)
Gross profit		2,722,708	2,341,088
Distribution costs		(1,581,608)	(1,405,598)
Administrative expenses		(1,050,591)	(934,761)
Other operating income		196,061	279,939
Operating profit	4	286,570	280,668
Share of profits of joint ventures		58,227	17,775
Interest receivable and similar income	8	271	671
Interest payable and similar expenses	9	(68,834)	(35,640)
Profit before taxation		276,234	263,474
Tax on profit	10	(2,868)	(20,748)
Profit for the financial year	28	273,366	242,726

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

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

David Ritchie (Implements) Limited

Group balance sheet

as at 31 May 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Goodwill	11		(28,755)		(43,131)
Tangible assets	12		2,525,123		2,596,858
Investments	13		194,142		135,915
			<u>2,690,510</u>		<u>2,689,642</u>
Current assets					
Stocks	16	4,329,855		4,344,550	
Debtors	17	3,313,432		3,678,186	
Cash at bank and in hand		355,297		494,485	
			<u>7,998,584</u>		<u>8,517,221</u>
Creditors: amounts falling due within one year	18	(2,607,100)		(3,258,697)	
Net current assets			<u>5,391,484</u>		<u>5,258,524</u>
Total assets less current liabilities			<u>8,081,994</u>		<u>7,948,166</u>
Creditors: amounts falling due after more than one year	19		(752,771)		(899,235)
Provisions for liabilities					
Deferred tax liability	22		(44,825)		(37,899)
Net assets			<u><u>7,284,398</u></u>		<u><u>7,011,032</u></u>
Capital and reserves					
Called up share capital	24		35,000		35,000
Share premium account	25		11,878		11,878
Revaluation reserve	26		34,727		34,727
Capital redemption reserve	27		9,650		9,650
Profit and loss reserves	28		7,193,143		6,919,777
Total equity			<u><u>7,284,398</u></u>		<u><u>7,011,032</u></u>

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

Dr AR Edwards
Director

David Ritchie (Implements) Limited**Company Balance sheet****as at 31 May 2023**

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	12	1,863,240		2,011,068	
Investments	13	293,427		680,742	
		<u>2,156,667</u>		<u>2,691,810</u>	
Current assets					
Stocks	16	3,634,503		3,754,868	
Debtors	17	3,270,426		3,554,038	
Cash at bank and in hand		355,251		494,428	
		<u>7,260,180</u>		<u>7,803,334</u>	
Creditors: amounts falling due within one year	18	<u>(2,079,155)</u>		<u>(2,784,439)</u>	
Net current assets		<u>5,181,025</u>		<u>5,018,895</u>	
Total assets less current liabilities		<u>7,337,692</u>		<u>7,710,705</u>	
Creditors: amounts falling due after more than one year	19	(740,771)		(871,235)	
Provisions for liabilities	22	-		(37,899)	
Net assets		<u>6,596,921</u>		<u>6,801,571</u>	
Capital and reserves					
Called up share capital	24	35,000		35,000	
Share premium account	25	11,878		11,878	
Revaluation reserve	26	34,727		34,727	
Capital redemption reserve	27	9,650		9,650	
Profit and loss reserves	28	6,505,666		6,710,316	
Total equity		<u>6,596,921</u>		<u>6,801,571</u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £204,650 (2022 - £39,178 profit).

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

Dr AR Edwards
Director

Company Registration No. SC029454

David Ritchie (Implements) Limited

Group statement of changes in equity

for the year ended 31 May 2023

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£	£	£
Balance at 1 June 2021	35,000	11,878	34,727	9,650	6,677,051	6,768,306
Year ended 31 May 2022:						
Profit and total comprehensive income for the year	-	-	-	-	242,726	242,726
Balance at 31 May 2022	35,000	11,878	34,727	9,650	6,919,777	7,011,032
Year ended 31 May 2023:						
Profit and total comprehensive income for the year	-	-	-	-	273,366	273,366
Balance at 31 May 2023	35,000	11,878	34,727	9,650	7,193,143	7,284,398

David Ritchie (Implements) Limited

Company statement of changes in equity

for the year ended 31 May 2023

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£	£	£
Balance at 1 June 2021	35,000	11,878	34,727	9,650	6,671,138	6,762,393
Year ended 31 May 2022:						
Profit and total comprehensive income for the year	-	-	-	-	39,178	39,178
Balance at 31 May 2022	35,000	11,878	34,727	9,650	6,710,316	6,801,571
Year ended 31 May 2023:						
Loss and total comprehensive income for the year	-	-	-	-	(204,650)	(204,650)
Balance at 31 May 2023	<u>35,000</u>	<u>11,878</u>	<u>34,727</u>	<u>9,650</u>	<u>6,505,666</u>	<u>6,596,921</u>

David Ritchie (Implements) Limited

Group statement of cash flows

for the year ended 31 May 2023

		2023		2022	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	31	286,586		(227,166)	
Interest paid		(68,834)		(35,640)	
Income taxes (paid)/refunded		(32,246)		55,291	
Net cash inflow/(outflow) from operating activities		185,506		(207,515)	
Investing activities					
Purchase of tangible fixed assets		(147,837)		(90,770)	
Proceeds from disposal of tangible fixed assets		11,166		17,795	
Interest received		271		671	
Net cash used in investing activities		(136,400)		(72,304)	
Financing activities					
Proceeds from new bank loans		-		250,000	
Repayment of bank loans		(111,652)		(98,181)	
Payment of finance leases obligations		(89,956)		(174,793)	
Net cash used in financing activities		(201,608)		(22,974)	
Net decrease in cash and cash equivalents		(152,502)		(302,793)	
Cash and cash equivalents at beginning of year		263,858		566,651	
Cash and cash equivalents at end of year		111,356		263,858	
Relating to:					
Cash at bank and in hand		355,297		494,485	
Bank overdrafts included in creditors payable within one year		(243,941)		(230,627)	

David Ritchie (Implements) Limited

Company statement of cash flows

for the year ended 31 May 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	32		141,287		(205,616)
Interest paid			(54,751)		(24,987)
Income taxes (paid)/refunded			(39,340)		53,322
Net cash inflow/(outflow) from operating activities			47,196		(177,281)
Investing activities					
Purchase of tangible fixed assets		(12,202)		(32,524)	
Proceeds from disposal of tangible fixed assets		11,166		17,795	
Interest received		271		671	
Net cash used in investing activities			(765)		(14,058)
Financing activities					
Proceeds from new bank loans		-		250,000	
Repayment of bank loans		(95,652)		(82,181)	
Payment of finance leases obligations		(89,956)		(174,793)	
Net cash used in financing activities			(185,608)		(6,974)
Net decrease in cash and cash equivalents			(139,177)		(198,313)
Cash and cash equivalents at beginning of year			494,428		692,741
Cash and cash equivalents at end of year			355,251		494,428

David Ritchie (Implements) Limited

Notes to the financial statements

for the year ended 31 May 2023

1 Accounting policies

Company information

David Ritchie (Implements) Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Carseview Road, Forfar, DD8 3BT.

The group consists of David Ritchie (Implements) Limited and all of its subsidiaries.

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 the revaluation of freehold properties. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated group financial statements consist of the financial statements of the parent company David Ritchie (Implements) Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 May 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

1 Accounting policies (continued)

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.3 Going concern

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

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

1.4 Turnover

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

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

1.5 Intangible fixed assets - goodwill

Negative goodwill is the excess of the Group's share of the fair value of the attributable net identifiable assets at the date of acquisition over the purchase consideration in a business combination.

Negative goodwill that can be attributed to monetary assets is recognised as income when the assets are realised. The remaining portion of negative goodwill, not exceeding the fair value of acquired identifiable non-monetary assets, is recognised as income on a straight line basis over its expected useful life of 10 years.

1.6 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:

Land and buildings Freehold	2% straight line
Plant and machinery, etc	10% to 25% straight line

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

1 Accounting policies (continued)

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 recognised in the profit and loss account.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

1.9 Stocks

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

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

1 Accounting policies (continued)

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.

1.10 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.

1.11 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

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.

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

1 Accounting policies (continued)

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 group 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 group 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 group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group 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 group.

1.13 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 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 if, and only if, there is 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.

1.14 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.

1.15 Retirement benefits

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

1.16 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 the profit and loss account 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 income 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 lease 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.

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

1 Accounting policies (continued)

1.17 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.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Stock provisions

At the end of each financial year, the group makes a provision against obsolete or slow moving stock. Such provisions are calculated using a combination of actual current information and an element of estimation using historical data as a basis.

3 Turnover and other revenue

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

	2023	2022
	£	£
Turnover analysed by class of business		
Principal activity	14,469,662	14,987,589

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

3 Turnover and other revenue (continued)

	2023	2022
	£	£
Turnover analysed by geographical market		
United Kingdom	9,687,448	12,334,924
Europe	3,927,081	2,322,639
North America	208,202	208,713
Rest of World	646,931	121,313
	<u>14,469,662</u>	<u>14,987,589</u>
	2023	2022
	£	£
Other revenue		
Interest income	271	671
Grants received	<u>14,673</u>	<u>49,603</u>

4 Operating profit

	2023	2022
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	8,603	84
Government grants	(14,673)	(49,603)
Depreciation of owned tangible fixed assets	200,007	196,621
Depreciation of tangible fixed assets held under finance leases	80,343	192,332
Profit on disposal of tangible fixed assets	(10,875)	(17,795)
Amortisation of intangible assets	(14,376)	(14,376)
Operating lease charges	<u>122,084</u>	<u>129,222</u>

5 Auditor's remuneration

	2023	2022
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	16,345	13,620
Audit of the financial statements of the company's subsidiaries	5,415	4,515
	<u>21,760</u>	<u>18,135</u>

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

6 Employees

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

	Group 2023 Number	2022 Number	Company 2023 Number	2022 Number
Average number of employees	124	123	112	110

Their aggregate remuneration comprised:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Wages and salaries	3,614,595	3,352,793	3,328,865	3,075,329
Social security costs	365,675	314,952	340,350	291,640
Pension costs	161,424	155,718	149,649	139,566
	4,141,694	3,823,463	3,818,864	3,506,535

7 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	147,665	152,551
Company pension contributions to defined contribution schemes	33,340	35,873
	181,005	188,424

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022 - 3).

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

8 Interest receivable and similar income

	2023	2022
	£	£
Interest income		
Interest on bank deposits	271	671
	<u>271</u>	<u>671</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	271	671
	<u>271</u>	<u>671</u>

9 Interest payable and similar expenses

	2023	2022
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	57,843	26,297
Other finance costs:		
Interest on finance leases and hire purchase contracts	10,991	9,343
	<u>68,834</u>	<u>35,640</u>
Total finance costs	<u>68,834</u>	<u>35,640</u>

10 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	86,475	95,585
Adjustments in respect of prior periods	(103,059)	8,247
	<u>(16,584)</u>	<u>103,832</u>
Total current tax	<u>(16,584)</u>	<u>103,832</u>
Deferred tax		
Origination and reversal of timing differences	(36,082)	(57,639)
Changes in tax rates	-	(10,761)
Adjustment in respect of prior periods	55,534	(14,684)
	<u>19,452</u>	<u>(83,084)</u>
Total deferred tax	<u>19,452</u>	<u>(83,084)</u>
Total tax charge	<u>2,868</u>	<u>20,748</u>

David Ritchie (Implements) Limited**Notes to the financial statements (continued)****for the year ended 31 May 2023****10 Taxation (continued)**

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

	2023 £	2022 £
Profit before taxation	276,234	263,474
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2022: 19%)	55,247	50,060
Tax effect of income not taxable in determining taxable profit	-	(4,876)
Tax effect of utilisation of tax losses not previously recognised	-	(5,416)
Adjustments in respect of prior years	(103,059)	8,247
Effect of change in corporation tax rate	(7,211)	(24,596)
Permanent capital allowances in excess of depreciation	(3,075)	-
Depreciation on assets not qualifying for tax allowances	18,527	17,600
Deferred tax adjustments in respect of prior years	55,534	(14,684)
Goodwill amortisation	(2,875)	(2,731)
Share of results of joint venture	(11,646)	(3,377)
Margin	1,426	521
Taxation charge	2,868	20,748

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19% and this was effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by the Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of corporation tax, maintaining the current rate of 19%.

On 3 March 2021, the UK Budget 2021 announcements included measures to support economic recovery as a result of the COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which became effective from 1 April 2023. The corporation tax rate for first 10 months was 19% and for the final 2 months it was 25%, giving an effective corporation tax rate for the group for the year of 20%. The 25% rate was enacted at the balance sheet date and, as a result, the closing deferred tax balances as at 31 May 2023 are recognised at 25% (2022 - 25%).

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

11 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 June 2022 and 31 May 2023	(733,505)
Amortisation and impairment	
At 1 June 2022	(690,374)
Amortisation charged for the year	(14,376)
At 31 May 2023	(704,750)
Carrying amount	
At 31 May 2023	(28,755)
At 31 May 2022	(43,131)

The company had no intangible fixed assets at 31 May 2023 or 31 May 2022.

12 Tangible fixed assets

Group	Land and buildings Freehold £	Plant and machinery, etc £	Total £
Cost			
At 1 June 2022	3,769,585	3,509,791	7,279,376
Additions	-	208,906	208,906
Disposals	-	(23,816)	(23,816)
At 31 May 2023	3,769,585	3,694,881	7,464,466
Depreciation and impairment			
At 1 June 2022	1,602,912	3,079,606	4,682,518
Depreciation charged in the year	76,931	203,419	280,350
Eliminated in respect of disposals	-	(23,525)	(23,525)
At 31 May 2023	1,679,843	3,259,500	4,939,343
Carrying amount			
At 31 May 2023	2,089,742	435,381	2,525,123
At 31 May 2022	2,166,673	430,185	2,596,858

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

12 Tangible fixed assets (continued)

Company	Land and buildings Freehold £	Plant and machinery, etc £	Total £
Cost			
At 1 June 2022	2,848,983	1,623,395	4,472,378
Additions	-	73,271	73,271
Disposals	-	(23,816)	(23,816)
At 31 May 2023	2,848,983	1,672,850	4,521,833
Depreciation and impairment			
At 1 June 2022	1,118,657	1,342,653	2,461,310
Depreciation charged in the year	56,979	163,829	220,808
Eliminated in respect of disposals	-	(23,525)	(23,525)
At 31 May 2023	1,175,636	1,482,957	2,658,593
Carrying amount			
At 31 May 2023	1,673,347	189,893	1,863,240
At 31 May 2022	1,730,326	280,742	2,011,068

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

	Group 2023 £	2022 £	Company 2023 £	2022 £
Plant and machinery, etc	117,918	132,267	117,918	132,267

Included in the cost of the property is land, which not being separately identifiable, and is therefore depreciated. Also included is land of £46,000 (2022 - £46,000) which is separately identifiable and as such is not depreciated.

13 Fixed asset investments

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Investments in subsidiaries	14	-	-	262,735	650,050
Investments in joint ventures	15	194,142	135,915	30,692	30,692
		194,142	135,915	293,427	680,742

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

13 Fixed asset investments (continued)

**Movements in fixed asset investments
Group**

**Shares in joint
ventures**

£

Cost or valuation

At 1 June 2022

135,915

Share of profit/loss

58,227

At 31 May 2023

194,142

Carrying amount

At 31 May 2023

194,142

At 31 May 2022

135,915

**Movements in fixed asset investments
Company**

**Shares in
subsidiaries
and joint
ventures
£**

Cost or valuation

At 1 June 2022 and 31 May 2023

680,742

Impairment

At 1 June 2022

-

Impairment losses

387,315

At 31 May 2023

387,315

Carrying amount

At 31 May 2023

293,427

At 31 May 2022

680,742

14 Subsidiaries

Details of the company's subsidiaries at 31 May 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Forfar Galvanisers Limited	Scotland	Galvanising services	Ordinary	100.00

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

15 Joint ventures

Details of joint ventures at 31 May 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Weihai Ritchie Hua Engineering	China	Production and sale of machinery parts	Ordinary	50.00

16 Stocks

	Group 2023 £	2022 £	Company 2023 £	2022 £
Raw materials and consumables	1,798,797	2,124,343	1,103,445	1,534,661
Work in progress	800,560	884,816	800,560	884,816
Finished goods and goods for resale	1,730,498	1,335,391	1,730,498	1,335,391
	4,329,855	4,344,550	3,634,503	3,754,868

17 Debtors

	Group 2023 £	2022 £	Company 2023 £	2022 £
Amounts falling due within one year:				
Trade debtors	3,113,319	3,341,187	3,100,454	3,308,585
Corporation tax recoverable	9,517	16,611	-	-
Other debtors	15,131	8,297	7,437	-
Prepayments and accrued income	152,830	276,930	139,900	245,453
	3,290,797	3,643,025	3,247,791	3,554,038
Deferred tax asset (note 22)	22,635	35,161	22,635	-
	3,313,432	3,678,186	3,270,426	3,554,038

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

18 Creditors: amounts falling due within one year

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Bank loans and overdrafts	20	348,267	332,017	88,326	85,390
Obligations under finance leases	21	68,831	65,842	68,831	65,842
Trade creditors		1,623,913	1,925,327	1,495,906	1,728,175
Corporation tax payable		86,476	142,400	86,476	142,400
Other taxation and social security		86,530	264,402	77,064	255,293
Accruals and deferred income		393,083	528,709	262,552	507,339
		<u>2,607,100</u>	<u>3,258,697</u>	<u>2,079,155</u>	<u>2,784,439</u>

19 Creditors: amounts falling due after more than one year

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Bank loans and overdrafts	20	674,174	788,762	662,174	760,762
Obligations under finance leases	21	55,037	86,913	55,037	86,913
Government grants		23,560	23,560	23,560	23,560
		<u>752,771</u>	<u>899,235</u>	<u>740,771</u>	<u>871,235</u>

20 Loans and overdrafts

	Group 2023 £	2022 £	Company 2023 £	2022 £
Bank loans	778,500	890,152	750,500	846,152
Bank overdrafts	243,941	230,627	-	-
	<u>1,022,441</u>	<u>1,120,779</u>	<u>750,500</u>	<u>846,152</u>
Payable within one year	348,267	332,017	88,326	85,390
Payable after one year	674,174	788,762	662,174	760,762

Bank borrowings are secured by fixed charges over the assets they relate to and floating charges over the assets of the David Ritchie (Implements) Limited and its subsidiary.

for the year ended 31 May 2023

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	68,831	65,842	68,831	65,842
In two to five years	55,037	86,913	55,037	86,913
	<u>123,868</u>	<u>152,755</u>	<u>123,868</u>	<u>152,755</u>

Finance leases are secured over the assets concerned.

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

	Liabilities	Liabilities	Assets	Assets
	2023	2022	2023	2022
Group	£	£	£	£
ACAs	45,083	58,249	(31,642)	(26,489)
Tax losses	-	-	-	60,934
Other	(258)	(20,350)	54,277	716
	<u>44,825</u>	<u>37,899</u>	<u>22,635</u>	<u>35,161</u>
	<u><u>44,825</u></u>	<u><u>37,899</u></u>	<u><u>22,635</u></u>	<u><u>35,161</u></u>
	Liabilities	Liabilities	Assets	Assets
	2023	2022	2023	2022
Company	£	£	£	£
ACAs	-	58,249	(31,642)	-
Other	-	(20,350)	54,277	-
	<u>-</u>	<u>37,899</u>	<u>22,635</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>37,899</u></u>	<u><u>22,635</u></u>	<u><u>-</u></u>

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

22 Deferred taxation (continued)

	Group £	Company £
Movements in the year:		
Liability at 1 June 2022	2,738	37,899
Charge/(credit) to profit or loss	19,452	(60,534)
Liability/(Asset) at 31 May 2023	<u>22,190</u>	<u>(22,635)</u>

23 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>161,424</u>	<u>155,718</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

24 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>

Ordinary shares carry full ownership, voting and equity rights.

25 Share premium account

This reserve includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

26 Revaluation reserve

This is a non-distributable reserve and represents the cumulative effect of revaluations of fixed assets less deferred tax.

27 Capital redemption reserve

This is a non-distributable reserve representing the nominal value of shares following the redemption or purchase of the company's own shares.

David Ritchie (Implements) Limited**Notes to the financial statements (continued)****for the year ended 31 May 2023**

28 Profit and loss reserves

Profit and loss reserves includes all the current and prior period retained profits and losses.

29 Operating lease commitments**Lessee**

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

	Group 2023 £	2022 £	Company 2023 £	2022 £
Within one year	134,740	72,900	134,740	72,900
Between two and five years	329,529	30,321	329,529	30,321
	<u>464,269</u>	<u>103,221</u>	<u>464,269</u>	<u>103,221</u>

30 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Acquisition of tangible fixed assets	<u>4,780</u>	<u>-</u>	<u>4,780</u>	<u>-</u>

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

31 Cash generated from/(absorbed by) group operations

	2023	2022
	£	£
Profit for the year after tax	273,366	242,726
Adjustments for:		
Share of results of associates and joint ventures	(58,227)	(17,775)
Taxation charged	2,868	20,748
Finance costs	68,834	35,640
Investment income	(271)	(671)
Gain on disposal of tangible fixed assets	(10,875)	(17,795)
Amortisation and impairment of intangible assets	(14,376)	(14,376)
Depreciation and impairment of tangible fixed assets	280,350	388,953
Movements in working capital:		
Decrease/(increase) in stocks	14,695	(1,060,226)
Decrease/(increase) in debtors	345,134	(951,445)
(Decrease)/increase in creditors	(614,912)	1,147,055
Cash generated from/(absorbed by) operations	286,586	(227,166)

32 Cash generated from/(absorbed by) operations - company

	2023	2022
	£	£
(Loss)/profit for the year after tax	(204,650)	39,178
Adjustments for:		
Taxation (credited)/charged	(77,118)	58,014
Finance costs	54,751	24,987
Investment income	(271)	(671)
Gain on disposal of tangible fixed assets	(10,875)	(17,795)
Depreciation and impairment of tangible fixed assets	220,808	322,386
Impairment of investments	387,315	-
Movements in working capital:		
Decrease/(increase) in stocks	120,365	(951,430)
Decrease/(increase) in debtors	306,247	(760,420)
(Decrease)/increase in creditors	(655,285)	1,080,135
Cash generated from/(absorbed by) operations	141,287	(205,616)

David Ritchie (Implements) Limited

Notes to the financial statements (continued)

for the year ended 31 May 2023

33 Analysis of changes in net debt - group

	1 June 2022	Cash flows	New finance leases	31 May 2023
	£	£	£	£
Cash at bank and in hand	494,485	(139,188)	-	355,297
Bank overdrafts	(230,627)	(13,314)	-	(243,941)
	<u>263,858</u>	<u>(152,502)</u>	<u>-</u>	<u>111,356</u>
Borrowings excluding overdrafts	(890,152)	111,652	-	(778,500)
Obligations under finance leases	(152,755)	89,956	(61,069)	(123,868)
	<u>(779,049)</u>	<u>49,106</u>	<u>(61,069)</u>	<u>(791,012)</u>

34 Analysis of changes in net debt - company

	1 June 2022	Cash flows	New loans and finance leases	31 May 2023
	£	£	£	£
Cash at bank and in hand	494,428	(139,177)	-	355,251
Borrowings excluding overdrafts	(846,152)	95,652	-	(750,500)
Obligations under finance leases	(152,755)	89,956	(61,069)	(123,868)
	<u>(504,479)</u>	<u>46,431</u>	<u>(61,069)</u>	<u>(519,117)</u>

35 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2023	2022
	£	£
Aggregate compensation	<u>263,483</u>	<u>262,976</u>

Other information

During the year the company received income from Ritchie Hua Engineering Limited a company with common directors, of £181,297 (2022 - £229,953). Included in accrued income at the year end is £80,000 (2022 - £140,987).

36 Controlling party

There is no single controlling party.

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