

COMPANY REGISTRATION NUMBER: 01511634

PAL Group (Operations) Limited
Financial Statements
30 September 2022

CHARTWELLS ACCOUNTANTS LIMITED

Chartered Accountants & Statutory Auditor

Chartwells House
1 St Josephs Court
Trindle Road
Dudley
West Midlands
DY2 7AU



PAL Group (Operations) Limited

Financial Statements

Year ended 30 September 2022

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PAL Group (Operations) Limited

Strategic Report

Year ended 30 September 2022

Introduction

The principal activity of the company during the year continued to be that of manufacturing plastic extruded products under the names of PAL Extrusions, Geoplas and Fensys.

Business review

The results for the year are set out in the Profit and Loss Account and with work undertaken to improve margins, the directors consider the levels of turnover and increased profit to be positive given the economic and inflationary headwinds..

The company has taken advantage of the exemption available to medium sized companies concerning the publication of other key performance indicators.

Principal risks and uncertainties

The directors remain confident about the continuing growth and profitability of the company, whilst remaining vigilant of the fact that the current challenging economic outlook continues to create risks and uncertainties for the country's economy.

At the date of signing these financial statements, the directors have considered the effect on the company with the information available to it, and do not believe it will affect the company's ability to continue to trade for the foreseeable future. As with most businesses there will be short term practical difficulties which we have addressed and are managing and the current situation in Ukraine and general inflationary pressures necessitates the careful monitoring of costs and margins. There continues to be positive signs from our customers together with winning new potential commercial opportunities, which is evidenced by the strong results achieved post year end with turnover increasing and margins remaining strong.

Financial key performance indicators

The directors regard the main key performance indicators for the group to be turnover, profitability and cash and net assets.

This report was approved by the board of directors on 21 March 2023 and signed on behalf of the board by:



S A Lowe
Director

Registered office:
Darlaston Road
Wednesbury
West Midlands
England
WS10 7TN

PAL Group (Operations) Limited

Directors' Report

Year ended 30 September 2022

The directors present their report and the financial statements of the company for the year ended 30 September 2022.

Directors

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

M C Harrison
S A Lowe
D K Lowe
K J Foster
H C Tanner

Dividends

The directors do not recommend the payment of a dividend.

Future developments

The company continues to perform satisfactorily and the directors anticipate that the year to 30 September 2023 will remain profitable.

Events after the end of the reporting period

There have been no significant events affecting the Company since the period end.

Directors' responsibilities statement

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

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

In preparing these financial statements, the directors are required to:

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

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.

PAL Group (Operations) Limited

Directors' Report *(continued)*

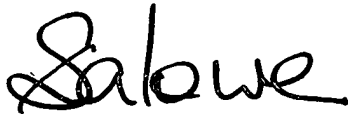
Year ended 30 September 2022

Auditor

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

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

This report was approved by the board of directors on 21 March 2023 and signed on behalf of the board by:



S A Lowe
Director

Registered office:
Darlaston Road
Wednesbury
West Midlands
England
WS10 7TN

PAL Group (Operations) Limited

Independent Auditor's Report to the Members of PAL Group (Operations) Limited

Year ended 30 September 2022

Opinion

We have audited the financial statements of PAL Group (Operations) Limited (the 'company') for the year ended 30 September 2022 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

PAL Group (Operations) Limited

Independent Auditor's Report to the Members of PAL Group (Operations) Limited *(continued)*

Year ended 30 September 2022

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

PAL Group (Operations) Limited

Independent Auditor's Report to the Members of PAL Group (Operations) Limited *(continued)*

Year ended 30 September 2022

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:

We identified areas of the company's activities that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We assessed the risk of each of these areas and carried out selected testing on all key areas of the company's financial statements. When carrying out selective testing, we set our sample sizes according to the assessed risk levels, with higher risk areas being tested more rigorously through increased sample sizes, than lower risk areas. We communicated such areas throughout our team and remained alert to any indications of non-compliance throughout the audit, along with the assessed risk of each area.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

PAL Group (Operations) Limited

Independent Auditor's Report to the Members of PAL Group (Operations) Limited *(continued)*

Year ended 30 September 2022

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

PAL Group (Operations) Limited

Independent Auditor's Report to the Members of PAL Group (Operations) Limited *(continued)*

Year ended 30 September 2022

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher Goldie BSc ACA (Senior Statutory Auditor)

For and on behalf of
Chartwells Accountants Limited
Chartered Accountants & Statutory Auditor
Chartwells House
1 St Josephs Court
Trindle Road
Dudley
West Midlands
DY2 7AU

21 March 2023

PAL Group (Operations) Limited

Statement of Comprehensive Income

Year ended 30 September 2022

	Note	2022 £	2021 £
Turnover	4	16,424,303	15,373,920
Cost of sales		(12,676,570)	(10,797,045)
Gross profit		<u>3,747,733</u>	<u>4,576,875</u>
Administrative expenses		(1,833,184)	(2,031,887)
Other operating income	5	<u>–</u>	<u>148,662</u>
Operating profit	6	1,914,549	2,693,650
Other interest receivable and similar income	10	6,651	217
Interest payable and similar expenses	11	<u>(8,259)</u>	<u>(8,260)</u>
Profit before taxation		1,912,941	2,685,607
Tax on profit	12	<u>(243,838)</u>	<u>(359,041)</u>
Profit for the financial year and total comprehensive income		<u>1,669,103</u>	<u>2,326,566</u>

All the activities of the company are from continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

PAL Group (Operations) Limited

Statement of Financial Position

30 September 2022

	Note	2022 £	£	2021 £
Fixed assets				
Tangible assets	13		1,231,856	1,198,987
Investments	14		104	—
			<u>1,231,960</u>	<u>1,198,987</u>
Current assets				
Stocks	15	1,526,339		1,294,315
Debtors	16	7,436,743		5,368,481
Cash at bank and in hand		<u>1,842,951</u>		<u>2,716,077</u>
		10,806,033		9,378,873
Creditors: amounts falling due within one year	17	<u>(2,643,987)</u>		<u>(2,826,092)</u>
Net current assets			8,162,046	6,552,781
Total assets less current liabilities			9,394,006	7,751,768
Creditors: amounts falling due after more than one year	18		—	(34,640)
Provisions	20		<u>(218,497)</u>	<u>(210,722)</u>
Net assets			<u>9,175,509</u>	<u>7,506,406</u>
Capital and reserves				
Called up share capital	25		65,566	65,566
Profit and loss account	26		<u>9,109,943</u>	<u>7,440,840</u>
Shareholders funds			<u>9,175,509</u>	<u>7,506,406</u>

These financial statements were approved by the board of directors and authorised for issue on 21 March 2023, and are signed on behalf of the board by:



M C Harrison
Director



D K Lowe
Director

Company registration number: 01511634

The notes on pages 12 to 26 form part of these financial statements.

PAL Group (Operations) Limited

Statement of Changes in Equity

Year ended 30 September 2022

	Called up share capital £	Profit and loss account £	Total £
At 1 October 2020	65,566	5,114,274	5,179,840
Profit for the year		2,326,566	2,326,566
Total comprehensive income for the year	—	2,326,566	2,326,566
At 30 September 2021	65,566	7,440,840	7,506,406
Profit for the year		1,669,103	1,669,103
Total comprehensive income for the year	—	1,669,103	1,669,103
At 30 September 2022	65,566	9,109,943	9,175,509

The notes on pages 12 to 26 form part of these financial statements.

PAL Group (Operations) Limited

Notes to the Financial Statements

Year ended 30 September 2022

1. General information

PAL Group (Operations) Limited is a private limited company, limited by shares and incorporated and domiciled in England. The address of the registered office is shown on the company information page.

The financial statements are prepared in Sterling (£). All amounts have been rounded to the nearest £1. The financial statements are for a period of 12 months ended 30 September 2022 (2021: 12 months ended 30 September 2021).

2. Statement of compliance

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

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

Disclosure exemptions

As permitted by FRS 102 section 1.12, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cashflow statement. Where required, equivalent disclosures are given in the group accounts of PAL 2020 Limited. The group accounts of PAL 2020 Limited are available to the public and can be obtained as set out in note 30.

The entity is a 'qualifying entity' and has also taken advantage of the exemption from disclosing key management personnel (other than directors emoluments) under FRS 102 Section 1.12.

As the Company is a wholly owned subsidiary of a company whose consolidated accounts include the results of the subsidiary and are publicly available, the company has taken advantage of the FRS 102 section 33.1A exemption from disclosing transactions with group undertakings.

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. Management are also required to exercise judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

In preparing these financial statements, the directors have made the following judgments:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease 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 based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.
- A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.
- Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.
- Depreciation and residual values. The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projects disposal values.

Revenue recognition

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

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

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

3. Accounting policies *(continued)*

Income tax

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

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

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

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

Operating leases

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

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

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

Plant and machinery	-	10-25% Straight line
Fixtures and fittings	-	10-33% Straight line
Motor vehicles	-	17.5-25% Straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

3. Accounting policies *(continued)*

Investments *(continued)*

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

Investments in joint ventures

Investments in jointly controlled entities accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in jointly controlled entities accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

Impairment of fixed assets

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

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Finance leases and hire purchase contracts

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

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

Government grants

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

Government grants are recognised using the accrual model and the performance model.

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

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

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

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

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

3. Accounting policies *(continued)*

Provisions *(continued)*

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

Financial instruments

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

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

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

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

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

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

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

3. Accounting policies *(continued)*

Defined contribution plans *(continued)*

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2022 £	2021 £
Sale of goods	16,424,303	15,373,920

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

	2022 £	2021 £
United Kingdom	16,229,875	15,168,736
Other EU	194,428	192,728
Rest of the World	—	12,456
	16,424,303	15,373,920

5. Other operating income

	2022 £	2021 £
Government grant income	—	148,662

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2022 £	2021 £
Depreciation of tangible assets	310,511	325,516
Gains on disposal of tangible assets	(16,406)	(33,162)
Impairment of trade debtors	1,718	(4,039)
Foreign exchange differences	232	(42)
Other operating lease rentals	35,333	33,911
Defined contribution pension cost	161,941	175,971

7. Auditor's remuneration

	2022 £	2021 £
Fees payable for the audit of the financial statements	7,500	10,000

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

8. Staff costs

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

	2022 No.	2021 No.
Production staff	98	96
Number of sales, management and administration staff	24	26
	<u>122</u>	<u>122</u>

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

	2022 £	2021 £
Wages and salaries	2,961,686	2,921,467
Social security costs	264,642	263,207
Other pension costs	161,941	175,971
	<u>3,388,269</u>	<u>3,360,645</u>

9. Directors' remuneration

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

	2022 £	2021 £
Remuneration	187,345	157,562
Company contributions to defined contribution pension plans	100,013	99,313
	<u>287,358</u>	<u>256,875</u>

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

	2022 No.	2021 No.
Defined contribution plans	<u>4</u>	<u>4</u>

During the year retirement benefits were accruing to 4 directors (2021: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £75,169 (2021: £75,154).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,650 (2021: £10,650).

10. Other interest receivable and similar income

	2022 £	2021 £
Interest on cash and cash equivalents	<u>6,651</u>	<u>217</u>

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

11. Interest payable and similar expenses

	2022 £	2021 £
Interest on obligations under finance leases and hire purchase contracts	8,259	8,260

12. Tax on profit

Major components of tax expense

	2022 £	2021 £
Current tax:		
UK current tax expense	237,838	381,600
Adjustments in respect of prior periods	(1,775)	(86,573)
Total current tax	236,063	295,027
Deferred tax:		
Origination and reversal of timing differences	7,775	64,014
Tax on profit	243,838	359,041

Reconciliation of tax expense

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

	2022 £	2021 £
Profit on ordinary activities before taxation	1,912,941	2,685,607
Profit on ordinary activities by rate of tax	363,459	510,265
Adjustment to tax charge in respect of prior periods	(1,775)	(86,573)
Effect of expenses not deductible for tax purposes	1,628	1,012
Effect of capital allowances and depreciation	(14,395)	(23,137)
Other timing differences leading to an increase/(decrease) tax liability	–	605
Adjustment in research and development tax credit leading to an increase/(decrease) tax liability	(112,854)	(107,145)
Deferred tax	7,775	64,014
Tax on profit	243,838	359,041

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

13. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 October 2021	4,515,278	523,878	341,472	5,380,628
Additions	182,147	11,709	150,985	344,841
Disposals	(2,000)	–	(35,070)	(37,070)
At 30 September 2022	<u>4,695,425</u>	<u>535,587</u>	<u>457,387</u>	<u>5,688,399</u>
Depreciation				
At 1 October 2021	3,531,233	502,824	147,584	4,181,641
Charge for the year	203,727	18,346	88,438	310,511
Disposals	(2,000)	–	(33,609)	(35,609)
At 30 September 2022	<u>3,732,960</u>	<u>521,170</u>	<u>202,413</u>	<u>4,456,543</u>
Carrying amount				
At 30 September 2022	<u>962,465</u>	<u>14,417</u>	<u>254,974</u>	<u>1,231,856</u>
At 30 September 2021	<u>984,045</u>	<u>21,054</u>	<u>193,888</u>	<u>1,198,987</u>

Finance leases and hire purchase contracts

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

	Plant and machinery £
At 30 September 2022	194,840
At 30 September 2021	<u>230,810</u>

14. Investments

	Shares in group undertakings £
Cost	
At 1 October 2021	–
Additions	110
Disposals	(6)
At 30 September 2022	<u>104</u>
Impairment	
At 1 October 2021 and 30 September 2022	<u>–</u>
Carrying amount	
At 30 September 2022	<u>104</u>
At 30 September 2021	<u>–</u>

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

14. Investments *(continued)*

Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Geoplas Profiles Limited	Ordinary	100
PAL Extrusions Limited	Ordinary	100
PAL Glazing Products Limited	Ordinary	100
PAL Plastic Supercentres Limited	Ordinary	100
RA Adhesive Products Limited	Ordinary	100
RA Extrusions Limited	Ordinary	100
Tapes Direct Limited	Ordinary	100

The registered office of the above subsidiaries is Darlaston Road, Wednesbury, West Midlands, WS10 7TN.

RA Adhesive Products Limited, RA Extrusions Limited and Tapes Direct Limited were dissolved on 6 September 2022.

15. Stocks

	2022 £	2021 £
Raw materials and consumables	642,390	426,053
Finished goods and goods for resale	883,949	868,262
	<u>1,526,339</u>	<u>1,294,315</u>

16. Debtors

	2022 £	2021 £
Trade debtors	2,701,269	2,672,510
Amounts owed by group undertakings	4,557,760	2,553,257
Prepayments and accrued income	135,809	97,528
Other debtors	41,905	45,186
	<u>7,436,743</u>	<u>5,368,481</u>

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

17. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	1,390,520	1,547,192
Amounts owed to group undertakings	371,575	–
Accruals and deferred income	304,296	355,789
Corporation tax	66,838	186,900
Social security and other taxes	460,605	621,698
Obligations under finance leases and hire purchase contracts	34,639	69,280
Other creditors	15,514	45,233
	<u>2,643,987</u>	<u>2,826,092</u>

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

	2022	2021
	£	£
Obligations under finance leases and hire purchase contracts	–	34,640

Net obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

19. Finance leases and hire purchase contracts

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

	2022	2021
	£	£
Not later than 1 year	34,639	69,280
Later than 1 year and not later than 5 years	–	34,640
	<u>34,639</u>	<u>103,920</u>

20. Provisions

	Deferred tax (note 21) £
At 1 October 2021	210,722
Additions	7,775
At 30 September 2022	<u>218,497</u>

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

21. Deferred tax

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

	2022 £	2021 £
Included in provisions (note 20)	218,497	210,722

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

	2022 £	2021 £
Accelerated capital allowances	218,497	210,722

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £161,941 (2021: £175,971).

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Contributions totalling £15,266 (2021: £7,510) were payable to the fund at the balance sheet date and are included in creditors.

23. Government grants

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

	2022 £	2021 £
Recognised in other operating income:		
Government grants recognised directly in income	—	148,662

24. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2022 £	2021 £
Financial assets measured at fair value through profit or loss		
Financial assets measured at fair value through profit or loss	1,842,951	2,716,077
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	7,300,934	5,270,953
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	(2,081,905)	(1,948,214)

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

24. Financial instruments *(continued)*

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, intercompany debt, and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, intercompany, other creditors and accruals.

25. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>65,566</u>	<u>65,566</u>	<u>65,566</u>	<u>65,566</u>

26. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

27. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2022	2021
	£	£
Tangible assets	<u>37,752</u>	<u>11,382</u>

28. Operating leases

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

	2022	2021
	£	£
Not later than 1 year	31,298	31,298
Later than 1 year and not later than 5 years	<u>42,774</u>	<u>74,072</u>
	<u>74,072</u>	<u>105,370</u>

29. Other financial commitments

As a result of group registration arrangements for Value Added Tax (VAT), the company is jointly and severally liable together with other members of the group, for any VAT due by the representative member of the group. The balance at 30 September 2022, included within other taxation and social security of PAL Group (Operations) Limited is £375,455.09 (2021: £501,420) and in PAL Group (Adhesives) Limited is £49,668.97 (2021: £nil). VAT is up to date and has all been paid within the due dates.

The company is jointly and severally liable together with other members of the group for the mortgage outstanding. The balance at the balance sheet date was £1,174,100 (2021: £1,252,236).

PAL Group (Operations) Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2022

30. Related party transactions

As a wholly owned subsidiary of PAL Group Limited, the company has taken advantage of the exemption under FRS102 33.1A for the requirement to disclose transactions between it and other wholly owned group companies.

31. Controlling party

The ultimate parent company is PAL 2020 Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements are available from Darlaston Road, Wednesbury, West Midlands, WS10 7TN.

PAL Group (Operations) Limited

Management Information

Year ended 30 September 2022

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

PAL Group (Operations) Limited

Detailed Income Statement

Year ended 30 September 2022

	2022 £	2021 £
Turnover		
Domestic	16,229,875	15,168,736
Other EU	194,428	192,728
Rest of the World	–	12,456
	<u>16,424,303</u>	<u>15,373,920</u>
Cost of sales		
Purchases - Raw materials	8,701,509	7,200,148
Wages and salaries	2,276,923	2,115,348
Directors salaries	20,188	–
Social security costs	195,576	170,350
Pension costs	44,729	–
Consumables	46,488	42,924
Commissions payable	–	16,216
Carriage and import duty	471,987	442,712
Plant repairs	225,389	146,388
Light, heat and power	410,316	419,030
Royalty payable	–	(859)
Hire costs	34,871	32,818
Depreciation of tangible assets	248,594	211,970
	<u>12,676,570</u>	<u>10,797,045</u>
Gross profit	<u>3,747,733</u>	<u>4,576,875</u>
Gross profit percentage	22.81%	29.77%
Overheads		
Administrative expenses	1,833,184	2,031,887
Other operating income	–	148,662
Operating profit	<u>1,914,549</u>	<u>2,693,650</u>
Other interest receivable and similar income	6,651	217
Interest payable and similar expenses	(8,259)	(8,260)
Profit before taxation	<u>1,912,941</u>	<u>2,685,607</u>

PAL Group (Operations) Limited

Notes to the Detailed Income Statement

Year ended 30 September 2022

	2022 £	2021 £
Administrative expenses		
Directors salaries	136,000	136,000
Directors pensions	100,013	99,313
Wages and salaries	528,575	670,119
Staff national insurance contributions	69,066	92,857
Staff pension contributions	17,199	76,658
Rent	165,000	165,000
Rates	58,802	81,984
Water rates	(3,801)	6,000
Waste disposal	44,337	53,206
Insurance	129,525	113,163
Repairs and maintenance (allowable)	25,476	5,781
Cleaning costs	9,915	4,379
Motor expenses	54,033	40,454
Travel and subsistence	5,204	2,374
Hire costs	698	1,188
Telephone	23,118	19,974
Computer costs	60,159	49,550
Printing and stationery	10,312	9,329
Postage	1,751	1,328
Staff training	8,638	7,639
Staff welfare	28,956	29,257
Staff private health insurance	10,526	9,015
Sundry expenses	30,935	21,434
Trade subscriptions	3,257	1,825
(Gain)/loss on disposal of shares in investments	6	–
Advertising	5,205	636
Entertaining	8,568	5,323
Management charges payable	150,000	150,000
Legal and professional fees (allowable)	54,678	59,281
Commissions payable	9,124	–
Auditors remuneration	9,690	10,000
Depreciation of tangible assets	61,917	113,546
(Gain)/loss on disposal of tangible assets	(16,406)	(33,162)
Bad debts written off	1,718	(4,039)
Bank charges	30,758	32,517
Foreign currency gains/losses	232	(42)
	<u>1,833,184</u>	<u>2,031,887</u>
Other operating income		
Government grant income	–	148,662
Other interest receivable and similar income		
Interest on cash and cash equivalents	<u>6,651</u>	<u>217</u>
Interest payable and similar expenses		
Interest on hire purchase and finance lease contracts	<u>8,259</u>	<u>8,260</u>