

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2022
for
Spark's Mechanical Services Limited

Contents of the Financial Statements
for the Year Ended 31 December 2022

	Page
Company Information	1
Strategic Report	2
Report of the Directors	3
Report of the Independent Auditors	5
Income Statement	9
Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Cash Flow Statement	13
Notes to the Cash Flow Statement	14
Notes to the Financial Statements	15

Spark's Mechanical Services Limited

Company Information
for the Year Ended 31 December 2022

DIRECTORS:

R Burnett
D A Kirk
L Forrest

REGISTERED OFFICE:

Broadfold Road
Bridge of Don Industrial Estate
Aberdeen
AB23 8EE

REGISTERED NUMBER:

SC102458 (Scotland)

AUDITORS:

Tawse & Partners
Statutory Auditors
18 North Silver Street
Aberdeen
AB10 1JU

Strategic Report
for the Year Ended 31 December 2022

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

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of mechanical and electrical building services, which include specialist refrigeration services and a significant range of air conditioning services. The company operates from branches throughout the UK.

FAIR REVIEW OF BUSINESS

2022 has seen Spark's Mechanical Services Limited continue its good run of continuous profit-making years. It has shown that Sparks, as predicted last year, has completely coped with the pandemic and come through it in a position of strength. Our 2022 figures have also shown that Sparks has been very successful at adapting to the problems of the Cost of Living Crisis and is making good headway through it. Our turnover is still slightly below that of the immediate pre-Covid years, however the Directors feel that the Company has found a good balance at this level and is obviously able to continue to make a profit. This profit has strengthened the company's net asset position at the year end and allowed us to reach 2023 (still with the on-going Cost of Living Crisis) in a good position.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2022	2021
Turnover	£	11,597,648	12,777,104
Gross profit margin	%	19.9	24.8
Total equity	£	2,978,072	2,543,653

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties of the organisation still come from the market environment of the sectors that we primarily operate in. The marketplace for development and renovation is affected by political, environmental and economic issues and changes. This is affecting the oil and gas industry and therefore will affect our operations in the Aberdeen area. There will also no doubt be an impact to our operations elsewhere. The company has still successfully managed to secure and complete some good contracts during the year. The service market is also affected, although customer attitude towards spending still varies and is subject to the sphere they individually operate in as well as the above reasons.

FUTURE DEVELOPMENTS

The Directors are confident about the future. We have an excellent customer base and orders to be fulfilled. We appreciate that changes are happening and know that Sparks will continue to have the flexibility to adapt as required

ON BEHALF OF THE BOARD:

D A Kirk - Director

21 September 2023

Report of the Directors
for the Year Ended 31 December 2022

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

DIVIDENDS

Interim dividends totalling £222,258 were distributed during the year (2021: £40,106).

The directors recommend that no final dividends be paid.

FUTURE DEVELOPMENTS

The future developments of the company are set out in the Strategic Report, in accordance with s.414C(11) CA 2006.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

R Burnett
D A Kirk
L Forrest

FINANCIAL INSTRUMENTS

The company has secured debt factoring in place with a balance outstanding at 31 December 2022 of £283,190 (2021: £612,593). The company still has an outstanding CBILS loan at 31 December 2022, repayments of £83,333 (2021: nil) were made during the year leaving a balance of £416,667 (2021: £500,000). There is no exposure to the company regarding credit, liquidity, cashflow or market risk.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors
for the Year Ended 31 December 2022

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:

D A Kirk - Director

21 September 2023

Opinion

We have audited the financial statements of Spark's Mechanical Services Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page three, 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 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.

Auditors' 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 a Report of the Auditors 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.

Extent to which an audit is considered capable of detecting irregularities, including fraud

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks identified include:

- UK GAAP
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation
- Health and Safety legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies and board minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- In respect of amounts recoverable on contracts and accrued income, reviewing a sample of contract files to confirm the value of the outstanding claims to evidence of the contractors agreement;
- Performing audit procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to risk of material misstatement in the financial statements, recognising that the risk of not detecting a material risk due to fraud is higher than the risk of not detecting one resulting from error as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of
Spark's Mechanical Services Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.

Hazel Neilson (Senior Statutory Auditor)
for and on behalf of Tawse & Partners
Statutory Auditors
18 North Silver Street
Aberdeen
AB10 1JU

21 September 2023

Income Statement
for the Year Ended 31 December 2022

	Notes	31.12.22 £	31.12.21 £
TURNOVER	5	11,597,648	12,777,104
Cost of sales		<u>9,286,338</u>	<u>9,614,171</u>
GROSS PROFIT		2,311,310	3,162,933
Administrative expenses		<u>2,274,575</u> 36,735	<u>2,234,951</u> 927,982
Other operating income	6	<u>797,030</u>	<u>189,905</u>
OPERATING PROFIT	8	833,765	1,117,887
Interest receivable and similar income	9	<u>1,118</u> 834,883	<u>188</u> 1,118,075
Interest payable and similar expenses	10	<u>17,117</u>	<u>12,534</u>
PROFIT BEFORE TAXATION		817,766	1,105,541
Tax on profit	11	<u>161,089</u>	<u>205,395</u>
PROFIT FOR THE FINANCIAL YEAR		<u>656,677</u>	<u>900,146</u>

The notes form part of these financial statements

Other Comprehensive Income
for the Year Ended 31 December 2022

	Notes	31.12.22 £	31.12.21 £
PROFIT FOR THE YEAR		656,677	900,146
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		-	-
FOR THE YEAR		<u>656,677</u>	<u>900,146</u>

Balance Sheet
31 December 2022

	Notes	31.12.22 £	£	31.12.21 £	£
FIXED ASSETS					
Tangible assets	13		403,854		222,366
CURRENT ASSETS					
Stocks	14	165,310		22,755	
Debtors	15	3,012,918		3,699,523	
Cash at bank and in hand		<u>1,924,710</u>		<u>2,144,167</u>	
		5,102,938		5,866,445	
CREDITORS					
Amounts falling due within one year	16	<u>2,132,271</u>		<u>3,098,612</u>	
NET CURRENT ASSETS			<u>2,970,667</u>		<u>2,767,833</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,374,521		2,990,199
CREDITORS					
Amounts falling due after more than one year	17		(316,667)		(416,667)
PROVISIONS FOR LIABILITIES	22		<u>(79,782)</u>		<u>(29,879)</u>
NET ASSETS			<u>2,978,072</u>		<u>2,543,653</u>
CAPITAL AND RESERVES					
Called up share capital	23		25		25
Retained earnings	24		<u>2,978,047</u>		<u>2,543,628</u>
SHAREHOLDERS' FUNDS			<u>2,978,072</u>		<u>2,543,653</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 September 2023 and were signed on its behalf by:

L Forrest - Director

R Burnett - Director

D A Kirk - Director

Statement of Changes in Equity
for the Year Ended 31 December 2022

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2021	25	1,683,588	1,683,613
Changes in equity			
Dividends	-	(40,106)	(40,106)
Total comprehensive income	-	900,146	900,146
Balance at 31 December 2021	25	2,543,628	2,543,653
Changes in equity			
Dividends	-	(222,258)	(222,258)
Total comprehensive income	-	656,677	656,677
Balance at 31 December 2022	25	2,978,047	2,978,072

Cash Flow Statement
for the Year Ended 31 December 2022

	Notes	31.12.22 £	31.12.21 £
Cash flows from operating activities			
Cash generated from operations	1	920,796	(160,999)
Interest paid		(17,117)	(12,534)
Government grants		2,255	189,905
Tax paid		(198,127)	(160,489)
Net cash from operating activities		<u>707,807</u>	<u>(144,117)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(320,604)	(155,354)
Sale of tangible fixed assets		43,512	10,413
Interest received		1,118	188
Net cash from investing activities		<u>(275,974)</u>	<u>(144,753)</u>
Cash flows from financing activities			
New loans in year		-	500,000
Loan repayments in year		(83,333)	-
Advanced to group undertakings		(2,290)	(1,667)
Amount repaid by directors		69,997	2,333
Amount advanced to directors		(84,003)	(13,750)
Movement in drawdown borrowings		(329,403)	387,079
Equity dividends paid		(222,258)	(40,106)
Net cash from financing activities		<u>(651,290)</u>	<u>833,889</u>
(Decrease)/increase in cash and cash equivalents		<u>(219,457)</u>	<u>545,019</u>
Cash and cash equivalents at beginning of year	2	2,144,167	1,599,148
Cash and cash equivalents at end of year	2	<u><u>1,924,710</u></u>	<u><u>2,144,167</u></u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2022

1. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.22	31.12.21
	£	£
Profit before taxation	817,766	1,105,541
Depreciation charges	124,367	79,310
Profit on disposal of fixed assets	(28,763)	(10,413)
Government grants	(2,255)	(189,905)
Finance costs	17,117	12,534
Finance income	(1,118)	(188)
	<u>927,114</u>	<u>996,879</u>
(Increase)/decrease in stocks	(142,555)	4,454
Decrease/(increase) in trade and other debtors	703,003	(697,401)
Decrease in trade and other creditors	<u>(566,766)</u>	<u>(464,931)</u>
Cash generated from operations	<u><u>920,796</u></u>	<u><u>(160,999)</u></u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	<u>1,924,710</u>	<u>2,144,167</u>

Year ended 31 December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	<u>2,144,167</u>	<u>1,599,148</u>

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.22	Cash flow	At 31.12.22
	£	£	£
Net cash			
Cash at bank and in hand	<u>2,144,167</u>	<u>(219,457)</u>	<u>1,924,710</u>
	<u>2,144,167</u>	<u>(219,457)</u>	<u>1,924,710</u>
Debt			
Debts falling due within 1 year	(695,926)	312,736	(383,190)
Debts falling due after 1 year	<u>(416,667)</u>	<u>100,000</u>	<u>(316,667)</u>
	<u>(1,112,593)</u>	<u>412,736</u>	<u>(699,857)</u>
Total	<u><u>1,031,574</u></u>	<u><u>193,279</u></u>	<u><u>1,224,853</u></u>

Notes to the Financial Statements
for the Year Ended 31 December 2022

1. **STATUTORY INFORMATION**

Spark's Mechanical Services Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£), and are rounded to the nearest £.

2. **STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared on a going concern basis under the historical cost convention modified to include certain items at fair value.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with other members of the group.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Rendering of services

When the outcome of a transaction can be estimated reliably, turnover from services rendered is recognised by reference to the stage of completion at the Statement of Financial Position date. Stage of completion is measured by reference to contractual rates of labour hours for services rendered and direct expenses incurred. When the outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

Construction contracts

In respect of contract work, revenue is recognised by reference to stage of completion of the contract. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors and payments on account in excess of the relevant amount of revenue are included in creditors.

The company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities.

When it is probable that the contract costs will exceed the total contract turnover, the expected loss is recognised as an expense immediately with a corresponding provision.

Grants

Grant income is recognised when there is reasonable assurance that the company will comply with conditions attached to them.

Interest Receivable

Interest income is recognised using the effective interest method.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

3. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life, or over the lease term, whichever is the shorter.

Improvements to property	- Over term of lease
Plant and machinery	- 20% on cost
Motor vehicles	- 25% on cost
Office equipment	- 25% on cost

Tangible assets are stated in the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in the acquisition and installation.

Government grants

During the year the company benefitted from £nil (2021: £179,842) of government grants in the form of the Coronavirus Job Retention Scheme. The grants are included in other operating income within the Income Statement over the same period as the staff costs for which it compensates.

Also during the year the company benefitted from £2,255 (2021: £10,063) of government grants in the form of interest paid on behalf of the company accrued on the Coronavirus Business Interruption Loan Scheme. In accordance with our accounting policy this credit is included in other operating income within the Income Statement over the same period as the interest is chargeable.

Stocks

Stocks are stated at the lower of cost, using the first in first out method, and selling price less costs to sell. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

3. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an option 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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic 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 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.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

3. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Leases in which subsequently all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under hire purchase leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Statement of Income and Retained Earnings and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Pension costs and other post-retirement benefits

A defined contribution plan is a pension plan under which fixed contributions are paid into the pension fund and the company has no legal obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employee the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expenses when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits.

Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction it is measured at fair value.

Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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:-

Amounts Recoverable on Contracts

As disclosed in the accounting policies, construction contract profits are contingent on the judgements of management around the future outcome and stage of the contract.

5. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

Analysis of turnover is given below:

	31.12.22 £	31.12.21 £
Rendering of Services	11,597,648	12,777,104
	<u>11,597,648</u>	<u>12,777,104</u>

Turnover from construction contracts:

	31.12.22 £	31.12.21 £
Gross amount due from customers for contract work	<u>1,020,012</u>	<u>1,005,308</u>

6. OTHER OPERATING INCOME

	31.12.22 £	31.12.21 £
Insurance claim	794,775	-
Government grants	<u>2,255</u>	<u>189,905</u>
	<u>797,030</u>	<u>189,905</u>

During the year the company received an insurance claim of £794,775 for Business Interruption, due to the impact of the Covid 19 pandemic in 2020 and 2021 on the company's turnover. The claim was started in 2021, but the outcome of the claim was not certain until July 2022, when the funds were received. The income has been recognised in the 2022 accounts.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

7. EMPLOYEES AND DIRECTORS

The aggregate payroll costs (including directors' remuneration) were as follows:

	31.12.22	31.12.21
	£	£
Wages and salaries	3,168,147	3,588,956
Social security costs	364,638	406,724
Pension costs, defined contribution scheme	172,235	252,517
	<u>3,705,020</u>	<u>4,248,197</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	31.12.22	31.12.21
	No.	No.
Contracts / Service	65	79
Administration and support	20	21
	<u>85</u>	<u>100</u>

	31.12.22	31.12.21
	£	£
Directors' remuneration	245,440	305,196
Directors' pension contributions to money purchase schemes	<u>79,526</u>	<u>79,013</u>

The number of directors to whom retirement benefits were accruing was as follows:

	31.12.22	31.12.21
Money purchase schemes	<u>3</u>	<u>3</u>

Information regarding the highest paid director is as follows:

	31.12.22	31.12.21
	£	£
Emoluments etc	96,879	123,630
Pension contributions to money purchase schemes	<u>24,000</u>	<u>24,000</u>

8. OPERATING PROFIT

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

	31.12.22	31.12.21
	£	£
Other operating leases	754	2,159
Depreciation - owned assets	124,367	79,310
Profit on disposal of fixed assets	(28,763)	(10,413)
Auditors' remuneration	14,500	13,391
Rental operating leases	<u>102,866</u>	<u>103,139</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

9. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	31.12.22	31.12.21
	£	£
Bank interest received	1,103	188
Other interest received	15	-
	<u>1,118</u>	<u>188</u>

10. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	31.12.22	31.12.21
	£	£
Bank loan interest	17,117	10,063
Other interest	-	2,471
	<u>17,117</u>	<u>12,534</u>

11. **TAXATION**

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	31.12.22	31.12.21
	£	£
Current tax:		
UK corporation tax	111,186	187,114
Deferred tax	49,903	18,281
Tax on profit	<u>161,089</u>	<u>205,395</u>

UK corporation tax has been charged at 19% (2021 - 19%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.22	31.12.21
	£	£
Profit before tax	<u>817,766</u>	<u>1,105,541</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	155,376	210,053
Effects of:		
Expenses not deductible for tax purposes	369	80
Income not taxable for tax purposes	(5,465)	(1,978)
Capital allowances in excess of depreciation	(38,693)	(20,599)
Increase from other short term timing difference	49,903	18,281
Group relief	(401)	(442)
Total tax charge	<u>161,089</u>	<u>205,395</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

12. **DIVIDENDS**

	31.12.22 £	31.12.21 £
Ordinary shares of £1 each		
Interim	<u>222,258</u>	<u>40,106</u>

13. **TANGIBLE FIXED ASSETS**

	Improvements to property £	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
COST					
At 1 January 2022	10,648	4,804	822,114	158,851	996,417
Additions	-	-	318,135	2,469	320,604
Disposals	-	-	(242,286)	-	(242,286)
At 31 December 2022	<u>10,648</u>	<u>4,804</u>	<u>897,963</u>	<u>161,320</u>	<u>1,074,735</u>
DEPRECIATION					
At 1 January 2022	9,718	3,135	606,050	155,148	774,051
Charge for year	915	371	121,700	1,381	124,367
Eliminated on disposal	-	-	(227,537)	-	(227,537)
At 31 December 2022	<u>10,633</u>	<u>3,506</u>	<u>500,213</u>	<u>156,529</u>	<u>670,881</u>
NET BOOK VALUE					
At 31 December 2022	<u>15</u>	<u>1,298</u>	<u>397,750</u>	<u>4,791</u>	<u>403,854</u>
At 31 December 2021	<u>930</u>	<u>1,669</u>	<u>216,064</u>	<u>3,703</u>	<u>222,366</u>

14. **STOCKS**

	31.12.22 £	31.12.21 £
Raw materials and consumables	<u>165,310</u>	<u>22,755</u>

15. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.22 £	31.12.21 £
Trade debtors	1,763,112	2,573,435
Amounts owed by group undertakings	4,057	1,767
Amounts recoverable on contract	478,614	744,344
Other debtors	22,533	7,631
Directors' current accounts	25,525	11,417
Prepayments and accrued income	719,077	360,929
	<u>3,012,918</u>	<u>3,699,523</u>

The amounts due from group undertakings are interest free and are repayable on demand.

The company transferred trade debtors under a Receivables Finance Agreement. The trade debtors have not been derecognised from the balance sheet, because the company retains, substantially all of the risks and rewards, primarily credit risk. The amount received on transfer of £283,190 (2021 £612,593) has been recognised within other loans.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

16. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.22	31.12.21
	£	£
Bank loans and overdrafts (see note 18)	100,000	83,333
Other loans (see note 18)	283,190	612,593
Trade creditors	1,305,890	1,405,624
Tax	106,600	193,541
Social security and other taxes	122,664	135,835
VAT	75,252	266,853
Other creditors	72,049	143,595
Directors' current accounts	102	-
Accruals and deferred income	66,524	257,238
	<u>2,132,271</u>	<u>3,098,612</u>

17. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31.12.22	31.12.21
	£	£
Bank loans (see note 18)	<u>316,667</u>	<u>416,667</u>

18. **LOANS**

An analysis of the maturity of loans is given below:

	31.12.22	31.12.21
	£	£
Amounts falling due within one year or on demand:		
Bank loans	100,000	83,333
Other loans	<u>283,190</u>	<u>612,593</u>
	<u>383,190</u>	<u>695,926</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>316,667</u>	<u>400,000</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 yr by instal	<u>-</u>	<u>16,667</u>

The CBILS loan is repayable over 5 years and interest is charged at the base rate plus 2.32%.

19. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.12.22	31.12.21
	£	£
Within one year	34,250	94,958
Between one and five years	125,000	137,000
In more than five years	<u>38,550</u>	<u>60,800</u>
	<u>197,800</u>	<u>292,758</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

19. **LEASING AGREEMENTS - continued**

The amount of non-cancellable operating lease payments recognised as an expense during the year was £102,866 (2021: £103,139).

20. **SECURED DEBTS**

The following secured debts are included within creditors:

	31.12.22	31.12.21
	£	£
Bank loans	416,667	500,000
Other loans	283,190	612,593
	<u>699,857</u>	<u>1,112,593</u>

Other loans represent the amount due under the Receivables Finance Agreement, which is secured by a Bond and Floating Charge over all the assets of Spark's Mechanical Services Limited and is repayable on demand. The discount charge is 3% above Base Rate.

The Bank of Scotland holds a Bond and Floating charge over the whole assets of the company.

21. **FINANCIAL INSTRUMENTS**

The carrying amount of the company's financial instruments are as follows:

	31.12.22	31.12.21
	£	£
<u>Financial liabilities</u>		
Measured at amortised cost		
Bank and other loans (see notes 16-17)	<u>699,857</u>	<u>1,112,593</u>
<u>Expenses</u>		
Financial liabilities measured at amortised cost	<u>48,375</u>	<u>40,028</u>

22. **PROVISIONS FOR LIABILITIES**

	31.12.22	31.12.21
	£	£
Deferred tax	<u>79,782</u>	<u>29,879</u>
		Deferred tax
		£
Balance at 1 January 2022		29,879
Provided during year		49,903
Balance at 31 December 2022		<u>79,782</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

23. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.22 £	31.12.21 £
25	Ordinary	£1	<u>25</u>	<u>25</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

24. RESERVES

	Retained earnings £
At 1 January 2022	2,543,628
Profit for the year	656,677
Dividends	<u>(222,258)</u>
At 31 December 2022	<u>2,978,047</u>

25. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £172,235 (2021 - £252,517).

Contributions totalling £33,650 (2021 - £103,861) were payable to the scheme at the end of the year and are included in creditors.

26. PARENT AND ULTIMATE PARENT COMPANY

Sparks (Holdings) Limited is the company's parent company. The registered office of Sparks (Holdings) Limited is Broadfold Road, Bridge of Don Industrial Estate, Aberdeen, AB23 8EE.

The group financial statements are available on request from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

27. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 December 2022 and 31 December 2021:

	31.12.22 £	31.12.21 £
L Forrest		
Balance outstanding at start of year	7,750	-
Amounts advanced	41,805	7,750
Amounts repaid	(24,030)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>25,525</u>	<u>7,750</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

27. **DIRECTORS' ADVANCES, CREDITS AND GUARANTEES - continued**

D A Kirk

Balance outstanding at start of year	3,667	-
Amounts advanced	-	6,000
Amounts repaid	(3,667)	(2,333)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>3,667</u>

R Burnett

Balance outstanding at start of year	-	-
Amounts advanced	42,198	-
Amounts repaid	(42,300)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>(102)</u>	<u>-</u>

The loans are interest free and are repayable on demand.

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