

GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022
FOR
MEL AVIATION LIMITED

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for the year ended 31 October 2022

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MEL AVIATION LIMITED
COMPANY INFORMATION
for the year ended 31 October 2022

DIRECTORS: Mr N F Smith
Mr G W Harvey
Mr N G Harvey

REGISTERED OFFICE: Laurence Walter House
Addison Road
Chilton Industrial Estate
Sudbury
Suffolk
CO10 2YW

REGISTERED NUMBER: 00939400 (England and Wales)

SENIOR STATUTORY AUDITOR: Mr Paul Dell F.C.A.

AUDITORS: Raffingers LLP, Statutory Auditor
Chartered Certified Accountants
19-20 Bourne Court
Southend Road
Woodford Green
Essex
IG8 8HD

GROUP STRATEGIC REPORT
for the year ended 31 October 2022

The directors present their strategic report of the company and the group for the year ended 31 October 2022.

REVIEW OF BUSINESS

Group turnover reduced by 3.5% to £19.2m (2021: £19.9m). Gross margin also reduced from 43% to 39.8%. Group operating profit before exceptional write downs and provisions amounted to £2.3m (2021: £3.2m) and exceptional write downs amounted to £500k (2021:£2.7m).

The state of affairs at the balance sheet date is considered to be satisfactory with group net assets of £21.9m (2021: £21.5m).

A review of the groups activities is given below:-

MEL Aviation Limited, the parent company, based in Sudbury, Suffolk, supplies aviation support services to the military and civil aircraft industry. The company traded profitably and operating profit amounted to £2m (2021: £3.3m).The resulting profit before tax after exceptional write offs of £1.5m for the year was £512k (2021: £576k - after exceptional write offs of £2.7m). The state of affairs at the balance sheet date is considered to be satisfactory.

Arrowsmith Engineering and Consultants Ltd, a business based in Hampshire supplies engineering and consultancy services to the aviation industry, mainly in relation to the helicopter industry. The business traded profitably during the year with profit before tax of £338k (2021: £218k - loss). The state of affairs at the balance sheet date is considered to be satisfactory.

Headset Services Ltd, now relocated in Sudbury, supplies headset equipment to the aircraft industry and other sectors. The business traded profitably during the year with a profit before tax of £8.5k (2021:£118k). The state of affairs at the balance sheet date is considered to be satisfactory.

MEL Aviation GmbH, a subsidiary company based in Hamburg, Germany, generated a a profit of £1m after trade debts write back (2021: £87k - loss). The state of affairs at the balance sheet date improved during the year following the trade debts write back.

SMA Plastics Limited, a plastics manufacturing business that operates in Sudbury, incurred a loss of £165k (2021: £2k) in its first full year of trading. This was expected whilst the business beds down into the group.

The key financial performance indicators for the group are as follows:-

	2022	2021	Measure
Gross Profit Margin	39.8%	43.3%	Gross Profit/Turnover
Debtors days	236 days	251days	Trade Debtors/Turnover
Creditors days	131 days	125 days	Trade Creditors/Cost of Sales

GROUP STRATEGIC REPORT
for the year ended 31 October 2022

PRINCIPAL RISKS AND UNCERTAINTIES

The group faces the usual business risks of competition within its sector and pressure on prices. These risks are mitigated by the directors continuously driving the business forward into new product areas and niche markets where prices can be maintained at profitable levels. The issue of increased manufacturing costs in the UK has been addressed by making use of a factory facility which the company has access to in Serbia.

The principal risks and uncertainties affecting the Group include:

- Retention of customers - the company maintains strong relationships with each of its key customers and has established procedures for monitoring performance and service levels.
- Competitive risk - the company's expertise and efficiency in its marketplace and its diversity of operations helps to mitigate the possible effect of action by any one single competitor.
- Manufacturing labour costs - the group has moved a significant part of its manufacturing capabilities to a factory facility in Serbia. This has allowed it to maintain tight control over its manufacturing cost base whilst still maintaining excellent quality in its products.
- Quality control risks - the group maintains strict quality control over its products. It holds appropriate approval with the Civil Aviation Authority (CAA) and the Federal Aviation Authority (FAA) along with other organisations to enable it to carry on its activities in various jurisdictions around the world.
- COVID 19 - the group was impacted by the COVID 19 pandemic in FY 20 and the early part of FY 21 due to the effect the pandemic had on the worldwide civil aviation industry. The civil aviation side picked up in the latter half of FY 21 and has returned to pre-pandemic levels in FY 22.

The directors believe that the group has adequate resources in place to meet its forecast trading requirements and all risks and uncertainties are managed appropriately.

FUTURE DEVELOPMENTS

The group continues to seek to develop and expand its product range and service offering to its major customers, taking advantage of opportunities both in the UK and worldwide. The directors are confident of sustainable future growth in its precision engineering sector.

EMPLOYEES

The group operates an equal opportunities policy. The aim of this policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability.

Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability. Should, for whatever reason, an employee of the group becomes disabled whilst in the employment, every step, where appropriate will be taken to assist with rehabilitation and suitable re-training.

The group maintains its own health, safety and environmental policies covering all aspect of its operations. Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the group is responsive to the needs of the employees and the environment.

FINANCIAL INSTRUMENTS

The group has no funding facilities with its bank as it relies on its own cash reserves for its working capital requirements. The group has not entered into any hedging arrangements as the directors perceive the exchange rate risk to the business to be low.

ON BEHALF OF THE BOARD:

Mr G W Harvey - Director

18 April 2023

REPORT OF THE DIRECTORS
for the year ended 31 October 2022

The directors present their report with the financial statements of the company and the group for the year ended 31 October 2022.

DIVIDENDS

The total distribution of dividends for the year ended 31 October 2022 was £1,404,000 (2021:£1,404,000).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 November 2021 to the date of this report.

Mr N F Smith
Mr G W Harvey
Mr N G Harvey

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ON BEHALF OF THE BOARD:

Mr G W Harvey - Director

18 April 2023

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEL AVIATION LIMITED

Opinion

We have audited the financial statements of MEL Aviation Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2022 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of 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 of the parent company affairs as at 31 October 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 Auditors' 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 the 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 directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEL AVIATION 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 its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page four, 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 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 group's and 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEL AVIATION LIMITED

Auditors' 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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group through discussions with directors and other management, and from our commercial knowledge and experience of the group sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group, including the Companies Act 2006, taxation legislation and industry specific regulations;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence where necessary.

We assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected transactions;
- agreed income to underlying contracts;
- tested the appropriateness of journal entries;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing legal expenses for any potential issues.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEL AVIATION 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 a Report of the Auditors 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.

Mr Paul Dell F.C.A. (Senior Statutory Auditor)
for and on behalf of Raffingers LLP, Statutory Auditor
Chartered Certified Accountants
19-20 Bourne Court
Southend Road
Woodford Green
Essex
IG8 8HD

18 April 2023

**CONSOLIDATED
INCOME STATEMENT**
for the year ended 31 October 2022

	Notes	2022 £	2021 £
TURNOVER	4	19,215,433	19,922,110
Cost of sales		<u>(11,569,352)</u>	<u>(11,289,499)</u>
GROSS PROFIT		7,646,081	8,632,611
Administrative expenses		<u>(5,697,669)</u>	<u>(5,721,832)</u>
		1,948,412	2,910,779
Other operating income		<u>343,685</u>	<u>273,933</u>
OPERATING PROFIT	7	2,292,097	3,184,712
Trade balances written off	8	(500,000)	(772,700)
Loan balances written off	8	<u>-</u>	<u>(1,947,807)</u>
		1,792,097	464,205
Interest receivable and similar income	9	<u>4,485</u>	<u>532</u>
		1,796,582	464,737
Interest payable and similar expenses	10	<u>(3,395)</u>	<u>(3,395)</u>
PROFIT BEFORE TAXATION		1,793,187	461,342
Tax on profit	11	<u>58,150</u>	<u>(32,809)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,851,337</u>	<u>428,533</u>
Profit attributable to: Owners of the parent		<u>1,851,337</u>	<u>428,533</u>

The notes form part of these financial statements

CONSOLIDATED
OTHER COMPREHENSIVE INCOME
for the year ended 31 October 2022

	2022	2021
Notes	£	£
PROFIT FOR THE YEAR	1,851,337	428,533
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>1,851,337</u>	<u>428,533</u>
FOR THE YEAR	<u>1,851,337</u>	<u>428,533</u>
Total comprehensive income attributable to: Owners of the parent	<u>1,851,337</u>	<u>428,533</u>

The notes form part of these financial statements

MEL AVIATION LIMITED (REGISTERED NUMBER: 00939400)**CONSOLIDATED BALANCE SHEET****31 October 2022**

	Notes	2022 £	£	2021 £	£
FIXED ASSETS					
Intangible assets	15	-	-	35,254	
Tangible assets	16	675,206		702,696	
Investments	17	-	-	-	
Investment property	18	392,294		328,263	
		<u>1,067,500</u>		<u>1,066,213</u>	
CURRENT ASSETS					
Stocks	19	6,714,778		4,630,523	
Debtors	20	19,013,858		21,646,651	
Cash at bank and in hand		<u>6,402,725</u>		<u>6,220,124</u>	
		32,131,361		32,497,298	
CREDITORS					
Amounts falling due within one year	21	<u>11,195,411</u>		<u>12,012,232</u>	
NET CURRENT ASSETS			<u>20,935,950</u>		<u>20,485,066</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			22,003,450		21,551,279
CREDITORS					
Amounts falling due after more than one year	22		-		(2,786)
PROVISIONS FOR LIABILITIES	25		<u>(75,723)</u>		<u>(68,103)</u>
NET ASSETS			<u>21,927,727</u>		<u>21,480,390</u>
CAPITAL AND RESERVES					
Called up share capital	26		3,100		3,100
Revaluation reserve	27		220,235		168,370
Retained earnings	27		<u>21,704,392</u>		<u>21,308,920</u>
SHAREHOLDERS' FUNDS			<u>21,927,727</u>		<u>21,480,390</u>

The financial statements were approved by the Board of Directors and authorised for issue on 18 April 2023 and were signed on its behalf by:

Mr G W Harvey - Director

MEL AVIATION LIMITED (REGISTERED NUMBER: 00939400)

COMPANY BALANCE SHEET

31 October 2022

	Notes	2022 £	£	2021 £	£
FIXED ASSETS					
Intangible assets	15		-		35,127
Tangible assets	16		525,616		528,335
Investments	17		1,440,707		1,440,707
Investment property	18		392,294		328,263
			<u>2,358,617</u>		<u>2,332,432</u>
CURRENT ASSETS					
Stocks	19	5,309,672		3,497,616	
Debtors	20	19,890,005		23,461,379	
Cash at bank and in hand		<u>5,455,752</u>		<u>5,366,720</u>	
		30,655,429		32,325,715	
CREDITORS					
Amounts falling due within one year	21	<u>10,665,521</u>		<u>11,508,982</u>	
NET CURRENT ASSETS			<u>19,989,908</u>		<u>20,816,733</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			22,348,525		23,149,165
CREDITORS					
Amounts falling due after more than one year	22		-		(2,786)
PROVISIONS FOR LIABILITIES	25		(60,590)		(52,563)
NET ASSETS			<u>22,287,935</u>		<u>23,093,816</u>
CAPITAL AND RESERVES					
Called up share capital	26		3,100		3,100
Revaluation reserve	27		220,235		168,370
Retained earnings	27		22,064,600		22,922,346
SHAREHOLDERS' FUNDS			<u>22,287,935</u>		<u>23,093,816</u>
Company's profit for the financial year			<u>598,119</u>		<u>559,083</u>

The financial statements were approved by the Board of Directors and authorised for issue on 18 April 2023 and were signed on its behalf by:

Mr G W Harvey - Director

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 October 2022

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 November 2020	3,100	22,284,387	168,370	22,455,857
Changes in equity				
Dividends	-	(1,404,000)	-	(1,404,000)
Total comprehensive income	-	428,533	-	428,533
Balance at 31 October 2021	<u>3,100</u>	<u>21,308,920</u>	<u>168,370</u>	<u>21,480,390</u>
Changes in equity				
Dividends	-	(1,404,000)	-	(1,404,000)
Total comprehensive income	-	1,799,472	51,865	1,851,337
Balance at 31 October 2022	<u>3,100</u>	<u>21,704,392</u>	<u>220,235</u>	<u>21,927,727</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 October 2022

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 November 2020	3,100	23,767,263	168,370	23,938,733
Changes in equity				
Dividends	-	(1,404,000)	-	(1,404,000)
Total comprehensive income	-	559,083	-	559,083
Balance at 31 October 2021	<u>3,100</u>	<u>22,922,346</u>	<u>168,370</u>	<u>23,093,816</u>
Changes in equity				
Dividends	-	(1,404,000)	-	(1,404,000)
Total comprehensive income	-	546,254	51,865	598,119
Balance at 31 October 2022	<u>3,100</u>	<u>22,064,600</u>	<u>220,235</u>	<u>22,287,935</u>

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 October 2022

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	1,712,940	2,544,203
Interest element of hire purchase payments paid		(3,395)	(3,395)
Tax paid		60,771	-
Net cash from operating activities		<u>1,770,316</u>	<u>2,540,808</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		-	(1)
Purchase of tangible fixed assets		(99,655)	(163,433)
Sale of tangible fixed assets		-	750
Interest received		4,485	532
Net cash from investing activities		<u>(95,170)</u>	<u>(162,152)</u>
Cash flows from financing activities			
Hire purchase finance		(25,489)	(27,208)
Amount introduced by directors		56,584	27,698
Amount withdrawn by directors		(119,640)	(21,277)
Equity dividends paid		(1,404,000)	(1,404,000)
Net cash from financing activities		<u>(1,492,545)</u>	<u>(1,424,787)</u>
Increase in cash and cash equivalents		<u>182,601</u>	<u>953,869</u>
Cash and cash equivalents at beginning of year	2	6,220,124	5,266,255
Cash and cash equivalents at end of year	2	<u>6,402,725</u>	<u>6,220,124</u>

The notes form part of these financial statements

MEL AVIATION LIMITED (REGISTERED NUMBER: 00939400)

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 October 2022**

1. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2022	2021
	£	£
Profit before taxation	1,793,187	461,342
Depreciation charges	162,399	298,110
Profit on disposal of fixed assets	-	(750)
Gain on revaluation of fixed assets	(64,031)	-
Finance costs	3,395	3,395
Finance income	(4,485)	(532)
	<u>1,890,465</u>	<u>761,565</u>
Increase in stocks	(2,084,255)	(557,894)
Decrease in trade and other debtors	2,633,717	344,877
(Decrease)/increase in trade and other creditors	<u>(726,987)</u>	<u>1,995,655</u>
Cash generated from operations	<u><u>1,712,940</u></u>	<u><u>2,544,203</u></u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 October 2022

	31.10.22	1.11.21
	£	£
Cash and cash equivalents	<u>6,402,725</u>	<u>6,220,124</u>

Year ended 31 October 2021

	31.10.21	1.11.20
	£	£
Cash and cash equivalents	<u>6,220,124</u>	<u>5,266,255</u>

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.11.21	Cash flow	At 31.10.22
	£	£	£
Net cash			
Cash at bank and in hand	<u>6,220,124</u>	<u>182,601</u>	<u>6,402,725</u>
	<u>6,220,124</u>	<u>182,601</u>	<u>6,402,725</u>
Debt			
Finance leases	<u>(28,394)</u>	<u>25,489</u>	<u>(2,905)</u>
	<u>(28,394)</u>	<u>25,489</u>	<u>(2,905)</u>
Total	<u><u>6,191,730</u></u>	<u><u>208,090</u></u>	<u><u>6,399,820</u></u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 October 2022

1. **STATUTORY INFORMATION**

MEL Aviation Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 October 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Turnover

Turnover comprises the value of goods and services supplied by the group companies to external customers, exclusive of Value Added Tax and trade discounts. Turnover is recognised on the sale of goods and services at the point of despatch subject to any adjustment for work in progress at the year end.

Purchased goodwill

Purchased goodwill is the excess of the fair value of the purchase consideration over the fair value of the net assets acquired on acquisition of subsidiary undertakings and is capitalised and amortised over its useful economic life, subject to a maximum period of 10 years. Where impairment of an investment occurs, the amount is written off in the year concerned.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

2. **ACCOUNTING POLICIES - continued**

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 2% on cost
Short leasehold	- 10% on cost
Long leasehold	- 10% on cost
Plant and machinery	- 33% on cost and 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 20% on cost
Computer equipment	- 20% on cost

Freehold land is not depreciated.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The group assesses at each reporting date whether tangible fixed assets are fully impaired.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the group expects to consume an asset's future economic benefits.

Government grants

Government grants, including non-monetary grants shall not be recognised until there is reasonable assurance that:

- (a) the group will comply with the conditions attaching to them; and
- (b) the grants will be received.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including transaction costs. Subsequently investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell (net realisable value). Costs, which comprise direct production costs, are based on the method most appropriate to the type of inventory class. Overheads are charged to profit or loss as incurred. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of stocks recognised as an expense in the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

2. **ACCOUNTING POLICIES - continued**

Financial instruments

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies 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 receipts discounted at a market rate of interest.

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

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research activities and development expenditure is recognised in the profit and loss account as an expense as incurred.

Foreign currencies

The financial statements are presented in sterling, which is also the functional currency of the group. Transactions in currencies other than the functional currency of the group are recorded at the rate of exchange on the date the transaction occurred. Monetary items denominated in other currencies are translated at the rate prevailing at the end of the reporting period. All differences are taken to profit and loss. Non-monetary items that are measured at historic cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

2. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets that are held by the group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Pension costs and other post-retirement benefits

The group operates a small self administered pension scheme for the directors. No contributions were paid during the year. The group also operates a fully insured defined contribution pension scheme for certain members of staff and the pension charge represents the amounts paid by the group to the fund during the year. These contributions are invested separately from the group's assets.

Fixed asset investments

Fixed asset investments are shown at acquisition cost subject to any provisions for permanent diminution in value.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

4. TURNOVER

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

An analysis of turnover by class of business is given below:

	2022	2021
	£	£
Repairs and overhaul	7,186,672	7,488,966
New build	10,167,945	10,425,758
Helmets and headset supply	907,433	886,110
Other sales	953,383	1,121,276
	<u>19,215,433</u>	<u>19,922,110</u>

An analysis of turnover by geographical market is given below:

	2022	2021
	£	£
United Kingdom	15,944,803	17,556,119
Europe and EU	2,414,931	1,410,784
Rest of the world	855,699	955,207
	<u>19,215,433</u>	<u>19,922,110</u>

5. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	4,767,388	4,326,502
Social security costs	447,626	404,575
Other pension costs	463,335	444,633
	<u>5,678,349</u>	<u>5,175,710</u>

The average number of employees during the year was as follows:

	2022	2021
Production and distribution	79	76
Administration	64	60
	<u>143</u>	<u>136</u>

6. DIRECTORS' EMOLUMENTS

	2022	2021
	£	£
Directors' remuneration	328,382	330,512
Directors' pension contributions to money purchase schemes	<u>11,111</u>	<u>10,700</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

6. DIRECTORS' EMOLUMENTS - continued

Information regarding the highest paid director is as follows:

	2022	2021
	£	£
Emoluments etc	164,725	153,824
Pension contributions to money purchase schemes	<u>11,111</u>	<u>10,700</u>

7. OPERATING PROFIT

	2022	2021
	£	£
Other operating leases	706,895	628,485
Depreciation - owned assets	104,784	137,254
Depreciation - assets on hire purchase contracts	22,361	52,624
Profit on disposal of fixed assets	-	(750)
Goodwill amortisation	35,254	108,232
Non-audit services - paid to the group auditor for other services	11,530	12,588
Foreign exchange differences	<u>(248,704)</u>	<u>98,130</u>

8. EXCEPTIONAL ITEMS

	2022	2021
	£	£
Trade balances written off	(500,000)	(772,700)
Loan balances written off	-	(1,947,807)
	<u>(500,000)</u>	<u>(2,720,507)</u>

The exceptional item related to trade debtors balances written off for Laurence Walter Ltd, a company under common control. The write offs in the prior year related to 2 US companies which the group had invested in and which ceased trading.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£	£
Bank interest receivable	<u>4,485</u>	<u>532</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£	£
Hire purchase	<u>3,395</u>	<u>3,395</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

11. **TAXATION**

Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit for the year was as follows:

	2022	2021
	£	£
Current tax:		
UK corporation tax	(65,770)	31,622
Deferred tax	7,620	1,187
Tax on profit	<u>(58,150)</u>	<u>32,809</u>

UK corporation tax was charged at 19 % in 2021.

Reconciliation of total tax (credit)/charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2022	2021
	£	£
Profit before tax	<u>1,793,187</u>	<u>461,342</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19 % (2021 - 19 %)	340,706	87,655
Effects of:		
Expenses not deductible for tax purposes	1,145	419
Difference in depreciation over capital allowances	13,932	5,232
Trade and loans write down	95,000	370,083
R&D tax credit claims	(356,082)	(448,253)
Losses utilisation	(52,583)	-
Deferred tax adjustment	7,620	1,187
Tax refunds from extended carry back of losses to prior years	(94,508)	-
Other	<u>(13,380)</u>	<u>16,486</u>
Total tax (credit)/charge	<u>(58,150)</u>	<u>32,809</u>

Factors that may affect future tax charges

From 1 April 2023, the corporation tax main rate for non-ring fenced profits will be increased to 25% applying to profits over £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

12. **INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

13. DIVIDENDS

	2022	2021
	£	£
Ordinary A shares of £1 each		
Interim	702,000	702,000
Ordinary B shares of £1 each		
Interim	<u>702,000</u>	<u>702,000</u>
	<u>1,404,000</u>	<u>1,404,000</u>

14. CORONAVIRUS JOB RETENTION SCHEME

During the year, the group did not receive anything (2021: £56,491) under the Coronavirus Job Retention Scheme.

15. INTANGIBLE FIXED ASSETS

Group

	Goodwill	Computer software	Totals
	£	£	£
COST			
At 1 November 2021 and 31 October 2022	<u>1,730,622</u>	<u>43,441</u>	<u>1,774,063</u>
AMORTISATION			
At 1 November 2021	1,695,368	43,441	1,738,809
Amortisation for year	<u>35,254</u>	<u>-</u>	<u>35,254</u>
At 31 October 2022	<u>1,730,622</u>	<u>43,441</u>	<u>1,774,063</u>
NET BOOK VALUE			
At 31 October 2022	<u>-</u>	<u>-</u>	<u>-</u>
At 31 October 2021	<u>35,254</u>	<u>-</u>	<u>35,254</u>

Company

	Goodwill
	£
COST	
At 1 November 2021 and 31 October 2022	<u>839,706</u>
AMORTISATION	
At 1 November 2021	804,579
Amortisation for year	<u>35,127</u>
At 31 October 2022	<u>839,706</u>
NET BOOK VALUE	
At 31 October 2022	<u>-</u>
At 31 October 2021	<u>35,127</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

16. **TANGIBLE FIXED ASSETS**

Group

	Freehold property £	Short leasehold £	Long leasehold £	Plant and machinery £
COST				
At 1 November 2021	201,995	313,845	599,715	2,659,417
Additions	-	-	80,115	19,540
At 31 October 2022	<u>201,995</u>	<u>313,845</u>	<u>679,830</u>	<u>2,678,957</u>
DEPRECIATION				
At 1 November 2021	53,867	211,600	345,602	2,526,447
Charge for year	4,040	18,282	45,104	33,825
At 31 October 2022	<u>57,907</u>	<u>229,882</u>	<u>390,706</u>	<u>2,560,272</u>
NET BOOK VALUE				
At 31 October 2022	<u>144,088</u>	<u>83,963</u>	<u>289,124</u>	<u>118,685</u>
At 31 October 2021	<u>148,128</u>	<u>102,245</u>	<u>254,113</u>	<u>132,970</u>

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 November 2021	659,329	299,460	17,949	4,751,710
Additions	-	-	-	99,655
At 31 October 2022	<u>659,329</u>	<u>299,460</u>	<u>17,949</u>	<u>4,851,365</u>
DEPRECIATION				
At 1 November 2021	651,951	241,598	17,949	4,049,014
Charge for year	3,533	22,361	-	127,145
At 31 October 2022	<u>655,484</u>	<u>263,959</u>	<u>17,949</u>	<u>4,176,159</u>
NET BOOK VALUE				
At 31 October 2022	<u>3,845</u>	<u>35,501</u>	<u>-</u>	<u>675,206</u>
At 31 October 2021	<u>7,378</u>	<u>57,862</u>	<u>-</u>	<u>702,696</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

16. **TANGIBLE FIXED ASSETS - continued**

Group

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 November 2021 and 31 October 2022	<u>159,862</u>	<u>261,026</u>	<u>420,888</u>
DEPRECIATION			
At 1 November 2021	112,289	208,776	321,065
Charge for year	<u>-</u>	<u>22,361</u>	<u>22,361</u>
At 31 October 2022	<u>112,289</u>	<u>231,137</u>	<u>343,426</u>
NET BOOK VALUE			
At 31 October 2022	<u>47,573</u>	<u>29,889</u>	<u>77,462</u>
At 31 October 2021	<u>47,573</u>	<u>52,250</u>	<u>99,823</u>

Company

	Freehold property £	Long leasehold £	Plant and machinery £
COST			
At 1 November 2021	201,995	599,715	1,066,272
Additions	<u>-</u>	<u>80,115</u>	<u>19,540</u>
At 31 October 2022	<u>201,995</u>	<u>679,830</u>	<u>1,085,812</u>
DEPRECIATION			
At 1 November 2021	53,867	345,602	999,446
Charge for year	<u>4,040</u>	<u>45,104</u>	<u>30,051</u>
At 31 October 2022	<u>57,907</u>	<u>390,706</u>	<u>1,029,497</u>
NET BOOK VALUE			
At 31 October 2022	<u>144,088</u>	<u>289,124</u>	<u>56,315</u>
At 31 October 2021	<u>148,128</u>	<u>254,113</u>	<u>66,826</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

16. **TANGIBLE FIXED ASSETS - continued**

Company

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 November 2021	294,726	282,680	2,655	2,448,043
Additions	-	-	-	99,655
At 31 October 2022	<u>294,726</u>	<u>282,680</u>	<u>2,655</u>	<u>2,547,698</u>
DEPRECIATION				
At 1 November 2021	293,320	224,818	2,655	1,919,708
Charge for year	818	22,361	-	102,374
At 31 October 2022	<u>294,138</u>	<u>247,179</u>	<u>2,655</u>	<u>2,022,082</u>
NET BOOK VALUE				
At 31 October 2022	<u>588</u>	<u>35,501</u>	-	<u>525,616</u>
At 31 October 2021	<u>1,406</u>	<u>57,862</u>	-	<u>528,335</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
COST	
At 1 November 2021 and 31 October 2022	<u>261,026</u>
DEPRECIATION	
At 1 November 2021	208,776
Charge for year	22,361
At 31 October 2022	<u>231,137</u>
NET BOOK VALUE	
At 31 October 2022	<u>29,889</u>
At 31 October 2021	<u>52,250</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

17. **FIXED ASSET INVESTMENTS**

Company

	Shares in group undertakings £
COST	
At 1 November 2021 and 31 October 2022	<u>1,440,707</u>
NET BOOK VALUE	
At 31 October 2022	<u>1,440,707</u>
At 31 October 2021	<u>1,440,707</u>

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

MEL Aviation GmbH

Registered office: Laurence Walter House, Addison Road, Chilton Industrial Estate, Sudbury, CO10 2YW

Nature of business: Designers and engineers

	%		
Class of shares:	holding		
Ordinary	100.00		
		2022	2021
		£	£
Aggregate capital and reserves		(347,435)	(1,353,826)
Profit/(loss) for the year		<u>1,006,391</u>	<u>(86,771)</u>

Headset Services Ltd

Registered office: Laurence Walter House, Addison Road, Chilton Industrial Estate, Sudbury, CO10 2YW

Nature of business: Designers and engineers

	%		
Class of shares:	holding		
Ordinary	100.00		
		2022	2021
		£	£
Aggregate capital and reserves		1,656,149	1,647,617
Profit for the year		<u>8,532</u>	<u>105,755</u>

Arrowsmith Engineering & Consulting Ltd

Registered office: Laurence Walter House, Addison Road, Chilton Industrial Estate, Sudbury, CO10 2YW

Nature of business: Engineering and consulting

	%		
Class of shares:	holding		
Ordinary	100.00		
		2022	2021
		£	£
Aggregate capital and reserves		595,706	286,055
Profit/(loss) for the year		<u>309,751</u>	<u>(218,266)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

17. **FIXED ASSET INVESTMENTS - continued**

SMA Plastics Limited

Registered office: Laurence Walter House, Addison Road, Chilton Industrial Estate, Sudbury, CO10 2YW
 Nature of business: Plastic moulding

	%		
Class of shares:	holding	2022	2021
Ordinary	100.00	£	£
Aggregate capital and reserves		(166,771)	(1,450)
Loss for the year		<u>(165,321)</u>	<u>(1,550)</u>

18. **INVESTMENT PROPERTY**

Group

	Total £
FAIR VALUE	
At 1 November 2021	328,263
Revaluations	<u>64,031</u>
At 31 October 2022	<u>392,294</u>
NET BOOK VALUE	
At 31 October 2022	<u>392,294</u>
At 31 October 2021	<u>328,263</u>

Fair value at 31 October 2022 is represented by:

	£
Valuation in 2007	155,270
Valuation in 2013	(33,395)
Valuation in 2016	72,509
Valuation in 2022	64,031
Cost	<u>133,879</u>
	<u>392,294</u>

Company

	Total £
FAIR VALUE	
At 1 November 2021	328,263
Revaluations	<u>64,031</u>
At 31 October 2022	<u>392,294</u>
NET BOOK VALUE	
At 31 October 2022	<u>392,294</u>
At 31 October 2021	<u>328,263</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

18. INVESTMENT PROPERTY - continued

Company

Investment property is stated at open market value based on the advice from the Portuguese sales department from the Balai Golf Village and which carried out an informal valuation on the property during the year.

If the revalued asset was sold, the potential tax liability on the revalued amount would be £51,660.

Fair value at 31 October 2022 is represented by:

	£
Valuation in 2007	155,270
Valuation in 2013	(33,395)
Valuation in 2016	72,509
Valuation in 2022	64,031
Cost	<u>133,879</u>
	<u>392,294</u>

If the investment property had not been revalued it would have been included at the following historical cost:

	2022	2021
	£	£
Cost	<u>133,879</u>	<u>133,879</u>

19. STOCKS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Stock of finished goods	5,900,342	3,808,042	5,011,430	3,081,505
Work-in-progress	814,436	822,481	298,242	416,111
	<u>6,714,778</u>	<u>4,630,523</u>	<u>5,309,672</u>	<u>3,497,616</u>

20. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	11,927,268	13,717,480	10,969,755	12,448,526
Amounts owed by group undertakings	-	-	1,969,479	3,223,763
Other debtors	6,723,332	7,665,964	6,681,207	7,617,363
Directors' loan accounts	57,508	56,584	57,508	56,584
Tax	4,944	4,944	-	-
Prepayments	300,806	201,679	212,056	115,143
	<u>19,013,858</u>	<u>21,646,651</u>	<u>19,890,005</u>	<u>23,461,379</u>

Included in debtors due within one year are loans due by Mr G W Harvey and Mr N F Smith, both directors, amounting to £57,242 (2021: £56,584) and £266 (2021: £62,132 - credit) respectively and are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Hire purchase contracts (see note 23)	2,905	25,608	2,905	25,608
Trade creditors	4,168,942	3,869,386	3,791,035	3,370,853
Amounts owed to group undertakings	-	-	56,705	265,146
Tax	28,738	33,737	-	21,417
Social security and other taxes	209,093	670,558	169,726	572,668
Other creditors	6,008,906	6,495,252	5,998,698	6,471,820
Directors' loan accounts	-	62,132	-	62,132
Accruals and deferred income	776,827	855,559	646,452	719,338
	<u>11,195,411</u>	<u>12,012,232</u>	<u>10,665,521</u>	<u>11,508,982</u>

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Hire purchase contracts (see note 23)	<u>-</u>	<u>2,786</u>	<u>-</u>	<u>2,786</u>

23. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	2022	2021
	£	£
Gross obligations repayable:		
Within one year	3,344	28,883
Between one and five years	<u>-</u>	<u>3,099</u>
	<u>3,344</u>	<u>31,982</u>
Finance charges repayable:		
Within one year	439	3,275
Between one and five years	<u>-</u>	<u>313</u>
	<u>439</u>	<u>3,588</u>
Net obligations repayable:		
Within one year	2,905	25,608
Between one and five years	<u>-</u>	<u>2,786</u>
	<u>2,905</u>	<u>28,394</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

23. **LEASING AGREEMENTS - continued**

Company

	Hire purchase contracts	
	2022	2021
	£	£
Gross obligations repayable:		
Within one year	3,344	28,883
Between one and five years	-	3,099
	<u>3,344</u>	<u>31,982</u>
Finance charges repayable:		
Within one year	439	3,275
Between one and five years	-	313
	<u>439</u>	<u>3,588</u>
Net obligations repayable:		
Within one year	2,905	25,608
Between one and five years	-	2,786
	<u>2,905</u>	<u>28,394</u>

Group

	Non-cancellable operating leases	
	2022	2021
	£	£
Within one year	395,550	395,500
Between one and five years	1,609,200	810,600
In more than five years	168,900	364,800
	<u>2,173,650</u>	<u>1,570,900</u>

Company

	Non-cancellable operating leases	
	2022	2021
	£	£
Within one year	<u>199,650</u>	<u>199,650</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

24. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Hire purchase contracts	<u>2,905</u>	<u>28,394</u>	<u>2,905</u>	<u>28,394</u>

The parent company has given a cross company guarantee to Clydesdale Bank in support of the revolving credit facilities for HBS Electronics (Holdings) Ltd, a company under common directorship. At the balance sheet date this revolving credit facility amounted to £12,000,000 (2021: £12,000,000 and was repaid on 6th March 2023).

The hire purchase and the finance lease liabilities are secured on the related assets.

25. PROVISIONS FOR LIABILITIES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Deferred tax	<u>75,723</u>	<u>68,103</u>	<u>60,590</u>	<u>52,563</u>

Group

	Deferred tax
	£
Balance at 1 November 2021	68,103
Provision in the year	<u>7,620</u>
Balance at 31 October 2022	<u>75,723</u>

Company

	Deferred tax
	£
Balance at 1 November 2021	52,563
Charge to Income Statement during year	<u>8,027</u>
Balance at 31 October 2022	<u>60,590</u>

The group's total deferred tax balance is made up of:

	£
Accumulated provision on revaluation of investment property	51,660
Accumulated provision in respect of accelerated capital allowances	<u>21,063</u>
	<u>72,723</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

26. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2022	2021
			£	£
2,480	Ordinary A	£1	2,480	2,480
620	Ordinary B	£1	620	620
			<u>3,100</u>	<u>3,100</u>

27. RESERVES

Group

	Retained earnings £	Revaluation reserve £	Totals £
At 1 November 2021	21,308,920	168,370	21,477,290
Profit for the year	1,851,337		1,851,337
Dividends	(1,404,000)		(1,404,000)
Revaluation reserves	(51,865)	51,865	-
At 31 October 2022	<u>21,704,392</u>	<u>220,235</u>	<u>21,924,627</u>

Company

	Retained earnings £	Revaluation reserve £	Totals £
At 1 November 2021	22,922,346	168,370	23,090,716
Profit for the year	598,119		598,119
Dividends	(1,404,000)		(1,404,000)
Revaluation reserves	(51,865)	51,865	-
At 31 October 2022	<u>22,064,600</u>	<u>220,235</u>	<u>22,284,835</u>

28. PENSION COMMITMENTS

The group operates a small self administered pension scheme for two of the directors and no contributions were paid during the year.

The parent company and some of the subsidiaries operate fully insured defined contribution pension schemes for one of the directors, certain members of staff and the pension charge represents the amounts paid by the group to these funds during the year. Payments during the year amounted to £463,335 (2021: £444,633). These contributions are invested separately from the group's assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

29. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 October 2022 and 31 October 2021:

	2022	2021
	£	£
Mr G W Harvey		
Balance outstanding at start of year	56,584	35,307
Amounts advanced	258,332	56,584
Amounts repaid	(257,674)	(35,307)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>57,242</u>	<u>56,584</u>
Mr N F Smith		
Balance outstanding at start of year	(62,132)	-
Amounts advanced	262,745	-
Amounts repaid	(200,347)	(62,132)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>266</u>	<u>(62,132)</u>

30. RELATED PARTY DISCLOSURES

The parent 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.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

During the year the group company supplied services to related parties totalling £3,435,740 (2021: £3,156,309). The total balance due at the year end amounted to £7,325,317 (2021: £8,105,233).

During the year the group company also received services from its related parties totalling £1,207,312 (2021: £1,916,298). The total balance due at the year end amounted to £1,989,507 (2021: £2,037,820).

At the year end, total loans due to the parent company and its subsidiaries by related parties amounted to £7,124,659 (2021: £9,870,435).

At the year end, total loans due by the parent company and its subsidiaries to related parties amounted to £5,594,659 (2021: £6,388,376).

The parent and one of its subsidiaries occupies premises owned by the directors pension scheme. A commercial rent is paid to the pension scheme in this respect. The rents are set by independent market values in accordance with the leases of the properties and scheme rules. The amount of rent paid to the scheme during the year amounted to £355,510 (2021: £210,500). The amount due to the scheme at the year end in relation to this activity amounted to £225,000 (2021: £126,300).

Total compensation of key management personnel in the year amounted to £339,493 (2021: £341,212).

During the year, dividends of £702,000 (2021: £702,000) each were paid to Mr N S Smith and Mr G W Harvey, both directors of the parent and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2022

31. AUDITOR LIABILITY LIMITATION AGREEMENT

The group has entered into a liability limitation agreement with Raffingers, the statutory auditor, in respect of the statutory audit for the year ended 31 October 2022. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by the members on 27 January 2023.

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