

DEESIDE TIMBERFRAME LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021



DEESIDE TIMBERFRAME LIMITED

COMPANY INFORMATION

Directors	J Wright M B Robertson S Ferguson L M Taylor J C Irvine A H Tweedie
Company number	SC272007
Registered office	Banchory Business Centre Burn O'Bennie Road Banchory Aberdeenshire AB31 5ZU
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place ABERDEEN AB10 1YL

DEESIDE TIMBERFRAME LIMITED

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DEESIDE TIMBERFRAME LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report and financial statements for the year ended 31 March 2021. The company was part of the Bancon Developments Holdings Limited group ("the group") throughout the year.

Fair review of the business

The principal activity of the company is the design, manufacture and supply of timberframe structures for use in the construction industry.

The company has delivered a positive result for the year despite the disruption experienced due to the Covid-19 pandemic. The results show turnover of £22,079,520 (2020: £30,947,742), and a profit on ordinary activities before taxation of £1,083,447 (2020: £1,772,083). The company's profit after tax for the financial period is £923,427 (2020: £1,414,692). This profit will be transferred to reserves.

Due to the Covid-19 pandemic, and in line with Government guidance, the business entered lockdown and ceased all site and factory operations on 23rd March 2020, a week before the start of the financial year. Operations were restarted, although in a restricted and controlled manner, from 22nd June 2020. Over the period of lockdown the business acted swiftly to ensure that the health and safety of all our staff and customers, and those with whom they interact was the absolute priority.

The company's result for the year was impacted by the three-month closure of operations and subsequent controlled ramp-up of activities over the next three months. The underlying strength of the business and robust relationships with customers and suppliers, as well as the continued dedication and support of staff, has however facilitated a positive recovery from the Covid-19 disruption. The profitable result for the year as a whole, despite the significant disruption experienced, bears testament to this. The second half of the year saw a return to the high activity levels experienced prior to the Covid pandemic and trading since the ending of lockdown restrictions has exceeded expectations. There is also a strong pipeline of work in place for the 2021/22 year.

The market for timberframe continues to be strong, with the social housing sector being particularly positive. The company's continued focus on new business development in addition to repeat work with key customers has allowed it to capitalise on this. Margins have come under pressure in the year due to significant raw material price increases and due to an element of cost continuing over the period of lockdown but with limited turnover. This was partially compensated by the utilisation of the Government's Job Retention scheme and a successful claim on business interruption insurance.

Administrative expenses were well controlled over the period of trading disruption and savings made, with the support of our staff in particular, enabled a reduction in this area compared to the prior year and helped drive an operating profit of £1,192,686 (2020: £1,772,083). Exceptional costs in relation to the Covid-19 pandemic and ensuring the safety of our staff and customers resulted in a profit before tax of £923,427 (2020: £1,772,083).

The positive trading result, despite the disruption experienced in the year, further strengthens the balance sheet, with net assets increasing to £6,444,212 (2020: £5,520,785).

Coming into the new financial year (2021/22) a strong forward order book gives the directors confidence in a continued strong trading performance. As is the case for the wider industry, the business is experiencing challenges in terms of the supply and price of raw materials with extended lead times on critical components resulting in operational pressures. This continues to be managed satisfactorily and the current strength of the market, strong sales pipeline and high activity levels give the directors confidence that the business will deliver an improved trading result in the full year to March 2022.

DEESIDE TIMBERFRAME LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

The management of the business and the execution of the company's strategy are subject to a number of risks.

Key business risks and uncertainties affecting the company are considered to relate to the continuing uncertainty within the economy including potential disruption from the ongoing Covid-19 pandemic, housing market confidence, competitively priced imported raw materials and lead times on critical components, and the availability of skilled subcontractors.

Economic uncertainty and housing market confidence could impact overall activity levels and profitability and the business constantly assesses the latest market and economic data to ensure our product and service offerings reflect the current market conditions and remain competitive as mitigation for this risk. As regards the ongoing Covid-19 pandemic, the business has contingency plans in place to mitigate against potential disruptions to activities.

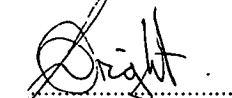
Raw material price increases and availability of key components could impact margins and with a substantial proportion of the raw material imported it can be impacted by foreign currency fluctuations in addition to commodity price dynamics. To mitigate this risk the company will, where possible, forward buy raw material and will, where appropriate, seek price increases from customers.

The availability of skilled subcontractors could limit the company's ability to meet demand and have an adverse impact on margins. The company constantly reviews its supply chain to ensure appropriate resources are available to satisfy forecast demand in mitigation of this risk.

Key performance indicators

The directors of Deeside Timberframe Limited review detailed management reports on a monthly basis and consider the key performance indicators as turnover, gross margin, net margin and net assets, which are discussed in the business review section above

On behalf of the board



J Wright
Director

10 August 2021

DEESIDE TIMBERFRAME LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and financial statements for the year ended 31 March 2021.

Directors

The following directors have held office since 1 April 2020 unless otherwise stated:

J Wright
M B Robertson
S Ferguson
L M Taylor
J C Irvine
A H Tweedie

The results for the year are set out on page 9. The directors do not recommend payment of a dividend (2020: £nil).

Financial risk management

The company's activities expose it mainly to liquidity, credit and price risks.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing and future operations, the company has access to bank debt facilities which are agreed on a group wide basis. These debt facilities are linked to LIBOR. This will present no significant interest rate risk to the business.

Credit risk

The company operates procedures that require appropriate credit checks on potential customers are carried out before contracts are concluded and will seek to obtain credit insurance on all customers. For sales to private individuals and small development companies, the company insists on pro forma payments ahead of timberframe structures being manufactured.

During the course of projects, credit control procedures are in place to minimise any credit risk to the business. The amount of exposure to any individual counterparty is subject to a limit, either agreed with our credit insurance providers or by the directors.

Price risk

The company can be exposed to commodity price risk as a result of its operations. To mitigate this risk the company will, where possible, forward buy raw material and will, where appropriate, seek price increases from customers.

Future developments

The business delivered ahead of revised expectations, taking account of Covid-19 related disruption, during the last year. This was as a result of a strong recovery post-lockdown and a strong forward order book with repeat business from existing customers in addition to targeted new business wins. A broad geographic spread of work, balanced across a variety of sectors, continues to result in a strong forward order book and gives the directors confidence in delivering positive trading performance in the coming year, at least in line with pre-pandemic levels.

The directors are planning for future growth of the business with increased activity from group companies in addition to targeted expansion where appropriate.

DEESIDE TIMBERFRAME LIMITED

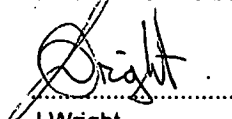
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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



J Wright
Director

10 August 2021

DEESIDE TIMBERFRAME LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

DEESIDE TIMBERFRAME LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DEESIDE TIMBERFRAME LIMITED

Opinion

We have audited the financial statements of Deeside Timberframe Limited (the 'company') for the year ended 31 March 2021 which comprise the Statement of Income and Retained Earnings, the Balance Sheet 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 2021, 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's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

DEESIDE TIMBERFRAME LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF DEESIDE TIMBERFRAME LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which an audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We designed 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.

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.

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

- UK GAAP
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation
- Health and Safety legislation

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

DEESIDE TIMBERFRAME LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF DEESIDE TIMBERFRAME LIMITED

Extent to which an audit is considered capable of detecting irregularities, including fraud (continued)

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 oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. 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;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit 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 management in their calculation of accounting estimates for potential management bias.

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 risk 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

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

Johnston Carmichael LLP

Stephen McIlwaine (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

11 August 2021
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Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
ABERDEEN
AB10 1YL

DEESIDE TIMBERFRAME LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	22,079,520	30,947,742
Cost of sales	4	(18,402,533)	(25,251,830)
		<hr/>	<hr/>
Gross profit		3,676,987	5,695,912
Administrative expenses	4	(2,785,647)	(3,923,829)
Other operating income	5	301,346	-
		<hr/>	<hr/>
Operating profit	6	1,192,686	1,772,083
Exceptional costs	9	(109,239)	-
		<hr/>	<hr/>
Profit before tax		1,083,447	1,772,083
Tax on profit	10	(160,020)	(357,391)
		<hr/>	<hr/>
Profit for the financial year		923,427	1,414,692
Retained earnings brought forward		5,520,784	4,106,092
		<hr/>	<hr/>
Retained earnings carried forward		6,444,211	5,520,784
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The Statement of Income and Retained Earnings has been prepared on the basis that all operations are continuing operations.

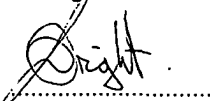
DEESIDE TIMBERFRAME LIMITED

BALANCE SHEET

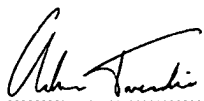
AS AT 31 MARCH 2021

		2021	2020
	Notes	£	£
Fixed assets			
Tangible assets	11	265,963	241,040
Investments	12	50	50
		<u>266,013</u>	<u>241,090</u>
Current assets			
Stocks	14	1,793,738	1,133,565
Debtors	15	10,512,148	5,845,279
Cash at bank and in hand		4,902,204	5,687,525
		<u>17,208,090</u>	<u>12,666,369</u>
Creditors: amounts falling due within one year	16	(10,800,391)	(6,933,032)
Net current assets		<u>6,407,699</u>	<u>5,733,337</u>
Total assets less current liabilities		<u>6,673,712</u>	<u>5,974,427</u>
Creditors: amounts falling due after more than one year	17	(229,500)	(453,642)
Net assets		<u><u>6,444,212</u></u>	<u><u>5,520,785</u></u>
Capital and reserves			
Called up share capital	19	1	1
Profit and loss reserves	20	6,444,211	5,520,784
Total equity		<u><u>6,444,212</u></u>	<u><u>5,520,785</u></u>

The financial statements were approved by the board of directors and authorised for issue on 10 August 2021 and are signed on its behalf by:



J Wright
Director



A H Tweedie
Director

Company Registration No. SC272007

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Deeside Timberframe Limited ("the company") is a private company limited by shares, incorporated and domiciled in Scotland. The principal activities of the company and the nature of the operations are set out in the Strategic Report on page 1. The company's trading address is Broomhill Road, Spurryhillock Industrial Estate, Stonehaven, AB39 2NH.

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 pound.

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

FRS 102 reduced disclosure framework

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the ultimate 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's ultimate parent company is Bancon Development Holdings Limited and the company has taken advantage of the following disclosure exemptions under FRS102:

- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d);
- The requirement of Section 11 Basic Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c); and
- The requirement of Section 33 Related Party Disclosures paragraph 33.7.

Group accounts

The financial statements contain information about Deeside Timberframe Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Bancon Developments Holdings Limited, a company registered in Scotland.

1.2 Going concern

When approving these financial statements the directors have performed an assessment of the company's ability to continue as a going concern. When performing this assessment the directors have considered a period of at least twelve months from the date of approving the financial statements. During this going concern basis period the directors have had regard to the company's future order book, the strength of activity in its core sector and the expected cashflows from those activities. The directors have also considered the potential impact on the business and its cashflows of reasonably plausible downside risks. Based on these analyses the directors are satisfied it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (continued)

1.3 Turnover

Turnover can arise primarily from either the supply of timberframe structures or the supply and build of the timberframe structures. The former is treated as a supply of goods and turnover is recognised when the structure is physically delivered to the customer. The latter is treated as a construction contract and turnover is recognised as described below. Turnover is stated net of VAT and trade discounts.

Turnover is only recognised on a construction contract where the outcome can be estimated reliably. Variations to, and claims arising in respect of, construction contracts, are included in revenue to the extent that they have been agreed with the customer. Turnover and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. An estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Contracts are only treated as construction contracts when they have been specifically negotiated for the supply, manufacture and erection of timberframe structures. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the profit and loss account immediately.

Revenue received in relation to contract retentions are recognised when it is probable that the economic benefits associated with the transaction will flow to the company.

1.4 Government grants

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

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.5 Tangible fixed assets

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

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

Tenant's improvements	10 years
Plant and machinery	3-7 years
Motor vehicles	4 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 profit or loss.

Expenditure incurred after the asset is put to use, such as repairs and maintenance costs are expenses in the period incurred while other expenses that are expected to generate future economic benefits are capitalised.

1.6 Fixed asset investments

Investments 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 profit or loss.

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.

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (continued)

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) by comparing this to the asset's carrying value. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of future cash flows before interest and tax, obtained as a result of the asset's continued use.

1.8 Stocks

Stock and work in progress is stated at the lower of cost and net realisable value. Cost comprises raw materials, consumables and direct labour plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs to completion and disposal. Provision is made for all foreseeable losses.

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 profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Construction contracts

Amounts recoverable on construction contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on contracts, less amounts received as progress payments on account.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.10 Cash and cash equivalents

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

1.11 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 trade and other receivables, amounts due from group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the investment to the net carrying amount on initial recognition. Financial assets classified as receivable within one year are not amortised.

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (continued)

1.11 Financial instruments (continued)

Impairment of financial assets

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

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

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

Basic financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Basic financial liabilities are subsequently carried at amortised cost, using the effective interest rate method.

1.12 Taxation

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

Current tax

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

Deferred tax

Deferred tax is provided, using the full liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The deferred tax position is calculated using the rates enacted or substantively enacted at the balance sheet date. Tax losses are surrendered or claimed in the form of group relief with consideration being received or paid accordingly. The group relief amount is recorded separately within the debtors and creditors amounts in the balance sheet, as applicable, and is calculated by applying the tax rate enacted or substantively enacted at the balance sheet date to the loss amount.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (continued)

1.13 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.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the period they are payable.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.15 Leases

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

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following are considered to be either judgements that have had the most significant effect on amounts recognised in the financial statements, or estimates that are dependent upon the assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

Recognition of retention revenue

Management consider the recoverability of construction contract retentions in relation to timberframe supplies to be fundamentally uncertain and as such these are recognised when it is deemed that it is probable that the economic benefits associated with the transaction will flow to the company rather than as part of construction contract revenue as the job progresses. Management consider this treatment to be appropriate on the basis that the company generally acts as subcontractor on contracts and is normally beholden to the main contractor, which creates significant uncertainty around the receipt of retentions.

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty (continued)

Long term contract accounting - construction contracts

Long term contract accounting impacts a number of significant account balances within the company's financial statements, including: turnover, cost of sales, amounts recoverable on construction contracts within trade receivables and stock and work in progress. Turnover, cost and ultimately profit recognition in respect of construction contracts require the directors and management to make estimations on the outcome of long term contracts which require assessments and judgements to be made. These include the stage of completion of the individual construction contracts based on percentage of completion methodology, the recoverability of construction costs, any variations in the construction contract and any changes in contract costs. All of the factors have been considered by the directors and management in concluding on the appropriate profit and loss presentation of long term contracts for the year ended 31 March 2021.

The recoverability of amounts recoverable on construction contracts and other receivables are regularly reviewed in light of available economic information specific to each receivable and provisions are recognised for balances considered to be irrecoverable. At 31 March 2021, the directors and management concluded their reviews and are satisfied that amounts recoverable on construction contracts and other receivables are appropriately stated within the financial statements.

With respect to stock and work in progress, key judgements and estimates in determining the appropriateness of its carrying value are:

- An estimation of costs to complete; and
- An estimation of the remaining revenues.

The assessments include a degree of uncertainty and therefore if the key judgements and estimates change unfavourably, write-downs of stock and work in progress may be necessary. At 31 March 2021, the directors and management concluded their reviews and are satisfied that the stock and work in progress are appropriately stated within the financial statements.

The directors consider that there are no other judgements, estimates and underlying assumptions which have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities.

3 Turnover

The directors believe the company has one class of business, which is the design, manufacture and supply of timberframe structures. Turnover consists of revenue originated and delivered in the United Kingdom.

4 Income from Job Retention Scheme (JRS)

Cost of Sales and Administrative expenses for the year ended 31 March 2021 include £670,443 (£380,825 in Cost of Sales and £289,618 in Administrative Expenses) of income received from the Government's Job Retention Scheme. This has been aggregated within headline expense captions as the directors believe this presents a true and fair view of these cost categories in the period.

5 Other operating income

	2021	2020
	£	£
Gain on disposal of fixed assets	8,950	-
Business interruption receipt	292,396	-
	<u>301,346</u>	<u>-</u>

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

6 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	89,115	89,652
Operating lease charges	217,193	215,734

The audit fee has been borne by the ultimate parent company Bancon Developments Holdings Limited in the current and prior years.

7 Employees

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

	2021 Number	2020 Number
Directors and management	7	7
Administration staff	29	32
Weekly paid production employees	46	57
	82	96

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	2,953,376	3,411,819
Social security costs	295,913	327,846
Pension costs	117,806	145,931
	3,367,095	3,885,596

8 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	526,048	326,774
Company pension contributions to defined contribution schemes	58,439	56,082
	584,487	382,856

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2020: 4).

For the highest paid director disclosure across the Bancon Developments Holdings Limited Group, please refer to the group financial statements for the current and prior years.

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

9 Exceptional costs

	2021 £	2020 £
Covid-19 specific costs	<u>109,239</u>	<u>-</u>

Covid-19 specific costs incurred were required to get office space and sites operating under conditions safe for all workers and customers.

10 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	<u>160,020</u>	<u>357,391</u>

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

	2021 £	2020 £
Profit before taxation	<u>1,083,447</u>	<u>1,772,083</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	205,855	336,696
Tax effect of expenses that are not deductible in determining taxable profit	126	1,613
Group relief	(160,020)	(357,391)
Deferred tax assets not recognised	(45,428)	22,186
Effects of changes in tax rates and laws	(533)	(4,345)
Other differences	-	1,241
Group relief paid for	<u>160,020</u>	<u>357,391</u>
Taxation charge for the year	<u>160,020</u>	<u>357,391</u>

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

11 Tangible fixed assets

	Tenant's improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2020	504,180	775,642	183,753	1,463,575
Additions	51,610	66,979	-	118,589
Disposals	-	(1,500)	(32,950)	(34,450)
At 31 March 2021	555,790	841,121	150,803	1,547,714
Depreciation and impairment				
At 1 April 2020	491,307	594,437	136,791	1,222,535
Depreciation charged in the year	14,386	55,313	19,416	89,115
Eliminated on disposal	-	(1,500)	(28,399)	(29,899)
At 31 March 2021	505,693	648,250	127,808	1,281,751
Carrying amount				
At 31 March 2021	50,097	192,871	22,995	265,963
At 31 March 2020	12,873	181,205	46,962	241,040

12 Investments

	Shares in investments £
Cost or valuation	
At 1 April 2020 & 31 March 2021	50
Carrying amount	
At 31 March 2021	50
At 31 March 2020	50

13 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct
Deeside Homes Limited Scotland	Dormant	1 ordinary £1 share	100.00

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

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Deeside Homes Limited	-	1

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

14 Stocks

	2021 £	2020 £
Raw materials, work in progress and consumables	1,793,738	1,133,565

15 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	4,135,040	3,944,350
Amounts owed by Group undertakings	5,554,162	1,362,634
Other debtors	313,311	213,138
Prepayments and accrued income	509,635	325,157
	10,512,148	5,845,279

Amounts owed by Group undertakings have no fixed repayment terms and do not bear interest.

16 Creditors: amounts falling due within one year

	2021 £	2020 £
Payments received on account	3,032,774	2,496,114
Trade creditors	5,437,486	2,571,500
Amounts owed to Group undertakings	985,440	945,200
Other taxation and social security	127,537	122,309
Accruals and deferred income	1,217,154	797,909
	10,800,391	6,933,032

Amounts due to Group undertakings have no fixed repayment terms and do not bear interest.

17 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Other provisions	150,000	374,141
Dilapidation provision	79,500	79,500
	229,500	453,641

DEESIDE TIMBERFRAME LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

18 Retirement benefit schemes

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. The pension cost charge represents contributions payable by the company to the fund. At the Balance Sheet date £15,428 (2020: £14,510) was payable to the fund and included within creditors.

19 Share capital

	2021 £	2020 £
Ordinary share capital		
Issued and fully paid		
1 ordinary share of £1 each	1	1

20 Reserves

The company's profit and loss reserve represents the cumulative historic profits and losses, net of dividends and other adjustments.

21 Operating lease commitments

Lessee

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

	2021 £	2020 £
Within one year	175,777	173,661
Between two and five years	256,364	161,698
	<u>432,141</u>	<u>335,359</u>

22 Financial commitments, guarantees and contingent liabilities

All group companies are party to a cross-company guarantee in respect of bank facilities offered to Bancon Developments Holdings Limited Group.

23 Related party transactions

The company has taken advantage of the exemption available in accordance with Section 33 of FRS 102 "Related Party Disclosures" not to disclose transactions entered into between two or more wholly owned members of a group.

24 Controlling party

The company's immediate parent company is Bancon Group Limited, which is registered in Scotland. The ultimate parent undertaking is Bancon Developments Holdings Limited, a company registered in Scotland, and is both the largest and the smallest group of undertakings to which the results of the company may be consolidated.