

Company registration number 11734308 (England and Wales)

H.R. SMITH GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2023

H.R. SMITH GROUP LIMITED

COMPANY INFORMATION

Directors Mrs L M M Sharp-Smith
Mr R E L Smith
Miss S F Smith

Company number 11734308

Registered office Street Court
Kingsland
Leominster
Herefordshire
United Kingdom
HR6 9QA

Auditor Azets Audit Services
Epsilon House
The Square
Gloucester Business Park
Gloucester
United Kingdom
GL3 4AD

H.R. SMITH GROUP LIMITED

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H.R. SMITH GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2023

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

Review of the business and key performance indicators

We aim to present a balanced and comprehensive review of the development and performance of our group during the year and its position at the year end. Our review is consistent with the size and nature of our group and is written in the context of the risks and uncertainties we face.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the group as a whole, these being turnover and gross margin.

	2023	2022
Turnover	£30,337,531	£22,750,879
Gross profit margin	64.0%	59.9%

The increase in turnover and in margin represents a response to temporary changes within the international market the group operates in.

The group continues to invest in the important area of research and development for the defence and civil aviation markets' product needs.

The order book remained strong at 31 January 2023. The directors are confident that 2023/24 will again show a strong and profitable performance.

Principal risks and uncertainties

The group's financial instruments comprise cash at bank and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise adequate finance for group's operations.

The main risks arising from the group's financial instruments is exchange rate risk. Foreign currency risk arises from the sale of goods to customers outside the UK. These sales are priced in sterling but invoiced in Euros and US dollars.

On behalf of the board

Mr R E L Smith
Director

26 October 2023

H.R. SMITH GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2023

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

Principal activities

The principal activity of the group in the year was that of the manufacture of test, search and rescue equipment, and aircraft antennae, and the manufacture and distribution of composite materials and related high-technology products. In addition the group is involved in the research and development of new wheelchair applications and manufacture and sales of paediatric wheelchairs.

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £5,100,000. The directors do not recommend payment of a further dividend.

Directors

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

Mrs L M M Sharp-Smith
Mr R E L Smith
Miss S F Smith

Political donations

The group made the following political donations in the year; The Bruges Group £10,000 (2022: £5,000) and Chingford and Woodford Green Conservative Association £Nil (2022: £10,000).

Employee involvement

The group's policy is to consult and discuss with employees matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Energy and carbon report

As all subsidiaries within the group are either small or medium sized companies they are exempt under these regulations and are not required to report on their emissions, energy consumption or energy efficiency activities.

As the parent company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is also not required to report on its emissions, energy consumption or energy efficiency activities.

H.R. SMITH GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 group and company, and of the profit or loss of the group 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 ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group'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 financial risks and 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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board

Mr R E L Smith
Director

26 October 2023

H.R. SMITH GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF H.R. SMITH GROUP LIMITED

Opinion

We have audited the financial statements of H.R. Smith Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2023 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows 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 group's and the parent company's affairs as at 31 January 2023 and of the group's 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 group and parent 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 group's and parent 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.

H.R. SMITH GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF H.R. SMITH GROUP LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

H.R. SMITH GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF H.R. SMITH GROUP LIMITED

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 and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and 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 accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Robert Hull (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

27 October 2023

Chartered Accountants
Statutory Auditor

Epsilon House
The Square
Gloucester Business Park
Gloucester
United Kingdom
GL3 4AD

H.R. SMITH GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2023

	Notes	2023 £	2022 £
Turnover	3	30,337,531	22,750,879
Cost of sales		(11,180,178)	(9,138,955)
Gross profit		19,157,353	13,611,924
Distribution costs		(1,165,964)	(855,871)
Administrative expenses		(8,296,028)	(8,801,095)
Other operating income		10,052	11,631
Operating profit	7	9,705,413	3,966,589
Interest receivable and similar income	8	523,693	624
Interest payable and similar expenses	9	(84,111)	(27,882)
Amounts written off investments	10	-	(67,746)
Profit before taxation		10,144,995	3,871,585
Tax on profit	11	(1,409,247)	(119,312)
Profit for the financial year	24	8,735,748	3,752,273
Other comprehensive income			
Currency translation gain taken to retained earnings		72,092	21,238
Total comprehensive income for the year		8,807,840	3,773,511

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

H.R. SMITH GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 JANUARY 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	13		22,662		5,307
Tangible assets	14		11,973,977		10,792,637
			<u>11,996,639</u>		<u>10,797,944</u>
Current assets					
Stocks	17	8,292,324		8,037,986	
Debtors	18	18,232,714		14,433,462	
Cash at bank and in hand		13,646,522		12,738,392	
		<u>40,171,560</u>		<u>35,209,840</u>	
Creditors: amounts falling due within one year	20	<u>(5,759,358)</u>		<u>(4,330,724)</u>	
Net current assets			<u>34,412,202</u>		<u>30,879,116</u>
Total assets less current liabilities			<u>46,408,841</u>		<u>41,677,060</u>
Provisions for liabilities					
Deferred tax liability	21	1,311,698		287,757	
		<u>(1,311,698)</u>		<u>(287,757)</u>	
Net assets			<u>45,097,143</u>		<u>41,389,303</u>
Capital and reserves					
Called up share capital	22		20,880		20,880
Non-distributable profits reserve	23		41,783		(30,309)
Distributable profit and loss reserves	24		45,034,480		41,398,732
Total equity			<u>45,097,143</u>		<u>41,389,303</u>

The financial statements were approved by the board of directors and authorised for issue on 26 October 2023 and are signed on its behalf by:

Mr R E L Smith
Director

Company registration number 11734308 (England and Wales)

H.R. SMITH GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 JANUARY 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Investments	15		707,811		707,811
Current assets					
Debtors	18	14,990,411		12,976,765	
Cash at bank and in hand		11,162,167		10,628,500	
		<u>26,152,578</u>		<u>23,605,265</u>	
Creditors: amounts falling due within one year	20	<u>(17,611,021)</u>		<u>(32,431,032)</u>	
Net current assets/(liabilities)			<u>8,541,557</u>		<u>(8,825,767)</u>
Net assets/(liabilities)			<u>9,249,368</u>		<u>(8,117,956)</u>
Capital and reserves					
Called up share capital	22		20,880		20,880
Distributable profit and loss reserves	24		<u>9,228,488</u>		<u>(8,138,836)</u>
Total equity			<u>9,249,368</u>		<u>(8,117,956)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £22,467,324 (2022 - £1,914,907 loss).

The financial statements were approved by the board of directors and authorised for issue on 26 October 2023 and are signed on its behalf by:

Mr R E L Smith
Director

Company registration number 11734308 (England and Wales)

H.R. SMITH GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2023

	Share capital	distributable profits	Profit and loss reserves	Total
Notes	£	£	£	£
Balance at 1 February 2021	20,880	(51,547)	37,646,459	37,615,792
Year ended 31 January 2022:				
Profit for the year	-	21,238	3,731,035	3,752,273
Other comprehensive income:				
Currency translation differences	-	-	21,238	21,238
Total comprehensive income	-	21,238	3,752,273	3,773,511
Balance at 31 January 2022	20,880	(30,309)	41,398,732	41,389,303
Year ended 31 January 2023:				
Profit for the year	-	72,092	8,663,656	8,735,748
Other comprehensive income:				
Currency translation differences	-	-	72,092	72,092
Total comprehensive income	-	72,092	8,735,748	8,807,840
Dividends	-	-	(5,100,000)	(5,100,000)
Balance at 31 January 2023	20,880	41,783	45,034,480	45,097,143

H.R. SMITH GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2023

	Share capital	Profit and loss reserves	Total
Notes	£	£	£
Balance at 1 February 2021	20,880	(6,223,929)	(6,203,049)
Year ended 31 January 2022:			
Loss and total comprehensive income for the year	-	(1,914,907)	(1,914,907)
Balance at 31 January 2022	20,880	(8,138,836)	(8,117,956)
Year ended 31 January 2023:			
Profit and total comprehensive income	-	22,467,324	22,467,324
Dividends	12	(5,100,000)	(5,100,000)
Balance at 31 January 2023	20,880	9,228,488	9,249,368

H.R. SMITH GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2023

		2023		2022	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	28	7,348,900		701,948	
Interest paid		(84,111)		(27,882)	
Income taxes paid		(121,241)		(121,478)	
Net cash inflow from operating activities		7,143,548		552,588	
Investing activities					
Purchase of intangible assets		(20,300)		-	
Purchase of tangible fixed assets		(2,028,080)		(1,699,442)	
Proceeds from other investments and loans		-		1,039,509	
Interest received		523,693		624	
Net cash used in investing activities		(1,524,687)		(659,309)	
Financing activities					
Dividends paid to equity shareholders		(5,100,000)		-	
Amounts introduced by directors		7,080,000		-	
Amounts withdrawn by directors		(6,762,823)		(844,405)	
Net cash used in financing activities		(4,782,823)		(844,405)	
Net increase/(decrease) in cash and cash equivalents		836,038		(951,126)	
Cash and cash equivalents at beginning of year		12,738,392		13,668,280	
Effect of foreign exchange rates		72,092		21,238	
Cash and cash equivalents at end of year		13,646,522		12,738,392	

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

Company information

H.R. Smith Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Street Court, Kingsland, Leominster, Herefordshire, United Kingdom, HR6 9QA.

The group consists of H.R. Smith Group Limited and all of its subsidiaries.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The parent company and its subsidiaries are qualifying entities for the purposes of FRS 102, being members of this group which prepares publicly available consolidated financial statements, which are intended to give a true and fair view of its assets, liabilities, financial position and profit or loss of the group. The parent company and its subsidiaries have therefore taken advantage of exemptions from the following disclosure requirements for parent company and subsidiary information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- 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 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(Continued)

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of H.R. Smith Group Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Their results are incorporated from the date that control passes.

All financial statements are made up to 31 January 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Balances held by subsidiaries that are not in the functional currency of the group are retranslated using the period end exchange rate for assets and liabilities and at the average foreign exchange rate for the period for all profit or loss items. Any difference arising on retranslation into the functional currency are recognised within other comprehensive income.

1.3 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.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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 dispatch 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.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(Continued)

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is one year.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Software	20% on cost
Website	20% on cost

1.7 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:

Freehold land and buildings	2% -2.5% on cost
Leasehold land and buildings	2% on cost
Plant and equipment	15 years straight line and 10-15% on cost
Fixtures and fittings	10-20% on cost
Motor vehicles	25% on reducing balance and 20% straight line

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 recognised in the profit and loss account.

Cost includes purchase cost and other costs directly attributable to making the asset capable of operating as intended.

The fair values of the assets are regularly reviewed by the directors and further adjustments to carrying values are made where considered appropriate.

Freehold properties for which fair value can be measured reliably are measured at fair value at each reporting date with changes included in other comprehensive income. Properties are valued by the directors based on advice sought from independent valuers, where relevant.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(Continued)

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(Continued)

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Finished goods cost is defined as discounted average selling price, which takes account of a margin reduction.

Raw materials cost is defined as the last purchase price.

Finished goods and raw materials are subject to stock provisions as noted in the critical accounting policy.

Work in progress is valued by reference to the stage of completion of a part at the Balance sheet date, and is based on a discounted average selling price, which takes account of a margin reduction.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

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.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, 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.

1.12 Financial instruments

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(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.

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 group 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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

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. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

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

1.13 Equity instruments

Equity instruments issued by the group 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 group.

1.14 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 group'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 liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies (Continued)

1.16 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.

1.17 Retirement benefits

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

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leased asset are consumed.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

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.

Useful lives of tangible assets

The annual amortisation and depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful lives and residual values are re-assessed at each reporting date. They are amended when necessary to reflect current estimates, based on future investments, economic utilisation and the physical condition of the assets.

Stock provision

The company manufactures and sells search and rescue equipment and is subject to changing consumer demands and market trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the age, nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. The appropriateness of this stock provision is regularly assessed in light of subsequent performance.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience.

3 Turnover and other revenue

The turnover and profit before taxation are attributable to the principal activities of the group.

A geographical analysis of turnover has not been provided due to the commercial sensitivity of the information.

4 Auditor's remuneration

	2023	2022
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	9,800	7,605
Audit of the financial statements of the company's subsidiaries	38,900	12,891
	<u>48,700</u>	<u>20,496</u>
For other services		
All other non-audit services	32,790	34,910
	<u>32,790</u>	<u>34,910</u>

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

5 Employees

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

	Group 2023 Number	2022 Number	Company 2023 Number	2022 Number
Production	157	144	-	-
Quality assurance	22	21	2	2
Sales	70	56	-	-
Engineering	53	56	-	-
Directors	3	3	3	3
Total	<u>305</u>	<u>280</u>	<u>5</u>	<u>5</u>

Their aggregate remuneration comprised:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Wages and salaries	10,122,658	8,882,662	533,222	533,223
Social security costs	992,692	833,095	98,058	88,260
Pension costs	174,191	156,192	2,274	2,272
	<u>11,289,541</u>	<u>9,871,949</u>	<u>633,554</u>	<u>623,755</u>

6 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	<u>436,082</u>	<u>428,976</u>

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

	2023 £	2022 £
Remuneration for qualifying services	<u>172,756</u>	<u>172,864</u>

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

7	Operating profit	2023	2022
		£	£
	Operating profit for the year is stated after charging/(crediting):		
	Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(202,975)	(15,800)
	Depreciation of owned tangible fixed assets	846,740	649,182
	Amortisation of intangible assets	2,945	1,930
		<u> </u>	<u> </u>
8	Interest receivable and similar income	2023	2022
		£	£
	Interest income		
	Interest on bank deposits	53	624
	Other interest income	523,640	-
		<u> </u>	<u> </u>
	Total income	523,693	624
		<u> </u>	<u> </u>
9	Interest payable and similar expenses	2023	2022
		£	£
	Interest on bank overdrafts and loans	310	215
	Other interest	83,801	27,667
		<u> </u>	<u> </u>
	Total finance costs	84,111	27,882
		<u> </u>	<u> </u>
10	Amounts written off investments	2023	2022
		£	£
	Amounts written back to/(written off) investments held at fair value	-	(67,746)
		<u> </u>	<u> </u>
11	Taxation	2023	2022
		£	£
	Current tax		
	UK corporation tax on profits for the current period	190,000	-
	Adjustments in respect of prior periods	-	(218)
		<u> </u>	<u> </u>
	Total UK current tax	190,000	(218)
	Foreign current tax on profits for the current period	195,306	84,092
		<u> </u>	<u> </u>
	Total current tax	385,306	83,874
		<u> </u>	<u> </u>

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

11 Taxation	(Continued)	
	2023 £	2022 £
Deferred tax		
Origination and reversal of timing differences	1,023,941	(47,032)
Changes in tax rates	-	92,797
Adjustment in respect of prior periods	-	(10,327)
	<u>1,023,941</u>	<u>35,438</u>
Total deferred tax	<u>1,023,941</u>	<u>35,438</u>
Total tax charge	<u>1,409,247</u>	<u>119,312</u>

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	<u>10,144,995</u>	<u>3,871,585</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	1,927,549	735,601
Tax effect of expenses that are not deductible in determining taxable profit	63,622	51,391
Change in unrecognised deferred tax assets	(187,726)	-
Adjustments in respect of prior years	-	(218)
Research and development tax credit	(722,098)	(723,750)
Deferred tax adjustments in respect of prior years	-	(10,327)
Other adjustments, including effect of change in rate	327,900	66,615
	<u>1,409,247</u>	<u>119,312</u>
Taxation charge	<u>1,409,247</u>	<u>119,312</u>

Factors that may affect future tax charges

A rate of 25 % (2022: 25%) has been used for purposes of considering the effect of deferred taxation, as an increase in the main rate of UK Corporation Tax from 19% to 25% taking effect from 1 April 2023 had been enacted at the balance sheet date.

12 Dividends		
	2023 £	2022 £
Recognised as distributions to equity holders:		
Final paid	<u>5,100,000</u>	<u>-</u>

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

13 Intangible fixed assets

Group	Goodwill	Software	Website	Total
	£	£	£	£
Cost				
At 1 February 2022	(102,918)	21,143	-	(81,775)
Additions	-	-	20,300	20,300
At 31 January 2023	(102,918)	21,143	20,300	(61,475)
Amortisation and impairment				
At 1 February 2022	(102,918)	15,836	-	(87,082)
Amortisation charged for the year	-	1,930	1,015	2,945
At 31 January 2023	(102,918)	17,766	1,015	(84,137)
Carrying amount				
At 31 January 2023	-	3,377	19,285	22,662
At 31 January 2022	-	5,307	-	5,307

The company had no intangible fixed assets at 31 January 2023 or 31 January 2022.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2023

14 Tangible fixed assets	Group	Freehold land and buildings		Leasehold land and buildings		Assets under construction		Plant and equipment		Fixtures and fittings		Motor vehicles		Total
		£	£	£	£	£	£	£	£	£	£			
Cost														
At 1 February 2022		9,355,433	4,597	225,764	5,107,169	675,933	630,909	15,999,805						
Additions		27,316	-	603,938	1,231,996	84,522	80,308	2,028,080						
At 31 January 2023		9,382,749	4,597	829,702	6,339,165	760,455	711,217	18,027,885						
Depreciation and impairment														
At 1 February 2022		1,267,631	4,597	-	3,021,201	493,494	420,245	5,207,168						
Depreciation charged in the year		181,611	-	-	532,246	63,942	68,941	846,740						
At 31 January 2023		1,449,242	4,597	-	3,553,447	557,436	489,186	6,053,908						
Carrying amount														
At 31 January 2023		7,933,507	-	829,702	2,785,718	203,019	222,031	11,973,977						
At 31 January 2022		8,087,802	-	225,764	2,085,968	182,439	210,664	10,792,637						

The company had no tangible fixed assets at 31 January 2023 or 31 January 2022.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

14 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Freehold	1,050,000	1,050,000	-	-

Included in the cost of land and buildings is freehold land of £336,105 (2022; £336,105) which is not depreciated.

15 Fixed asset investments

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Investments in subsidiaries	16	-	-	707,811	707,811

Movements in fixed asset investments Company

	Shares in subsidiaries £
Cost or valuation At 1 February 2022 and 31 January 2023	707,811
Carrying amount At 31 January 2023	707,811
At 31 January 2022	707,811

16 Subsidiaries

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

Name of undertaking	Registered office	Class of shares held	% Held Direct
Techtest Limited	Street Court, Kingsland, Leominster, Herefordshire, HR6 9QA	Ordinary	100.00
Chunc Limited	Street Court, Kingsland, Leominster, Herefordshire, HR6 9QA	Ordinary	100.00
H R Smith (Technical Developments) Limited	Street Court, Kingsland, Leominster, Herefordshire, HR6 9QA	Ordinary	100.00
Specmat Technologies, Inc.	215 Duravant Dr, Rockford, TN 37853, United States	Ordinary	100.00
H R Smith Aviation limited	Street Court, Kingsland, Leominster, Herefordshire, HR6 9QA	Ordinary	100.00

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

17 Stocks

	Group 2023	2022	Company 2023	2022
	£	£	£	£
Raw materials and consumables	2,610,597	2,257,135	-	-
Work in progress	2,390,808	3,115,284	-	-
Finished goods and goods for resale	3,290,919	2,665,567	-	-
	<u>8,292,324</u>	<u>8,037,986</u>	<u>-</u>	<u>-</u>

Stock provisions have been recognised of £6,833,808 (2022: £6,902,485).

18 Debtors

	Group 2023	2022	Company 2023	2022
Amounts falling due within one year:	£	£	£	£
Trade debtors	4,171,222	2,915,411	-	-
Amounts owed by group undertakings	-	-	1,165,274	1,323,853
Other debtors	13,871,244	11,345,354	13,814,862	11,204,128
Prepayments and accrued income	190,248	172,697	10,275	-
	<u>18,232,714</u>	<u>14,433,462</u>	<u>14,990,411</u>	<u>12,527,981</u>
Deferred tax asset (note 21)	-	-	-	448,784
	<u>18,232,714</u>	<u>14,433,462</u>	<u>14,990,411</u>	<u>12,976,765</u>

Within other debtors is a balance due from a certain related undertaking connected via common control. Interest is charged on this balance at 5% amounting to £523,630 (2022: £Nil) included in interest receivable and similar income. The loan is unsecured, has no fixed date of repayment and is repayable on demand.

Other amounts due from related undertakings, connected by common control and as included in other debtors, are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

Amounts due from group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

19 Financial instruments

	Group 2023	2022	Company 2023	2022
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	31,785,659	27,015,650	n/a	n/a
	<u>31,785,659</u>	<u>27,015,650</u>	<u>n/a</u>	<u>n/a</u>
Carrying amount of financial liabilities				
Measured at amortised cost	5,373,343	4,091,315	n/a	n/a
	<u>5,373,343</u>	<u>4,091,315</u>	<u>n/a</u>	<u>n/a</u>

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

19 Financial instruments (Continued)

20 Creditors: amounts falling due within one year

	Group 2023 £	2022 £	Company 2023 £	2022 £
Trade creditors	1,450,138	841,342	17,558	-
Amounts owed to group undertakings	-	-	16,558,366	31,767,207
Corporation tax payable	264,504	439	-	-
Other taxation and social security	121,511	238,970	29,622	30,876
Other creditors	3,433,345	3,111,090	902,127	584,950
Accruals and deferred income	489,860	138,883	103,348	47,999
	<u>5,759,358</u>	<u>4,330,724</u>	<u>17,611,021</u>	<u>32,431,032</u>

Amounts due to related undertakings, connected by common control and as included in other creditors, are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

Amounts due to directors, as included in other creditors, are unsecured, accrue interest at market rate, have no fixed date of repayment and are repayable on demand.

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2023 £	Liabilities 2022 £	Assets 2023 £	Assets 2022 £
Group				
Accelerated capital allowances	1,311,698	753,241	-	-
Tax losses	-	(465,484)	-	-
	<u>1,311,698</u>	<u>287,757</u>	<u>-</u>	<u>-</u>
Company				
Tax losses	-	-	-	448,784
	<u>-</u>	<u>-</u>	<u>-</u>	<u>448,784</u>

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

21	Deferred taxation	(Continued)	
		Group	Company
		2023	2023
		£	£
	Movements in the year:		
	Liability/(Asset) at 1 February 2022	287,757	(448,784)
	Charge to profit or loss	1,023,941	448,784
		<u> </u>	<u> </u>
	Liability at 31 January 2023	<u>1,311,698</u>	<u>-</u>

22 Share capital

Group and company				
Ordinary share capital	2023	2022	2023	2022
Issued and fully paid	Number	Number	£	£
Ordinary of £1 each	20,880	20,880	20,880	20,880
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Called-up share capital represents the nominal value of shares that have been issued.

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividend payments or other distributions. Each share is also entitled pari passu to participate in a distribution arising from the winding up of the company.

23 Non-distributable profits reserve

	Group	2022	Company	2022
	2023	£	2023	£
	£	£	£	£
At the beginning of the year	(30,309)	(51,547)	-	-
Retranslation differences	72,092	21,238	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of the year	<u>41,783</u>	<u>(30,309)</u>	<u>-</u>	<u>-</u>

The other reserves relate to foreign exchange differences arising on translation of an overseas subsidiary into the functional currency of the group.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

24 Profit and loss reserves

	Group 2023 £	2022 £	Company 2023 £	2022 £
At the beginning of the year	41,398,732	37,646,459	(8,138,836)	(6,223,929)
Profit/(loss) for the year	8,735,748	3,752,273	22,467,324	(1,914,907)
Dividends	(5,100,000)	-	(5,100,000)	-
At the end of the year	<u>45,034,480</u>	<u>41,398,732</u>	<u>9,228,488</u>	<u>(8,138,836)</u>

Retained earnings include all current and prior period retained profits and losses.

25 Financial commitments, guarantees and contingent liabilities

At the balance sheet the company had total guarantees, contingencies and commitments of £365,173 (2022: £914,254).

All assets are pledged as security to the bank under a fixed and floating charge and by way of a cross guarantee involving other group companies. The maximum extent of this guarantee at the balance sheet date is £Nil (2022: £Nil).

26 Related party transactions

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Recharge income		Sale of services	
	2023 £	2022 £	2023 £	2022 £
Group				
Companies connected via common control	213,661	129,906	-	-
Directors	-	-	37,528	-
	<u>213,661</u>	<u>129,906</u>	<u>37,528</u>	<u>-</u>
	Interest income		Rent and other recharges	
	2023 £	2022 £	2023 £	2022 £
Group				
Companies connected via common control	523,640	-	19,750	29,650
	<u>523,640</u>	<u>-</u>	<u>19,750</u>	<u>29,650</u>

Within other debtors is a balance due from a certain related undertaking connected via common control. Interest is charged on this balance at 5% amounting to £523,630 (2022: £Nil) included in interest receivable and similar income. The loan is unsecured, has no fixed date of repayment and is repayable on demand.

Certain costs are recharged to other related parties, and the income received is allocated against that cost in the profit and loss account. Similarly, certain costs are recharged by related parties and these are posted to the profit and loss accounts to which they relate.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

26 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date and are held within trade creditors, other creditors and accruals:

Amounts due to related parties	2023	2022
	£	£
Group		
Companies connected via common control	2,511,602	2,506,315
Directors	517,006	190,145
	<u> </u>	<u> </u>

Within other creditors are balances with close family members of the key management personnel. These amounted to £394,650 (2022: £394,805) at the balance sheet date. Included in the Statement of Comprehensive Income under Loan and Other Interest are amounts charged relating to these creditors amounting to £11,824 (2022: £8,366).

Interest is charged to the company at 2% above the base rate where the directors' loan accounts are in credit. Included in the Statement of Comprehensive Income under Loan and Other Interest are amounts charged of £55,217 (2022: £15,668). The loans are unsecured, have no fixed date of repayment and are repayable on demand.

The following amounts were outstanding at the reporting end date and are included within trade debtors, other debtors and accrued income:

Amounts due from related parties	2023	2022
	Balance	Balance
	£	£
Group		
Companies connected via common control	13,938,609	11,177,781
Directors	5,520	-
	<u> </u>	<u> </u>

27 Ultimate controlling party

At the year end, in the opinion of the directors, there was no one ultimate controlling party.

H.R. SMITH GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

28 Cash generated from group operations

	2023	2022
	£	£
Profit for the year after tax	8,735,748	3,752,273
Adjustments for:		
Taxation charged	1,409,247	119,312
Finance costs	84,111	27,882
Investment income	(523,693)	(624)
Amortisation and impairment of intangible assets	2,945	1,930
Depreciation and impairment of tangible fixed assets	846,740	649,182
Other gains and losses	-	67,746
Movements in working capital:		
(Increase)/decrease in stocks	(254,338)	572,534
Increase in debtors	(3,799,252)	(4,508,005)
Increase in creditors	847,392	19,718
Cash generated from operations	<u>7,348,900</u>	<u>701,948</u>

29 Analysis of changes in net funds - group

	1 February 2022	Cash flows	Exchange rate	31 January 2023
	£	£	movements	£
Cash at bank and in hand	12,738,392	836,038	72,092	13,646,522
	<u>12,738,392</u>	<u>836,038</u>	<u>72,092</u>	<u>13,646,522</u>

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