

Company Registration No. 07229532 (England and Wales)

**AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022**

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AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED

COMPANY INFORMATION

Director	D Patel H Patel
Company Secretary	H Patel
Registered Office	Sterling Works Texas Street Morley Leeds LS27 0HG
Company Number	7229532
Statutory Auditor	Brown Butler Leigh House 28-32 St Paul's Street Leeds LS1 2JT

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the Strategic Report for the year ended 31 December 2022.

Fair review of the business

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

The directors are of the opinion that the group has taken further steps to solidify its position as the market leader for wholesale electrical and wiring products. The group has continued to grow and maintain profitability whilst also maintaining high standards for customers and ensuring suppliers and employees have been treated fairly.

Turnover

Turnover of the group remained consistent year on year, despite a challenging economic environment, which is a result of the group focusing on continuing to meet its customers' needs of consistent supply and competitive pricing and working with customers to help maintain healthy trading relationships. The directors believe that continuing to focus on maintaining good levels of quality stocks has allowed the group to continue to offer stable pricing and support to customers despite issues with high rates of inflation.

Gross Profit

The group's gross profit margin has increased from 30.3% to 35.8% during the year, which is predominately due to increased purchasing scales and the significant reductions seen in the cost of importing goods compared to the peak costs of 2021. The directors believe that the strong gross profit of the group demonstrates the continued commitment to sourcing high quality products at the most competitive prices and the benefit of working closely with trusted suppliers.

Operating Profit

Operating profit has increased by 21.8% in 2022. This increase has been due to the directors and their management team ensuring the group operates efficiently and reducing non-essential expenditure. Despite strict cost controls the group has increased its headcount and made additional cost of living payments in a continuing effort to prioritise the wellbeing of its employees.

Financial Position

At the year end the balance sheet showed the group to be in a strong position, with an increased net assets from £5,982,599 in 2021 to £7,735,553 in 2022. The directors remain committed to growth in the group and have been focused on maintaining a strong balance sheet to provide a platform for future successful years. The most significant areas of the group's financial position are as follows:

Inventory

During the year the group has looked to increase inventories both by expanding the range of products offered and in total items held. The increased inventory held has allowed the group to offer customers more consistent prices despite consistently increasing costs and availability issues with both raw materials and freight services. The group remains in a good position to provide its customers with a reliable supply of high quality stocks.

Net Assets

The group has strengthened its net asset position during the year through investment in current assets and the repayment of its borrowings. As a result the group is in a strong position for the foreseeable future.

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

The group continues to monitor and evaluate the principal risks and uncertainties facing the group. Identifying the risks faced by the group allows management to manage them effectively and keep the group well positioned to continue to succeed. The primary risks that have the potential to adversely impact the business over the next twelve months are considered to be as follows:

- Adverse movements in international markets - The group operates in a number of historically volatile markets and currencies and changes in these markets has the potential to quickly create adverse trading conditions. The group mitigates this risk by maintaining close relationships with suppliers and monitoring currency and raw material trends.
- Loss of key customers - The loss of one or more major customers can be a significant risk. The group does not have a high level of dependence on any one individual customer.
- Loss of key personnel - The group has a strong core management team and the loss of a key employee could have an impact. The group looks to develop and reward key employees to help mitigate this risk. The group has also invested in expanding its headcounts in all departments to reduce this risk.
- Inventory obsolescence - The group holds significant amounts of inventory which creates a risk of obsolescence and a risk of pressure on working capital. The group performs perpetual inventory counts and regular budgeting updates to ensure inventory records are up to date and minimise the risks associated with the inventory holding.

Key performance indicators

The primary financial key performance indicators used by the directors and management of the group to assess the success of the group are those highlighted above in the review of the business for the financial year.

In addition to the financial key performance indicators the group also has the following non-financial indicators to allow management and directors to maintain high levels of performance throughout the group.

- The group sets its purchasing team ambitious targets on limiting the number of items that are out of stock at any given time. The group aims to be able to deliver customer orders without delay from existing stocks within the United Kingdom which requires accuracy in the quantity and timing of purchases from suppliers with long lead times.
- The group prides itself on providing the best possible customer service and delivery of orders to its customers. The group's employees are tasked with completing orders with accuracy and efficiency and the management and directors of the group set departmental targets to keep mistakes to a minimum and customer satisfaction as high as possible. The group has also introduced a cycle of customer satisfaction surveys to ensure customer needs are being met.

Future Developments

The group will continue to capitalise from a strong position in the market and look to provide increased range and consistent quality to its existing customers while also looking to target new customers that can benefit from the group's range and quality. After the year end the company acquired the entire share capital of Beal (UK) Limited a company with similar activities to the existing group. More details of this transaction are shown in note 28.

The Strategic Report was approved by the board on 22nd September 2023 and signed on its behalf by



D Patel
Director

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

The principal activities of the group during the year continued to be the sale and distribution of products for the automotive and electrical industries.

Results and dividends

The results for the year are disclosed in the Statement of Income and Retained Earnings.

The directors do not recommend the payment of a final dividend. Dividends of £1,531,080 were paid during the year (2021: £752,936).

Director

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

D Patel

H Patel

Auditors

The auditor, Brown Butler, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the group's auditors are unaware; and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

The Directors' Report was approved by the board on 22nd September 2023 and signed on its behalf by:


D Patel

Director

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED

Opinion

We have audited the financial statements of Automotive & Industrial Consumables Limited (the "parent group") and its subsidiaries (the "group") for the year ended 31 December 2022, which comprise the Consolidated Statement of Income and Retained Earnings, the Consolidated Statements of Financial Position, Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of 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 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 ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOMOTIVE & INDUSTRIAL CONSUMABLES
LIMITED (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group'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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The key laws and regulations we have considered in this context included the Companies Act, pension and tax legislation. In addition, we have considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Using our general commercial and sector experience and through discussions with the directors and other management, we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements as well as those arising from management's own assessment of the risks that irregularities may occur either as a result of fraud or error.
- We examined the group's regulatory and legal correspondence and discussed with the directors and other management any known or suspected instances of fraud or non-compliance with laws and regulations
- We communicated and discussed identified laws and regulations and potential fraud risks with all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED (continued)

- In addressing the risk of management override of controls, we tested the appropriateness of journal entries. We also challenged assumptions and judgements made by management in their significant accounting estimates and judgements. We also discussed related party relationships and transactions involving them.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentation, or through collusion.

Use of our report

This report is made solely to the group'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 group'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 group and the group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Brown Butler

Linda Cooper (Senior Statutory Auditor)
For and on behalf of Brown Butler
Chartered Accountants and Statutory Auditor
Leigh House
28-32 St Paul's Street
Leeds
LS1 2JT

Date: 27 September 2023

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	16,318,337	16,409,139
Cost of sales		(10,483,065)	(11,435,888)
Gross Profit		5,835,272	4,973,251
Administrative expenses		(1,727,861)	(1,618,444)
Other operating income		-	16,930
Operating profit	4	4,107,411	3,371,737
Interest receivable and similar income	5	1,552	1,229
Interest payable and similar expenses	8	(43,501)	(41,309)
Profit on ordinary activities before taxation		4,065,462	3,331,657
Taxation	9	(758,622)	(714,895)
Profit for the financial year		3,306,840	2,616,762
Retained Earnings at 1 January		5,518,660	3,854,634
Dividends	10	(1,531,080)	(752,936)
Retained Earnings at 31 December		7,294,220	5,518,660

All of the activities of the group are classed as continuing.

The notes on pages 12 to 22 form part of these financial statements.

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

Company Registration No. 07229532 (England and Wales)

	Notes	£	2022	£	£	2021	£
Fixed assets							
Tangible assets	13			205,483			165,210
Intangible assets	12			753,125			876,640
Current assets							
Stocks	14		7,139,266		5,704,718		
Debtors	15		2,791,458		3,413,284		
Cash at bank and in hand			<u>505,685</u>		<u>384,884</u>		
			<u>10,436,409</u>		<u>9,502,886</u>		
Creditors: amounts falling due within one year	16		(3,536,782)		(4,269,234)		
Net current assets				<u>6,899,627</u>		<u>5,233,751</u>	
Total assets less current liabilities				<u>7,858,235</u>		<u>6,275,602</u>	
Creditors: amounts falling due after one year	17			(95,141)		(254,525)	
Provisions for liabilities	19			(27,542)		(38,478)	
Net assets				<u>7,735,552</u>		<u>5,982,599</u>	
Capital and reserves							
Called up share capital	20			200		200	
Share Premium	21			474,900		474,900	
Foreign exchange reserve	21			(33,768)		(11,161)	
Profit and loss reserves	21			<u>7,294,220</u>		<u>5,518,660</u>	
Total equity				<u>7,735,552</u>		<u>5,982,599</u>	

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the board on 22nd September 2023 and signed on its behalf by:

D Patel

Director

The notes on pages 12 to 22 form part of these financial statements.

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

Company Registration No. 07229532 (England and Wales)

	Notes	£	2022	£	2021	£
Fixed assets						
Tangible assets	13			2,255		2,653
Investments	11			2,720,832		2,720,932
Current assets						
Debtors	15		123,234		740,358	
Cash at bank and in hand			<u>99,508</u>		<u>39,433</u>	
			<u>222,740</u>		<u>779,791</u>	
Creditors: amounts falling due within one year	16		(2,271,100)		(1,401,257)	
Net current assets				<u>(2,048,360)</u>		<u>(621,466)</u>
Total assets less current liabilities				<u>674,827</u>		<u>2,102,119</u>
Creditors: amounts falling due after one year	17			24,654.00		(217,480)
Provisions for liabilities	19			(580)		(504)
Net assets				<u>649,613</u>		<u>1,884,155</u>
Capital and reserves						
Called up share capital	20			200		200
Share Premium	21			474,900		474,900
Profit and loss reserves	21			<u>174,513</u>		<u>1,409,055</u>
Total equity				<u>649,613</u>		<u>1,884,155</u>

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

As permitted by s408 Companies Act 2006, the company has not presented its own statement of income and retained earnings as it prepares group accounts. The company's profit and total comprehensive income for the year was £286,538 (2021 - £933,182).

The financial statements were approved by the board on 22nd September 2023 and signed on its behalf by:

D Patel

Director

The notes on pages 12 to 22 form part of these financial statements.

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

Company Registration No. 07229532 (England and Wales)

		2022		2021	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	24		2,672,403		1,405,044
Interest paid			(43,501)		(41,309)
Income taxes paid			(664,946)		(481,066)
Net cash inflow from operating activities			1,963,956		882,667
Investing activities					
Purchase of intangible assets		(16,071)		(3,594)	
Purchase of tangible assets		(24,674)		(33,920)	
Interest received		1,552		1,229	
Net cash used in investing activities			(39,193)		(36,285)
Financing activities					
Repayment of bank loans		(233,045)		(355,909)	
(Purchase of)/proceeds from derivatives		-		(69,917)	
Payment of obligations under finance leases		(30,084)		(16,618)	
Dividends paid to owners of the parent		(1,531,080)		(703,374)	
Net cash used in financing activities			(1,794,209)		(1,145,818)
Net (decrease)/increase in cash and cash equivalents			130,554		(299,436)
Cash and cash equivalents at beginning of year			384,984		674,452
Effect of foreign exchange rates			(9,853)		9,968
Cash and cash equivalents at end of year			505,685		384,984
Relating to:					
Cash at bank and in hand			505,685		384,984
Bank overdrafts			0		0
Cash and cash equivalents at end of year			505,685		384,984

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies

Company Information

Automotive & Industrial Consumables Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Sterling Works, Texas Street, Morley, Leeds, LS27 0HG. The company's registration number is 07229532.

Basis of preparation

The group financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 (2018) "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and the Companies Act 2006. The group financial statements have been prepared on a going concern basis under the historical cost convention modified to include certain items at fair value. The presentation currency is £ Sterling and monetary amounts are rounded to the nearest £.

The significant accounting policies applied in the preparation of these group financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022.

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

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Company Statement of Income and Retained Earnings

As permitted by s408 Companies Act 2006, the company has not presented its own statement of income and retained earnings as it prepares group accounts and the company's individual statement of financial position shows the company's profit or loss for the financial year.

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.

Revenue from the sale of goods and services is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on delivery of 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.

Tangible Fixed Assets

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

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

Plant and machinery	15% reducing balance
Fixtures and fittings	15% reducing balance
Computer equipment	33% reducing balance
Leasehold improvements	15% reducing balance
Motor vehicles	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to the Statement of Income and Retained Earnings.

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

Intangible Fixed Assets

Intangible assets are initially recognised at cost and subsequently measured at cost, net of amortisation and any impairment losses.

Amortisation

Amortisation is charged so as to allocate the cost of intangible assets less their residual values over their estimated useful lives. The annual rates and method of amortisation are as follows:

Goodwill	10% straight line
Computer software	33% reducing balance

Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. These are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss cease to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount over its remaining useful life.

Government Grants

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The group has not directly benefited from any other forms of government assistance.

Foreign Currency Translation

Foreign currency transactions are translated into the group's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'administrative expenses'.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to sell. Allowances are made for obsolete and slow moving items where necessary. Cost is determined using the weighted average cost basis and includes the purchase price, any taxes, duties, handling fees and transport costs that are directly attributable to bringing the stock to its present location and condition.

At each reporting date, the group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Stocks held for consumption or distribution at no or nominal consideration are measured at cost.

Net realisable value is the estimated selling price less all estimated costs to be incurred in selling and distribution.

Retirement Benefits

The group operates a defined contribution pension scheme. Contributions payable to the scheme are charged to profit or loss in the period to which they relate. Any differences in the contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The assets of the plan are held separately from the group in independently administered funds.

Financial Assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

AUTOMOTIVE & INDUSTRIAL CONSUMABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

Basic Financial Liabilities

Basic financial liabilities 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. Basic financial liabilities are subsequently measured at fair value through profit and loss.

Equity Instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Finance lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

There is a change of tax rate from 1 April 2023 from 19% to 25% for non-ring fenced profits over £250,000 which will have an impact on future tax charges for the group both in corporation tax and deferred tax.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Stock Provision

The group holds significant values of stock and as a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of the stocks.

3 Turnover

All turnover is generated by the group's principal activities.

	2022 £	2021 £
Analysis of turnover by country of destination:		
United Kingdom	13,706,259	14,749,999
Rest of Europe	565,889	419,733
Rest of World	2,046,189	1,239,407
	<u>16,318,337</u>	<u>16,409,139</u>

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4 Operating Profit

	2022 £	2021 £
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	57,520	41,276
Amortisation of intangible fixed assets	139,586	150,576
Loss/(Gain) on disposal of tangible fixed assets	162	42
Loss on disposal of intangible fixed assets	-	-
Fees payable to the group's auditor for the audit of the annual accounts	17,700	16,000
Exchange differences	(87,829)	151,209
Operating lease expense	80,080	63,390
Fair value (gains)/losses on financial instruments	27,516	(69,917)
Government grants	-	(16,930)
Defined contribution pension cost	10,556	10,451

5 Interest receivable and similar income

	2022 £	2021 £
Bank interest received	316	-
Other interest received	1,236	1,229
	<u>1,552</u>	<u>1,229</u>

6 Employees

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

	2022 No.	2021 No.
Office and Administrative	19	14
Production	24	25
	<u>43</u>	<u>39</u>

Staff costs for the above employees consist of:

	2022 £	2021 £
Wages and salaries	903,010	715,263
Social security costs	80,249	58,330
Cost of defined contribution scheme	10,556	10,451
	<u>993,815</u>	<u>784,044</u>

7 Directors' remuneration

	2022 £	2021 £
Remuneration paid to directors	13,050	8,813
Directors' retirement benefits	198	-
	<u>13,248</u>	<u>8,813</u>

8 Interest payable and similar expenses

	2022 £	2021 £
Bank interest paid	39,241	38,040
Other interest paid	4,260	3,269
	<u>43,501</u>	<u>41,309</u>

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9 Taxation

	2022	2021
	£	£
UK Corporation Tax		
Current tax on profits of the year	789,651	664,128
Adjustments for prior year	-	-
US Corporation Tax		
Current tax on profits of the year	103	24,095
Deferred Tax		
Origination and reversal of timing differences	(10,832)	28,472
Total Taxation on Profits	758,822	714,695

The tax assessed for the year is higher (2020 - higher) than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2022	2021
	£	£
Profit before tax	4,065,462	3,331,657
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19%	772,438	633,015
Effects of:		
Expenses not deductible for tax purposes	32,518	85,527
Adjustments for prior year	-	24,065
Accelerated capital allowances	(8,077)	6,258
Income not taxable	(34,200)	(34,200)
Tax charged at different rates	(3,857)	-
Total tax charge for the period	758,822	714,695

Deferred tax has been calculated at 25%, in line with the UK government announcement made in October 2022 detailing the increase from the year from 1 April 2023.

10 Dividends

	2022	2021
	£	£
Ordinary shares		
Dividends paid	1,531,080	752,936

The dividend per share in 2022 was £7.655 per share. The dividend per share in 2021 was £3.763 per share.

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11 Investments

	Company £
Cost	
At 1 January 2022	2,720,932
Impairments	-
At 31 December 2022	<u>2,720,932</u>

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

Name of undertaking	Registered Office	Share class	% Held	Profit for the year	Capital and Reserves
Krimpterm Limited	Texas Street, Morley LS27 0HG, UK	Ordinary shares	100	3,118,811	9,269,811
Globomotive USA	5740 Vinnings Retreat Way Mableton, GA 30126, USA	Ordinary shares	100	20,743	203,089

All of the company's subsidiaries carry out the same trade as the company.

Globomotive USA has claimed the exemption from the requirements of the Companies Act 2006 relating to the audit of its individual accounts by virtue of section 479A.

12 Intangible Fixed Assets

	Goodwill	Computer Software	Total
Group			
Cost	£	£	£
At 1 January 2022	1,294,517	28,806	1,323,323
Additions	-	16,071	16,071
Impairment recognised	-	-	-
At 31 December 2022	<u>1,294,517</u>	<u>44,877</u>	<u>1,339,394</u>
Amortisation			
At 1 January 2022	429,158	17,527	446,685
Charge for the year	129,452	10,134	139,586
Disposals	-	-	-
At 31 December 2022	<u>558,608</u>	<u>27,661</u>	<u>586,269</u>
Carrying amount			
At 31 December 2022	<u>735,909</u>	<u>17,216</u>	<u>753,125</u>
At 31 December 2021	<u>865,361</u>	<u>11,279</u>	<u>876,640</u>

The company had no intangible fixed assets at 31 December 2022 or 31 December 2021.

The amortisation charges for intangible assets are shown as part of administrative expenses in the Statement of Income and Retained Earnings.

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13 Tangible Fixed Assets

Group	Motor Vehicles	Plant & Machinery	Leasehold Improvements	Fixtures & Fittings	Computer Equipment	Total
Cost				£	£	£
At 1 January 2022	79,987	58,714	39,877	80,622	18,737	278,747
Additions	73,280	10,107	2,813	2,253	9,501	97,954
Disposals	-	-	-	-	(1,848)	(1,848)
At 31 December 2022	153,277	68,821	42,490	82,875	27,590	375,053
Depreciation						
At 1 January 2022	33,127	24,312	7,088	39,352	9,677	113,536
Charge for the year	34,819	6,381	5,032	6,383	4,925	57,520
Disposals	-	-	-	-	(1,488)	(1,488)
At 31 December 2022	87,946	30,693	12,100	45,715	13,116	189,570
Carrying amount						
At 31 December 2022	85,331	38,128	30,390	37,160	14,474	205,483
At 31 December 2021	48,870	34,402	32,609	41,270	10,060	165,211

The net book value of tangible fixed assets of the group includes an amount of £85,312 (2021 - £48,870) in respect of assets held under finance leases and hire purchase contracts.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the company has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Company	Fixtures & Fittings	Computer Equipment	Total
Cost	£	£	£
At 1 January 2022	3,729	351	4,080
Additions	-	-	-
Disposals	-	-	-
At 31 December 2022	3,729	351	4,080
Depreciation			
At 1 January 2022	1,371	58	1,427
Charge for the year	355	44	399
Disposals	-	-	-
At 31 December 2022	1,726	100	1,826
Carrying amount			
At 31 December 2022	2,003	251	2,254
At 31 December 2021	2,358	295	2,653

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14 Stocks

	2022	2021
Group	£	£
Cost of stocks	7,196,435	5,745,036
Provision for impairment	(57,189)	(40,318)
	<u>7,139,266</u>	<u>5,704,718</u>

The replacement cost of the above stocks is not considered to be significantly different from their carrying value.

The company held no stocks at 31 December 2022 or 31 December 2021.

15 Debtors

	2022	2021
Group	£	£
Trade debtors	2,547,195	2,681,574
Other debtors	224,922	586,558
Financial assets	-	7,927
Prepayments and accrued income	19,341	137,225
	<u>2,791,458</u>	<u>3,413,284</u>

The impairment loss recognised in the group Statement of Income and Retained Earnings for the period in respect of bad and doubtful trade debtors was £25,926 (2021 - £nil).

	2022	2021
Company	£	£
Trade debtors	3,573	-
Amounts due from group undertakings	-	678,803
Other debtors	119,661	61,555
	<u>123,234</u>	<u>740,358</u>

16 Creditors: amounts falling due within one year

	2022	2021
Group	£	£
Bank loans and overdrafts	171,846	236,034
Trade creditors	1,055,987	1,818,231
Other creditors	1,056,286	1,135,700
Corporation tax	598,426	493,618
Other taxation and social security	62,858	49,007
Deferred consideration	27,999	287,016
Amounts owed to related parties	430,694	184,324
Hire purchase creditors	27,873	22,152
Financial liabilities	19,569	-
Accruals and deferred income	85,224	43,152
	<u>3,538,782</u>	<u>4,269,234</u>

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16 Creditors: amounts falling due within one year (continued)

	2022	2021
	£	£
Company		
Bank loans	171,846	165,808
Trade creditors	238,407	484,877
Other creditors	1,823	1,890
Amounts owed to related parties	1,800,685	184,324
Deferred consideration	23,949	287,016
Corporation tax	28,635	243,235
Other taxation and social security	-	49,007
Accruals and deferred income	5,775	5,000
	<u>2,271,100</u>	<u>1,401,257</u>

The bank loans and overdrafts are secured by a floating charge over the assets of the group and the company. Hire purchase creditors are secured against the assets to which the agreements relate.

Included within other creditors is an invoice discounting facility that is secured against the group's trade debtor balances. The balance of this facility at the year end was £1,052,081 (2021 - £769,539).

17 Creditors: amounts falling due after one year

	2022	2021
	£	£
Group		
Bank loans	24,654	193,511
Hire purchase creditors	70,490	33,015
Deferred consideration	-	27,999
Other creditors	-	-
	<u>95,144</u>	<u>254,525</u>

	2022	2021
	£	£
Company		
Bank loans	24,654	193,511
Deferred consideration	-	23,949
	<u>24,654</u>	<u>217,460</u>

The bank loans are secured by a floating charge over the assets of the group and the company. Hire purchase creditors are secured against the assets to which the agreements relate.

All amounts owed to creditors are repayable within 5 years.

18 Financial Instruments

The carrying values of the group's financial liabilities measured at fair value through profit or loss are summarised by category below:

	2022	2021
	£	£
Financial assets measured at fair value through profit or loss	-	7,927
Financial liabilities measured at fair value through profit or loss	-	-

The group's (gain)/expense in respect of financial instruments is summarised below:

	2022	2021
	£	£
On financial assets/liabilities measured at fair value through profit or loss	<u>27,518</u>	<u>(69,917)</u>

At the year end date the group held non-complex forward currency contracts to fix its US Dollar exchange rates. All forward contracts held at the year end have a duration of less than 12 months. The valuation method at the year end compares the contract price to the equivalent spot rate currency exchange that could be achieved at the year end date. A liability is recognised as the exchange at the contract rate is not optional and occurs at the contract end date if not utilised prior to that date.

The company had no financial instruments at either 31 December 2022 or 31 December 2021.

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19 Provisions

	Deferred Taxation
Group	£
At 1 January 2022	38,478
Charged to profit or loss	(10,936)
At 31 December 2022	<u>27,542</u>
	Deferred Taxation
Company	£
At 1 January 2022	504
Charged to profit or loss	56
At 31 December 2022	<u>560</u>

20 Share Capital

	2022	2021
	£	£
<i>Allotted, called up and fully paid</i>		
200 Ordinary shares of £1 each	<u>200</u>	<u>200</u>

The ordinary shares each carry one voting right and no right to fixed income.

21 Reserves

Profit and loss reserves
Cumulative profit and loss net of distribution to owners.

Share Premium
Consideration received for shares issued above their nominal value net of transaction costs.

Foreign exchange reserve
Translation differences arising from the translation of financial statements of the group's foreign subsidiary into £ sterling.

22 Retirement benefit schemes

The group's employees are part of The People's Pension workplace pension scheme. Contributions paid by the group on behalf of its employees in the year were £10,556 (2021 - £10,451). Pension contributions of £2,382 were outstanding to be paid at the year end date (2021 - £2,244).

23 Ultimate controlling party

The directors are of the opinion that there is no one ultimate controlling party of the company.

24 Cash generated from group operations

	2022	2021
	£	£
Profit for the year after tax	3,306,640	2,616,962
Adjustments for:		
Taxation charged	758,822	714,695
Finance costs	43,501	41,309
Investment income	(1,552)	(1,229)
Loss on disposal of fixed assets	162	42
Amortisation of intangible assets	139,586	150,576
Depreciation of tangible assets	57,520	41,276
Fair value losses on foreign exchange contracts	27,516	(69,917)
Movements in working capital:		
(Increase) in stocks	(1,434,548)	(2,055,448)
(Increase) in debtors	813,899	(774,583)
(Decrease)/Increase in creditors	(839,143)	741,362
Cash generated from operations	<u>2,672,403</u>	<u>1,405,045</u>

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25 Net Debt Reconciliation

	1 January 2022	Cash flow	New hire purchases	Exchange rate movements	31 December 2022
Net cash:					
Cash at bank and in hand	384,984	118,463	-	4,238	505,685
Bank overdrafts	-	-	-	-	-
Borrowings excluding overdrafts	(429,545)	233,045	-	-	(196,500)
Hire purchase creditors	(55,167)	30,084	(73,280)	(73,280)	(68,363)
Net debt	(99,728)	378,592	(73,280)	(69,042)	210,822

26 Events after the reporting period

On 14th April 2023 the Company acquired 100% of the share capital of Beal (UK) Limited, a company registered in England and Wales. Beal (UK) Limited's principal activities are the same as the Group and it's acquisition is expected to bring significant additional turnover and profit to the Group.