

Company registration number SC229817 (Scotland)

SMITH & MCLAURIN LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 OCTOBER 2023

SMITH & MCLAURIN LIMITED

CONTENTS

| | Page |
|--|---------|
| Company information | 1 |
| Strategic report | 2 |
| Directors' report | 3 - 4 |
| Independent auditor's report | 5 - 7 |
| Statement of comprehensive income | 8 |
| Balance sheet | 9 |
| Statement of changes in equity | 10 |
| Notes to the financial statements | 11 - 23 |
| Detailed trading and profit and loss account | |

SMITH & MCLAURIN LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | Mr David Hollas Mr Patrick Kennedy Mrs Roslynn Mackay Mr John Radford Mr Allan McLaughlin |
| Secretary | Mr Allan McLaughlin |
| Company number | SC229817 |
| Registered office | Cartside Mill Kilbarchan Road Kilbarchan Johnstone Renfrewshire Scotland PA10 2AF |
| Auditor | Consilium Audit Limited 169 West George Street Glasgow Scotland G2 2LB |

SMITH & MCLAURIN LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 27 OCTOBER 2023

The directors present the strategic report for the period ended 27 October 2023.

Review of the business

The major impact on the business in 2022/23 was the flat level of trading in the Company's markets in the UK and western Europe.

Turnover for the year was £20.9m (2022: £25.0m); gross profit was £5.6m (2022: £7.3m); operating profit was £0.9m (2022: £2.6m).

The company continues to make significant investment in product development and in plant and equipment.

Principal risks and uncertainties

The major risks facing the business are external factors such as exchange rates, low rates of economic growth, high level of inflation, high interest rates and the war in Ukraine.

Since leaving the EU the sector supply chain has been more volatile, resulting in inconsistency of raw material deliveries and regular raw material price rises, matched by output price increases. While being inconvenient these issues have not caused significant problems to trading.

The company is financed by an invoice discounting facility and there is sufficient headroom for trading levels.

Trading levels and profitability for the first few months of 2023/24 have been strong, with turnover and operating profit ahead of budget, despite the generally flat trading conditions in the UK and western Europe.

Going concern

As detailed above, the Directors have considered all internal and external factors and the resources at the Company's disposal and have concluded there is no material uncertainty with regards to going concern.

Consequently, the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

Financial key performance indicators

The Key Performance Indicators measured by the business include:

Turnover
Gross and Net Margins
Cash Availability

Future developments

The company will continue to make significant investment in product development and plant and machinery.

On behalf of the board

Mr Allan McLaughlin
Director

29 February 2024

SMITH & MCLAURIN LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 27 OCTOBER 2023

The directors present their annual report and financial statements for the period ended 27 October 2023.

Principal activities

The principal activity of the company continued to be that of speciality coating and converting of paper products.

Results and dividends

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

Ordinary dividends were paid amounting to £282,992 (2022: £285,125). The directors do not recommend payment of a further dividend.

Directors

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

Mr David Hollas
Mr Patrick Kennedy
Mrs Roslynn Mackay
Mr John Radford
Mr Allan McLaughlin

Financial instruments

The company's financial risk management objective is broadly to seek to make profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through retained earnings and to fix sterling value of export sales when a contract is signed and through use of invoice discounting facility.

The company's exposure to the price risk of financial instruments is therefore minimal. As the counterparties to all financial instruments are its bankers, it is also exposed to minimal credit and liquidity risks in respect of these instruments.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of the company's financial position or performance.

Research and development

The company continues to invest in research and development in key areas such as product construction, adhesive technology and coating techniques.

Auditor

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

SMITH & MCLAURIN LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

Statement of directors' responsibilities

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

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

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

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr Allan McLaughlin
Director

29 February 2024

SMITH & MCLAURIN LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMITH & MCLAURIN LIMITED

Opinion

We have audited the financial statements of Smith & McLaurin Limited (the 'company') for the period ended 27 October 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 October 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period 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.

SMITH & MCLAURIN LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SMITH & MCLAURIN LIMITED

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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, was as follows:

- We ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- We identified the laws and regulations applicable to the company through discussions with directors and management and from our knowledge of the regulatory environment relevant to the company.
- We assessed the extent of compliance with laws and regulations through making enquiries of management and inspecting legal correspondence
- We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management as to where they considered there was susceptibility to fraud and their knowledge of actual, suspected and alleged fraud.
- To address the risk of fraud through management bias and override of controls, we tested journal entries to identify unusual transactions, we assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias and we investigated the rationale behind significant or unusual transactions.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. 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.

SMITH & MCLAURIN LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SMITH & MCLAURIN LIMITED

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Brian Thomson BA(Hons) CA (Senior Statutory Auditor)
For and on behalf of Consilium Audit Limited
Statutory Auditor

169 West George Street
Glasgow
Scotland
G2 2LB

29 February 2024

SMITH & MCLAURIN LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 27 OCTOBER 2023

| | | Period ended 27 October 2023 £ | Period ended 28 October 2022 £ |
|--|-------|--|--|
| | Notes | | |
| Turnover | 3 | 20,915,698 | 25,028,346 |
| Cost of sales | | (15,285,974) | (17,684,116) |
| Gross profit | | 5,629,724 | 7,344,230 |
| Distribution costs | | (2,243,280) | (2,203,875) |
| Administrative expenses | | (2,507,435) | (2,587,835) |
| Other operating income | 3 | 11,561 | 16,888 |
| Operating profit | 4 | 890,570 | 2,569,408 |
| Interest payable and similar expenses | | (177,987) | (79,704) |
| Profit before taxation | | 712,583 | 2,489,704 |
| Tax on profit | 8 | (182,284) | (393,455) |
| Profit for the financial period | | 530,299 | 2,096,249 |

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

The notes on pages 11 to 23 form part of these financial statements.

SMITH & MCLAURIN LIMITED

BALANCE SHEET

AS AT 27 OCTOBER 2023

| | | 27 October 2023 | 28 October 2022 |
|--|-------|-----------------|-----------------|
| | Notes | £ | £ |
| Fixed assets | | | |
| Tangible assets | 10 | 925,490 | 800,143 |
| Current assets | | | |
| Stocks | 11 | 3,712,775 | 4,843,996 |
| Debtors | 12 | 7,894,915 | 8,858,606 |
| Cash at bank and in hand | | 49,958 | 51,590 |
| | | 11,657,648 | 13,754,192 |
| Creditors: amounts falling due within one year | 13 | (5,607,816) | (7,754,251) |
| Net current assets | | 6,049,832 | 5,999,941 |
| Total assets less current liabilities | | 6,975,322 | 6,800,084 |
| Creditors: amounts falling due after more than one year | 14 | (257,788) | (369,349) |
| Provisions for liabilities | | | |
| Deferred tax liability | 16 | 204,997 | 165,505 |
| | | (204,997) | (165,505) |
| Net assets | | 6,512,537 | 6,265,230 |
| Capital and reserves | | | |
| Called up share capital | 18 | 50,000 | 50,000 |
| Share premium account | 19 | 22,000 | 22,000 |
| Profit and loss reserves | 20 | 6,440,537 | 6,193,230 |
| Total equity | | 6,512,537 | 6,265,230 |

The notes on pages 11 to 23 form part of these financial statements.

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

Mr Allan McLaughlin
Director

Company Registration No. SC229817

SMITH & MCLAURIN LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 27 OCTOBER 2023

| | | Share capital | Share premium account | Profit and loss reserves | Total |
|--|-------|---------------|-----------------------|--------------------------|-----------|
| | Notes | £ | £ | £ | £ |
| Balance at 30 October 2021 | | 50,000 | 22,000 | 4,382,106 | 4,454,106 |
| Period ended 28 October 2022: | | | | | |
| Profit and total comprehensive income for the period | | - | - | 2,096,249 | 2,096,249 |
| Dividends | 9 | - | - | (285,125) | (285,125) |
| Balance at 28 October 2022 | | 50,000 | 22,000 | 6,193,230 | 6,265,230 |
| Period ended 27 October 2023: | | | | | |
| Profit and total comprehensive income for the period | | - | - | 530,299 | 530,299 |
| Dividends | 9 | - | - | (282,992) | (282,992) |
| Balance at 27 October 2023 | | 50,000 | 22,000 | 6,440,537 | 6,512,537 |

The notes on pages 11 to 23 form part of these financial statements.

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 27 OCTOBER 2023

1 Accounting policies

Company information

Smith & McLaurin Limited is a private company limited by shares incorporated in Scotland. The registered office is Cartside Mill, Kilbarchan Road, Kilbarchan, Johnstone, Renfrewshire, Scotland, PA10 2AF. The company's registration number is SC229817.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Financial Reporting Standard 102 - reduced disclosure

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Smith & McLaurin Holdings Limited as at 27 October 2023. These consolidated financial statements are available from its registered office, Cartside Mill, Kilbarchan Road, Kilbarchan, Johnstone, Renfrewshire, Scotland, PA10 2AF.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Reporting period

The company prepares these financial statements for a 52 week period to 27 October 2023. The comparative figures are the 52 weeks to 28 October 2022.

1.4 Turnover

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

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

1 Accounting policies

(Continued)

1.6 Tangible fixed assets

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

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

| | |
|---------------------|---------------|
| Tenant improvements | 10 years |
| Plant and equipment | 2 to 10 years |

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

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Stocks and work in progress

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

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

Work in progress

Work in progress is valued on the basis of direct material and labour costs plus attributable overheads based on a normal level of activity. No element of profit is included in the valuation of work in progress.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

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

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

1 Accounting policies

(Continued)

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.

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

1 Accounting policies

(Continued)

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

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

1.13 Retirement benefits

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

1.14 Leases

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value, and are depreciated in accordance with the above depreciation policies.

Future instalments payable under such agreements, net of finance charges, are included within creditors. Rentals payable are apportioned between the capital element, which reduces the outstanding obligation included within creditors, and the finance element, which is charged to the profit and loss account on a straight line basis.

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

1 Accounting policies

(Continued)

1.15 Government grants

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

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

1.16 Foreign exchange

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

1.17 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

2 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- Determine the basis of recognising income. The company recognises revenue when the amount can be measured reliably; it is probable that future economic benefit will flow to the company and the company has fulfilled its contractual obligations.
- Determine whether leases entered into by the company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determine whether any bad debt provision is required via review of trade debtors, with debts provided for on a specific basis. Factors considered include customer payment history and agreed credit terms.
- Determine whether any stock provision is required via comparison of cost and net realisable value of stock on an item by item basis. Factors considered include stock obsolescence.
- Determine the basis for translating assets and liabilities held in foreign currency at the period end date as well as transactions during the period.

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

3 Turnover and other revenue

| | 2023 | 2022 |
|----------------------------------|--------|--------|
| | £ | £ |
| Other significant revenue | | |
| Grants received | 11,561 | 16,888 |

| | 2023 | 2022 |
|---|------------|------------|
| | £ | £ |
| Turnover analysed by geographical market | | |
| United Kingdom | 12,669,504 | 13,786,125 |
| Europe | 7,944,821 | 10,891,321 |
| Rest of World | 301,373 | 350,900 |
| | 20,915,698 | 25,028,346 |

4 Operating profit

| | 2023 | 2022 |
|---|----------|----------|
| | £ | £ |
| Operating profit for the period is stated after charging/(crediting): | | |
| Research and development costs | 6,193 | 4,603 |
| Government grants | (11,561) | (16,888) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 21,000 | 19,800 |
| Depreciation of owned tangible fixed assets | 193,848 | 210,138 |
| Foreign exchange differences | 32,824 | 92,081 |
| Hire of plant operating leases | 48,714 | 42,720 |
| Hire of premises operating leases | 160,000 | 160,000 |

5 Employees

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

| | 2023 | 2022 |
|--------------------------|------|------|
| Production | 52 | 56 |
| Selling and distribution | 6 | 6 |
| Administration | 20 | 21 |
| Total | 78 | 83 |

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

5 Employees (Continued)

Their aggregate remuneration comprised:

| | 2023 £ | 2022 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,513,492 | 2,797,731 |
| Social security costs | 204,984 | 242,067 |
| Pension costs | 117,483 | 118,445 |
| | <u>2,835,959</u> | <u>3,158,243</u> |

6 Directors' remuneration

| | 2023 £ | 2022 £ |
|--------------------------------------|----------------|----------------|
| Remuneration for qualifying services | <u>157,073</u> | <u>136,178</u> |

7 Interest payable and similar expenses

| | 2023 £ | 2022 £ |
|---------------------------------------|----------------|---------------|
| Interest on bank overdrafts and loans | <u>177,987</u> | <u>79,704</u> |

8 Taxation

| | 2023 £ | 2022 £ |
|--|----------------|----------------|
| Current tax | | |
| UK corporation tax on profits for the current period | <u>142,792</u> | <u>352,956</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | <u>39,492</u> | <u>40,499</u> |
| Total tax charge | <u>182,284</u> | <u>393,455</u> |

During the year, the main rate of corporation tax changed from 19% to 25%. Deferred tax has been calculated at a rate of 25%.

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

8 Taxation

(Continued)

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

| | 2023 £ | 2022 £ |
|--|-----------|-----------|
| Profit before taxation | 712,583 | 2,489,704 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 22.00% (2022: 19.00%) | 156,768 | 473,044 |
| Tax effect of expenses that are not deductible in determining taxable profit | 20,130 | 1,444 |
| Permanent capital allowances in excess of depreciation | (34,106) | (9,684) |
| Research and development tax credit | - | (111,070) |
| Deferred tax provided at different rates | 39,492 | 39,721 |
| Taxation charge for the period | 182,284 | 393,455 |

9 Dividends

| | 2023 £ | 2022 £ |
|------------|-----------|-----------|
| Final paid | 282,992 | 285,125 |

10 Tangible fixed assets

| | Tenant improvements £ | Plant and equipment £ | Total £ |
|------------------------------------|-----------------------------|-----------------------------|------------|
| Cost | | | |
| At 29 October 2022 | 713,271 | 4,520,943 | 5,234,214 |
| Additions | 58,373 | 260,822 | 319,195 |
| At 27 October 2023 | 771,644 | 4,781,765 | 5,553,409 |
| Depreciation and impairment | | | |
| At 29 October 2022 | 641,395 | 3,792,676 | 4,434,071 |
| Depreciation charged in the period | 22,964 | 170,884 | 193,848 |
| At 27 October 2023 | 664,359 | 3,963,560 | 4,627,919 |
| Carrying amount | | | |
| At 27 October 2023 | 107,285 | 818,205 | 925,490 |
| At 28 October 2022 | 71,876 | 728,267 | 800,143 |

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

11 Stocks

| | 2023 £ | 2022 £ |
|-------------------------------------|------------------|------------------|
| Raw materials and consumables | 2,563,168 | 2,970,293 |
| Work in progress | 669,485 | 504,077 |
| Finished goods and goods for resale | 480,122 | 1,369,626 |
| | <u>3,712,775</u> | <u>4,843,996</u> |

12 Debtors

| | 2023 £ | 2022 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 4,010,947 | 4,975,405 |
| Amounts owed by group undertakings | 3,640,633 | 3,640,633 |
| Other debtors | - | 27,725 |
| Prepayments and accrued income | 243,335 | 214,843 |
| | <u>7,894,915</u> | <u>8,858,606</u> |

There is no set repayment dates for the amounts owed by group undertakings and the balance is interest free.

13 Creditors: amounts falling due within one year

| | Notes | 2023 £ | 2022 £ |
|------------------------------------|-------|------------------|------------------|
| Other borrowings | 15 | 100,000 | 100,000 |
| Trade creditors | | 2,802,893 | 3,356,773 |
| Corporation tax | | 123,412 | 352,956 |
| Other taxation and social security | | 228,627 | 202,038 |
| Other creditors | | 2,086,529 | 3,368,428 |
| Accruals and deferred income | | 266,355 | 374,056 |
| | | <u>5,607,816</u> | <u>7,754,251</u> |

Included in other creditors above is an amount of £2,003,583 (2022: £3,311,385) which relates to an invoice discounting facility which is secured over the outstanding trade debtors.

A bond and floating charge is held by the bank over the assets of the company and cross guarantees in favour of Smith & McLaurin Group Limited and Smith & McLaurin Holdings Limited.

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 OCTOBER 2023

14 Creditors: amounts falling due after more than one year

| | Notes | 2023 £ | 2022 £ |
|------------------|-------|----------------|----------------|
| Other borrowings | 15 | 225,000 | 325,000 |
| Other creditors | | 32,788 | 44,349 |
| | | <u>257,788</u> | <u>369,349</u> |

15 Loans and overdrafts

| | 2023 £ | 2022 £ |
|-------------------------|----------------|----------------|
| Other loans | 325,000 | 425,000 |
| | <u>325,000</u> | <u>425,000</u> |
| Payable within one year | 100,000 | 100,000 |
| Payable after one year | 225,000 | 325,000 |
| | <u>325,000</u> | <u>425,000</u> |

The above loans are secured by fixed charges over all the assets of the company.

This loan is repayable over 5 years in equal instalments. Interest is charged on this loan at 2.25% over base.

16 Deferred taxation

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

| | Liabilities 2023 £ | Liabilities 2022 £ |
|---------------------------------|--------------------------|--------------------------|
| Balances: | | |
| Accelerated capital allowances | 204,997 | 165,505 |
| | <u>204,997</u> | <u>165,505</u> |
| Movements in the period: | | 2023 £ |
| Liability at 29 October 2022 | | 165,505 |
| Charge to profit or loss | | 39,492 |
| | | <u>204,997</u> |
| Liability at 27 October 2023 | | <u>204,997</u> |

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

17 Retirement benefit schemes

| | 2023 £ | 2022 £ |
|---|-----------|-----------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 117,483 | 118,445 |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Share capital

| | 2023 Number | 2022 Number | 2023 £ | 2022 £ |
|-------------------------------|----------------|----------------|---------------|---------------|
| Ordinary share capital | | | | |
| Issued and fully paid | | | | |
| Ordinary A of £1 | 32,500 | 32,500 | 32,500 | 32,500 |
| Ordinary B of £1 | 17,500 | 17,500 | 17,500 | 17,500 |
| | <u>50,000</u> | <u>50,000</u> | <u>50,000</u> | <u>50,000</u> |

The entity is limited by shares. A and B class shares confer the same rights upon the holders and rank pari passu in all respects, except that the directors may declare a different dividend for each class of share. In addition, there are different pre-emption rights for each class of share.

19 Share premium account

| | 2023 £ | 2022 £ |
|--|-----------|-----------|
| At the beginning and end of the period | 22,000 | 22,000 |

20 Profit and loss reserves

| | 2023 £ | 2022 £ |
|---|------------------|------------------|
| At the beginning of the period | 6,193,230 | 4,382,106 |
| Profit for the period | 530,299 | 2,096,249 |
| Dividends declared and paid in the period | (282,992) | (285,125) |
| At the end of the period | <u>6,440,537</u> | <u>6,193,230</u> |

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

21 Operating lease commitments

Lessee

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

| | 2023 £ | 2022 £ |
|----------------------------|------------------|------------------|
| Within one year | 208,714 | 208,714 |
| Between two and five years | 795,607 | 834,856 |
| In over five years | 1,306,667 | 1,476,131 |
| | <u>2,310,988</u> | <u>2,519,701</u> |

22 Related party transactions

Transactions with related parties

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 wholly owned subsidiaries within the group.

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

| | Support services | | Rent | |
|---------------------|------------------|---------------|----------------|----------------|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Connected companies | <u>47,717</u> | <u>80,663</u> | <u>160,000</u> | <u>160,000</u> |

| | 2023 £ | 2022 £ |
|--------------------------------|--------------|--------------|
| Amounts due to related parties | | |
| Connected companies | <u>4,078</u> | <u>7,265</u> |

Other information

No further transactions with related parties were undertaken such as are required to be disclosed under the provisions of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

23 Contingent liability

At 28 October 2023, the company had an outstanding HMRC bond with a maximum potential liability of £150,000 (2022: £150,000).

SMITH & MCLAURIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 OCTOBER 2023

24 Ultimate controlling party

The company was under the control of the holders of the ordinary share capital in the ultimate parent company Smith & McLaurin Holdings Limited, throughout the current and prior period. The immediate parent company is Smith & McLaurin Group Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Smith & McLaurin Holdings Limited, incorporated in Scotland. The consolidated accounts of this company are available to the public and may be obtained from its registered office, Cartside Mill, Kilbarchan Road, Kilbarchan, Johnstone, Renfrewshire, Scotland, PA10 2AF. No other group financial statements include the results of the company.

Allan McLaughlin is the ultimate controlling party of the group headed by Smith & McLaurin Holdings Limited, by virtue of his shareholding in that company.

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