

PART 7 A  
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Sect 479a Note 16

**James Donaldson & Sons Limited**  
Directors' report and financial statements  
Registered number SC010528  
30 September 2021



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## **Directors and advisers**

### **Directors**

M N Donaldson MSc (President)  
M J Donaldson (Executive Chairman)  
A R Donaldson CA (CEO)  
A Cairns ACMA (CFO)  
C Rutherford CA (Non-executive)  
G Morris (Non-executive)  
P Scott (Non-executive)  
S Cairns (Non-executive)

### **Secretary**

N J McMillan (Company Secretary)  
I Hawkins (Company Secretary – retired March 2021)

### **Subsidiary Managing Directors**

D Mansell (MGM Timber (Scotland) Limited)  
L Roberts (Donaldson Timber Engineering Limited)  
I Torrance (James Donaldson Timber Limited)  
S Galbraith (Nu-Style Products (Holdings) Limited)  
G Watson (Kitchens International Group Limited)

### **Registered Office**

Donaldson House  
Saltire Centre  
Pentland Park  
Glenrothes  
Fife  
KY6 2AG

### **Auditor**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

**Directors and advisers** *(continued)*

**Solicitor**

Addleshaw Goddard  
Exchange Tower  
19 Canning Street  
Edinburgh  
EH3 8EH

**Banker**

Royal Bank of Scotland  
Gemini Building  
24/25 St Andrew Square  
Edinburgh  
EH2 1AF

## **Directors' report**

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 30 September 2021.

### **Principal activities**

The principal activities of the Group continue to be importing of timber, sawmilling, timber preservation, design, manufacture and distribution of wood products and timber, insulation products, merchanting, and kitchen manufacturing and distribution. In addition, we also manufacture and supply laminate, roofing and sheet metal products.

### **Dividends**

An interim dividend of £1.1m was paid in June 2021, representing a distribution of 20p per share.

### **Directors**

The current directors are as noted on page 3.

Under the terms of the Company's Articles of Association, all directors are required to retire and, being eligible, offer themselves for re-election.

### **Defined benefit scheme**

On 18 November 2019, the trustee of the James Donaldson & Sons Limited managed pension plan (the scheme), signed a buy in contract with an insurer. The buy in is the first step in securing the future of the scheme with the insurer, as a means of securing the benefits of all members and beneficiaries. A buy in is an insurance policy, via which the Trustee is able to insure the benefits payable to members from the scheme. The trustee remains responsible for the scheme, but all assets are transferred to the insurer and the insurer takes on the liability of the scheme (i.e. the payments due to members). The buy out of the scheme's liabilities concluded post year end on 11 October 2021 at which point all obligations transferred to the Insurer, Aviva Life & Pensions UK Limited.

As a result of entering into the buy in contract, accounting regulations require us to recognise a loss of £31,000 in the consolidated income statement. This is in relation to the final settlement and curtailment costs offset by interest on assets and liabilities.

At the most recent actuarial valuation conducted at 30 September 2021, the scheme's assets equal the scheme's liabilities resulting in the value being reduced to nil on the balance sheet. This is consistent with the prior year. In line with our final assessment of the scheme, £1.1m of residual insurance premium was paid on 11 October 2021, which consisted of a final contribution of £450,000 paid by the Company.

## **Directors' report** *(continued)*

### **Employment**

We are committed to creating a diverse, inclusive and engaged workforce in an open and collaborative workplace. Consideration is always given to the diversity of skills, background, knowledge, gender, race, social background and personal strengths, amongst other factors, when seeking to appoint new colleagues to the Group. The Group operates sophisticated procedures to ensure all employees are afforded opportunities to develop skills and career advancement via regular appraisal and appropriate training programmes.

Applications for employment of disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged.

It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who is fortunate not to suffer from a disability.

Our values of customer, integrity, people, sustainability and family are at the core of our identity, supporting our purpose, shaping our culture and driving our business. We believe engaged and supported colleagues are key to our success and a quarterly performance and development discussion is now built into how we do business. This ensures there are enough formal and informal ways to share insight, knowledge and address opportunities for learning and development.

The Group regularly informs and consults employees on matters of concern to them in order that their views may be taken into account when making decisions which affect them. The Directors wish to recognise the support of all employees during the year and are grateful for their loyalty. We are committed to ensuring that we are an enjoyable place to work with a positive future and one where our colleagues can have a voice through the annual colleague health and wellbeing survey.

### **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 audit 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.

### **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.



A Cairns ACMA  
Director

4 January 2022  
Glenrothes  
Fife

## Strategic report

### Business review and results

As James Donaldson & Sons Group turned 161 years old this year, we continued to navigate the Covid-19 pandemic and the subsequent impact on the economy of Brexit, supply chain disruption and pricing inflation. The annual report and financial statements present the financial results for the year to 30 September 2021.

The Group produced an extraordinary set of results for the year ended 30 September 2021. The consolidated profit before tax was £18.0m, compared to £6.2m for the 18-month period to 30 September 2020. This represents an increase of 190%.

At this level of profitability our return on turnover (disregarding MPP settlement and curtailment costs) equates to 7.7% (2020: 3.4%).

For the past couple of years, we have experienced unprecedented fluctuations in the pricing of our basic raw materials. This was primarily driven by the impact of global demand and the devaluation of Sterling. This trend continued through to the initial Covid-19 lockdown in the prior period. Since the initial lockdown we have experienced unprecedented demand for construction products, as a result of the pent-up demand created by the national lockdown. This in conjunction with measures taken to boost confidence in the housing market, such as the Stamp Duty holiday announced in July 2020, had a significant and positive impact of the results of the Group which has very much continued in to the current year.

As a business we source material from both domestic and overseas supply chains. The uncertainty caused throughout the world due to the on-going pandemic has led to significant inefficiencies and imbalances in these supply chains. Strong demand, matched with low stock levels, has led to exponential growth in raw material prices right across our market which continued into the current year.

On 8 June 2021, we acquired the share capital of Kitchens International Group Limited, introducing the Kitchens International and Stonecare businesses into our Group. This acquisition strategically aligns with our interiors businesses and is a great addition to our diversified Group portfolio. The acquisition led to a 2.2% increase in consolidated group turnover. Group turnover was £234m for the year to 30 September 2021 (2020: £268m for the 18-month period).

The Group's administrative and distribution costs remain well controlled with average head count levels increasing to 1,136 (2020: 1020).

The Group's cash position remains strong which has created a very positive funding environment. At the year end, Group gearing was nil (2020: nil).

Subsequent to the statement of financial position date we acquired 100% of the share capital of Stewart Milne Timber Systems Limited, the UK's leading timber frame manufacturer. This represents our Groups strategic ambition to enter into the growing timber frame market and a significant commitment to our sustainability ambitions as part of our 5 year strategic plan. The acquisition further strengthens the Group's portfolio of businesses and our position as the UK's leading independent timber group in our market.

## Strategic report (continued)

### Stakeholder Engagement

Large private companies are required to report on how the directors have complied with their statutory duties under s172 of the Companies Act. Its aim is to promote the success of the Group as a whole for the benefit of the stakeholders. We appreciate that stakeholder engagement is important in establishing relationships with employees, stakeholders, customers, suppliers, lenders and wider society, which not only underpins the good governance of the business but fosters greater understanding of the needs and concerns of our stakeholders. If we listen to our stakeholders and encourage positive relationships this will impact on the way we conduct business, our policies, processes and procedures as explained in more detail below.

Stakeholder focus areas	What that means
<b>Shareholders</b> <ul style="list-style-type: none"> <li>- The Chairman, CEO and Supervisory Board directors met with our family Shareholders on a number of occasions throughout the year</li> <li>- They receive a regular Shareholders update from the Executive Chairman to maintain regular communication on business performance</li> <li>- We hold an annual AGM where the business performance and strategy is outlined for the Shareholders</li> <li>- Shareholders who are also company Directors, engage and visit the business sites each year and regularly engage with employees</li> <li>- The Operating Board presents their strategy and business plans to the Supervisory Board and main Shareholder Directors annually</li> </ul>	<p>The Shareholders in the business receive regular updates on the business on an open and transparent basis. This is supported by the Supervisory Board meetings being held at different business locations throughout the year, to enable them to visit and engage with the employees and Managing Directors of the businesses and see first-hand how they are performing, and assess if any support is required. This enables a transparent and open dialogue between Board Directors and the business and encourages good governance practices and ensures the Supervisory Board Directors get a better understanding of the longer term needs of the business.</p>



**Strategic report (continued)**

<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>- We have implemented employee works councils to enable regular communication to and from our employees on specific work-related issues</li> <li>- We continued our Health &amp; Wellbeing forum, encouraging employees across all our sites to be champions for their respective businesses.</li> <li>- We have management training programmes in place and extended the training programmes available to employees in the year</li> <li>- We continued to make use of communication tools this year to enable virtual face to face meetings to continue</li> <li>- We held regular communications across our business using video messages, written communications and virtual townhalls for employees to ask questions directly to our Chairman and CEO</li> </ul>	<p>Employee engagement is key to the success of our business and we are very focused on continuing to increase the quality of our employee engagement across the Group. We measure our employee engagement via pulse surveys, so this tells us what we are doing right and where we need to improve.</p> <p>Through the works councils, Health and Wellbeing forum and engagement action Groups we have in place across the business we hope to continue to deepen and broaden communications with our employees and ensure they have a voice in how our business runs and the support they need.</p>
<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>- We have very strong relationships with our key customer groups and maintain regular contact with them to ensure we are supporting them well</li> <li>- We have dedicated sales teams across all of our businesses, who make it their business to know what our customers require and ensure they are supported through their entire buying journey</li> <li>- We have management systems to cover ISO 9001, 14001, CE Marking, FSC® and PEFC to ensure that we meet our customer's expectations</li> </ul>	<p>How we engage our customers is important to the success and longevity of our business. Our relationships with our longstanding customers have been built on trust and our ability to provide good quality products and service.</p> <p>Their continued feedback ensures we can continue to do this and deliver what our customers need in the future.</p>

**Strategic report (continued)**

<p><b>Supply Chain</b></p> <ul style="list-style-type: none"> <li>- We have developed long-term collaborative partnerships with many of our suppliers</li> <li>- We maintain regular communication with our suppliers, this includes discussions on material availability, pricing and quality</li> <li>- We regularly monitor our supplier's performance as well as auditing their FSC® and PEFC chain of custody schemes and modern slavery compliance</li> </ul>	<p>It is imperative to have regular communication and strong relationships with our suppliers. We need to ensure we have up to date information on materials, lead times and pricing to keep our supply chain moving and meet our customer demands.</p> <p>As a Group we ensure the timber products we procure are from legal and sustainable sources and have full traceability through their relevant chain of custody scheme.</p>
<p><b>Local Communities &amp; The Environment</b></p> <ul style="list-style-type: none"> <li>- We established the Donaldson Leadership Academy in 2008</li> <li>- We have joined up with Columba 1400 to help young people realise that they already have the inner greatness and confidence to transform their own lives and those around them and help to deliver that change</li> <li>- We have committed to supporting local charities and regularly hold fundraising events to enable us to do so. We have £25k of charitable funding set-aside to match and sponsor charitable events. This year we have supported Maggie's, Andy's Man Club and Breast Cancer Awareness to name a few</li> <li>- Donaldson's match the contributions our employees raise for their local charities</li> <li>- For the last two years we have run foodbank collections through December and contribute to a foodbank local to each of our sites. In the year we donated over £10,000 to local foodbanks. We encourage our employees to volunteer in their local communities</li> <li>- All of our sites comply with the local environmental regulations and we constantly review our impact on the environment and make changes in our business practices where necessary. This includes energy efficiency.</li> </ul>	<p>Our impact on local communities and the environment is something we are focused on. We want to be able to give back to our communities and actively encourage our employees to participate. In the year we supported a number of charities by holding various fundraising initiatives run by our employees.</p> <p>From an environmental perspective we want to ensure our business complies with environmental standards but we also aim to go above and beyond and are constantly looking at ways to reduce our carbon footprint be it using more energy efficient equipment, or encouraging the use of electric and hybrid cars. The SECR report provides further detailed information on the steps taken to limit the Group environmental impact.</p>

## Strategic report (continued)

<b>Banks &amp; Funders</b> <ul style="list-style-type: none"> <li>- We provide our banker with regular financial information on our business performance and our CFO has a monthly call to discuss the Group's needs</li> <li>- Our Shareholders receive regular updates on business performance</li> <li>- Our CFO maintains regular communication on our business performance with a number of Financial Institutions, including insurance providers</li> </ul>	<p>Maintaining an open dialogue with our banking and insurance providers is key to enabling us to deliver our strategic ambitions across the Group.</p> <p>We like to keep an open dialogue and remain transparent on our business performance so that we can maintain a strong and open relationship.</p>
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### Principal risks and uncertainties

The principal risks and uncertainties affecting the business, together with the Group's approach to them, are considered to be:

Risk	Mitigation
<b>Competition</b> – the Group operates in a highly competitive and commoditised marketplace.	The diversity of our product mix, and geographic spread helps to minimise this risk.
<b>Raw materials &amp; Supply Chain Issues</b> - we continue to experience an unprecedented high-tide mark for our raw material prices. Global demand for our products remains strong. The material costs and supply chain volatility evidenced this year is likely to continue for the next 12 months.	We continue to trade with key suppliers, with whom we have long standing relationships. This has served the business well in the past and is predicted to do so again in the coming year.
<b>Credit risk</b> – there is always a potential risk of credit default and the pandemic and sharp price increases has heightened this risk significantly as companies fight to keep the supply chain moving and maintain sufficient liquidity.	The Group maintains strong relationships with each of its key customers where possible and holds credit insurance cover as a prudent measure in case of default. Exposure limits are monitored closely every week including aged debt positions.
<b>Pandemic</b> – There is a risk the on-going impact of the Covid-19 pandemic continues and further lockdowns could occur.	We have remained open since the first lockdown in line with Government guidelines and health & safety regime and therefore deem this to be low risk.

**Strategic report (continued)**

<p><b>Cyber Security</b> – The threat of cyber-attack remains a priority for the business.</p>	<p>We have strengthened many of our day-to-day security measures across our infrastructure. We have also further bolstered our Information Technology resource for the Group to ensure our networks remain secure.</p>
<p><b>Safety, Health and Environmental</b> – Breaches of SHE legislation can result in workplace injuries, environmental damage or physical damage to the workplace. This could result in financial penalties, reputational damage and delays to the site related activities.</p>	<p>In addition to SHE policies and procedures, we have documented safe systems of work for all tasks completed within the Group. These, in addition to robust competency-based assessments, works council meetings, and hazard alert systems ensure everyone is working and behaving safely.</p>

**Outlook**

Whilst we all face into the likelihood of economic instability post pandemic, unpredictable pricing inflation and supply chain constraints, the business is well positioned to navigate these challenges. All our businesses continue to perform well and have strong order books and pipelines well into 2022. Key performance indicators include the monitoring of profitability and the management of working capital. The Directors' assessment of the Company and Group's ability to continue as a going concern is outlined in note 1 on page 32 of the financial statements.

The Group has achieved an exceptional result for the year despite the challenging conditions faced this year and can boast a strong statement of financial position together with comfortable funding availability. As such, the Directors' consider it is well placed to produce another strong result in the next financial year.



A Cairns ACMA  
 Director

## SECR report

### Methodology

We have used the International Organisation for Standardisation Energy management systems ISO 50001:2018 as the method for our compliance with the Streamlined Energy and Carbon Reporting (SECR) requirements.

### Energy Consumption & Greenhouse Gas Emissions

We have identified the need to monitor all energy that is consumed in the Group. This is measured in kilo-watt hours (kWh) for electricity and gas, and litres (l) for fuel. We have collected readings for all energy types. To determine the quantity of emissions in tonnes of Carbon Dioxide equivalent (TCO<sub>2</sub>e) we have used the UK Government conversion factors and the results are as follows:

The financial period reported is from 1 October 2020 to 30 September 2021.

Our energy consumption figures for this financial year are:

Scope 1	Units	2021	Excluding 100% Renewables
Combustion of natural gas	kWh	6,640,500	6,640,500
Combustion of fuel in fleet vehicles	Litre	616,455	616,455
Consumption of fuel in company owned vehicles	Litre	42,184	42,184
Consumption of fuel in heating oils	Litre	1,977	1,977
Consumption of fuel in onsite transport	Litre	426,897	426,897
Combustion of natural gas in stationary/ mobile equipment	T CO <sub>2</sub> e	1209	1209
Combustion of fuel in fleet vehicles	T CO <sub>2</sub> e	1525	1525
Consumption of fuel in company owned vehicles	T CO <sub>2</sub> e	104	104
Consumption of fuel in heating oils	T CO <sub>2</sub> e	5	5
Consumption of fuel in onsite transport	T CO <sub>2</sub> e	1163	1163
Total Scope 1		4,006	4,006
Scope 2			
Emissions from purchased electricity	kWh	8,260,222	2,855841
Emissions from purchased electricity	T CO <sub>2</sub> e	1754	606
Total Scope 2		1754	606

**SECR report (continued)**

**Energy Consumption & Greenhouse Gas Emissions (continued)**

Scope 3			
Consumption of fuel in employee-owned vehicles	Litre	17,952	17,952
Consumption of fuel in hire vehicles	Litre	2,625	2,625
Consumption of fuel in employee-owned vehicles	T CO <sub>2</sub> e	44	44
Consumption of fuel in hire vehicles	T CO <sub>2</sub> e	6	6
Total Scope 3		50	50
Total for Scope 1, 2, and 3	T CO <sub>2</sub> e	5810	4662

Our energy consumption figures for the previous period were:

Scope 1	Units	2020
Combustion of natural gas	kWh	6,406,941
Combustion of fuel in fleet vehicles	Litre	521,465
Consumption of fuel in company owned vehicles	Litre	128,401
Consumption of fuel in heating oils	Litre	6,501
Consumption of fuel in onsite transport	Litre	498,158
Combustion of natural gas in stationary/ mobile equipment	T CO <sub>2</sub> e	1178
Combustion of fuel in fleet vehicles	T CO <sub>2</sub> e	1328
Consumption of fuel in company owned vehicles	T CO <sub>2</sub> e	327
Consumption of fuel in heating oils	T CO <sub>2</sub> e	17
Consumption of fuel in onsite transport	T CO <sub>2</sub> e	1,374
Total Scope 1		4,224
Scope 2		
Emissions from purchased electricity	kWh	8,220,159
Emissions from purchased electricity	T CO <sub>2</sub> e	1,916
Total Scope 2		1,916

## SECR report (continued)

### Energy Consumption & Greenhouse Gas Emissions (continued)

Scope 3		
Consumption of fuel in employee-owned vehicles	Litre	13,307
Consumption of fuel in hire vehicles	Litre	3,278
Consumption of fuel in employee-owned vehicles	T CO <sub>2</sub> e	34
Consumption of fuel in hire vehicles	T CO <sub>2</sub> e	8
Total Scope 3		42
Total for Scope 1, 2, and 3	T CO <sub>2</sub> e	6,182

### Energy Intensity Ratio (EIR)

Total energy consumption is only one half of the measure however, and the only way to accurately determine if we are improving is to measure our EIR. This will allow us to compare with future years. As we already complete Environmental Performance Indicators (EnPI's) for ISO 50001, we will use these EnPI's as our EIRs.

By plotting total consumption against our production methods, we can monitor the efficiency of our energy use. Monitoring this will disregard changing shift patterns/fluctuation in energy prices and instead will simply identify if less energy is consumed to create a unit of production, therefore proving we have become more energy efficient.

We have identified the following EnPI's used within the James Donaldson Group:

Company	Energy Intensity Ratio/EnPI Intensity Ratio/EnPI	Company	Energy Intensity Ratio/EnPI Intensity Ratio/EnPI
DTE	Work Units produced per kWh of energy used.	JDI	kWh of energy used per sqft
JDT	Lineal Metres produced per kWh of energy used.	JDS	kWh of energy used per sqft
Nu-Style	Panels Bonded per kWh of energy used	MGM	kWh of energy used per sqft

Where a company have production facilities these are based on production statistics and these sites can be measured to see if they are becoming more efficient i.e. producing more product per kWh of energy used. Non-manufacturing locations however, use energy irrespective of sales, so we focus on lowering energy use at these locations.

The results for this financial period are:

Company	Energy Intensity Ratio/EnPI	Company	Energy Intensity Ratio/EnPI
DTE	1.67 WU/kWh	JDI	2.13 m2/kWh
JDT	12.86 LM/kWh	JDS	9.29 m2/kWh
Nu-Style	0.15 Panels/kWh	MGM	5.11 m2/kWh

## SECR report (*continued*)

### Energy Intensity Ratio (EIR) (*continued*)

Last year our performance was:

Company	Energy Intensity Ratio/EnPI	Company	Energy Intensity Ratio/EnPI
DTE	2.29 WU/kWh	JDI	2.26 m2/kWh
JDT	13.62 LM/kWh	JDS	12.59 m2/kWh
Nu-Style	0.12 Panels/kWh	MGM	7.34 m2/kWh

JDT and DTE's energy performance has reduced over the two years as we moved from diesel forklifts to electric trucks.

All other businesses have seen an improvement in their energy performance. JDS have seen the most significant saving, which is largely due to home working.

### Improvements

#### **Energy Awareness and Competence**

To ensure that employees are aware of the importance of energy use, an employee awareness training program was created.

In addition, an e-learning course was created to raise awareness of energy consumption within the Group and what employees could do to positively impact this. The e-learning portal keeps a record of who has completed this course.

As it is not always viable for works staff to complete this online training course due to technical restraints, the importance of energy awareness is also communicated through energy Toolbox Talks. Six of these were created in total.

All new employees are automatically enrolled into the training and complete it as part of their induction.

#### **Fuel Sourcing**

While we are working to reduce the energy we use, we have also looked at the source of our electricity to determine if it can be sourced from renewable sources.

We have moved the largest sites who consume the most electricity to a 100% renewable tariff. This has reduced our carbon emissions from 1754 to 606 TCO2e.

We intend exploring this further with the intention to replace other electrical contracts from brown energy to renewables over the next two years.



**SECR report (*continued*)**

**Improvements (*continued*)**

**Electric Forklift Trucks**

In order to reduce our reliance on fossil fuels we are looking to move our lifting equipment from diesel forklift trucks to electric trucks as contracts expire.

We have replaced 22% of our trucks with electric trucks in the year. While this has resulted in using more electricity and impacted slightly on our intensity ratios, we have reduced reliance on fossil fuels.

As a Group we are looking to continue to replace diesel trucks for electric as their leases expire and as a result we intend replacing a further 10% of trucks in the next financial year.

## **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 period. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of James Donaldson & Sons Limited**

### **Opinion**

We have audited the financial statements of James Donaldson & Sons Limited ("the company") for the year ended 30 September 2021 which comprise the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows 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 group's and of the parent company's affairs as at 30 September 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 group 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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 group's business model and analysed how those risks might affect the group and 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 group or 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 group or 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:

- Enquiring of directors and management as to the Group’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.
- Considering remuneration incentive schemes
- 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, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenues consist entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgements.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, those posted to seldom used accounts, those that are unbalanced.
- Evaluated the business purpose of significant unusual transactions.

### *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 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.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and 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.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*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 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 17, 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 group and parent 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 group or the parent 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.

A fuller description of our responsibilities is provided on the FRC's website at <http://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.

*B. Marks*

**Bruce Marks (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

11 January 2022

## Consolidated income statement

for the year ended 30 September 2021

	Notes	12 months ended 2021 £000	18 months ended 2020 £000
Turnover	3	233,970	267,778
Cost of sales		(166,273)	(200,675)
<b>Gross profit</b>		<b>67,697</b>	<b>67,103</b>
Distribution costs and administration expenses		(49,905)	(61,105)
Other income	8	230	3,443
<b>Operating profit</b>		<b>18,022</b>	<b>9,441</b>
Interest payable and similar charges	9	(633)	(1,000)
Other finance income	10	593	752
Settlement and curtailment costs	11	(31)	(2,956)
<b>Profit on ordinary activities before taxation</b>	4	<b>17,951</b>	<b>6,237</b>
Tax on ordinary activities	12	(3,626)	(1,255)
<b>Profit for the financial period</b>		<b>14,325</b>	<b>4,982</b>
 Earnings per share	28	 <b>260.0p</b>	 <b>90.4p</b>

All activities of the Group are continuing operations.

The notes on pages 31 to 56 form part of these financial statements.

## Consolidated statement of other comprehensive income

*for the year ended 30 September 2021*

	12 months ended 2021 £000	18 months ended 2020 £000
Profit for the period	14,325	4,982
Changes in demographic assumptions	(163)	(955)
Net return on plan assets and changes to financial assumptions	(256)	(438)
Deferred tax arising from re-measurement of pension surplus	-	488
<b>Other comprehensive income for the period, net of income tax</b>	<b>(419)</b>	<b>(905)</b>
<b>Total comprehensive income for the period</b>	<b>13,906</b>	<b>4,077</b>

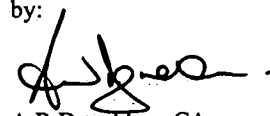


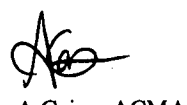
## Consolidated statement of financial position

as at 30 September 2021

	Notes	2021	2020
		£000	£000
<b>Fixed assets</b>			
Tangible fixed assets	14	25,405	21,974
Intangible fixed assets	15	15,448	12,534
Investments	16	3,965	3,016
		<u>44,818</u>	<u>37,524</u>
<b>Current assets</b>			
Inventories	18	30,213	14,600
Debtors	19	52,536	39,065
Cash at bank and in hand	20	15,401	23,861
		<u>98,150</u>	<u>77,526</u>
<b>Creditors: amounts falling due within one year</b>	21	<u>(73,735)</u>	<u>(60,387)</u>
<b>Net current assets</b>		<u>24,415</u>	<u>17,139</u>
<b>Total assets less current liabilities</b>		<u>69,233</u>	<u>54,663</u>
<b>Creditors: amounts falling due after more than one year</b>	22	(13,395)	(12,065)
<b>Provisions for liabilities and charges</b>	23	<u>(1,395)</u>	<u>(980)</u>
<b>Net assets</b>		<u>54,443</u>	<u>41,618</u>
<b>Capital and reserves</b>			
Called up share capital	24	1,377	1,377
Capital redemption reserve		73	73
Share premium account		3,713	3,713
Non-distributable reserve		550	282
Profit and loss account		<u>48,730</u>	<u>36,173</u>
<b>Shareholders' funds</b>		<u>54,443</u>	<u>41,618</u>

These financial statements were approved by the board of directors on 4 January 2022 and were signed on its behalf by:

  
 A R Donaldson CA  
 Director

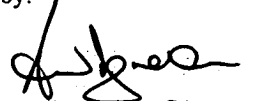
  
 A Cairns ACMA  
 Director


## Company statement of financial position

as at 30 September 2021

	Notes	2021		2020	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible assets	14		9,705		7,411
Investments	16		30,046		23,042
			<u>39,751</u>		<u>30,453</u>
<b>Current assets</b>					
Debtors	19	9,176		9,790	
Cash at bank and in hand	20	2		4,926	
		<u>9,178</u>		<u>14,716</u>	
<b>Creditors: amounts falling due within one year</b>	21	<u>(14,755)</u>		<u>(9,633)</u>	
<b>Net current assets</b>			(5,577)		5,083
<b>Creditors: amounts falling due after more than one year</b>	22		(12,822)		(11,748)
<b>Provision for liabilities and charges</b>	23		(159)		(109)
<b>Net assets</b>			<u>21,193</u>		<u>23,679</u>
<b>Capital and reserves</b>					
Called up share capital	24		1,377		1,377
Capital redemption reserve			73		73
Share premium account			3,713		3,713
Non-distributable reserve			550		282
Profit and loss account			15,480		18,234
<b>Shareholder's funds</b>			<u>21,193</u>		<u>23,679</u>

These financial statements were approved by the board of directors on 4 January 2022 and were signed on its behalf by:

  
 A R Donaldson CA  
 Director

  
 A Cairns ACMA  
 Director

## Consolidated statement of changes in equity

*for the year ended 30 September 2021*

	Share capital	Capital redemption reserve	Share premium	Non- distributable Reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2019</b>	<b>1,377</b>	<b>73</b>	<b>3,713</b>	<b>3,026</b>	<b>31,331</b>	<b>39,520</b>
Consolidated income statement	-	-	-	(1,793)	6,775	4,982
Consolidated statement of other comprehensive income	-	-	-	(905)	-	(905)
Realised surplus on disposal of investments	-	-	-	(46)	46	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,744)</b>	<b>6,821</b>	<b>4,077</b>
Dividends	-	-	-	-	(1,979)	(1,979)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,979)</b>	<b>(1,979)</b>
<b>Balance as at 30 September 2020</b>	<b>1,377</b>	<b>73</b>	<b>3,713</b>	<b>282</b>	<b>36,173</b>	<b>41,618</b>
Consolidated income statement	-	-	-	268	14,057	14,325
Consolidated statement of other comprehensive income	-	-	-	-	(419)	(419)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>268</b>	<b>13,638</b>	<b>13,906</b>
Dividends	-	-	-	-	(1,081)	(1,081)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,081)</b>	<b>(1,081)</b>
<b>Balance as at 30 September 2021</b>	<b>1,377</b>	<b>73</b>	<b>3,713</b>	<b>550</b>	<b>48,730</b>	<b>54,443</b>

## Company statement of changes in equity

for the year ended 30 September 2021

	Share capital £000	Capital redemption reserve £000	Share premium £000	Non- distributable Reserve £000	Profit and loss account £000	Total £000
<b>Balance as at 31 March 2019</b>	<b>1,377</b>	<b>73</b>	<b>3,713</b>	<b>3,026</b>	<b>11,077</b>	<b>19,266</b>
Income statement	-	-	-	(1,793)	9,090	7,297
Statement of other comprehensive income	-	-	-	(905)	-	(905)
Realised surplus on disposal of investments	-	-	-	(46)	46	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,744)</b>	<b>9,136</b>	<b>6,392</b>
Dividends	-	-	-	-	(1,979)	(1,979)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,979)</b>	<b>(1,979)</b>
<b>Balance as at 30 September 2020</b>	<b>1,377</b>	<b>73</b>	<b>3,713</b>	<b>282</b>	<b>18,234</b>	<b>23,679</b>
Income statement	-	-	-	268	(1,254)	(986)
Statement of other comprehensive income	-	-	-	-	(419)	(419)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>268</b>	<b>(1,673)</b>	<b>(1,405)</b>
Dividends	-	-	-	-	(1,081)	(1,081)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,081)</b>	<b>(1,081)</b>
<b>Balance as at 30 September 2021</b>	<b>1,377</b>	<b>73</b>	<b>3,713</b>	<b>550</b>	<b>15,480</b>	<b>21,193</b>

## Consolidated statement of cash flows

for the year ended 30 September 2021

	2021 £000	2020 £000
<b>Cash flow from operating activities</b>		
Profit for the year	14,325	4,982
Adjustments for:		
Depreciation	2,851	3,515
Goodwill amortisation	664	759
Other finance income	(271)	(752)
Interest payable and similar charges	633	1,000
Loss/(profit) on sale of tangible assets	288	(174)
Non-cash movements in investments	(321)	(39)
MPP settlement and curtailment costs	31	2,956
Taxation	3,626	1,255
	<u>21,826</u>	<u>13,502</u>
(Increase)/decrease in stocks	(13,528)	1,687
Increase in debtors	(11,948)	(1,344)
Increase in creditors	8,624	9,635
	<u>4,974</u>	<u>23,480</u>
Dividends paid	(1,081)	(1,979)
Interest paid	(364)	(430)
Taxation paid	(4,034)	(2,579)
MPP contribution	(450)	-
	<u>(955)</u>	<u>18,492</u>
<b>Net cash (outflow)/inflow from operating activities</b>		
<b>Cash flow from investing activities</b>		
Proceeds from sale of tangible fixed assets	216	307
Purchase of tangible fixed assets	(6,256)	(5,678)
Purchase of intangible fixed assets	(114)	-
Purchase of investments	(618)	(1,350)
Purchase of shares in other entities	(1,311)	(5,570)
Payment of deferred consideration	(2,597)	-
	<u>(10,680)</u>	<u>(12,291)</u>
<b>Net cash outflow from investing activities</b>		

**Consolidated statement of cash flows** *(continued)*

*for the period ended 30 September 2021*

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flow from financing activities</b>		
Proceeds from new loan	<b>5,000</b>	13,575
Proceeds from new hire purchase	<b>426</b>	283
Repayment of loans	<b>(2,165)</b>	(6,279)
Repayment of hire purchase debts	<b>(86)</b>	(110)
	<hr/>	<hr/>
<b>Net cash inflow from financing</b>	<b>3,175</b>	7,469
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	<b>(8,460)</b>	13,670
Cash and cash equivalents at 1 October 2020	<b>23,861</b>	10,191
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 September 2021</b>	<b>15,401</b>	23,861
	<hr/> <hr/>	<hr/> <hr/>

## Notes

### 1 Accounting policies

#### *Company information*

James Donaldson & Sons Limited is a company limited by shares and incorporated and domiciled in the UK.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with FRS102. There is no material departure from that standard.

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings in the year to 30 September 2021. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the period are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own income statement.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the year has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key management personnel compensation has not been included a second time.

## Notes

### 1 Accounting policies (continued)

#### *Going concern*

The Directors have prepared these financial statements on a going concern basis.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, continued volatility in raw material prices and the on-going impact of the Covid-19 pandemic on the operations the Group's supply chain and financial resources, that the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period. The Group manages its short and medium-term cash requirements through a combination of cash balances, available overdraft facilities and debt financing. The Group's financial forecasts, including the impact of plausible downsides, demonstrate that the Group will be able to operate within its available facilities; including being able to comply with relevant financial covenants at each appropriate test date and to repay the short-term facilities in full on their expiry.

The Directors therefore believe that that the Group is well placed to withstand the challenges facing our industry, and any subsequent market downturn should it arise. There are also a wide range of mitigating actions that could be taken, if required, to ensure the Group remains within its banking facilities and complies with its covenants.

The liquidity resources available and the prudence applied in forecasting means the Directors are confident that the Group and 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.

#### *Tangible fixed assets*

Tangible fixed assets are stated at deemed cost net of depreciation and any impairment losses.

The company's policy is to provide depreciation on all tangible assets other than land at rates which are calculated to write off the cost of tangible assets in equal instalments over their estimated useful lives as follows:

Buildings	-freehold	-	4%
	-leasehold	-	over the period of the lease
Plant and equipment		-	from 10% to 50%
Office furniture		-	from 15% to 33%

No depreciation is provided on freehold land



## Notes

### 1 Accounting policies (continued)

#### *Intangible assets*

##### *a) Goodwill and negative goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### *b) Technology development costs*

Where group companies' technology development costs, such as expenditure on websites or platforms, are expected to generate future revenues in excess of the costs of developing those technology assets and all other capitalisation criteria are met, expenditure on the functionality of the website or platform is capitalised and treated as an intangible fixed asset and amortised over a period of up to 5 years. Expenditure incurred on maintaining websites and platforms and expenditure incurred relating to purely advertising and promotional activities are written off as incurred.

#### *Revenue recognition*

Turnover represents the amounts (excluding value added tax and net of trade discounts) derived from the provision of goods to customers during the year. Turnover is recognised when goods are supplied or delivered and the risk of ownership has passed to the customer, and when the amount receivable is fixed or determinable.

#### *Government grants*

The Job Retention Scheme utilised in the prior year was treated as a Government grant in line with the FRS102 paragraph 24.3 which requires that grants are recognised only when there is reasonable assurance that the conditions attached to the grant will be met and the grant will be received. Grants are measured at the fair value of the asset receivable. The Group adopted the Performance model as outlined in FRS102 paragraph 24.5, where the benefit is recognised in full when the grant is received or receivable.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on the liability method to take account of all timing differences between the treatment of items for taxation and accounting purposes. Deferred tax is provided at the rate of tax that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes

### 1 Accounting policies (*continued*)

#### *Foreign currencies*

Transactions in foreign currencies are translated at the rate ruling on the date of the transactions. Foreign currency assets and liabilities are translated at the rate ruling on the statement of financial position date.

#### *Investments*

In the Company's financial statements investments in subsidiary undertakings, associates and joint ventures are stated at cost less provision for permanent impairment. Other investments are stated at fair value at the date of the statement of financial position.

#### *Inventories*

Inventories are stated at the lower of actual cost and net realisable value. In determining the cost of raw materials and other inventories, including timber, purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### *Leases*

Assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as tangible fixed assets. The related obligations, net of future finance charges, are shown in creditors.

Operating lease rentals are charged to the consolidated income statement on a straight line basis over the life of the lease.

#### *Interest receivable and interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in the income statement using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method. Dividend income is recognised in the income statement on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes

### 1 Accounting policies (continued)

#### *Share based payments*

The Group previously utilised a long term incentive scheme which permitted certain senior group employees to be rewarded for sustained long term profit growth and commitment to the group, in the form of cash or shares in James Donaldson & Sons Limited. At the end of each year cash or shares are provisionally allocated to the Directors provided predetermined annual profit targets are met. Those shares automatically vested if the individual remained within the employment of the Group for one year following the award of the shares. Further cash or shares were awarded on the achievement of long term profit targets set by the remuneration committee. This element of the long term incentive plan automatically vested if the individual remained within the employment of the Group for one year following the award of these shares.

The element of this arrangement settled in shares was accounted for as a cash settled share based payment transaction. No shares were awarded to any senior group employees during the year.

The share scheme allows certain employees to receive £1 contribution to additional shares in James Donaldson & Sons Limited for every £1 invested from annual bonus awards. The additional £1 company contribution vests on the third anniversary of the original purchase. The arrangement is accounted for as an equity share based payment transaction.

The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the year during which the employees become unconditionally entitled to payment. The fair value is based on the share price at the date of award. The liability is revalued at each statement of financial position date and settlement date with any changes to fair value being recognised in the income statement.

#### *Post-retirement benefits*

The Group operates a pension scheme providing benefits based on final pensionable pay. The scheme was closed to future accrual on 1 July 2012. The assets of the scheme are held separately from those of the Group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of other comprehensive income, actuarial gains and losses. pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of other comprehensive income, actuarial gains and losses.

The Group also operates a defined contribution scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

## Notes

### 1 Accounting policies (*continued*)

#### *Dividends on shares presented within statement of changes in equity*

Dividends unpaid at the statement of financial position date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### *Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus 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 debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

#### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### 2 Critical accounting estimates and judgements

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

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

There are no estimates or assumptions which are deemed to have a significant risk of causing a material adjustment to these financial statements.

### 3 Turnover

All turnover is generated within Europe.

## Notes

### 4 Profit on ordinary activities before taxation

	2021	2020
Profit on ordinary activities before taxation is stated after charging/(crediting):	£000	£000
Depreciation of tangible assets-owned	2,851	3,515
Amortisation of goodwill	640	759
Amortisation	24	-
Hire and leasing costs	1,186	2,590
	1,299	2,594
	370	847
Auditor's remuneration	22	45
	96	118
	39	27
Loss/(gain) on disposal of fixed assets	288	(196)

### 5 Staff costs

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Wages and salaries	32,715	42,142	4,063	4,682
Social security costs	3,091	3,755	339	576
Defined contribution pension scheme costs	2,215	2,756	293	279
	<u>38,021</u>	<u>48,653</u>	<u>4,695</u>	<u>5,537</u>

Key management personnel include all board members of James Donaldson & Sons Limited and subsidiaries.

	2021	2020
Emoluments of directors in subsidiary companies included in Group costs.	1,168	1,824
	<u>      </u>	<u>      </u>

## Notes

### 5 Staff costs (continued)

The average number of employees during the year analysed by category was:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Administration	458	375	47	25
Production	678	645	2	1
	<u>1,136</u>	<u>1,020</u>	<u>49</u>	<u>26</u>

The actual number of Group employees at 30 September 2021 is 1,168 (2020:1,018).

### 6 Directors' emoluments

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Emoluments	<u>1,363</u>	<u>2,281</u>

The emoluments of the highest paid Executive Director in the year were £306,700 (2020: £1,029,200). Emoluments in the prior period included accrued long term incentive plan earnings achieved over the latest three year plan. In line with those arrangements, we accounted for deferred emoluments of £750,412, in the prior period. Retirement benefits are accruing to 3 (2020:4) directors under defined contribution pension schemes.

### 7 Share Based Payment

The Group has 3 (2020:15) employees participating in the Group's long term incentive plan. Amounts receivable in shares under the plan are as follows:

	<b>No. of shares</b>	<b>£</b>
Share based liability at 30 September 2020	7,541	39,600
Shares maturing during year	(7,541)	(39,600)
	<u>-</u>	<u>-</u>
<b>Share based liability at 30 September 2021</b>	<b>-</b>	<b>-</b>

The weighted average share price at the date the shares matured was £5.25. For share awards outstanding at the end of the year, the price was £5.25 with maturity in 3 months.

## Notes

### 8 Other income

The Group received £230,109 of other income in the year. In the prior period £3,469,215 was received from the Government Job Retention Scheme. Job Retention Scheme income is treated as a Government Grant in line with the accounting policies at Note 1, administered through HMRC. The grant received was in relation to those employees who met the pre-defined furlough criteria.

	2021	2020
	£	£
Wages and salaries	-	3,146,763
Social security costs	-	256,154
Pension costs	-	66,298
Other income	230,109	-
	<u>230,109</u>	<u>-</u>
<b>Total</b>	<b><u>230,109</u></b>	<b><u>3,469,215</u></b>

### 9 Interest payable and similar charges

	2021	2020
	£000	£000
On bank loans and overdrafts	357	421
On all other loans	5	18
On pension scheme liabilities	271	548
Net loss on financial assets measured at fair value	-	13
	<u>633</u>	<u>1,000</u>
	<b><u>633</u></b>	<b><u>1,000</u></b>

### 10 Other finance income

	2021	2020
	£000	£000
Interest on pension scheme assets	271	706
Net gain on financial assets measured at fair value	322	-
Net gains on derivatives treated as fair value hedging instruments	-	46
	<u>593</u>	<u>752</u>
	<b><u>593</u></b>	<b><u>752</u></b>

## Notes

### 11 Defined benefit scheme GMP and settlement costs

The UK's Department for Work and Pensions (DWP) has previously confirmed that (in its view) pension schemes are legally required to equalise pension benefits for the effects of unequal Guaranteed Minimum Pensions (GMPs) between males and females that were accrued since 17 May 1990. This is a tranche of pension that relates to the Plan having been "contracted-out" of part of the UK state pension. The Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC (and others) court judgement (the Lloyds Judgement) on 26 October 2018 provided clarity that GMP equalisation is indeed required and commented on possible methods that could be used.

The Lloyds Judgement has now removed any historical uncertainty and provided clarity that GMPs accrued after 17 May 1990 need to be equalised. The impact on the statement of financial position due to GMP equalisation should be recognised as a past service cost in the income statement.

The Company engaged Barnett Waddingham as the scheme actuary, to estimate the cost of GMP equalisation. This figure has been assessed by them as equating to 2.55% of the scheme's overall liabilities at 31 March 2019 and we took a charge of £371,000 in the year to March 2019. No additional charge has been included in the income statement for either the current year or the prior period in relation to GMP equalisation as we entered the buy out with Aviva in the prior period.

The buy in completed on 11 October 2021 subsequent to the statement of financial position date, during the year we incurred a final charge of £31,000 in the income statement in relation to residual settlement and curtailment costs.



**Notes**

**12 Tax on profit on ordinary activities**

*Analysis of tax charge*

	2021 £000	2020 £000
<i>Corporation tax</i>		
Current tax on income for the year	3,462	1,989
Prior year adjustment	(193)	(6)
Total current taxation	3,269	1,983
<i>Deferred tax</i>		
Origination and reversal of timing differences	137	187
Pension contributions in excess of service cost and charges	-	(979)
Rate adjustment	194	68
Adjustment in respect of previous years	26	(4)
Total deferred tax	357	(728)
Tax on profit on ordinary activities	3,626	1,255

*Factors affecting the tax charge for the year*

The tax charged in the year is higher (2020: *higher*) than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below

	2021 £000	2020 £000
Profit on ordinary activities before tax	17,951	6,237
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	3,411	1,239
<i>Effects of:</i>		
Expenses not deductible for tax purposes	18	58
Goodwill amortisation	117	144
Depreciation on assets not qualifying for capital allowances	168	201
Effect on tax of super deduction	(54)	-
Loss on assets	28	-
Income taxed at source	(10)	-
Adjustments in respect of previous years	(184)	(9)
Other consolidation items	21	2
Change in tax rate	192	68
Amortisation of grant	(1)	-
Pension taxed at higher rate	(80)	(448)
Total tax charge for the year	3,626	1,255

## Notes

### 12 Tax on profit on ordinary activities *(continued)*

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and a reduction to 17% was due to be effective 1 April 2020. Subsequently a decision was made to maintain the corporation tax rate at 19%. The Finance Act 2021 was 'substantively enacted' on 24 May 2021. This increased the main rate of corporation tax applicable to 25% from 1 April 2023, replacing the 20% rate previously effective from that date. The closing deferred tax assets and liabilities have been calculated in accordance with relevant tax rates.

### 13 Dividends

	2021 £000	2020 £000
Final dividend paid in respect of prior year but not recognised as liabilities in that year - 0.0p per share <i>(2020: 22.5p)</i>	-	1,357
Interim dividend on ordinary shares - 20.0p per share <i>(2020: 10.0p)</i>	1,081	622
	<u>1,081</u>	<u>1,979</u>

**Notes**

**14 Tangible fixed assets**

	<b>Land and buildings</b>		<b>Plant and</b>	
	<b>Freehold</b>	<b>Leasehold</b>	<b>equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Group</b>				
<i><b>Cost or valuation</b></i>				
As at 30 September 2020	11,390	6,723	25,862	43,975
Additions	1,709	115	4,432	6,256
Disposals	-	-	(2,164)	(2,164)
Acquisition	-	-	1,050	1,050
Inter Group transfer	1,250	-	(1,250)	-
<b>As at 30 September 2021</b>	<b>14,349</b>	<b>6,838</b>	<b>27,930</b>	<b>49,117</b>
<i><b>Depreciation</b></i>				
As at 30 September 2020	5,016	2,631	14,354	22,001
Charge for year	438	333	2,080	2,851
Disposals	-	-	(1,660)	(1,660)
Acquisition	-	-	520	520
<b>As at 30 September 2021</b>	<b>5,454</b>	<b>2,964</b>	<b>15,294</b>	<b>23,712</b>
<i><b>Net book value</b></i>				
<b>As at 30 September 2021</b>	<b>8,895</b>	<b>3,874</b>	<b>12,636</b>	<b>25,405</b>
<b>As at 30 September 2020</b>	<b>6,374</b>	<b>4,092</b>	<b>11,508</b>	<b>21,974</b>

Notes

14 Tangible fixed assets (*continued*)

	Land and buildings Freehold	Plant and Leasehold equipment	Total
	£000	£000	£000
<b>Company</b>			
<b><i>Cost or valuation</i></b>			
As at 30 September 2020	11,390	2,028	14,291
Additions	1,709	-	1,749
Transfers In	1,250	-	1,464
Disposals	-	(91)	(91)
<b>As at 30 September 2021</b>	<b>14,349</b>	<b>2,028</b>	<b>17,413</b>
<b><i>Depreciation</i></b>			
As at 30 September 2020	5,026	1,318	6,880
Charge for year	438	85	638
Transfer In	-	190	190
Disposals	-	-	-
<b>As at 30 September 2021</b>	<b>5,464</b>	<b>1,403</b>	<b>7,708</b>
<b><i>Net book value</i></b>			
<b>As at 30 September 2021</b>	<b>8,885</b>	<b>625</b>	<b>9,705</b>
<b>As at 30 September 2020</b>	<b>6,364</b>	<b>710</b>	<b>7,411</b>

## Notes

### 15 Intangible assets

	Technology developments costs £000	Goodwill £000	Total £000
<i>Cost</i>			
At 30 September 2020	-	15,548	15,548
Additions in the year	114	3,464	3,578
<b>At 30 September 2021</b>	<b>114</b>	<b>19,012</b>	<b>19,126</b>
<i>Amortisation</i>			
At 30 September 2020	-	3,014	3,014
Charged in the year	24	640	664
<b>At 30 September 2021</b>	<b>24</b>	<b>3,654</b>	<b>3,678</b>
<i>Net book value</i>			
<b>At 30 September 2021</b>	<b>90</b>	<b>15,358</b>	<b>15,448</b>
At 30 September 2020	-	12,534	12,534

The directors consider each acquisition separately for the purpose of determining the amortisation provided on goodwill arising.

The directors consider the goodwill arising on the acquisition of MGM Timber (Scotland) Limited, Nu-Style Products (Holdings) Limited, Cambridge Roof Truss Limited, McLeod and Higgins (Roofing Contractors) Limited and Kitchens International Group Limited to have an estimated useful life of 25 years.

The amortisation charge is recognised within administration costs in the consolidated income statement.

### 16 Fixed asset investments

	£000
<i>Group</i>	
<i>Valuation</i>	
At 30 September 2020	3,016
Additions	618
Valuation gain/(loss)	331
<b>At 30 September 2021</b>	<b>3,965</b>

Notes

16 Fixed asset investments (continued)

Company	Shares in subsidiary undertakings £000	Other £000	Total £000
Cost or valuation as at 30 September 2020	20,026	3,016	23,042
Addition	6,055	619	6,674
Valuation gain	-	330	330
Cost or valuation as at 30 September 2021	<b>26,081</b>	<b>3,965</b>	<b>30,046</b>
<b>Net book value</b>			
<b>As at 30 September 2021</b>	<b>26,081</b>	<b>3,965</b>	<b>30,046</b>
As at 30 September 2020	20,026	3,016	23,042

The Group holds more than 20% of the ordinary share capital of the following companies:

	Country of registration	Registration number	Nature of business	Proportion Held
<i>Subsidiary undertakings</i>				
Donaldson Timber Engineering Limited	Scotland	SC099182	Timber engineering	100%
James Donaldson Timber Limited	Scotland	SC183918	Sawmilling	100%
James Donaldson Insulation Limited	Scotland	SC237698	Insulation Merchant	100%
MGM Timber (Scotland) Limited	Scotland	SC129921	Timber Merchant	100%
Parker Kislingbury Limited	Scotland	SC209915	Dormant	100%
Timbercut4U Limited	Scotland	SC350276	Dormant	100%
Nu-Style Products (Holdings) Limited	Scotland	SC376003	Laminates	100%
Robert Reid & Sons Limited ( <i>owned by MGM Timber (Scotland) Limited</i> )	Scotland	SC240841	Dormant	100%
McLeod & Higgins (Roofing Contractors) Limited	Scotland	SC056264	Sawmilling and Merchant	100%
It's Plane & Simple Limited	Scotland	SC677840	Agents in sale of building materials	100%
Kitchens International Group Limited	Scotland	SC302649	Kitchens	100%

**Notes**

**16 Fixed asset investments (continued)**

The registered address of all the subsidiary undertakings is:

Donaldson House  
Saltire Centre  
Pentland Park  
Glenrothes  
Fife, KY6 2AG

The following subsidiaries, having met the criteria set out in sections 479A-479C of the Companies Act 2006, are claiming exemptions from the audit of the individual accounts afforded by those sections for the year ended 30 September 2021.

Nu-Style Products (Holdings) Limited	SC376003
It's Plane & Simple Limited	SC677840
McLeod and Higgins (Roofing Contractors) Limited	SC056264
Rowan Group Limited	SC064156
Rowan Manufacturing Limited	SC311961
SANDF (Grangemouth) Limited	SC265255
RTS Manufacturing Limited	SC138734
Smith & Frater Limited	SC124677
Kitchens International Group Limited	SC302649
Kitchens International Limited	SC202605
KI Kitchens Limited	SC151458
Kitchens International Properties Limited	SC294934
Kitchens International Edinburgh Limited	SC356565
Kitchens International Aberdeen Limited	SC356564
Kitchens International Glasgow Limited	SC374489
Kitchens International Perth Limited	SC083470
Kitchens International Stirling Limited	SC532544
KI Contracts Limited	SC356562
KI Bathrooms Limited	SC526823
KI Building Solutions Limited	SC526824
Stonecare (UK) Limited	SC199722

## Notes

### 17 Acquisition of business

On 8th June 2021 James Donaldson & Sons Limited acquired the entire share capital of Kitchens International Group Limited. The company's core business is the manufacturing and installation of kitchens. The business contributed revenue of £5,057,000 and net profit of £106,000 to the Group in the four month period to 30 September 2021.

#### *Effect of acquisition*

	<b>Recognised values on acquisition £000</b>
<b>Acquiree's net assets at the acquisition date:</b>	
Tangible fixed assets	526
Stocks	2,087
Trade and other debtors	1,505
Cash	2,392
Trade creditors	(3,008)
Other creditors	(854)
Deferred taxation	(57)
	<hr/>
Net identifiable assets and liabilities	2,591
	<hr/>
<b>Total cost of business combination</b>	
Consideration paid	
Initial cash consideration relating to the business combination	5,750
Costs directly attributable to the business combination	305
	<hr/>
Total consideration	6,055
	<hr/>
<b>Goodwill on acquisition</b>	<b>3,464</b>
	<hr/> <hr/>



## Notes

### 18 Inventories

	2021	2020
	£000	£000
Raw materials and consumables	16,265	7,579
Work in progress	2,017	1,022
Finished goods and goods for resale	11,931	5,999
	<u>30,213</u>	<u>14,600</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £173,695,949 (2020: £183,741,929). These figures do not include rebates included in cost of sales.

### 19 Debtors

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade Debtors	45,809	33,356	-	-
Amounts owed by subsidiary undertakings	-	-	7,500	7,645
Other debtors	4,315	3,451	310	1,501
Prepayments and accrued income	2,390	2,258	704	644
Corporation tax recoverable	22	-	662	-
	<u>52,536</u>	<u>39,065</u>	<u>9,176</u>	<u>9,790</u>

### 20 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Cash at bank and in hand	15,401	23,861	2	4,926

## Notes

### 21 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank overdraft	-	-	2,867	-
Secured bank loans	3,830	3,870	3,830	3,870
Trade creditors	45,229	32,819	539	544
Corporation tax	-	482	-	-
Other taxes and social security	6,100	7,023	1,755	1,354
Other creditors	4,148	2,352	3,114	1,369
Hire purchase debt	306	188	-	-
Accruals and deferred income	14,122	13,653	1,525	2,496
Amounts due to subsidiary undertakings	-	-	1,125	-
	<u>73,735</u>	<u>60,387</u>	<u>14,755</u>	<u>9,633</u>

Included within other creditors are loans of £1,309,140 (2020: £927,151) due to directors and shareholders which earn interest at 0.5% above bank base rate. There are no fixed repayment dates for these loans.

### 22 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Hire purchase debt	536	317	-	-
Secured bank loans	11,722	11,548	11,722	11,548
Deferred consideration at fair value	1,100	200	1,100	200
Other creditors	37	-	-	-
	<u>13,395</u>	<u>12,065</u>	<u>12,822</u>	<u>11,748</u>
Analysis of debt				
<i>Debt can be analysed as falling due:</i>				
Repayable in one year or less or on demand	4,136	4,058	3,830	3,870
Repayable between one and two years	3,967	3,934	3,674	3,710
Repayable between two and five years	8,292	8,131	8,049	8,037
	<u>16,395</u>	<u>16,123</u>	<u>15,553</u>	<u>15,617</u>

**Notes**

**23 Provisions for liabilities and charges**

*Deferred taxation*

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Liability at the start of the year	<b>980</b>	2,074	<b>109</b>	1,555
Acquisition of subsidiary	<b>58</b>	122	-	-
Deferred tax charge in the income statement	<b>357</b>	(728)	<b>48</b>	(958)
Deferred tax charge/(credit) in the other comprehensive income statement	-	(488)	<b>2</b>	(488)
Liability at the end of the year	<b>1,395</b>	<b>980</b>	<b>159</b>	<b>109</b>
The components of deferred tax are:				
Accelerated capital allowances	<b>1,143</b>	914	<b>30</b>	45
Other	<b>252</b>	66	<b>129</b>	64
	<b>1,395</b>	<b>980</b>	<b>159</b>	<b>109</b>

## Notes

### 24 Share capital

	No.	£000
<i>Allocated called up and fully paid</i>		
Ordinary shares of 25p each at 1 October 2020	5,508,686	1,377
Ordinary shares of 25p each at 30 September 2021	<u>5,508,686</u>	<u>1,377</u>

Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. Prior year share capital 5,508,686 shares.

### 25 Operating lease commitments

The minimum lease payments on non-cancellable operating leases are payable as follows:

	<b>Group</b>		<b>Company</b>	
	2021	2020	2021	2020
	£000	£000	£000	£000
Operating leases which expire:				
Less one year	3,706	3,471	103	69
Between one and five years	10,619	9,719	132	115
More than five years	6,107	13,319	-	-
	<u>20,432</u>	<u>26,509</u>	<u>235</u>	<u>184</u>

### 26 Contingent Liabilities

James Donaldson & Sons Limited has granted guarantees in favour of the Royal Bank of Scotland Plc for all sums due between James Donaldson & Sons Limited, James Donaldson Timber Limited, Donaldson Timber Engineering Limited, MGM Timber (Scotland) Limited, Parker Kislingbury Limited, James Donaldson Insulation Limited, Nu-Style Products (Holdings) Limited and McLeod & Higgins (Roofing Contractors) Limited.

## Notes

### 27 Pension costs

The Group operates a defined contribution pension scheme. The pension cost represents contributions payable by the Group to the scheme and amounted to £2,149,000 (2020: £2,756,000).

The Group also operates a pension scheme providing benefits based on final pensionable pay. On 6 April 1995 the James Donaldson & Sons Limited Managed Pension Plan was closed to new entrants. The scheme was closed to future accrual on 1 July 2012. The plan provides benefits based on final pensionable salary.

The latest full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2018 and was updated for FRS102 purposes to 30 September 2021 by a qualified independent actuary.

#### Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2021	2020	2019
Inflation assumption	3.65%	3.15%	3.35%
Salary increases	n/a	n/a	n/a
Rate of discount	1.95%	1.5%	2.5%
Limited Price Indexation (LPI)	2.65%/3.65%	2.35%/3%	2.5%/3%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the plan for which the Company is the sponsoring employer.

On 18 November 2019, the trustee of the James Donaldson & Sons Ltd managed pension plan (the Scheme), signed a buy in contract with an insurer. The buy in is the first step in securing the future of the Scheme with the insurer, as a means of securing the benefits of all members and beneficiaries. A buy in is an insurance policy, via which the Trustee is able to insure the benefits payable to members from the Scheme. The trustee remains responsible for the Scheme, but all assets are transferred to the insurer and the insurer takes on the liability of the Scheme (i.e. the payments due to members). With a buy out, the Scheme's liabilities are transferred to the insurer and the sponsor's obligation to the members is extinguished. Thereafter, the intention is to formally wind-up this Scheme.

At the most recent actuarial valuation conducted at 30 September 2021, the scheme's assets equal the scheme's liabilities resulting in the value being reduced to nil on the balance sheet. This is consistent with the prior year. In line with our final assessment of the scheme, £1.1m of residual insurance premium was paid on 11 October 2021, which consisted of a final contribution of £450,000 paid by the Company.

**Notes**

**27 Pension costs (continued)**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Present value of funded defined benefit obligations	<b>(17,427)</b>	<b>(18,297)</b>
Fair value of plan assets	<b>17,546</b>	<b>18,297</b>
Effect of asset ceiling	<b>(119)</b>	<b>-</b>
	<u>          </u>	<u>          </u>
Surplus	<b>-</b>	<b>-</b>
	<u>          </u>	<u>          </u>
Carrying value of asset	<b>-</b>	<b>-</b>
	<u>          </u>	<u>          </u>

**Movements in present value of defined benefit obligation**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	<b>18,297</b>	<b>14,925</b>
Interest cost	<b>271</b>	<b>548</b>
Changes to financial assumptions	<b>(696)</b>	<b>2,681</b>
Benefits paid	<b>(486)</b>	<b>(812)</b>
Experience loss on defined benefit obligation	<b>(153)</b>	<b>-</b>
Changes to demographic assumptions	<b>163</b>	<b>955</b>
Past service costs	<b>31</b>	<b>-</b>
	<u>          </u>	<u>          </u>
	<b>17,427</b>	<b>18,297</b>
	<u>          </u>	<u>          </u>

**Movements in fair value of plan assets**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	<b>18,297</b>	<b>19,116</b>
Interest on assets	<b>271</b>	<b>706</b>
Return on plan assets less interest	<b>(986)</b>	<b>2,243</b>
Contributions by employer	<b>450</b>	<b>-</b>
Benefits paid	<b>(486)</b>	<b>(812)</b>
Settlement and curtailment costs	<b>-</b>	<b>(2,956)</b>
Effect of asset ceiling	<b>(119)</b>	<b>-</b>
	<u>          </u>	<u>          </u>
At end of year	<b>17,427</b>	<b>18,297</b>
	<u>          </u>	<u>          </u>

**Notes**

**27 Pension costs (continued)**

Amounts recognised in the income statement

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest on defined benefit pension plan obligation	<b>(271)</b>	<b>(548)</b>
Interest on plan assets	<b>271</b>	<b>706</b>
	<hr/>	<hr/>
Total recognised in the income statement	<b>-</b>	<b>158</b>
	<hr/>	<hr/>

The fair value of the plan assets in the scheme were as follows:

	<b>2021</b>	<b>2020</b>
	<b>Fair Value</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>
Bonds	<b>765</b>	<b>811</b>
Aviva bulk annuity policy	<b>17,396</b>	<b>18,297</b>
Amount payable in respect of Aviva bulk annuity policy	<b>(1,125)</b>	<b>(903)</b>
Cash	<b>510</b>	<b>92</b>
Effect of asset ceiling	<b>(119)</b>	<b>-</b>
	<hr/>	<hr/>
	<b>17,427</b>	<b>18,297</b>
	<hr/>	<hr/>

The loss on the assets over the year was £986,000 (2020: gain of £2,949,000).

## Notes

### 27 Pension costs *(continued)*

#### Expected long term rates of return

The long term expected return on bonds is determined by reference to the UK long dated government and corporate bond yields at the statement of financial position date. The long term expected rate of return on cash is determined by reference to short term gilt yields.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2021	2020
	%	%
Discount rate	1.95	1.5
Other material assumptions: Inflation (RPI)	3.65	3.2
Pensionable salary growth	n/a	n/a

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

### 28 Earnings per share

Earnings per share are calculated on the profit after tax before ordinary dividends divided by the weighted average number of ordinary shares in issue of 5,508,686 (2020: 5,508,686).

### 29 Post balance sheet event

On 16 December 2021, James Donaldson & Sons Limited acquired 100% of the issued share capital of Stewart Milne Timber Systems Limited. This acquisition has been financed through a 3 bank syndicated debt financing arrangement effective from 15th December 2021. The new financing arrangements also replace any previous debt financing the group had in place.