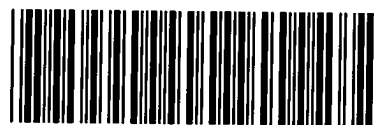


Company Registration No. SC440900 (Scotland)

LORNDAL ABERDEEN LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

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LORNDALE ABERDEEN LIMITED

COMPANY INFORMATION

Directors	Mr K Black Mrs C Black Mrs J Philip
Secretary	Mrs C Black
Company number	SC440900
Registered office	232 North Deeside Road Miltimber Aberdeen AB13 0DQ
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL

LORNDALE ABERDEEN LIMITED

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LORNDALE ABERDEEN LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present the strategic report in respect of Lorndale Aberdeen Limited ("the company") and its subsidiary C&K Black Limited (collectively known as "the group"), for the year ended 31 May 2022.

Principal activities

The principal activities of the group were the provision of early years childcare services across 5 settings, training of early years childcare professionals and painting and decorating services.

Fair review of the business

The group generated a profit before tax for the year of £376,000 (2021: £125,000). This is after charging interest payable of £75,000 (2021: £50,000), amortisation of £30,000 (2021: £30,000) and depreciation of £12,000 (2021: £9,000); giving Operational Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of £493,000 (2021: £214,000).

The group's key financial performance indicators during the year were as follows:

Group turnover was £4,698,000 for the year, an increase of 27% on the previous year. The main drivers of this increase were improved occupancy levels throughout the financial year, coupled with an uplift in nursery fees and additional training capacity with local authorities. The business continued to invest in its people during the year, with payroll costs and staff numbers reducing gradually through attrition from the prior year levels which were high due to the stringent nursery Covid-19 "bubbles" operating during the pandemic. Despite this, cost of sales have continued to increase by 4% on the prior year levels, mainly due to the increase in the Real Living Wage and National Minimum Wage as set by the UK and Scottish Governments. Administrative expenses have increased year on year as a result of both cost inflation and also rising activity levels.

The directors have continued to focus on cash and profit preservation and use of various government support mechanisms made available both to business in general and the childcare sector specifically to achieve a level of financial stability following the pandemic. The directors are confident that liquidity and profitability are being well controlled as the group navigates through the challenges of exceptional cost increases present across the whole UK economy.

Net assets of the group at 31 May 2022 were £2,223,000 (2021: £2,083,000).

Principal risks and uncertainties

The principal risks for the group are:

Covid-19 or any future pandemic risk

The ongoing impact of Covid-19 on the group has continued to be seen across all settings, albeit reduced from prior years. This includes higher than the pre-pandemic levels of sickness absence of staff and children.

From a health and safety perspective, the group continues to follow the guidelines in place, working in partnership with the Care Inspectorate to manage this risk.

The group has been able to mitigate associated financial risks through the continued careful management of its cost base. The management of costs has continued to be aided by government support for staff costs and some operating costs. There is a reputational and financial risk to the group making incorrect claims and/or for non-compliance with the terms attached to government support. In response to this the group have put in place robust procedures and review structures.

The directors believe that while the impact of any future pandemic would also be significant, the group is well placed to manage this risk and can respond with sufficient speed to manage the cash flows of the business to continue to operate.

LORNDALE ABERDEEN LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

General economic conditions in Aberdeen and Aberdeenshire

The economy for the area has historically been dependent on the Oil and Gas industry. Since 2018 the local economy has improved as the oil price has stabilised at more commercial levels, which has resulted in improved employment security for our customers. Following the invasion of Ukraine by Russia in February 2022 oil prices have risen to pre 2008 levels and domestic UK energy production is a political priority. As a result, the local job market has improved despite the UK wide cost crisis.

Council funding remains in place to partially fund eligible 2 year olds and 3-5 year olds nursery provision. All 5 of the Group's settings offer full funded hours under the national 1,140 hours initiative to qualifying customers on a flexible basis.

Regulatory risk

Every nursery and out of school club is regulated by the Care Inspectorate in Scotland. Internal control procedures are in place to ensure that the relevant regulations are adhered to.

Pricing risk

The group operates in a very competitive sector with exposure to cost increases from regulatory driven inflation in the form of national living wage rate increases, business rates increases, Modern Apprentice Levy and more recently energy and general UK cost increases. The group prepares estimates of cost increases and seeks to recover these through price increases whilst balancing the need to remain competitive in the marketplace.

Property risk

Processes and controls are in place to ensure that the group's property portfolio is adequately secured and maintained to a good state of repair.

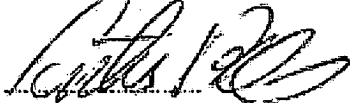
Future developments

Staff retention and development continues to be a priority.

Inflationary increases are expected to continue to be significant as the country navigates the cost crisis resulting following the pandemic, Brexit and the invasion of Ukraine. As a result, the entire sector continues to face challenges with significant increases in labour costs arising from the National Living Wage and Real Living Wage increase each year which trend at or above inflation. These cost increases inevitably results in fee increases at a rate higher than underlying national inflation and is exacerbated by Council 1,140 hours funding rates not being increased at the same or even similar levels. The group continues to make every effort to balance fee increases with commercial pressures in a competitive market place to ensure that the group continues to deliver a value service at a competitive price.

The Group will continue to focus on quality childcare, attraction and retention of high quality staff, cost optimisation and occupancy levels.

On behalf of the board



Mrs C Black

Director

Date: 17.01.2023

LORNDAL ABERDEEN LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present their annual report and financial statements for the year ended 31 May 2022.

Directors

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

Mr K Black
Mrs C Black
Mrs J Philip

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were declared amounting to £153,300 (2021: £76,760). The directors do not recommend payment of a further dividend (2021: £nil).

Financial instruments

The group's activities expose it to a number of financial risks, including liquidity risk, interest rate risk and credit risk. The group does not use derivative financial instruments to manage these risks or for speculative purposes.

Liquidity risk

The group manages its cash and borrowing requirements in order to ensure the group has sufficient liquid resources to meet the operating needs of the business. The group uses a mixture of long term debt, bank overdraft and cash balances generated from operating activities to achieve this.

Interest rate risk

The group has interest bearing liabilities, notably bank loans which bear interest at a variable rate. The directors manage interest rate risk by monitoring Bank of England policy and forecasting interest cost as part of their budgeting process. The directors would consider derivatives for managing interest rate risk if deemed necessary, which it is currently not.

Credit risk

The group's financial assets are bank balances, cash and trade and other debtors. The group's credit risk is primarily attributable to its trade debtors. An allowance for impairment is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The group has no significant concentration of credit risk, with exposure spread across customers and counterparties.

Future developments

Details of future developments can be found in the strategic report and form part of this report by cross-reference.

Auditor

Johnston Carmichael LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor.

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.

LORNDALDE ABERDEEN LIMITED

DIRECTORS' REPORT (CONTINUED)

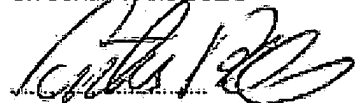
FOR THE YEAR ENDED 31 MAY 2022

Going concern

In preparation of the financial statements, the directors have made an assessment of the group's and company's ability to continue as a going concern. The group has net current liabilities of £1,255,000 (2021: £1,225,000) and the company has net current liabilities of £1,223,000 (2021: £1,225,000) at the balance sheet date and both the group and company are wholly reliant on the continued support of its funders, being its bankers and directors.

As a result of this, the directors have sought and received confirmation of the indicative support of both major funders, including the financial covenant breach waiver from the bank per note 1.1, coupled with strong current trading performance and future financial forecasts. Hence the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the group's or company's ability to continue as a going concern or the group's or company's ability to continue with the current banking arrangements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

On behalf of the board



Mrs C Black

Director

Date: 17.01.2023

LORNDAL ABERDEEN LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2022

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; and
- prepare the financial statements 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.

LORNDAL ABERDEEN LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LORNDAL ABERDEEN LIMITED

Opinion

We have audited the financial statements of Lorndale Aberdeen Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 May 2022 which comprise of the group profit and loss account, 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 May 2022 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 responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

LORNDALE ABERDEEN LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LORNDALE ABERDEEN LIMITED

Matters on which we are required to report by exception

In the light of our 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 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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

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

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

LORNDAL ABERDEEN LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LORNDAL ABERDEEN LIMITED

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group, 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 we identified include:

- UK GAAP
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation
- Childcare Act 2016
- Regulations of Care (Scotland) Act 2001

We gained an understanding of how the group is complying with these laws and regulations by making enquiries of management including management of component entities where necessary. We corroborated these enquiries through our review of submitted returns, external inspections, relevant correspondence with regulatory bodies.

We assessed the susceptibility of the group'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 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:

- Enquiring of management for any breaches of laws and regulations for for any indication of potential litigation and claims, and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the group's procurement of legal and professional services;
- Reviewing any available Care Inspectorate report inspections for potential areas of concern;
- Performing audit work 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 and;
- Agreement of the financial statement disclosures to supporting documentation.

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

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.

LORNDAL ABERDEEN LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LORNDAL ABERDEEN LIMITED

Use of our report

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

Johnston Carmichael LLP

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

18 January 2023
.....

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

LORNDALE ABERDEEN LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £'000	2021 £'000
Turnover	3	4,698	3,691
Cost of sales		(3,617)	(3,490)
Gross profit		1,081	201
Administrative expenses		(680)	(568)
Other operating income	3	50	542
Operating profit	4	451	175
Interest payable and similar expenses	8	(75)	(50)
Profit before taxation		376	125
Tax on profit	9	(83)	(26)
Profit / total comprehensive income for the financial year	20	293	99

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

There are no recognised gains and losses in the current year other than as included in the profit and loss account. Accordingly no statement of comprehensive income is provided.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

LORNDAL ABERDEEN LIMITED

GROUP BALANCE SHEET

AS AT 31 MAY 2022

	Notes	2022 £'000	£'000	2021 £'000	£'000
Fixed assets					
Goodwill	11		60		90
Tangible assets	12		5,831		5,811
			<u>5,891</u>		<u>5,901</u>
Current assets					
Debtors	14	51		52	
Cash at bank and in hand		48		161	
		<u>99</u>		<u>213</u>	
Creditors: amounts falling due within one year	15	(1,354)		(1,438)	
Net current liabilities			(1,255)		(1,225)
Total assets less current liabilities			4,636		4,676
Creditors: amounts falling due after more than one year	16		(2,413)		(2,593)
Net assets			<u>2,223</u>		<u>2,083</u>
Capital and reserves					
Profit and loss reserves	20		<u>2,223</u>		<u>2,083</u>

The financial statements were approved by the board of directors and authorised for issue on 17.01.2023 and are signed on its behalf by:



Mrs C Black

Director

LORNDAL ABERDEEN LIMITED

COMPANY BALANCE SHEET

AS AT 31 MAY 2022

	Notes	2022 £'000	£'000	2021 £'000	£'000
Fixed assets					
Goodwill	11		60		90
Tangible assets	12		5,831		5,811
			<u>5,891</u>		<u>5,901</u>
Current assets					
Debtors	14	89		179	
Cash at bank and in hand		23		22	
		<u>112</u>		<u>201</u>	
Creditors: amounts falling due within one year	15	(1,335)		(1,426)	
Net current liabilities			(1,223)		(1,225)
Total assets less current liabilities			4,668		4,676
Creditors: amounts falling due after more than one year	16		(2,413)		(2,593)
Net assets			<u>2,255</u>		<u>2,083</u>
Capital and reserves					
Profit and loss reserves	20		2,255		2,083

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 £325,000 (2021: £99,000).

The financial statements were approved by the board of directors and authorised for issue on 17.01.2023 and are signed on its behalf by:



Mrs C Black
Director

Company Registration No. SC440900

LORNDALE ABERDEEN LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2022

	Notes	Profit and loss reserves £'000
Balance at 1 June 2020		2,061
		<hr/>
Year ended 31 May 2021:		
Profit and total comprehensive income for the year		99
Dividends	10	(77)
		<hr/>
Balance at 31 May 2021		2,083
		<hr/>
Year ended 31 May 2022:		
Profit and total comprehensive income for the year		293
Dividends	10	(153)
		<hr/>
Balance at 31 May 2022		2,223
		<hr/> <hr/>

LORNDALE ABERDEEN LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2022

	Notes	Profit and loss reserves £'000
Balance at 1 June 2020		2,061
Year ended 31 May 2021:		
Profit and total comprehensive income for the year		99
Dividends	10	(77)
Balance at 31 May 2021		2,083
Year ended 31 May 2022:		
Profit and total comprehensive income for the year		325
Dividends	10	(153)
Balance at 31 May 2022		2,255

LORNDALDE ABERDEEN LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £'000	£'000	2021 £'000	£'000
Cash flows from operating activities					
Cash generated from operations	25		477		276
Interest paid			(75)		(50)
Income taxes paid			(161)		-
Net cash inflow from operating activities			241		226
Investing activities					
Purchase of tangible fixed assets		(36)		(16)	
Net cash used in investing activities			(36)		(16)
Financing activities					
Repayment of borrowings		(337)		(237)	
Proceeds of new bank loans		-		200	
Repayment of bank loans		(176)		(100)	
Dividends declared to equity shareholders		(153)		(77)	
Unpaid dividends introduced by equity shareholders as borrowings		153		77	
Net cash used in financing activities			(513)		(137)
Net (decrease)/increase in cash and cash equivalents			(308)		73
Cash and cash equivalents at beginning of year			142		69
Cash and cash equivalents at end of year			(166)		142
Relating to:					
Cash at bank and in hand			48		161
Bank overdrafts included in creditors payable within one year			(214)		(19)

LORNDALE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

Company information

Lorndale Aberdeen Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is 232 North Deeside Road, Milltimber, Aberdeen, AB13 0DQ. The company's principal place of business is 356-358 Great Western Road, Aberdeen, AB10 6LX.

The group consists of Lorndale Aberdeen Limited and its subsidiary C&K Black Limited (collectively known as "the group").

The nature of the group's activities are as per the strategic report on page 1.

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 group and company. Monetary amounts in these financial statements are rounded to the nearest thousand.

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

The Companies Act 2006 would normally require the systematic depreciation of fixed assets, however the directors believe that the policy of not providing depreciation on the buildings is not material for the financial statements. In their view, the value of the buildings will have a significant residual value at the end of their useful lives and as such, any depreciation charge on these buildings would not be material for the financial statements.

At 31 May 2022, it is noted that one of the financial covenants in respect of the bank loan was breached. The bank were fully informed of the position through regular engagement during the year and the bank have intimated that a formal waiver will be provided on receipt of these signed financial statements, confirming no action will be taken in connection with the repayment terms of the loan as a result of the breach. From the directors' discussions with the bank, the bank considers the financial covenant breach to be waived at the balance sheet date, with the formal waiver coming on receipt of these signed financial statements. As such, the bank loan continues to be appropriately aged between current and long-term liabilities within these financial statements, in accordance with the repayment terms of the loan agreement.

The company continues to enjoy a positive and supportive relationship with the bank and the directors have no reason to believe that this won't continue in future.

The parent company is a qualifying entity for the purposes of FRS 102, being a member of a group where it prepares publicly available consolidated financial statements, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The parent company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- The requirements of Section 7 *Statement of Cashflows* and paragraph 3.17 (d);
- The requirements 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), 11.48 (c) in respect of financial instrument disclosures;
- The requirements of paragraph 33.7 within Section 33 *Related Party Disclosures* with respect to disclosure of the company's key management personnel compensation.

LORNDALDE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.2 Business combinations

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.

1.3 Basis of consolidation

The consolidated financial statements incorporate those of Lorndale Aberdeen Limited and its subsidiary (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 May 2022. 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.

1.4 Going concern

In preparation of the financial statements, the directors have made an assessment of the group's and company's ability to continue as a going concern. The group has net current liabilities of £1,255,000 (2021: £1,225,000) and the company has net current liabilities of £1,223,000 (2021: £1,225,000) at the balance sheet date and both the group and company are wholly reliant on the continued support of its funders, being its bankers and directors.

As a result of this, the directors have sought and received confirmation of the indicative support of both major funders, including the financial covenant breach waiver from the bank per note 1.1, coupled with strong current trading performance and future financial forecasts. Hence the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the group's or company's ability to continue as a going concern or the group's or company's ability to continue with the current banking arrangements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

1.5 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 and settlement discounts.

LORNDALDE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

Turnover from the provision of childcare services and training of early years childcare professionals, represents the value of the services provided under contracts to the extent that there is a right to consideration and it is recorded at the fair value of the consideration received or receivable. This type of turnover is recognised once the services have been provided. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on date of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. are accounted for in the period which the service is provided.

Training and painting and decorating services are invoiced upon completion of services provided and accounted for in the period which the service is provided.

1.6 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 10 years.

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.

1.7 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	Nil
Fixtures and fittings	25% reducing balance
Computers	25% reducing balance

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.

No depreciation has been provided on buildings under the immaterial principal noted above.

1.8 Fixed asset investments

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

In the parent company financial statements, investments in subsidiaries 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.

LORNDALE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

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.

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.

1.10 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group 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 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.

LORNDALE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

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 and other loans 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.

Derecognition of financial liabilities

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

1.12 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.

1.13 Taxation

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

LORNDAL ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

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.

1.14 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.

1.15 Retirement benefits

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

1.16 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.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that 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 or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

LORNDAL ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

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.

The following are considered to be either judgements that have had the most significant effect on amounts recognised in the financial statement, or estimates that are dependent upon 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:

- The directors consider whether fixed assets are impaired and where an indication of impairment is identified, an estimation of recoverable value of the fixed assets is required. Particularly, management have considered the carrying value of the group's/ land and buildings at the balance sheet date. For the purposes of these financial statements the directors have considered the periodic third party valuation, as instructed by the group's bankers in line with their standard procedures, and carried out in May 2018. This valuation provides a value of the business and property based on trade assessments. The overall value of the group's land and buildings is supportable per this valuation, coupled with continued profitable trading of the group, and, as such the directors consider the carrying value of the group's land and buildings to be appropriate at the balance sheet date.
- The directors have reviewed the painting and decorating work ongoing at the year end, and an assessment has been made regarding the stage of completion of each job. Accrued income has been recognised at the year end as necessary, to record the sales value of the work completed prior to the year end. The judgement has been made by the directors to ensure appropriate revenue has been recognised for the financial year.
- Amortisation is provided based on the estimated useful economic life of each class of asset, which is a judgement exercised by management. Amortisation is taken to the profit and loss in order to write off the asset over its useful economic life.

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

3 Turnover and other revenue

	2022	2021
	£'000	£'000
Turnover analysed by class of business		
Childcare fees	4,313	3,436
Training	188	138
Painting and decorating	197	117
	<u>4,698</u>	<u>3,691</u>

LORNDALE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

3 Turnover and other revenue	(Continued)	
	2022 £'000	2021 £'000
Turnover analysed by geographical market		
United Kingdom	4,698	3,691
	2022 £'000	2021 £'000
Other significant revenue		
Grants received	50	442
Insurance proceeds	-	100
4 Operating profit		
	2022 £'000	2021 £'000
Operating profit for the year is stated after charging/(crediting):		
Government grants	(50)	(442)
Depreciation of owned tangible fixed assets	12	9
Loss on disposal of tangible fixed assets	4	-
Amortisation of intangible assets	30	30
Operating lease charges	35	30
5 Auditor's remuneration		
	2022 £'000	2021 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	17	14
Audit of the financial statements of the company's subsidiary	4	2
	21	16

LORNDAL ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

6 Employees

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

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Management	4	4	4	4
Administration	6	6	6	6
Operations	161	159	161	159
	<u>171</u>	<u>169</u>	<u>171</u>	<u>169</u>
Total	<u>171</u>	<u>169</u>	<u>171</u>	<u>169</u>

Their aggregate remuneration comprised:

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Wages and salaries	2,927	2,918	2,863	2,869
Social security costs	201	185	193	177
Pension costs	51	47	49	45
	<u>3,179</u>	<u>3,150</u>	<u>3,105</u>	<u>3,091</u>

7 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	78	76
Company pension contributions to defined contribution schemes	2	2
	<u>80</u>	<u>78</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021: 3).

8 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on bank overdrafts and loans	60	49
Other interest	15	1
	<u>75</u>	<u>50</u>
Total finance costs	<u>75</u>	<u>50</u>

LORNDALE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

9 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	83	26

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:

	2022 £'000	2021 £'000
Profit before taxation	376	125
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	71	24
Tax effect of expenses that are not deductible in determining taxable profit	12	2
Taxation charge	83	26

10 Dividends

	2022 £'000	2021 £'000
Recognised as distributions to equity holders:		
Final declared	153	77

The final dividend declared represents £1,533 per ordinary share (2021: £768).

11 Intangible fixed assets

Group & Company	Goodwill £'000
Cost	
At 1 June 2021 and 31 May 2022	300
Amortisation and impairment	
At 1 June 2021	210
Amortisation charged for the year	30
At 31 May 2022	240
Carrying amount	
At 31 May 2022	60
At 31 May 2021	90

LORNDAL ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

12 Tangible fixed assets

Group & Company	Freehold land and buildings £'000	Fixtures and fittings £'000	Computers £'000	Total £'000
Cost				
At 1 June 2021	5,783	64	12	5,859
Additions	13	17	6	36
Disposals	(4)	-	-	(4)
At 31 May 2022	5,792	81	18	5,891
Depreciation and impairment				
At 1 June 2021	-	43	5	48
Depreciation charged in the year	-	9	3	12
At 31 May 2022	-	52	8	60
Carrying amount				
At 31 May 2022	5,792	29	10	5,831
At 31 May 2021	5,783	21	7	5,811

13 Subsidiaries

Details of the company's subsidiaries at 31 May 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
C&K Black Limited	232 North Deeside Road, Miltimber, Scotland, AB13 ODQ	Ordinary	100

The total value of investments recorded on the balance sheet as at 31 May 2022 was £2.

The group has taken advantage of the exemptions in section 479A to 479C of the Companies Act 2006 meaning that its UK subsidiary is exempt from an audit.

14 Debtors

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Amounts falling due within one year:				
Trade debtors	26	11	-	-
Amounts owed by group undertakings	-	-	82	164
Other debtors	13	19	-	-
Prepayments and accrued income	12	22	7	15
	51	52	89	179

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

LORNDALE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

15 Creditors: amounts falling due within one year

		Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
	Notes				
Bank loans and overdrafts	17	395	196	395	196
Other borrowings	17	305	487	305	487
Trade creditors		81	35	81	35
Corporation tax payable		163	241	156	241
Other taxation and social security		61	128	53	125
Other creditors		45	56	45	55
Accruals and deferred income		304	295	300	287
		<u>1,354</u>	<u>1,438</u>	<u>1,335</u>	<u>1,426</u>

16 Creditors: amounts falling due after more than one year

		Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
	Notes				
Bank loans	17	<u>2,413</u>	<u>2,593</u>	<u>2,413</u>	<u>2,593</u>

17 Loans and overdrafts

		Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Bank loans		2,594	2,770	2,594	2,770
Bank overdrafts		214	19	214	19
Other loans		305	487	305	487
		<u>3,113</u>	<u>3,276</u>	<u>3,113</u>	<u>3,276</u>
Payable within one year		700	683	700	683
Payable after one year		<u>2,413</u>	<u>2,593</u>	<u>2,413</u>	<u>2,593</u>

LORNDAL ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

17 Loans and overdrafts

(Continued)

A bank loan, which has a balance of £2,412,000 at the year end, is repayable by instalments over a 20 year period from June 2014 and bears interest at 1.7% above the Bank of England Base Rate. The loan is secured by a floating charge over the assets of the company.

The bank loan is subject to covenant clauses, whereby the group is required to meet certain key financial ratios. At 31 May 2022, it is noted that one of the financial covenants in respect of the bank loan was breached. The bank were fully informed of the position through regular engagement during the year and the bank have intimated that a formal waiver will be received on receipt of these signed financial statements, confirming no action will be taken in connection with the repayment terms of the loan as a result of the breach. From the directors' discussions with the bank, the bank considers the financial covenant breach to be waived at the balance sheet date, with the formal waiver coming on receipt of these signed financial statements. Further detail is given within note 1.1.

During the prior year, the company obtained a £200,000 Coronavirus Business Interruption Loan Scheme (CBILS) loan. Loan repayments commenced during the current year. The interest rate is 3.99% per annum over the Bank of England Base Rate. The CBILS loan is underpinned by a 80% guarantee from the UK Government to the lender but the group remains liable for the repayment of the CBILS loan in full.

Other loans are the directors loan noted below in note 23. These loans are interest free, unsecured and repayable on demand.

18 Retirement benefit schemes

	2022 £'000	2021 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	51	47

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. At the year end £10k (2021: £10k) is included within other creditors in relation to the defined contribution pension scheme.

19 Share capital

	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary share capital Issued and fully paid				
Ordinary Shares of £1 each	100	100	-	-

20 Reserves

Profit and loss reserves

The profit and loss reserve represents cumulative profits and losses net of dividends and other adjustments.

LORNDALE ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

21 Operating lease commitments

Lessee

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

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Within one year	45	27	39	20
Between two and five years	81	57	70	40
	<u>126</u>	<u>84</u>	<u>109</u>	<u>60</u>

22 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2022	2021
	£'000	£'000
Aggregate compensation	<u>131</u>	<u>127</u>

23 Directors' transactions

Dividends totalling £153,300 (2021: £76,760) were declared in the year in respect of shares held by the company's directors.

Unsecured interest free loans have been granted by its directors to the group of £305,000 (2021: £487,000).

24 Controlling party

The group remains under the control of the directors.

LORNDAL ABERDEEN LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

25 Cash generated from group operations

	2022 £'000	2021 £'000
Profit for the year after tax	293	99
Adjustments for:		
Taxation charged	83	26
Finance costs	75	50
Loss on disposal of tangible fixed assets	4	-
Amortisation and impairment of intangible assets	30	30
Depreciation and impairment of tangible fixed assets	12	9
Movements in working capital:		
Decrease in debtors	2	113
Decrease in creditors	(23)	(51)
Cash generated from operations	477	276

26 Analysis of changes in net debt - group

	1 June 2021 £'000	Cash flows £'000	31 May 2022 £'000
Cash at bank and in hand	161	(113)	48
Bank overdrafts	(19)	(195)	(214)
	<u>142</u>	<u>(308)</u>	<u>(166)</u>
Borrowings excluding overdrafts	(3,257)	358	(2,899)
	<u>(3,115)</u>	<u>50</u>	<u>(3,065)</u>