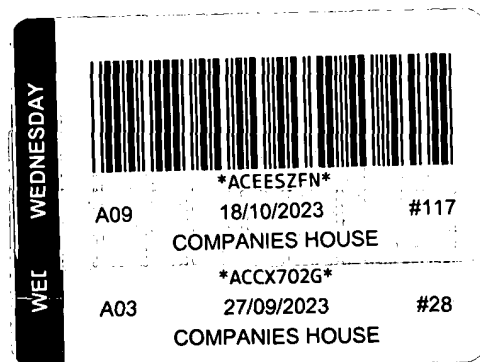


COMPANY REGISTRATION NUMBER: SC087177

Border Biscuits Limited
Financial Statements
For the year ended
31 December 2022



IA STEWART & CO LIMITED
Chartered Accountants & Statutory Auditor
The Mechanics Workshop
New Lanark
ML11 9DB

Border Biscuits Limited

Financial Statements

Year ended 31 December 2022

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Border Biscuits Limited

Strategic Report

Year ended 31 December 2022

The Directors present their strategic report for the company for the year ended 31 December 2022.

It is with great sadness that we report of Mr John Cunningham's death on 21 December 2022. He established Border Biscuits Ltd from a small local company to its current size with global reach. His leadership and vision combined with community ethos will be sorely missed. His legacy is to leave Border Biscuits Ltd with a very bright future and a structure which allows it to thrive and grow.

Principal activities and business review

The company's principal activities during the year were the production and sale of quality biscuits.

The Directors are very encouraged to say that the business has gone through a period of accelerated growth, and as expected, this has impacted on profitability for the year. Changes that have been made in the growth and structure of the business has resulted in the profitability of the current financial year in line with previous year's expectations.

The Directors continue to invest in people and to evolve strategies to strengthen short, medium and long term performance and growth. They have strong confidence that the company will continue to grow and prosper in the future.

Key performance indicators

Key performance indicators include: product quality, growth in turnover, position of the brand in our market space, profit margin and people measures.

The business continued to invest in quality and the Directors are satisfied with the product quality measures throughout the year, which are managed and monitored as part of a proactive and constant routine.

The Directors are satisfied with an increase in turnover of 21.3% in the year. The business encountered challenges due to a notable rise in commodity prices and wage inflation, leading to a significant adverse impact. Consequently, the gross profit margin experienced a decline from 45% to 38%. A change in direction following internal review resulted in restructuring and management changes with related costs impacting the year's results.

The consequences of these combined factors have been reflected in the net profit margin before tax which dropped from 2% last year to -2.7% in the current fiscal year. These financial setbacks underscored the importance of addressing cost management, optimising operational efficiency, and prudent decision-making moving forward. The company has continued to focus on consumers and invested in marketing and growth initiatives during the year.

Investment in people is one of the top priorities to the Directors and the business has invested in wide-ranging training programmes in the year. The processes and target measures of success have also continued to be an area of focus and development throughout 2022.

Border Biscuits Limited

Strategic Report *(continued)*

Year ended 31 December 2022

Principal risks and uncertainties

The company has a framework in place to identify and manage business risks. The key financial risks include:

Credit risk

The company provides goods on credit to its customers. The risk arises from the possibility that customers fail to meet their obligations to pay the sums due. To manage this risk, all customer debts are credit insured. As part of this, all customers have their credit worthiness priorly assessed and credit terms assigned to them. Systems are also in place to monitor adherence to these terms as appropriate.

Liquidity risk

The company is funded by retained profits, asset finance and by an agreed overdraft facility where required. The company's policy is to ensure that any projected borrowing requirement is covered by committed facilities with its bankers.

Price risk

The company relies on quality ingredients to make its quality products. The price of ingredients can change significantly over a short period. It is the company's policy to monitor price changes and consider its options in terms of fixing costs to ensure this risk is minimised.

Market Risk

New High Fat, Sugar & Salt (HFSS) legislation comes into effect in October 2022. These measures form a key part of the government's strategy to tackle obesity and get the nation fit and healthy. Whilst placing restrictions on advertising and promotion of HFSS products they predominantly apply to larger businesses and as such the Directors believed that there is an opportunity from which the business is well placed to benefit.

Events after the end of the reporting period and future developments

The company has made significant changes at the end of 2022, streamlining management to move to a much simpler and productive structure. This strategic shift is poised to enhance our financial stability in the long run. As a direct result of these strategic changes, we are currently progressing towards a very positive year ahead and a return to former profitability levels.

The company is actively considering an investment in new equipment that will significantly increase its operational capacity. This strategic move not only enhances our current capabilities, but also contributes to sustaining a consistent trajectory of sales growth in the foreseeable future.

In conclusion, the Directors are satisfied and confident with the direction that the business is heading.

This report was approved by the board of directors on 8 September 2023 and signed on behalf of the board by:

Mr C Christie

Mr C Christie
Director

Registered office:
South Faulds Road
Caldwellside Industrial Estate
Lanark
Lanarkshire
ML11 7SR

Border Biscuits Limited

Directors' Report

Year ended 31 December 2022

The directors present their report and the financial statements of the company for the year ended 31 December 2022.

Directors

The directors who served the company during the year were as follows:

Mr S A Stoten	
Mr J A Cunningham	(Died 21 December 2022)
Mr P Parkins	(Resigned 22 November 2022)

Appointments post year-end: Mrs T Cunningham on 19 April 2023; Mr J Myles on 8 June 2023; and Mr C Christie on 31 July 2023. Mr S Stoten resigned on 31 July 2023.

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Financial instruments

The company's financial assets and liabilities consist of trade debtors and creditors, cash balances and finance leases.

The company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are largely conducted in sterling.

The company does not trade speculatively in derivatives or similar instruments.

Disclosure of information in the strategic report

The company has chosen in accordance with section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' 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 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 judgments 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.

Border Biscuits Limited

Directors' Report *(continued)*

Year ended 31 December 2022

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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 8 September 2023 and signed on behalf of the board by:

Mr C Christie

Mr C Christie
Director

Registered office:
South Faulds Road
Caldwellside Industrial Estate
Lanark
Lanarkshire
ML11 7SR

Border Biscuits Limited

Independent Auditor's Report to the Members of Border Biscuits Limited

Year ended 31 December 2022

Opinion

We have audited the financial statements of Border Biscuits Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Border Biscuits Limited

Independent Auditor's Report to the Members of Border Biscuits Limited *(continued)*

Year ended 31 December 2022

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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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 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 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.

Border Biscuits Limited

Independent Auditor's Report to the Members of Border Biscuits Limited

(continued)

Year ended 31 December 2022

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities including fraud and non-compliance with laws and regulations included, but were not limited to, the following:

- Ensuring that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- Understanding and evaluating the design and implementation of management's controls in place to prevent and detect irregularities.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to accruals and provisions for impairment, and assessing whether they were indicative of potential bias.
- Assessing the extent of compliance with laws and regulations through making enquiries of management and inspection of legal correspondence.
- Testing journal entries to identify unusual transactions and investigation of the rationale behind significant or unusual transactions to address the risk of fraud through management bias and override of controls.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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. 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.

Border Biscuits Limited

Independent Auditor's Report to the Members of Border Biscuits Limited

(continued)

Year ended 31 December 2022

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Kerr (Senior Statutory Auditor)

For and on behalf of
I A Stewart & Co Limited
Chartered Accountants & Statutory Auditor
The Mechanics Workshop
New Lanark
ML11 9DB

8 September 2023

Border Biscuits Limited

Statement of Comprehensive Income

Year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	20,531,034	16,925,402
Cost of sales		12,656,992	9,275,465
Gross profit		7,874,042	7,649,937
Distribution costs		2,008,888	1,599,225
Administrative expenses		6,789,468	5,790,845
Other operating income	5	409,471	104,821
Operating (loss)/profit	6	(514,843)	364,688
Other interest receivable and similar income	9	59	852
Interest payable and similar expenses	10	36,706	23,854
(Loss)/profit before taxation		(551,490)	341,686
Tax on (loss)/profit	11	(103,346)	301,382
(Loss)/profit for the financial year and total comprehensive income		(448,144)	40,304

All the activities of the company are from continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

Border Biscuits Limited

Statement of Financial Position

31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	13	7,871,761	8,360,296
Current assets			
Stocks	14	1,353,733	1,286,960
Debtors	15	5,701,465	4,036,861
Cash at bank and in hand		704,446	3,080,236
		<u>7,759,644</u>	<u>8,404,057</u>
Creditors: amounts falling due within one year	16	<u>3,619,331</u>	<u>2,383,937</u>
Net current assets		4,140,313	6,020,120
Total assets less current liabilities		12,012,074	14,380,416
Creditors: amounts falling due after more than one year	17	611,939	1,836,189
Provisions			
Deferred taxation	19	<u>901,236</u>	<u>930,851</u>
Net assets		<u>10,498,899</u>	<u>11,613,376</u>
Capital and reserves			
Called up share capital	24	20,001	20,001
Profit and loss account	25	<u>10,478,898</u>	<u>11,593,375</u>
Shareholders funds		<u>10,498,899</u>	<u>11,613,376</u>

These financial statements were approved by the board of directors and authorised for issue on 8 September 2023, and are signed on behalf of the board by:

Mr C Christie

Mr C Christie
Director



Mrs T Cunningham
Director

Company registration number: SC087177

The notes on pages 13 to 24 form part of these financial statements.

Border Biscuits Limited

Statement of Changes in Equity

Year ended 31 December 2022

		Called up share capital £	Profit and loss account £	Total £
At 1 January 2021		20,001	11,886,071	11,906,072
Profit for the year			40,304	40,304
Total comprehensive income for the year		—	40,304	40,304
Dividends paid and payable	12	—	(333,000)	(333,000)
Total investments by and distributions to owners		—	(333,000)	(333,000)
At 31 December 2021		20,001	11,593,375	11,613,376
Loss for the year			(448,144)	(448,144)
Total comprehensive income for the year		—	(448,144)	(448,144)
Dividends paid and payable	12	—	(666,333)	(666,333)
Total investments by and distributions to owners		—	(666,333)	(666,333)
At 31 December 2022		20,001	10,478,898	10,498,899

The notes on pages 13 to 24 form part of these financial statements.

Border Biscuits Limited**Statement of Cash Flows****Year ended 31 December 2022**

	2022	2021
	£	£
Cash flows from operating activities		
(Loss)/profit for the financial year	(448,144)	40,304
<i>Adjustments for:</i>		
Depreciation of tangible assets	817,998	830,101
Government grant income	(29,242)	(100,219)
Other interest receivable and similar income	(59)	(852)
Interest payable and similar expenses	36,706	23,854
Loss/(gains) on disposal of tangible assets	17,376	(15,915)
Tax on (loss)/profit	(103,346)	301,382
Accrued expenses	44,930	102,820
<i>Changes in:</i>		
Stocks	(66,773)	(471,585)
Trade and other debtors	(1,664,604)	(753,837)
Trade and other creditors	255,668	186,333
Cash generated from operations	(1,139,490)	142,386
Interest paid	(36,706)	(23,854)
Interest received	59	852
Tax paid	(24,186)	–
Net cash (used in)/from operating activities	(1,200,323)	119,384
Cash flows from investing activities		
Purchase of tangible assets	(346,839)	(329,694)
Proceeds from sale of tangible assets	–	17,700
Net cash used in investing activities	(346,839)	(311,994)
Cash flows from financing activities		
Proceeds from borrowings	–	1,000,030
Government grant income	29,242	100,219
Payments of finance lease liabilities	(191,537)	695,653
Dividends paid	(666,333)	(333,000)
Net cash (used in)/from financing activities	(828,628)	1,462,902
Net (decrease)/increase in cash and cash equivalents	(2,375,790)	1,270,292
Cash and cash equivalents at beginning of year	3,080,236	1,809,944
Cash and cash equivalents at end of year	704,446	3,080,236

The notes on pages 13 to 24 form part of these financial statements.

Border Biscuits Limited

Notes to the Financial Statements

Year ended 31 December 2022

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is South Faulds Road, Caldwellside Industrial Estate, Lanark, Lanarkshire, ML11 7SR.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors are of the opinion there are no matters of significant judgements, estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

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

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

3. Accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	- 2% straight line
Plant and machinery	- 15% reducing balance
Fixtures and fittings	- 20% to 40% reducing balance

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, direct production costs and other costs incurred in bringing the stock to its present location and condition. Cost is based on the method most appropriate to the type of stock class, but usually on a first-in-first-out method. Overheads are charged to profit or loss as incurred. Provision is made for obsolete or slow moving items where appropriate.

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

3. Accounting policies *(continued)*

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income in the period in which they become receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution pension plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

4. Turnover

Turnover arises from:

	2022 £	2021 £
Sale of goods	<u>20,531,034</u>	<u>16,925,402</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2022 £	2021 £
United Kingdom	20,122,703	16,715,487
Overseas	<u>408,331</u>	<u>209,915</u>
	<u>20,531,034</u>	<u>16,925,402</u>

5. Other operating income

	2022 £	2021 £
Government grant income	29,242	100,219
Other operating income	<u>380,229</u>	<u>4,602</u>
	<u>409,471</u>	<u>104,821</u>

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2022	2021
	£	£
Depreciation of tangible assets	817,998	830,101
Loss/(gains) on disposal of tangible assets	17,376	(15,915)
Impairment of trade debtors	(411)	(17,834)
Operating lease rentals	6,618	6,467
Foreign exchange differences	1,159	—
Fees payable for the audit of the financial statements	11,700	9,950

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2022	2021
	No.	No.
Administrative staff	35	35
Management staff	27	27
Number of production staff	132	101
Number of warehouse staff	7	7
Number of hygiene staff	12	12
	<u>213</u>	<u>182</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022	2021
	£	£
Wages and salaries	5,722,409	5,074,199
Social security costs	552,271	460,020
Other pension costs	216,594	178,008
	<u>6,491,274</u>	<u>5,712,227</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2022	2021
	£	£
Remuneration	441,697	597,146
Company contributions to defined contribution pension plans	38,069	24,249
	<u>479,766</u>	<u>621,395</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2022	2021
	No.	No.
Defined contribution plans	<u>2</u>	<u>3</u>

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

8. Directors' remuneration *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	2022	2021
	£	£
Aggregate remuneration	298,400	315,088
Company contributions to defined contribution pension plans	27,136	19,000
	<u>325,536</u>	<u>334,088</u>

9. Other interest receivable and similar income

	2022	2021
	£	£
Interest on cash and cash equivalents	<u>59</u>	<u>852</u>

10. Interest payable and similar expenses

	2022	2021
	£	£
Interest on banks loans and overdrafts	11,702	–
Interest on obligations under finance leases and hire purchase contracts	25,004	23,854
	<u>36,706</u>	<u>23,854</u>

11. Tax on (loss)/profit

Major components of tax (income)/expense

	2022	2021
	£	£
Current tax:		
UK current tax (income)/expense	(67,730)	97,917
Adjustments in respect of prior periods	(6,001)	–
Total current tax	<u>(73,731)</u>	<u>97,917</u>
Deferred tax:		
Origination and reversal of timing differences	(29,615)	(19,939)
Impact of change in tax rate	–	223,404
Total deferred tax	<u>(29,615)</u>	<u>203,465</u>
Tax on (loss)/profit	<u>(103,346)</u>	<u>301,382</u>

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

11. Tax on (loss)/profit *(continued)*

Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
(Loss)/profit on ordinary activities before taxation	<u>(551,490)</u>	<u>341,686</u>
(Loss)/profit on ordinary activities by rate of tax	<u>(99,321)</u>	<u>64,920</u>
Adjustment to tax charge in respect of prior periods	<u>(6,001)</u>	<u>–</u>
Effect of expenses not deductible for tax purposes	<u>2,006</u>	<u>7,807</u>
Effect of capital allowances and depreciation	<u>29,585</u>	<u>25,190</u>
Deferred tax	<u>(29,615)</u>	<u>203,465</u>
Tax on (loss)/profit	<u>(103,346)</u>	<u>301,382</u>

Factors that may affect future tax income

Based on current capital investment plans the directors expect that the deferred tax provision is likely to increase in the year ahead.

12. Dividends

	2022 £	2021 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>666,333</u>	<u>333,000</u>

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

13. Tangible assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2022	5,380,279	10,971,925	517,591	16,869,795
Additions	18,630	162,104	166,105	346,839
Disposals	—	(21,921)	—	(21,921)
At 31 December 2022	5,398,909	11,112,108	683,696	17,194,713
Depreciation				
At 1 January 2022	1,397,946	6,766,975	344,578	8,509,499
Charge for the year	102,538	644,473	70,987	817,998
Disposals	—	(4,545)	—	(4,545)
At 31 December 2022	1,500,484	7,406,903	415,565	9,322,952
Carrying amount				
At 31 December 2022	3,898,425	3,705,205	268,131	7,871,761
At 31 December 2021	3,982,333	4,204,950	173,013	8,360,296

Freehold property includes freehold land. Depreciation is not charged on land.

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £
At 31 December 2022	891,625
At 31 December 2021	1,048,970

Capital commitments

	2022 £	2021 £
Contracted for but not provided for in the financial statements	85,000	295,000

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

14. Stocks

	2022 £	2021 £
Raw ingredients and consumables	996,545	998,823
Work in progress	80,584	78,126
Finished goods	276,604	210,011
	<u>1,353,733</u>	<u>1,286,960</u>

At the year-end the value of stock was written down by £215,182 (2021: £115,164) due to slow moving and obsolete stocks.

15. Debtors

	2022 £	2021 £
Trade debtors	4,668,561	3,006,227
Prepayments and accrued income	346,766	387,224
Corporation tax repayable	67,730	–
Other debtors	618,408	643,410
	<u>5,701,465</u>	<u>4,036,861</u>

16. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans and overdrafts	1,000,000	–
Trade creditors	1,079,700	880,799
Accruals and deferred income	1,126,468	1,084,230
Corporation tax	–	97,917
Social security and other taxes	214,837	128,924
Obligations under finance leases and hire purchase contracts	197,701	191,537
Director loan accounts	487	487
Other creditors	138	43
	<u>3,619,331</u>	<u>2,383,937</u>

17. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Bank loans and overdrafts	–	1,000,000
Accruals and deferred income	125,539	152,088
Obligations under finance leases and hire purchase contracts	486,400	684,101
	<u>611,939</u>	<u>1,836,189</u>

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

18. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2022 £	2021 £
Not later than 1 year	216,541	216,541
Later than 1 year and not later than 5 years	505,263	721,804
	<u>721,804</u>	<u>938,345</u>
Less: future finance charges	(37,703)	(62,707)
Present value of minimum lease payments	<u>684,101</u>	<u>875,638</u>

19. Provisions

	Deferred tax (note 20) £
At 1 January 2022	930,851
Charge against provision	(29,615)
At 31 December 2022	<u>901,236</u>

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2022 £	2021 £
Included in provisions (note 19)	<u>901,236</u>	<u>930,851</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022 £	2021 £
Accelerated capital allowances	<u>901,236</u>	<u>930,851</u>

21. Employee benefits

Defined contribution pension plans

The company operates defined contribution pension schemes on behalf of its employees. The contributions are invested with UK pension scheme providers and the funds are held separately from those of Border Biscuits Limited.

The amount recognised in profit or loss as an expense in relation to defined contribution pension plans was £216,594 (2021: £178,008).

Contributions of £21,496 (2021: £20,447) were outstanding to the schemes at the balance sheet date.

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

22. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2022 £	2021 £
Recognised in creditors:		
Deferred government grants due within one year	26,550	29,242
Deferred government grants due after more than one year	125,539	152,088
	<u>152,089</u>	<u>181,330</u>
Recognised in other operating income:		
Government grants recognised directly in income	–	64,200
Government grants released to profit or loss	29,242	36,019
	<u>29,242</u>	<u>100,219</u>

Grant income totalling £nil (2021: £17,004) has been matched with the expenditure towards which it was intended to contribute. The company received assistance from the government in the form of Coronavirus Job Retention Scheme grants totalling to £nil (2021: £64,200) in the year.

23. Financial instruments

The company has no financial derivatives which are reportable.

24. Called up share capital

Authorised share capital

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000
A Ordinary shares of £1 each	1	1	1	1
	<u>50,001</u>	<u>50,001</u>	<u>50,001</u>	<u>50,001</u>

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	20,000	20,000	20,000	20,000
A Ordinary shares of £1 each	1	1	1	1
	<u>20,001</u>	<u>20,001</u>	<u>20,001</u>	<u>20,001</u>

The holders of Ordinary shares are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets. The holders of A Ordinary shares are entitled to receive dividends as declared from time to time, but do not carry voting rights or entitlement to a share of the company's residual assets.

25. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Border Biscuits Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

26. Analysis of changes in net debt

	At 1 Jan 2022 £	Cash flows £	At 31 Dec 2022 £
Cash at bank and in hand	3,080,236	(2,375,790)	704,446
Debt due within one year	(192,024)	(1,006,164)	(1,198,188)
Debt due after one year	(1,684,101)	1,197,701	(486,400)
	<u>1,204,111</u>	<u>(2,184,253)</u>	<u>(980,142)</u>

27. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2022 £	2021 £
Not later than 1 year	13,192	18,836
Later than 1 year and not later than 5 years	10,274	25,897
	<u>23,466</u>	<u>44,733</u>

28. Charges on assets

The bank loans and overdrafts are secured by a floating charge over the assets and undertakings of the company.

Hire purchase agreements are secured on the assets concerned.

29. Directors' advances, credits and guarantees

At the year-end £487 (2021: £487) was due to a former director. There are no repayment terms and no interest is charged on outstanding amounts.

30. Related party transactions

In the year, one of the directors was a trustee of Border Biscuits Community Support, a charity registered in Scotland (SC038418). Included in donations is £nil (2021: £27,397) paid to this charity. The charity's objectives are to provide financial support to initiatives, individuals and activities in the Lanark area.

Dividends of £666,333 (2021: £333,000) were paid to the directors during the year.

The directors are considered to be the company's key management personnel and as such their remuneration is disclosed in the Directors' Remuneration note.

31. Controlling party

The company was under the control of Mr John Cunningham during the current and previous year. Since Mr Cunningham's passing the company has been under the leadership of the Border Executive.

Border Biscuits Limited
Management Information
Year ended 31 December 2022

The following pages do not form part of the financial statements.

Border Biscuits Limited**Detailed Income Statement****Year ended 31 December 2022**

	2022	2021
	£	£
Turnover	20,531,034	16,925,402
Cost of sales		
Opening stock - ingredients	319,142	246,933
Opening stock - packaging	679,681	295,769
Opening stock - finished goods	210,011	251,473
Opening stock - work in progress	78,126	21,000
Purchases	5,725,967	4,317,849
Packaging	3,471,751	2,684,707
Pallets	69,876	43,752
Commissions payable	97,034	873
Waste disposal	37,858	28,932
Direct wages	2,689,144	2,194,878
Agency staff	44,110	—
National insurance contributions	220,594	159,206
Pension costs	69,760	46,174
Heat and light	297,671	270,879
	14,010,725	10,562,425
Closing stock - ingredients	366,178	319,142
Closing stock - packaging	630,367	679,681
Closing stock - finished goods	276,604	210,011
Closing stock - work in progress	80,584	78,126
	12,656,992	9,275,465
Gross profit	7,874,042	7,649,937
Overheads		
Distribution costs	2,008,888	1,599,225
Administrative expenses	6,789,468	5,790,845
	8,798,356	7,390,070
Other operating income	409,471	104,821
Operating (loss)/profit	(514,843)	364,688
Other interest receivable and similar income	59	852
Interest payable and similar expenses	(36,706)	(23,854)
(Loss)/profit before taxation	(551,490)	341,686

Border Biscuits Limited

Notes to the Detailed Income Statement

Year ended 31 December 2022

	2022 £	2021 £
Distribution costs		
Freight and carriage	678,652	498,746
Storage	76,863	55,103
Promotions and marketing	607,472	136,157
New branding	225,183	385,045
PR costs	82,156	419,883
Trade and consumer advertising	326,829	91,203
Discount allowed	11,733	13,088
	<u>2,008,888</u>	<u>1,599,225</u>
Administrative expenses		
Directors salaries	435,542	593,908
Directors national insurance contributions	60,855	71,691
Directors pension contributions	38,069	24,249
Administrative staff salaries	2,553,613	2,285,413
Staff national insurance contributions	270,822	229,123
Staff pension contributions	108,765	107,585
Rates and water	59,652	63,910
Light and heat	24,000	24,000
Insurance	200,847	150,380
Property repairs and maintenance	45,834	36,548
Motor expenses	347	1,584
Travel and subsistence	195,573	134,661
Hire of equipment	67,276	49,217
Telephone	11,701	10,258
Computer expenses	51,707	54,543
ERP costs	33,162	61,110
Equipment repairs and maintenance	329,259	232,802
Printing postage and stationery	16,976	21,463
Staff training	17,625	52,298
Recruitment fees	143,785	92,588
Protective clothing	31,313	26,471
Sundry expenses	87,865	53,159
Long service awards etc	9,439	7,735
Staff gifts	12,657	11,183
Covid -19 costs	9,930	25,427
Laundry and cleaning	69,070	61,346
Sponsorship and donations	130	28,397
Subscriptions	53,209	35,708
Restructuring costs	343,496	110,712
Conference and meeting costs	29,103	—
Entertaining	58,621	32,187
Legal and professional fees	(1,322)	6,743
Consultancy fees	538,170	260,878
Accountancy fees	20,814	16,575
Auditors remuneration	11,700	9,950
Depreciation	817,998	830,101
(Gain)/loss on disposal of tangible assets	17,376	(15,915)
Bad debts written off	(411)	(17,834)
Operating lease payments - equipment	6,618	3,784
	<u>6,781,186</u>	<u>5,783,938</u>
Carried forward		

Border Biscuits Limited**Notes to the Detailed Income Statement** *(continued)***Year ended 31 December 2022**

	2022 £	2021 £
Brought forward	6,781,186	5,783,938
Operating lease - vehicles	–	2,683
Bank charges	7,123	4,224
Foreign currency gains/losses	1,159	–
	<u>6,789,468</u>	<u>5,790,845</u>
Other operating income		
Government grant income	–	64,200
Government grants released to profit or loss	29,242	36,019
Other operating income	380,229	4,602
	<u>409,471</u>	<u>104,821</u>
Other interest receivable and similar income		
Interest on cash and cash equivalents	59	2
Interest received on corporation tax	–	850
	<u>59</u>	<u>852</u>
Interest payable and similar expenses		
Bank loan interest	11,702	–
Interest on hire purchase and finance lease contracts	25,004	23,854
	<u>36,706</u>	<u>23,854</u>