

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022
Company Registration No. 04231454 (England and Wales)

THURSDAY



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LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

COMPANY INFORMATION

Director	Mr J Birch
Secretary	Mrs C Birch
Company number	04231454
Registered office	Langton House 74 Regent Road Liverpool L20 1BL
Auditor	DSG Castle Chambers 43 Castle Street Liverpool L2 9TL

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

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LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2022

The director presents the strategic report for the year ended 31 October 2022.

Business review

The company's principal activity during the year was that of a holding company. The principal activity of the group, comprising the company and its subsidiary undertaking Lloyd & Jones Engineers Limited, is that of merchants of engineers supplies, manufacturer of abrasive products, and supplier of specialist cutting tools and welding products. During the year, Lloyd & Jones Engineers Limited acquired the entire issued share capital of PSI Industrial Supplies Limited and Planet Welding Industrial Limited. Further detail on this acquisition is provided in the acquisitions note 28 to the financial statements.

The group is headquartered in Liverpool and traded at 20 branches in the year covering the North West, North Wales, Midlands, South West and North East of England.

The market in which the group operates has, like others, been affected by economic uncertainty surrounding the UK decision to leave the European Union, Covid and now inflation. In that context, the relative stability of the trading results has been welcome. The key for the business is having the right products available at the right price, delivered to our customers through the expertise and knowledge of our staff. The implementation of this strategy is essential to ensure the continued success of the group.

Principal risks and uncertainties

Key risks have been monitored by the board throughout the year to identify changes and respond as required.

The most significant principal risk throughout the year and post-year end has been business strategy. If the wrong strategy is adopted or the strategy is not implemented effectively then the business may be negatively impacted. The sector continues to evolve and the marketplace includes both large national and local competitors. Products and prices are carefully monitored to ensure that the business maintains market share, and the boards have taken the decision to expand the branch network as well as developing our online offering to diversify the risk of competitive forces so far as possible.

The impact of the difficulties from the pandemic and more recently inflation factors during the year on both suppliers and customers continues to affect the group and its ability to generate increased revenues and manage costs. The risk has been carefully managed by regularly reviewing our pricing propositions. External cost pressures such as rising fuel costs, business rates and wage inflation have affected the group during the year, but we have always attempted to mitigate the impact of these cost pressures on our customers and on overall profitability through cost saving measures wherever we can.

The group employed, on average, 205 staff during the year who were critical to the success of our branch network and invaluable in the help and support that we provide to our customers. Attracting and maintaining good relations with staff is essential to maximising branch performance so throughout the year our employment policies and salary packages were reviewed so as to be competitive with other employers.

With a large array of available stock lines to support customer needs, it is important that stock levels are reviewed and carefully managed so as to minimise the risk to the business of obsolete stock. The board regularly reviews overall stock levels and stock holding periods to ensure that stock lines are continually moving, and that obsolete stock is identified and dealt with at the appropriate time. A supplier and stock reduction program continues to optimise performance in this critical area.

Following the departure of the UK from the European Union ("Brexit") effective 1 January 2021, the board continues to assess the threats and opportunities that this creates for the group. There has certainly been an element of supplier price inflation which is not easily reflected in our pricing structure so that may have an impact on future gross margins. The other factor which has negatively impacted the group has been delays in importing goods into the UK. It is vital that the goods are available in the branch network to service customer requirements so this is closely monitored and certain workarounds may be required to manage this risk.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

Financial key performance indicators

The group's financial results and balance sheet position are set out on pages 8 and 9 of the financial statements.

Turnover from operations has increased by 13.9% from £29.4 million to £33.5 million for the year under review. Gross margin has increased slightly from 29.0% to 30.0%. The operating profit for the year is £1.2 million and the profit before tax for the year is £1.01 million.

The balance sheet net assets at 31 October 2022 total £8.8 million which is an increase on the prior year of £0.7 million as a result of retained profits for the year. Bank and other borrowings have decreased slightly in the year. All borrowing is secured over available group assets and the group has committed available facilities for the foreseeable future.

Overall, the group has significant net assets and net current assets and is in a strong position to look forward to future periods with continued confidence.

On behalf of the board



Mr J Birch

Director

20 October 2023

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 OCTOBER 2022

The director presents his annual report and financial statements for the year ended 31 October 2022.

Principal activities

The company's principal activity is that of a parent holding and property investment business.

The group's principal activity is that of merchants of engineering supplies, manufacturer of abrasive products, and supplier of specialist cutting tools and welding products.

Director

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

Mr J Birch

Results and dividends

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

Dividends totalling £90,000 (2021: £150,000) were paid in the year. The directors do not recommend payment of a further dividend.

Financial risk management objectives and policies

The director minimises financial risk by ensuring there are sufficient internal controls in place to reduce the risk of fraud and error occurring.

The group maintains a fully integrated stock and accounting system which reduces some of the financial risk, and all new accounts are credit checked to reduce potential bad debt risks.

The director manages the financing requirements of the businesses in conjunction with the group's funds provider.

Any further risks are managed as required.

Post reporting date events

Details of other post reporting date events are detailed in note 30 to the financial statements.

Future developments

Future developments of the group will in the short term be affected by the ongoing economic uncertainty and inflationary environment. There is a recent history of acquisitions of similar types of businesses and this trend will continue should the right business at the right price be identified by the director.

Auditor

In accordance with the company's articles, a resolution proposing that DSG be reappointed as auditor will be put at a General Meeting.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The director is 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. He is 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.

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 director individually has taken all the necessary steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



Mr J Birch
Director

20 October 2023

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Lloyd & Jones Engineers (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2022 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 director 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 director is 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

Matters on which we are required to report by exception

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

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is responsible for assessing the group and 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 director either intends to liquidate the group or parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

Discussions were held with and enquiries made of management and those charged with governance with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the group and parent company.

The following laws and regulations were identified as being of significance to the group and parent company:

- Those laws and regulations considered to have a direct effect on the financial statements including UK financial reporting standards, company law, tax and pensions legislation, and distributable profits legislation.
- Those laws and regulations for which non-compliance may be fundamental to the operating aspects of the business and therefore may have a material effect on the financial statements including environmental regulations, health and safety legislation, Trades Description Act and employment legislation.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance as to whether the group and parent company complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the group's and parent company's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the parent 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 parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

N Kelly

Neil Kelly BA FCA (Senior Statutory Auditor)
For and on behalf of DSG

20 October 2023

Chartered Accountants
Statutory Auditor

Castle Chambers
43 Castle Street
Liverpool
L2 9TL

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2022

	Notes	2022 £	2021 £
Turnover	3	33,482,909	29,401,854
Cost of sales		(23,442,795)	(20,863,067)
Gross profit		10,040,114	8,538,787
Distribution costs		(6,631,888)	(5,867,331)
Administrative expenses		(2,240,127)	(2,157,991)
Other operating income	4	19,088	222,361
Operating profit	5	1,187,187	735,826
Interest receivable and similar income	9	1,221	-
Interest payable and similar expenses	10	(123,833)	(80,809)
Fair value gains and losses on investment properties	15	(10,000)	-
Profit before taxation		1,054,575	655,017
Tax on profit	12	(240,492)	(196,458)
Profit for the financial year	28	814,083	458,559

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

There was no other comprehensive income for either the current or prior year.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

GROUP BALANCE SHEET

AS AT 31 OCTOBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Goodwill	13		576,235		360,280
Tangible assets	14		3,080,894		2,659,258
Investment properties	15		480,000		490,000
			<u>4,137,129</u>		<u>3,509,538</u>
Current assets					
Stocks	19	4,280,896		3,407,160	
Debtors	20	8,336,928		8,571,785	
Cash at bank and in hand		1,037,868		921,943	
		<u>13,655,692</u>		<u>12,900,888</u>	
Creditors: amounts falling due within one year	21	(8,666,541)		(7,605,746)	
Net current assets			<u>4,989,151</u>		<u>5,295,142</u>
Total assets less current liabilities			<u>9,126,280</u>		<u>8,804,680</u>
Creditors: amounts falling due after more than one year	22		(21,047)		(470,631)
Provisions for liabilities	25		(258,018)		(210,917)
Net assets			<u>8,847,215</u>		<u>8,123,132</u>
Capital and reserves					
Called up share capital	27		100		100
Capital redemption reserve	28		34,800		34,800
Merger reserve	28		15,100		15,100
Profit and loss reserves	28		8,797,215		8,073,132
Total equity			<u>8,847,215</u>		<u>8,123,132</u>

The financial statements were approved and signed by the director and authorised for issue on 20 October 2023



Mr J Birch
Director

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

AS AT 31 OCTOBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	14	2,042,961		2,077,930	
Investment property	15	480,000		490,000	
Investments	16	200		200	
			2,523,161		2,568,130
Current assets					
Debtors	20	1,663,470		1,972,446	
Cash at bank and in hand		61,267		93,450	
			1,724,737		2,065,896
Creditors: amounts falling due within one year	21	(314,088)		(428,972)	
Net current assets			1,410,649		1,636,924
Total assets less current liabilities			3,933,810		4,205,054
Creditors: amounts falling due after more than one year	22		-		(378,536)
Net assets			3,933,810		3,826,518
Capital and reserves					
Called up share capital	27		100		100
Profit and loss reserves	28		3,933,710		3,826,418
Total equity			3,933,810		3,826,518

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 £197,292 (2021 - £331,713)

The financial statements were approved and signed by the director and authorised for issue on 20 October 2023



Mr J Birch
Director

Company registration number 04231454 (England and Wales)

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2022

	Notes	Share capital £	Capital redemption reserve £	Merger reserve £	Profit and loss reserves £	Total £
Balance at 1 November 2020		100	34,800	15,100	7,614,573	7,664,573
Year ended 31 October 2021:						
Profit and total comprehensive income for the year		-	-	-	458,559	458,559
Balance at 31 October 2021		100	34,800	15,100	8,073,132	8,123,132
Year ended 31 October 2022:						
Profit and total comprehensive income for the year		-	-	-	814,083	814,083
Dividends	11	-	-	-	(90,000)	(90,000)
Balance at 31 October 2022		100	34,800	15,100	8,797,215	8,847,215

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

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

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 November 2020		100	3,494,705	3,494,805
Year ended 31 October 2021:				
Profit and total comprehensive income for the year		-	331,713	331,713
Balance at 31 October 2021		100	3,826,418	3,826,518
Year ended 31 October 2022:				
Profit and total comprehensive income		-	197,292	197,292
Dividends	11	-	(90,000)	(90,000)
Balance at 31 October 2022		100	3,933,710	3,933,810

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	33	1,580,295		462,075	
Interest paid		(123,833)		(80,809)	
Income taxes paid		(116,096)		(189,344)	
Net cash inflow from operating activities		1,340,366		191,922	
Investing activities					
Purchase of tangible fixed assets		(953,837)		(589,640)	
Proceeds on disposal of tangible fixed assets		99,159		401,844	
Net cash outflow on acquisitions	29	(255,957)		(36,236)	
Interest received		1,221		-	
Net cash used in investing activities		(1,109,414)		(224,032)	
Financing activities					
(Repayment)/receipt of borrowings		423,362		516,550	
Repayment of bank loans		(423,126)		(44,589)	
Payment of finance leases obligations		(25,263)		(25,830)	
Dividends paid to equity shareholders		(90,000)		-	
Net cash (used in)/generated from financing activities		(115,027)		446,131	
Net increase in cash and cash equivalents		115,925		414,021	
Cash and cash equivalents at beginning of year		921,943		507,922	
Cash and cash equivalents at end of year		1,037,868		921,943	

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

Company information

Lloyd & Jones Engineers (Holdings) Limited ("the company") is a private company limited by shares incorporated in England and Wales. The registered office is Langton House, 74 Regent Road, Liverpool, L20 1BL.

The group consists of Lloyd & Jones Engineers (Holdings) Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation

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

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

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Lloyd & Jones Engineers (Holdings) Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements of non-dormant subsidiary undertakings are made up to 31 October, with the exception of Mersey Equipment Company, PSI Industrial Supplies Limited and Planet Welding Industrial Limited which are made up to 28 February 2022, 31 December 2021 and 31 December 2021 respectively. 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.

1.3 Going concern

The financial statements have been prepared on a going concern basis. At 31 October 2022, the group had net assets of £8.8 million and net current assets of £5.0 million, together with a cash reserves of £1.0 million and committed bank facilities with its bankers through to a period of at least 12 months from the date of signing the financial statements. The parent company had net assets of £3.9 million and net current assets of £1.4 million together with cash reserves of £0.1 million.

Management have prepared forecasts of financial performance to cover a period of 12 months from the date of signing the financial statements. The director is confident that the group can meet these forecasts under normal operating conditions. The risks associated with the ongoing economic uncertainty and inflationary environment have been assessed by the directors as referred to in the Director's Report. To date the group has not experienced any significant impact on its financial performance or available cash reserves, although the forecasts assume that the group's revenue and margins may be impacted to some extent which could lead to reduced profitability of the business overall.

The director considers the forecast to be a robust assessment of likely activity. Based on this assessment, the director believes that it remains appropriate to prepare the financial statements of the group and parent company on a going concern basis.

1.4 Turnover

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

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

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5, 10 and 20 years dependent on the transaction.

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

1.6 Intangible fixed assets other than goodwill

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

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

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

Other intangibles	20% straight line basis
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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.

Land is not depreciated. Depreciation on other assets 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 buildings	2% straight line basis
Leasehold buildings	over the unexpired term of the lease
Leasehold improvements	20% straight line basis
Plant and equipment	25% reducing balance basis
Fixtures and fittings	25% reducing balance basis
Motor vehicles	25% reducing balance basis

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 income statement.

1.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

Property rented to a group entity is accounted for as tangible fixed assets.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

1.9 Fixed asset investments

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.

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

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

1.12 Cash and cash equivalents

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

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

1.13 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.

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.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

1.14 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.

1.15 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 income statement, 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.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

1.16 Provisions

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

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

1.17 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 group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Retirement benefits

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

1.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.20 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.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

1.21 Foreign exchange

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

1.22 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Assessing indicators of impairment

The director has determined whether there are indicators of impairment of the group's investments, tangible assets, and intangible assets including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Key sources of estimation uncertainty

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

Estimating value in use

Where an indication of impairment exists, the director will carry out an impairment review to determine the recoverable amount which is the higher of fair value less costs to sell and value in use. The value in use calculation requires the director to estimate the future cash flows expected to arise from the asset or the cash generating unit, and a suitable discount rate in order to calculate present value.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

2 Judgements and key sources of estimation uncertainty

(Continued)

Recoverability of receivables

The group establishes a provision for receivables that are estimated to not be recoverable. When assessing recoverability the director considers factors such as the ageing of receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

Determining the stock provision

The group provides for obsolete and slow moving stock. Management undertake an assessment of which stocks are no longer economically feasible based on consumer performance, before allocating the necessary provisions to bring the stock valuation in line with the accounting policy stated above.

Determining residual values and useful economic lives of tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles, and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3 Turnover and other revenue

The whole of the turnover is attributable to the principal activity of the group.

	2022 £	2021 £
Other significant revenue		
Interest income (note 9)	1,221	-
Other operating income (note 4)	19,088	222,361

	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	33,333,413	28,728,851
Rest of the world	149,496	673,003
	<u>33,482,909</u>	<u>29,401,854</u>

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

4 Other operating income

	2022 £	2021 £
Government grants receivable	-	181,733
Sundry income	582	12,018
Rent receivable	18,506	28,610
	<u>19,088</u>	<u>222,361</u>

The government grant relates to money received under the Coronavirus Job Retention Scheme (CJRS) which covers a proportion of salary costs, national insurance and pension contributions for staff placed on furlough.

5 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	1,245	15,183
Government grants	-	(181,733)
Depreciation of owned tangible fixed assets	453,914	431,031
Depreciation of tangible fixed assets held under finance leases	24,800	24,800
Profit on disposal of tangible fixed assets	(45,672)	(4,548)
Amortisation of intangible assets	186,325	117,694
	<u></u>	<u></u>

6 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	5,500	2,750
Audit of the financial statements of the company's subsidiaries	18,500	14,000
	<u>24,000</u>	<u>16,750</u>
For other services (all group companies)		
Taxation compliance services	3,650	1,975
All other non-audit services	5,200	2,100
	<u>8,850</u>	<u>4,075</u>

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

7 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
Sales and distribution staff	167	155	-	-
Administrative staff	38	36	-	-
Total	205	191	-	-

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	5,610,352	4,932,972	-	-
Social security costs	552,278	464,985	-	-
Pension costs	148,687	150,661	-	-
	6,311,317	5,548,618	-	-

8 Director's remuneration

	2022 £	2021 £
Remuneration for qualifying services	71,877	63,012
	71,877	63,012

9 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	1,221	-

10 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and loans	16,160	13,383
Interest on invoice finance arrangements	103,252	62,284
Other interest on financial liabilities	-	552
Other interest	4,421	4,590
	123,833	80,809

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

11 Dividends

	2022 £	2021 £
Dividends paid on equity capital	90,000	-

12 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	193,532	134,583
Adjustments in respect of prior periods	-	(5,900)
Total current tax	193,532	128,683
Deferred tax		
Origination and reversal of timing differences	46,960	23,167
Changes in tax rates	-	44,608
Total deferred tax	46,960	67,775
Total tax charge	240,492	196,458

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 £	2021 £
Profit before taxation	1,054,575	655,017
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	200,369	124,453
Tax effect of expenses that are not deductible in determining taxable profit	28,304	35,146
Other non-reversing timing differences	539	60
Under/(over) provided in prior years	-	(5,900)
Other differences leading to an increase in tax charge	11,280	42,699
Taxation charge	240,492	196,458

Factors affecting future tax charges

Finance Act 2021 includes provisions to increase the corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

13 Intangible fixed assets

Group	Goodwill	Other Intangibles	Total
	£	£	£
Cost			
At 1 November 2021	1,610,253	10,000	1,620,253
Arising on business combinations (note 29)	402,280	-	402,280
At 31 October 2022	2,012,533	10,000	2,022,533
Amortisation and impairment			
At 1 November 2021	1,249,973	10,000	1,259,973
Amortisation charged for the year	186,325	-	186,325
At 31 October 2022	1,436,298	10,000	1,446,298
Carrying amount			
At 31 October 2022	576,235	-	576,235
At 31 October 2021	360,280	-	360,280
Company			Goodwill
			£
Cost			
At 1 November 2021 and 31 October 2022			117,653
Amortisation and impairment			
At 1 November 2021 and 31 October 2022			117,653
Carrying amount			
At 31 October 2022			-
At 31 October 2021			-

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

14 Tangible fixed assets

Group	Freehold buildings £	Leasehold buildings £	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost							
At 1 November 2021	1,192,536	427,846	119,121	1,560,992	256,924	1,392,578	4,949,997
Additions	-	-	-	517,719	1,213	434,905	953,837
Disposals	-	-	-	(243,175)	(97,373)	(120,220)	(460,768)
At 31 October 2022	1,192,536	427,846	119,121	1,835,536	160,764	1,707,263	5,443,066
Depreciation and impairment							
At 1 November 2021	236,536	100,643	47,648	1,017,324	227,142	661,446	2,290,739
Depreciation charged in the year	29,704	5,265	23,825	159,925	7,218	252,777	478,714
Eliminated in respect of disposals	-	-	-	(233,341)	(96,796)	(77,144)	(407,281)
At 31 October 2022	266,240	105,908	71,473	943,908	137,564	837,079	2,362,172
Carrying amount							
At 31 October 2022	926,296	321,938	47,648	891,628	23,200	870,184	3,080,894
At 31 October 2021	956,000	327,203	71,473	543,668	29,782	731,132	2,659,258

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

14 Tangible fixed assets

(Continued)

Company	Freehold buildings £	Leasehold buildings £	Total £
Cost			
At 1 November 2021 and 31 October 2022	1,870,109	545,000	2,415,109
Depreciation and impairment			
At 1 November 2021	236,536	100,643	337,179
Depreciation charged in the year	29,704	5,265	34,969
At 31 October 2022	266,240	105,908	372,148
Carrying amount			
At 31 October 2022	1,603,869	439,092	2,042,961
At 31 October 2021	1,633,573	444,357	2,077,930

The carrying value of land and buildings comprises:

Group

Freehold land of £145,025 (2021: £145,025) and leasehold land of £69,022 (2021: £69,022) which is not depreciated.

Company

Freehold land of £448,986 (2021: £448,986) and leasehold land of £174,050 (2021: £174,050) which is not depreciated.

	Group 2022 £	2021 £	Company 2022 £	2021 £
Freehold	926,296	956,000	1,603,869	1,633,573
Long leasehold	321,938	327,203	439,092	444,357
	<u>1,248,234</u>	<u>1,283,203</u>	<u>2,042,961</u>	<u>2,077,930</u>

Investment properties rented to another group entity have been accounted for using the cost model. The carrying value of these investment properties included within company tangible fixed assets is £2,042,961 (2021 - £2,077,930). The carrying value of these investment properties included within group tangible fixed assets is £1,248,234 (2021 - £1,283,203).

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2022 £	2021 £
Plant and equipment	<u>55,799</u>	<u>74,399</u>

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

15 Investment property

	Group 2022 £	Company 2022 £
Fair value		
At 1 November 2021	490,000	490,000
Net gains or losses through fair value adjustments	(10,000)	(10,000)
At 31 October 2022	480,000	480,000

Investment property is valued on an open market value basis.

Charleywood Road, Knowsley, is valued at £400,000 based on a professional valuation in June 2019 by Mason Owen, who are not connected with the group. The historic cost of the property is £560,000.

Brasenose Road, Bootle, is valued at £80,000 based on the director's valuation. The director does not hold professional qualifications. The historic cost of the property is £200,000.

No deferred tax asset has been recognised in respect of capital losses arising on timing differences between the carrying value of investment properties and the base cost for tax purposes due to uncertainty over whether sufficient capital gains will arise in future to utilise these losses.

16 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	17	-	-	200	200

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 November 2021 and 31 October 2022	200
Carrying amount	
At 31 October 2022	200
At 31 October 2021	200

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

17 Subsidiaries

Details of the company's subsidiaries at 31 October 2022 are as follows, indirect holdings are held by the subsidiary undertaking, Lloyd & Jones Engineers Limited.

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Lloyd & Jones Engineers Limited	See below	Engineering supplies	Ordinary A	100.00	-
HB Tools (Ormskirk) Limited	See below	Dormant	Ordinary	100.00	-
D.L. Skerrett Engineering Limited	See below	Dormant	Ordinary	100.00	-
Central Polishing Supply Co. Limited	See below	Dormant	Ordinary	-	100.00
Tooltek Supplies Limited	See below	Dormant	Ordinary	-	100.00
European Welding Supplies Limited	See below	Dormant	Ordinary	-	100.00
North Valley Supplies Limited	See below	Dormant	Ordinary A & B	-	100.00
Mersey Equipment Company Ltd	See below	Dormant	Ordinary	-	100.00
PSI Industrial Supplies Limited	See below	Dormant	Ordinary	-	100.00
Planet Welding Industrial Ltd	See below	Dormant	Ordinary	-	100.00

The registered address of all subsidiaries above is c/o Lloyd & Jones Engineers Ltd, PO Box 29, Regent Road, Bootle, L20 1BL.

Mersey Equipment Company Limited (registration number: 01185922) is exempt from the requirement for audit of their individual financial statements under section 479A of the Companies Act 2006.

PSI Industrial Supplies Limited (registration number: 03476540) is exempt from the requirement for audit of their individual financial statements under section 479A of the Companies Act 2006.

Planet Welding Industrial Ltd (registration number: 06024818) is exempt from the requirement for audit of their individual financial statements under section 479A of the Companies Act 2006.

18 Financial instruments

	Group 2022 £	2021 £	Company 2022 £	2021 £
Carrying amount of financial assets				
Instruments measured at fair value through profit or loss	480,000	490,000	480,000	490,000

Financial assets measured at fair value through profit or loss comprise investment property held by the group and company.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

19 Stocks

	Group 2022 £	2021 £	Company 2022 £	2021 £
Finished goods and goods for resale	4,280,896	3,407,160	-	-

Included within stock is £534,680 (2021: £508,399) of stock on consignment at customer's premises. As the group bear the risk associated with this stock, it remains their property until used by the customer.

20 Debtors

	Group 2022 £	2021 £	Company 2022 £	2021 £
Amounts falling due within one year:				
Trade debtors	7,344,026	7,233,770	-	391,990
Amounts owed by group undertakings	-	-	1,661,066	1,268,052
Other debtors	912,703	1,221,857	-	310,000
Prepayments and accrued income	80,199	116,158	2,404	2,404
	8,336,928	8,571,785	1,663,470	1,972,446

The invoice financing facility is secured by way of a fixed charge over eligible trade debtors.

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

21 Creditors: amounts falling due within one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans	23	-	44,590	-	44,590
Obligations under finance leases	24	23,750	27,965	-	-
Other borrowings	23	2,678,213	2,254,851	-	-
Trade creditors		4,235,399	3,799,768	6,264	171,769
Corporation tax payable		224,245	146,809	37,295	46,339
Other taxation and social security		619,530	457,474	72,163	15,565
Directors current account		61,996	96,159	-	2,343
Other creditors		345,190	215,966	193,015	143,015
Accruals and deferred income		478,218	562,164	5,351	5,351
		8,666,541	7,605,746	314,088	428,972

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

22 Creditors: amounts falling due after more than one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans and overdrafts	23	-	378,536	-	378,536
Obligations under finance leases	24	21,047	42,095	-	-
Other creditors		-	50,000	-	-
		<u>21,047</u>	<u>470,631</u>	<u>-</u>	<u>378,536</u>

23 Loans and overdrafts

		Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans		-	423,126	-	423,126
Other borrowings		2,678,213	2,254,851	-	-
		<u>2,678,213</u>	<u>2,677,977</u>	<u>-</u>	<u>423,126</u>
Payable within one year		2,678,213	2,299,441	-	44,590
Payable after one year		-	378,536	-	378,536

Other borrowings comprise an invoice discounting facility of £2,678,213 (2021: £2,254,851).

Barclays Bank PLC holds a debenture including a fixed and floating charge over all present freehold and leasehold properties and all other assets and undertakings, both present and future, dated 5 July 2021 to secure invoice discounting facilities.

Svenska Handelsbanken AB also hold a charge over the land and buildings at Charleywood Road, Knowsley, by a deed dated 24 July 2015, and a charge over the land and buildings at 74b Regent Road, Bootle by a deed dated 3 January 2020.

24 Finance lease obligations

	Group 2022 £	2021 £	Company 2022 £	2021 £
Future minimum lease payments due under finance leases:				
Within one year	23,750	27,965	-	-
In two to five years	21,047	42,095	-	-
	<u>44,797</u>	<u>70,060</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the group for certain items of plant and equipment. Finance leases are secured over the assets concerned. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

25 Deferred taxation

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

	Liabilities 2022 £	Liabilities 2021 £
Group		
Accelerated capital allowances	258,018	210,917

The company has no deferred tax assets or liabilities.

	Group 2022 £	Company 2022 £
Movements in the year:		
Liability at 1 November 2021	210,917	-
Charge to profit or loss	46,960	-
Arising on business combinations (note 29)	141	-
Liability at 31 October 2022	258,018	-

No reversal of the deferred tax liability is expected over the next 12 months.

26 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	148,687	150,661

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions totalling £27,175 (2021: £23,480) were payable to the fund at the balance sheet date.

27 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary A of 1p each	9,500	9,500	95	95
Ordinary B of 1p each	500	500	5	5
	10,000	10,000	100	100

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

27 Share capital

(Continued)

The ordinary A and ordinary B share capital carries equal voting rights.

At every general meeting at which, or every written resolution by which, a dividend is declared shall by way of ordinary resolution:

i) direct that such dividend be paid in respect of one or more classes of shares to the exclusion of the other classes or in respect of all classes of shares; and

ii) where a dividend is declared in respect of more than one class of shares the company may, by ordinary resolution, differentiate between such classes as to the amount or percentage of dividend payable on each class of shares, but in default of such direction the shares in each such class shall be deemed for the purpose of such dividend to rank pari passu in all respects as if they constituted one class of share.

28 Reserves

Capital redemption reserve

This reserve records the nominal value of shares repurchased.

Merger reserve

This reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares.

Profit and loss reserve

This reserve comprises accumulated profits and losses generated less any dividends voted by the balance sheet date.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

29 Acquisitions

On 7 December 2021 the subsidiary company Lloyd & Jones Engineers Limited acquired 100% of the issued capital of PSI Industrial Supplies Limited. The following tables set out a summary of the assets and liabilities assumed during the transaction together with details of how the purchase consideration was settled.

	Book Value £	Adjustments £	Fair Value £
Inventories	70,064	-	70,064
Trade and other receivables	148,110	-	148,110
Cash and cash equivalents	525,720	-	525,720
Trade and other payables	(144,630)	-	(144,630)
Deferred tax	(141)	-	(141)
Total identifiable net assets	599,123	-	599,123
Goodwill			171,258
Total consideration			770,381
The consideration was satisfied by:			£
Cash			720,381
Deferred consideration			50,000
			770,381
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			494,904
Profit after tax			31,743
The cash outflow on acquisition was as follows:			£
Cash outflow on acquisition			(720,381)
Cash and cash equivalents acquired			525,720
Net cash outflow on acquisition			(194,661)

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

29 Acquisitions

(Continued)

On 9 May 2022 the subsidiary company Lloyd & Jones Engineers Limited acquired 100% percent of the issued capital of Planet Welding Industrial Ltd. The following tables set out a summary of the assets and liabilities assumed during the transaction together with details of how the purchase consideration was settled.

	Book Value £	Adjustments £	Fair Value £
Trade and other receivables	66,852	-	66,852
Cash and cash equivalents	13,704	-	13,704
Trade and other payables	(211,578)	-	(211,578)
Total identifiable net assets	(131,022)	-	(131,022)
Goodwill			231,022
Total consideration			100,000
The consideration was satisfied by:			£
Cash			75,000
Deferred consideration			25,000
			100,000
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			-
Profit after tax			-
The cash outflow on acquisition was as follows:			£
Cash outflow on acquisition			(75,000)
Cash and cash equivalents acquired			13,704
Net cash outflow on acquisition			(61,296)

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

30 Events after the reporting date

On 28 April 2023, Lloyd & Jones Engineers Limited acquired the entire issued share capital of Jackdaw Tools Holdings Limited for consideration of £425,000.

On 31 August 2023, Lloyd & Jones Engineers Limited acquired the entire issued share capital of Rishton Abrasive Products Limited for consideration of £80,000.

31 Related party transactions

During the year, the company paid dividends of £40,000 to the director, Mr J Birch.

Included in other creditors at the year-end date are amounts owed to Mrs C Birch of £193,015 (2021: £143,015).

Mrs C Birch, Mr D Lester, Mr S Ranson, and Mr A Boden are directors of the principal trading subsidiary undertaking, Lloyd & Jones Engineers Limited. During the year, these key management personnel earned remuneration of £270,369 (2021: £257,810) and the group paid contributions to defined contribution pension schemes on their behalf of £4,148 (2021: £9,125).

Included in creditors falling due in less than one year at the year-end date is a director's loan account balance of £61,996 (2021: £96,159) owed to Mr J Birch. The loan account accrues interest at a rate of 5% per annum.

Mr J Birch is a shareholder of Lloyd & Jones Engineers Holdings (IOM) Limited which owns 100% of the share capital of Target Tools Limited. Included in other debtors due in less than one year at the year-end date is a loan balance of £900,000 (2021: £900,000) due from Target Tools Limited. During the year, the group made sales of £56,560 (2021: £59,395) to Target Tools Limited and was owed £9,566 (2021: £14,717) at the year-end date. During the year, the group made purchases from Target Tools Limited of £12,643 (2021: £13,371) and owed £1,659 (2021: £2,518) at the year-end date.

During the year, the group rented premises owned by the Lloyd & Jones Engineers Limited Retirement & Death Benefit Pension Scheme. The group paid rent of £291,034 (2021: £295,200) in respect of these premises.

Advantage has been taken of the exemptions under FRS 102 not to disclose group transactions and balances with group companies which are wholly owned. There are no other transactions that are required to be disclosed under FRS 102.

32 Controlling party

The group and parent company were under the control of Mr J Birch throughout the current and prior year.

LLOYD & JONES ENGINEERS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

33 Cash generated from group operations

	2022 £	2021 £
Profit for the year after tax	814,083	458,559
Adjustments for:		
Taxation charged	240,492	196,458
Finance costs	123,833	80,809
Investment income	(1,221)	-
Gain on disposal of tangible fixed assets	(45,672)	(4,548)
Fair value loss on investment properties	10,000	-
Amortisation and impairment of intangible assets	186,325	117,694
Depreciation and impairment of tangible fixed assets	478,714	455,831
Movements in working capital:		
Increase in stocks	(803,672)	(43,312)
Decrease/(increase) in debtors	449,819	(1,160,272)
Increase in creditors	127,594	360,856
Cash generated from operations	<u>1,580,295</u>	<u>462,075</u>

34 Analysis of changes in net debt - group

	1 November 2021 £	Cash flows £	31 October 2022 £
Cash at bank and in hand	921,943	115,925	1,037,868
Borrowings excluding overdrafts	(2,677,977)	(236)	(2,678,213)
Obligations under finance leases	(70,060)	25,263	(44,797)
	<u>(1,826,094)</u>	<u>140,952</u>	<u>(1,685,142)</u>