

Company Registration No. SC212755 (Scotland)

HIGHLAND COLOUR COATERS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

HIGHLAND COLOUR COATERS LIMITED

COMPANY INFORMATION

Directors	R Sheils	
	L Reed	
	R G Steel	
	G C Bulloch	
	I Boyle	
	J Macintosh	
	B Brown	{Appointed 1 May 2023}
Secretary	R G Steel	
Company number	SC212755	
Registered office	Pinefield Industrial Estate ELGIN IV30 6FG	
Auditor	Johnston Carmichael LLP Commerce House South Street ELGIN IV30 1JE	

HIGHLAND COLOUR COATERS LIMITED

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HIGHLAND COLOUR COATERS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Fair review of the business

Galvanizing and Powder Coating turnover for the year to 31 March 2023 increased by 14.1% and 4.3% with total turnover increasing from £7.5m to £8.4m – an acceptable outcome considering a slight reduction in volume of business in both Galvanizing and Powder Coating.

The general cost inflation referred to last year continued into the current year and although the Company was able to increase average selling prices (achieving the above noted growth in turnover), this did not fully compensate for the significant rise in direct costs and so overall gross margin was lower at 37.0%.

This led to a slight reduction in both operating profit and profit before taxation, the latter to £0.9m, still a satisfactory outcome considering all of the market circumstances.

At 31 March 2023 the Company had net assets of £4.8m and a balance sheet reflecting a very strong financial position.

Principal risks and uncertainties

The Company is exposed to fluctuations in commodity prices as referred to above, particularly raw materials (zinc mainly) and energy.

Subsequent to the year end, there has been some degree of softening of these costs which, together with having secure energy supply contracts, has helped improve margins in general.

The labour market continues to be very challenging making recruitment and retention of employees, particularly at factory level, progressively more difficult.

The directors are satisfied that all available measures to monitor and manage these risks are in place.

Key performance indicators

The directors manage the main areas of the business using a broad range of key financial performance indicators designed to ensure regular, tight monitoring and control of all operational activity. These financial indicators focus mainly on revenue growth and operating margin and with regard to the latter, specific ratios to measure the effectiveness of labour and raw material consumption are analysed in detail, allowing real time management and control of key aspects of operational performance.

There are also non-financial key performance indicators used to ensure continuous improvement in Health & Safety, Quality and Environmental performance.

Future developments

The Company is committed to an on-going programme of significant investment in facilities, processes and the training and development of people and this will help it achieve the strategic objectives regarding market position and improvement in operating efficiency.

On behalf of the board

R G Steel
Director

24 November 2023

HIGHLAND COLOUR COATERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the Company is that of the supply of galvanizing, powder coating and the duplex service combining these processes, "Colourgalt".

Results and dividends

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

Ordinary dividends were paid amounting to £1,000,000. The directors do not recommend payment of a further dividend.

No preference dividends were paid.

Directors

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

R Sheils
L Reed
R G Steel
G C Bulloch
I Boyle
J Macintosh
B Brown

(Appointed 1 May 2023)

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

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

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

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

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

HIGHLAND COLOUR COATERS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Information contained within the Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of future developments.

Statement of disclosure to auditor

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

On behalf of the board

R G Steel
Director

24 November 2023

HIGHLAND COLOUR COATERS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HIGHLAND COLOUR COATERS LIMITED

Opinion

We have audited the financial statements of Highland Colour Coaters Limited (the 'company') for the year ended 31 March 2023 which comprise of the statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

HIGHLAND COLOUR COATERS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HIGHLAND COLOUR COATERS LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in directors' responsibilities statement, set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://frc.org.uk/auditorsresponsibilities>. The description forms part of our auditors report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

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

HIGHLAND COLOUR COATERS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HIGHLAND COLOUR COATERS LIMITED

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

- UK GAAP
- Companies Act 2006
- Corporation Tax Act 2010
- Scottish Environment Protection Agency (SEPA)
- Health and Safety Regulations

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

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition
- Zinc Valuation

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by those charged with governance in their calculation of accounting estimates for potential management bias;
- Performing audit work procedures to confirm the completeness and cut off of revenue;
- Performing audit work procedures over the risk of zinc valuation, including testing of the accuracy and valuation of stock and the relevant usage adjustments;
- Reviewing correspondence with relevant authorities and reviewing internal reporting logs;
- Agreement of the financial statement disclosures to supporting documentation; and
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006.

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

HIGHLAND COLOUR COATERS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HIGHLAND COLOUR COATERS LIMITED

Use of our report

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

Martin Bannerman (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

29 November 2023

Statutory Auditor

Commerce House
South Street
ELGIN
IV30 1JE

HIGHLAND COLOUR COATERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	8,371,862	7,505,611
Cost of sales		(5,277,364)	(4,397,244)
Gross profit		3,094,498	3,108,367
Distribution costs		(704,408)	(646,519)
Administrative expenses		(1,451,047)	(1,438,752)
Other operating income		30,840	30,840
Operating profit	4	969,883	1,053,936
Interest receivable and similar income	7	-	7
Interest payable and similar expenses	8	(30,000)	(30,000)
Profit before taxation		939,883	1,023,943
Tax on profit	9	(177,601)	(258,807)
Profit for the financial year		762,282	765,136
Total comprehensive income for the year		762,282	765,136

The statement of comprehensive income account has been prepared on the basis that all operations are continuing operations.

HIGHLAND COLOUR COATERS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

		2023	2022
	Notes	£	£
Fixed assets			
Tangible assets	11	2,666,316	2,841,567
Investments	12	98	98
		<u>2,666,414</u>	<u>2,841,665</u>
Current assets			
Stocks	13	696,114	703,253
Debtors	14	1,715,370	1,622,619
Cash at bank and in hand		1,291,202	2,677,529
		<u>3,702,686</u>	<u>5,003,401</u>
Creditors: amounts falling due within one year	15	<u>(1,172,112)</u>	<u>(2,388,655)</u>
Net current assets		<u>2,530,574</u>	<u>2,614,746</u>
Total assets less current liabilities		<u>5,196,988</u>	<u>5,456,411</u>
Creditors: amounts falling due after more than one year	16	(215,355)	(246,195)
Provisions for liabilities			
Deferred tax liability	17	<u>157,092</u>	<u>147,957</u>
		<u>(157,092)</u>	<u>(147,957)</u>
Net assets		<u>4,824,541</u>	<u>5,062,259</u>
Capital and reserves			
Called up share capital	20	1,000,000	1,000,000
Profit and loss reserves		<u>3,824,541</u>	<u>4,062,259</u>
Total equity		<u>4,824,541</u>	<u>5,062,259</u>

The financial statements were approved by the board of directors and authorised for issue on 24 November 2023 and are signed on its behalf by:

G C Bulloch
Director

Company Registration No. SC212755

HIGHLAND COLOUR COATERS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Share capital	Profit and loss reserves	Total
Notes	£	£	£
Balance at 1 April 2021	1,000,000	3,297,123	4,297,123
Year ended 31 March 2022:			
Profit and total comprehensive income for the year	-	765,136	765,136
Balance at 31 March 2022	1,000,000	4,062,259	5,062,259
Year ended 31 March 2023:			
Profit and total comprehensive income for the year	-	762,282	762,282
Dividends	10	(1,000,000)	(1,000,000)
Balance at 31 March 2023	1,000,000	3,824,541	4,824,541

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Highland Colour Coaters Limited is a private company limited by shares incorporated in Scotland. The registered office is Pinefield Industrial Estate, ELGIN, IV30 6FG.

1.1 Accounting convention

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

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

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group.

The company has therefore taken advantage of exemptions from the following disclosure requirements:

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

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Highland Colour Coaters Limited is a wholly owned subsidiary of Highland Metals Limited and the results of Highland Colour Coaters Limited are included in the consolidated financial statements of Highland Metal Developments Limited which is the ultimate parent company.

1.2 Going concern

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

1.3 Turnover

Turnover represents amounts receivable for galvanizing and powder coating services net of VAT and trade discounts. Turnover is recognised at the point of despatch.

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

1.4 Tangible fixed assets

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

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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

Freehold land and buildings	- Straight line over 25 years
Plant and machinery	- Straight line over 4 to 10 years
Fixtures, fittings & equipment	- Straight line over 4 to 10 years

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

Land is not depreciated.

1.5 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.7 Stocks

Stocks and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises the invoiced price of goods and materials on a first in first out basis. The cost of work in progress comprises materials, direct labour and attributable production overheads.

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

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand.

1.9 Financial instruments

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

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs.

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the profit and loss account.

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, that are classified as debt, are recognised at transaction price.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

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

Current tax

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

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.13 Retirement benefits

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

1.14 Government grants

Government grants are recognised in accordance with the accruals model. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock

The calculation of the value of the zinc held in the kettle of £455,570 (2022 - £430,570) which is included within raw materials and consumables stock, is based on the total quantity held, which remains relatively constant and which in turn is made up of the estimated tonnage of zinc itself (valued at cost) and the estimated tonnage of residues (valued at estimated realisable value).

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2023	2022
	£	£
Turnover analysed by class of business		
Galvanizing services	6,367,401	5,582,875
Powder coating services	2,004,461	1,922,736
	<u>8,371,862</u>	<u>7,505,611</u>

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

3 Turnover and other revenue (Continued)

	2023 £	2022 £
Turnover analysed by geographical market		
United Kingdom	8,371,862	7,505,611
	<u> </u>	<u> </u>
	2023 £	2022 £
Other significant revenue		
Interest income	-	7
Grants received	30,840	30,840
	<u> </u>	<u> </u>

4 Operating profit

	2023 £	2022 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(30,840)	(30,840)
Fees payable to the company's auditor for the audit of the company's financial statements	12,500	11,250
Depreciation of owned tangible fixed assets	316,939	315,849
Loss on disposal of tangible fixed assets	390	21,199
	<u> </u>	<u> </u>

The company has taken advantage of the exemption from the disclosure of remuneration paid to its auditors for non-audit services. This exemption is available to the company as it prepares consolidated accounts which are required to include such disclosures in those accounts.

5 Employees

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

	2023 Number	2022 Number
Office	10	9
Factory	61	60
	<u> </u>	<u> </u>
Total	71	69
	<u> </u>	<u> </u>

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

5 Employees (Continued)

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	2,374,572	2,182,914
Social security costs	239,561	220,740
Pension costs	79,094	63,932
	<u>2,693,227</u>	<u>2,467,586</u>

6 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	239,925	233,345
Company pension contributions to defined contribution schemes	6,704	6,387
	<u>246,629</u>	<u>239,732</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023 £	2022 £
Remuneration for qualifying services	76,340	73,060
Company pension contributions to defined contribution schemes	3,854	3,658
	<u>80,194</u>	<u>76,718</u>

7 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Other interest income	-	7
	<u>-</u>	<u>7</u>

8 Interest payable and similar expenses

	2023 £	2022 £
Other interest	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

9 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits for the current period	199,169	240,018
Adjustments in respect of prior periods	(30,703)	(1,900)
Total current tax	168,466	238,118
Deferred tax		
Origination and reversal of timing differences	9,135	18,789
Adjustment in respect of prior periods	-	1,900
Total deferred tax	9,135	20,689
Total tax charge	177,601	258,807

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

	2023 £	2022 £
Profit before taxation	939,883	1,023,943
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	178,578	194,549
Tax effect of expenses that are not deductible in determining taxable profit	-	1,482
Adjustments in respect of prior years	(30,703)	(1,900)
Deferred tax adjustments in respect of prior years	-	1,900
Adjustment to brought forward values	2,266	-
Deferred tax adjusted to the closing rate	2,192	35,510
Fixed asset differences	25,268	27,266
Taxation charge for the year	177,601	258,807

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. This will increase in the company's tax charge in future years.

Deferred tax has been calculated using the rate effective in the period it is expected to reverse.

10 Dividends

	2023 £	2022 £
Final paid	1,000,000	-

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

11 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 April 2022	4,673,534	2,988,897	48,903	7,711,334
Additions	-	141,632	446	142,078
Disposals	-	(1,950)	-	(1,950)
At 31 March 2023	4,673,534	3,128,579	49,349	7,851,462
Depreciation and impairment				
At 1 April 2022	2,478,476	2,351,870	39,421	4,869,767
Depreciation charged in the year	179,748	136,749	442	316,939
Eliminated in respect of disposals	-	(1,560)	-	(1,560)
At 31 March 2023	2,658,224	2,487,059	39,863	5,185,146
Carrying amount				
At 31 March 2023	2,015,310	641,520	9,486	2,666,316
At 31 March 2022	2,195,058	637,027	9,482	2,841,567

Freehold land with a cost of £178,398 (2022 - £178,398) has not been depreciated.

12 Fixed asset investments

	Notes	2023 £	2022 £
Investments in subsidiaries	23	98	98

Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 April 2022 & 31 March 2023	98
Carrying amount	
At 31 March 2023	98
At 31 March 2022	98

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Stocks

	2023 £	2022 £
Raw materials and consumables	680,381	694,838
Work in progress	15,733	8,415
	<u>696,114</u>	<u>703,253</u>

14 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	1,669,986	1,578,184
Other debtors	45,384	44,435
	<u>1,715,370</u>	<u>1,622,619</u>

15 Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	356,569	651,161
Amounts owed to group undertakings	52,105	919,909
Corporation tax	198,912	240,018
Other taxation and social security	267,572	269,312
Accruals and deferred income	296,954	308,255
	<u>1,172,112</u>	<u>2,388,655</u>

16 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Government grants	18	<u>215,355</u>	<u>246,195</u>

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Accelerated capital allowances	158,143	149,066
Other timing differences	(1,051)	(1,109)
	<u>157,092</u>	<u>147,957</u>
Movements in the year:		2023 £
Liability at 1 April 2022		147,957
Charge to profit or loss		9,135
Liability at 31 March 2023		<u>157,092</u>

18 Government grants

	2023 £	2022 £
Arising from government grants	<u>215,355</u>	<u>246,195</u>

The company received an initial government grant in 2003 of £480,000, which is amortised over 25 years, with a balance of £117,392 included in the total above at the year end. The conditions of the grant have been satisfied.

A further grant was received in 2012 of £187,500, which has also been amortised over 25 years, with a balance of £97,963 included in the total above at the year end.

19 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>79,094</u>	<u>63,932</u>

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

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

20 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	120,000	120,000	120,000	120,000
Preference share capital Issued and fully paid				
Redeemable convertible preference shares of £1 each	880,000	880,000	880,000	880,000
Preference shares classified as equity			880,000	880,000
Total equity share capital			1,000,000	1,000,000

The 10% non voting redeemable convertible preference shares are redeemable at the option of the company and there is no premium on redemption.

21 Related party transactions

Transactions with related parties

The company has taken advantage of the exemption available within FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

22 Ultimate controlling party

The company is a subsidiary of Highland Metals Limited. The ultimate parent company is Highland Metal Developments Limited, which heads the only group for which consolidated financial statements have been prepared. Copies of these results are publicly available and can be obtained from the Registrar of Companies at Companies House using <https://find-and-update.company-information.service.gov.uk/>.

23 Subsidiaries

These financial statements are separate company financial statements for Highland Colour Coaters Limited.

Details of the company's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of	% Held	
			shares held	Direct	Indirect
Highland Galvanizers Limited	See below	Dormant	Ordinary	98.00	-

The registered office address of the subsidiaries is Pinefield Industrial Estate, Elgin, IV30 6FG.

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

23 Subsidiaries		(Continued)	
Name of undertaking	Capital and Reserves	Profit/(Loss)	
	£	£	
Highland Galvanizers Limited	100	-	

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.