Lion Steel Equipment Limited

Reports and financial statements

Registered number 01580003

For the 6-month period ended 31 March 2021

Contents

Strategic Report

The directors present their strategic report for the 6 month period ended 31st March 2021.

Principal activities

Lion Steel Equipment Limited (the "Company") operates predominantly in the UK. Its principal activity is the design, manufacture and sale of storage equipment.

The Company is a subsidiary of Whittan Intermediate Limited and a member of the Whittan Group (the "Group") of companies.

Business review

The company delivered an EBITDA loss of £155,000 (2020: profit £1,115,000) for the 6-month period to 31 March 2021 on revenue of £5,343,000 (2020: £17,633,000). The Directors shortened the financial reporting period to 31 March 2021 to realign the period end back to March following the 18 month extended reporting period to 29 September 2020 due to COVID 19 disruption.

During the 6 month period the Company closed one of its production facilities. This decision was taken by the directors as part of an efficiency review across all group locker production facilities. In the first half of 2020 there was a downturn in many of the markets served by the Company as they responded to the legislative and other requirements of the COVID pandemic which reduced revenue. Whilst this revenue has bounced back, the directors had identified that the three locker factories across the Whittan Group were operating at less than optimal capacity and that by combining production across two sites, efficiencies could be obtained which would lead to higher profitability and sustain the long-term outlook of the lockers business. The Chester factory ceased manufacturing in January 2021 and the freehold site was sold in March 2021.

Following the closure of Chester, the manufacturing of the Lion Steel Probe locker continues from the Hyde factory with additional manufacturing support provided from the Telford factory where a much more automated manufacturing process exists. Going forward, it is expected that this change to the business model will provide better service to our customer base and increased operating EBITDA. Both the Lion / Probe and Link Lockers brands will be maintained in the marketplace and will operate as separate commercial entities in their respective market segments.

There has been investment in the Hyde manufacturing facility in recent months, including significant repairs to the factory and a new sales hub and further investment is planned. The appointment of Richard Johnson as Managing Director in October 2020 and a recent appointment of a sales director gives the Whittan Group directors optimism for the continued future success of the business.

The continued EBITDA profitability of the business is the key metric in measuring performance. Through the first 7 months of financial year ending 31 March 2022 the business has been EBITDA profitable, ahead of budget and has a very full order book. The directors are pleased with the performance of the business and anticipate further growth in profitability as the investment program continues.

Change of year end

The usual reporting year end of Whittan Group is a 12 month to March period. Due to Covid disruption the March 2020 period end was extended to an 18-month reporting period to 29 September 2020. In order to align the period end back to March, this period is a 6-month reporting period to 31 March 2021. The intention is for future periods to be for 12 months to March.

Strategic Report (continued)

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts from the date of approval of these financial statements through to March 2023 which indicate that, taking account of reasonably possible downsides which includes reduced revenue and EBITDA, due to unexpected pandemic disruption and no mitigation actions over production and administrative costs and assuming a slower recovery towards pre-pandemic revenue levels by end of March 2023, the Company will have sufficient funds, through funding from its ultimate company, Whittan Group Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Whittan Group Limited providing additional financial support during that period. Whittan Group Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. The Whittan Group's funding through secured bank borrowings is supported by value of trade receivables, freehold premises and plant and machinery of trading entities operating under the group to support the working capital requirements of the business and has a due date of 23 May 2023. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Future outlook

The business will maintain its UK focus with the aim of growing revenue and profitability. The directors have performed a strategic review in order to enable further growth and increase operating margin. The vast majority of the product range will be maintained, and Lion Steel customers will continue to be serviced by a Lion specific sales team. Following the closure of the Chester factory the directors are confident that profitability will be increased.

Risks and uncertainties

Steel is a major input into the Company's product portfolio and as such the Company is exposed to variations and volatility in the world steel price. In this period of increase in the steel price the Company has applied its well established internal procedures to both minimise the cost impact of price movements and to manage changes to external selling prices accordingly.

Further risks and uncertainties impacting the business are discussed in detail in note 21 to the accounts.

By order of the board

O.L

O Vaughan
Director

Link House
Halesfield 6
Telford,
Shropshire
TF7 4LN

3 December 2021

Directors' Report

Registered number 01580003

The directors present their report for the 6 month period ended 31 March 2021.

Directors

The directors who held office during the period were as follows:

J Templeman
O Vaughan
R Williams (resigned 23 October 2020)
R Johnson (appointed 23 October 2020)

Company secretary

O Vaughan

Results and dividends

The loss for the 6 month period was £1,3657,000 *(2020: Profit of £639,000).*

Dividends

No interim or final dividends were paid during the year *(2020: £5,115,000).*

Employees

The Company is conscious that its employees are key contributors to its success. The Company therefore encourages good communications and employee relations across all of its operations by utilising practices developed in each operating unit which are compatible with local circumstances and national legislation.

Operating unit senior management are kept abreast of Company developments in financial, commercial, strategic and human resource matters and are thereby able to inform and consult with employees as appropriate.

The Company also recognises its responsibilities to ensure the fair treatment of all of its employees in accordance with legislation. Equal opportunities for appropriate training, career development and promotion are available to all employees regardless of any physical disability or their gender, religion, race or nationality. In particular, having regard to their aptitudes and abilities, the Company gives full and fair consideration to applications for employment received from disabled persons.

Pension arrangements are maintained in accordance with legislative requirements, custom and practice and Company policy as appropriate.

Political and charitable contributions

During the 6 month period the Company made no charitable or political contributions *(2020: £Nil).*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

O.V

O Vaughan
Director

Link House
Halesfield 6
Telford
Shropshire
TF7 4LN

3 December 2021

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Lion Steel Equipment Limited

Opinion

We have audited the financial statements of Lion Steel Equipment Limited ("the company") for the period ended 31 March 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework;* .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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Independent auditor's report to the members of Lion Steel Equipment Limited *(continued)*

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We performed procedures including:
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations 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 from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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

Independent auditor's report to the members of Lion Steel Equipment Limited *(continued)*

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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report to the members of Lion Steel Equipment Limited *(continued)*

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Stephen Ward

Stephen Ward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

8 December 2021

Profit and Loss Account and Other Comprehensive Income

for the 6-month period ended 31 March 2021

	Note	**6-months to 31 March 2021 £000**	18-months to 29 September 2020 £000
Revenue	2	**5,343**	17,633
Cost of sales		**(3,163)**	(11,903)
Gross profit		**2,180**	5,730
Distribution expenses		**(551)**	(1,873)
Administrative expenses		**(3,255)**	(3,353)
Operating (loss)/ profit	3	**(1,626)**	504
Operating (loss)/ profit analysed as:			
Operating EBITDA (Earnings before exceptional items, interest, taxation, depreciation and amortisation)		**(155)**	1,115
Exceptional costs – Restructuring		**(1,335)**	(177)
Depreciation of property, plant and equipment	3	**(136)**	(434)
		(1,626)	504
Interest payable and similar charges	6	**(7)**	(48)
Interest receivable and similar income		**44**	159
(Loss)/ Profit before taxation		**(1,589)**	615
Taxation	7	**224**	24
(Loss)/Profit for the financial year		**(1,365)**	639

All amounts are wholly derived from continuing operations.

There was no other comprehensive income in the current or prior year.

The notes on pages 13 – 25 form an integral part of these financial statements.

Balance Sheet
at 31 March 2021

	Note	31 March 2021 £000	31 March 2021 £000	28 September 2020 £000	28 September 2020 £000
Fixed assets					
Property, plant and equipment	*8*		**1,468**		2,110
Current assets					
Inventories	*9*	**1,273**		1,724	
Trade and other receivables	*10*	**4,435**		4,370	
Cash and cash equivalents	*11*	**229**		42	
		5,937		6,136	
Payables: amounts falling due within one year	*12*	**(3,241)**		(2,717)	
Net current assets			**2,696**		3,419
Net assets			**4,164**		5,529
Capital and reserves					
Called up share capital	*14*		**1,500**		1,500
Revaluation reserve	*15*		**-**		286
Profit and loss reserve			**2,664**		3,743
Shareholder's funds			**4,164**		5,529

The notes on pages 13 – 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 3 December and were signed on its behalf by:

O Vaughan
Director

Company registered number: 01580003

Statement of Changes in Equity
for the 6 month period ended 31 March 2021

	Called up share capital £000	Revaluation reserve £000	Profit and loss reserve £000	Total £000
At 31 March 2019	1,500	286	8,219	10,005
Total comprehensive income for the period				
Profit for the 18-month period	-	-	639	639
Total comprehensive income for the period	-	-	639	639
Transactions with owners, recorded directly in equity				
Dividend payable in the period (note 16)	-	-	(5,115)	(5,115)
At 28 September 2020	1,500	286	3,743	5,529
Total comprehensive income for the period				
Less for the 6- month period	-	-	(1,365)	(1,365)
Transfer of revaluation reserve	-	(286)	286	-
Total comprehensive expense for the period	-	(286)	(1,079)	(1,365)
At 31 March 2021	**1,500**	-	**2,664**	**4,164**

The notes on pages 13 – 25 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

Lion Steel Equipment Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 01580003 and the registered address is Link House, Halesfield 6, Telford, Shropshire, TF7 4LN.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International accounting standards in conformity with the requirements of the Companies Act 2006 but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Whittan Group Limited, includes the results of the Company in its financial statements. The consolidated financial statements of Whittan Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Link House, Halesfield 6, Telford, Shropshire, TF7 4LN.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Whittan Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been consistently applied to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Measurement convention

The financial statements are prepared on the historical cost basis with the exceptions that certain financial assets and liabilities are stated at amortised cost or fair value.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Notes *(continued)*

1 Accounting policies (continued)

Going concern (continued)

The directors have prepared cash flow forecasts from the date of approval of these financial statements through to March 2023 which indicate that, taking account of reasonably possible downsides which includes reduced revenue and EBITDA, due to unexpected pandemic disruption and no mitigation actions over production and administrative costs and assuming a slower recovery towards pre-pandemic revenue levels by end of March 2023, the Company will have sufficient funds, through funding from its ultimate company, Whittan Group Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Whittan Group Limited providing additional financial support during that period. Whittan Group Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. The Whittan Group's funding through secured bank borrowings is supported by value of trade receivables, freehold premises and plant and machinery of trading entities operating under the group to support the working capital requirements of the business and has a due date of 23 May 2023. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Revenue

The Company is involved in the manufacture, sale and installation of lockers to third party customers. Revenue represents amounts recoverable for goods provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue is recognised upon point of sale to the customer when the risks and rewards of ownership are transferred. This point is when goods are shipped to the customer and the customer takes possession of them. The company does not engage in any long-term contracts or sales involving performance obligations.

Basic financial instruments

Trade and other receivables / payables

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables. Any losses are charged to the P&L account.

All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes *(continued)*

1 Accounting policies (continued)

Interest

Interest income and interest payable is recognised in profit or loss account as it accrues, using the effective interest method.

Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation less the estimated residual value of each asset over its expected useful life as follows:

Freehold land and buildings	-	50 years
Vehicles Plant and other equipment	-	3 to 10 years

No depreciation is charged on freehold land or on assets in the course of construction. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Revaluation

The properties at Saltney is stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in the profit or loss account to the extent that it reverses a revaluation decrease previously recognised in profit or loss. Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

Leases

The Company applies IFRS 16, Leases recognises a right of use asset and related lease liability in connection with all operating leases subject to the practical expedients of the standard. The right of use asset is recognised in the Property Plant and Equipment note and the lease liability is included in the Payables balances in note 12.

At the lease commencement date the Company recognises the right of use asset on the balance sheet at cost, which is made up of the initial measurement of the lease liability any direct costs incurred by the Company and any estimate of costs to remove the asset at the end of the lease. The right of use asset is depreciated form the lease commencement date to the earlier of the lease term and the of the end of the useful life of the asset. The Company measures the lease liability as the present value of the lease payments unpaid, discounted using the interest rate implicit in the lease or the Group's incremental borrowing rate. Subsequent to initial measurement the liability is reduced for payments made and increased for interest.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes *(continued)*

1 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Exceptional items

Exceptional items are non-trading attributes due to their size, nature and incidence and these historically relate to restructuring costs incurred as part of Group re-organisations.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Impairment excluding inventories

Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between it's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

In line with IFRS 9, the Company uses and expected loss model (ECL) to estimate future losses on trade receivables. The 6 month expected contract loss model is used. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

Non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies (continued)

Employee benefits

Defined contribution plans

The Company operates defined contribution plans, which are post-employment benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Government grants

Government grants are recognised only when there is a reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants that are receivable as compensation for expenses already incurred are recognised in the profit and loss in the period which they become receivable.

Notes *(continued)*

2 Turnover from Contracts with Customers

The Company activities constitute a single class of business being the sale of lockers.

An analysis of group revenue by destination is given below:

	2021	2020
	£000	£000
United Kingdom	**4,626**	14,768
Continental Europe	**717**	2,729
Rest of World	**-**	136
	5,343	17,633

Revenue is recognised upon point of sale to the customer when the risks and rewards of ownership are transferred.

This point is when goods are shipped to the customer and the customer takes possession of them.

The company does not engage in any long-term contracts or sales involving performance obligations.

3 Operating profit

	2021	2020
	£000	£000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	**136**	434
(Loss) / Profit on Sale of Tangible fixed assets	**(96)**	9
Interest on lease liabilities for right of use assets	**7**	22
Grant income	**(22)**	(284)
The audit of company's statutory financial statements	**45**	43

Notes *(continued)*

4 Remuneration of directors

	2021 £000	2020 £000
Directors' emoluments (including benefits in kind)	**80**	329
Company contributions to money purchase pension schemes	**5**	46
	85	375

Retirement benefits are accruing to two directors *(2020: one)* under money purchase schemes.

The directors' costs include an allocation of costs from group directors.

5 Staff numbers and costs

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

	Number of employees 2021	Number of employees 2020
Sales, administration and management	**33**	35
Manufacturing	**85**	102
	118	137

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	**1,717**	5,486
Social security costs	**167**	539
Other pension costs	**48**	201
	1,932	6,226

6 Interest payable and similar charges

	2021 £000	2020 £000
Interest payable and charges	**7**	48
	7	48

Notes *(continued)*

7 Taxation

a) *Analysis of charge in period recognised in the Profit and Loss Account*

	2021 £000	2020 £000
UK corporation tax		
Adjustments in respect of prior years	-	-
Total current taxation	-	-
Deferred tax		
Origination and reversal of timing differences	255	26
Adjustment in respect of prior years		-
Effect of change in tax rate	(31)	(2)
Total deferred taxation	224	24
Total taxation (charge)/ credit	224	24

b) *Reconciliation of effective tax rate*

The standard rate of tax for the period, based on the UK standard rate of corporation tax, is 19% (*2020: 19%*). The actual charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2021 £000	2020 £000
Profit before taxation	(1,589)	615
Taxation calculated at UK standard rate of corporation tax of 19% (*2020: 19%*)	302	(117)
Factors affecting the charge for the period:		
Expenses not deductible for tax purposes	(31)	(9)
Effect of changes in tax rates	-	(2)
Adjustment in respect of prior years	(31)	-
Effects of Group Relief	-	152
Chargeable loss	(16)	-
Total taxation (charge) / credit	224	24

c) Factors affecting future tax charges

The UK corporation tax expense within these financial statements has been provided for at the rate of 19% (2020: 19%). There will be an increase in corporation tax rates to 25% with effective from 1 April 2023 which was substantially enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly and will increase the deferred tax asset by £75,000 to £132,000.

Notes *(continued)*

8 Property, plant and equipment

	Freehold Land & Property £000	Plant and other equipment £000	Total £000
Cost or valuation			
At 28 September 2020	1,500	3,614	5,114
Additions in the 6- month period	63	27	90
Disposals	(613)	(1,154)	(1,767)
At 31 March 2021	**950**	**2,487**	**3,437**
Depreciation			
At 28 September 2020	133	2,871	3,004
Charge in the 6-month period	15	121	136
Eliminated on disposal	(44)	(1,127)	(1,171)
At 31 March 2021	**104**	**1,865**	**1,969**
Net book value			
At 28 September 2020	1,367	743	2,110
At 31 March 2021	**846**	**622**	**1,468**

There are no assets held under finance leases *(2020: £Nil)* and no assets held in the course of construction *(2020: £Nil)*.

Freehold land to the value of £50,000 *(2020: £50,000)* was not depreciated during the year.

The value of right of use assets held within property plant and equipment under IFRS 16 is;

	Freehold Land & Property £000	Plant and other equipment £000	Total £000
At 28 September 2020	-	125	125
Depreciation charged in the 6 month period	-	(18)	(18)
At 31 March 2021	**-**	**107**	**107**

Notes *(continued)*

9 Inventories

	2021	2020
	£000	£000
Raw materials and consumables	**376**	819
Work in progress	**843**	636
Finished goods	**54**	269
	1,273	1,724

There was no material write-down of inventories to net realisable value in the current or prior year.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the 6 month period amounted to £2,308,340 (*2020: £6,472,550*).

10 Trade and other receivables

	2021	2020
	£000	£000
Trade receivables	**2,086**	2,278
Amounts owed by group undertakings	**1,964**	1,925
Prepayments and accrued income	**148**	154
Deferred taxation (note 13)	**237**	13
	4,198	4,370

Trade and other receivables are all due within one year.

Amounts due from group undertakings have no set repayment date, are unsecured and interest free.

11 Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	**229**	42

Notes *(continued)*

12 Payables: amounts falling due within one year

	2021 £000	2020 £000
Trade payables	**2,452**	1,830
Other taxes and social security	**81**	519
Accruals and deferred income	**661**	295
Lease liabilities on right of use assets (note 8)	**47**	73
	3,241	2,717

Amounts due to group undertakings have no set repayment date, are unsecured and interest free.

13 Deferred taxation balances

	2021 £000	2020 £000
At beginning of year	**13**	(11)
Origination and reversal of timing differences	**254**	24
Adjustments in respect of prior years	**(30)**	-
At end of year	**237**	13
The elements of the deferred taxation balance are:		
Accelerated capital allowances	-	7
Short term timing differences	**237**	6
Net deferred tax asset	**237**	13

All movement in deferred tax is recognised in the Profit and Loss Account.

Notes *(continued)*

14 Called up share capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
1,500,000 ordinary shares of £1 each	**1,500**	1,500

15 Revaluation reserve

The Company has not recognised revaluation gains in respect of the owned property during the 6-month period *(2020: £Nil)*. Following the disposal of the Chester property, the revaluation reserve was transferred in full to the profit and loss reserve.

16 Dividends payable

A dividend of £nil per ordinary share (2020: £3.41) totalling £nil was declared in the year.

17 Capital commitments

There were contracted capital commitments at 31 March 2021 of £68,000 *(2020: £Nil)*.

18 Pension schemes

The Company operates a defined contribution pension scheme. The pension cost charge for the 6-month period represents contributions payable by the Company to these schemes and amounted to £48,481 *(2020: £200,829)*.

There were £12,624 *(2020: £16,812)* of outstanding contributions at the end of the 6-month period.

19 Contingencies and commitments

The Company has no contingent liabilities other than those arising in the ordinary course of business from which it is anticipated that the likelihood of any material liability arising is remote.

The Company is a party to cross guarantees given for bank loans and overdrafts of certain fellow subsidiaries amounting to £24,235,802 (2020: £23,859,654).

Notes *(continued)*

20 Ultimate parent company and parent company of larger group

The immediate parent company is Whittan Intermediate Limited, incorporated in England and Wales.

The ultimate parent company is Mandalay Holdings Jersey Limited, which is a company incorporated in Jersey.

The largest group in which Lion Steel Equipment Limited is a member and consolidated financial statements are produced is Whittan Group Limited, incorporated in England and Wales. The consolidated financial statements of the group are available to the public and may be obtained from Link House, Halesfield 6, Telford, Shropshire, TF7 4LN.

21 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Inventories
There is an element of estimation uncertainty with regards to the valuation of inventory at the year-end date due to the inventory being valued manually using the output from physical count. Management have mitigated this risk by valuing each item of stock by reference to purchase prices and using up to date labour and overhead rates for work in progress items.

Recognition of deferred tax assets and liabilities
The actual tax on the Company's profits is determined according to complex laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on profits which are recognised in the financial statements. The Company considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

22 Related party transactions

The Company has transacted with related parties, being subsidiaries of the wider Whittan Group. As all such related parties transacted with are wholly owned members of the wider group, the Company has taken advantage of the exemption under FRS 101 paragraph 8(k) from disclosing transactions with such fellow Group members.

23 Post balance sheet events

There were no post balance sheet events.