

Mid Kent Electrical Engineering Company Limited

Annual Report and Financial Statements

For the Year Ended 30 April 2023



Mid Kent Electrical Engineering Company Limited

Company Information

Directors

A.C Savage
M.F Savage
J.C Savage
R.M Savage

Registered number

01006814

Registered office

15b Dolphin Park
Upper Field Road
Eurolink Industrial Estate
Sittingbourne
Kent
ME10 3UP

Independent auditors

UHY Kent LLP t/a UHY Hacker Young
Chartered Accountants & Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Mid Kent Electrical Engineering Company Limited

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Mid Kent Electrical Engineering Company Limited

Strategic Report For the Year Ended 30 April 2023

Introduction

The company continued in the year with its principal activity of engineering.

Established in 1955 the Mid-Kent Electrical Engineering Co Ltd ("MKE") has built a reputation for consistently producing top quality products and engineering services, fast and efficiently.

A reputation achieved by our ability to respond and adapt to the ever-changing needs of our customers. Carrying out a complete range of electrical and mechanical repairs both on-site and in-house, under the strict control of specialist engineers working around the clock to guarantee minimum downtime.

Our reputation and people are our most valued assets and our commitment to quality, which is reflected in BS.EN.ISO 9001:2000 certification, makes us the company we are today.

As the largest independent company of its kind in the South East of England, we operate from two strategically placed centres. With major investment in a 30,000 sq.ft unit at Sittingbourne in Kent, additional facilities for repair, fabrication and machining have been acquired, together with a lifting capacity of 20 Tonnes.

We offer a unique and complete engineering solution, meeting the demands of industry across London, the South East and Eastern counties.

Business review

Turnover for this financial year increased to £20.7million, up 68% from the previous year. The results in the Profit and Loss Account show an increase in profit, and this was due to two main factors, the rise in turnover and also a continued improvement in gross margins.

The Balance Sheet position has strengthened further during 2022-23 and the directors are pleased with the stability provided by the fifth successive profitable year.

Since the year end MKE has continued to see consistent demand for its services. Costs continue to be better controlled with the effort to improve sales margins and so the financial outlook continues to be very positive. Taking into account the year to date management information available for the directors expect to see a further healthy net profit during the year to April 2024.

Principal risks and uncertainties

The directors recognise that sufficient work coming through the door on a continuous regular basis is paramount in ensuring the company's ongoing viability.

As part of their assessment that the company remains a going concern the directors have considered the period up to December 2024. Year to date sales and profits per the unaudited management accounts support the view that the assessment has been made on a reasonable basis. Using the least favourable assumptions the assessment continues to predict profitability.

In addition to these specific risks the company is also exposed to the following other risks and uncertainties, as would be the case in most companies:

Competition risk - the company manages the continual risk arising from the pressure of competition by developing customer relationships, adding value wherever possible, and ensuring rapid response times in supplying products and services.

Credit risk - the company is exposed to credit risk from credit sales, however this is mitigated by assessing all new customers and reviewing credit score ratings. At the balance sheet date there were no significant concentrations of credit risk.

Mid Kent Electrical Engineering Company Limited

**Strategic Report (continued)
For the Year Ended 30 April 2023**

Financial key performance indicators

The company's key financial performance indicators are considered to be sales and gross profit margin.

As noted in the business review above, turnover increased by 68% during the year.

Sales, gross profit and gross profit margin over the past 3 years have been:

	2023 £000s	2022 £000s	2021 £000s
Turnover	20,689	12,268	11,491
Gross profit	4,606	2,030	1,681
Gross profit margin	22.3%	16.6%	14.6%

The directors anticipate that turnover for the year ended 30 April 2024 will be similar to 2023 sales, and hope to achieve a gross profit and gross profit margin approaching the 2023 levels.

This report was approved by the board and signed on its behalf.



M.F Savage
Director

23RD JAN 2024

Date:

Mid Kent Electrical Engineering Company Limited

Directors' Report For the Year Ended 30 April 2023

The directors present their report and the financial statements for the year ended 30 April 2023.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments 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 company will continue in business.

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

Results and dividends

The profit for the year, after taxation, amounted to £1,854,099 (2022 - £434,043).

No dividends were declared during the current or preceding year.

Directors

The directors who served during the year were:

A.C Savage
M.F Savage
J.C Savage
R.M Savage

Future developments

The directors look forward with confidence to developing further new business.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Mid Kent Electrical Engineering Company Limited

**Directors' Report (continued)
For the Year Ended 30 April 2023**

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

The auditors, UHY Kent LLP t/a UHY Hacker Young, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



M.F Savage
Director

Date:

23rd JAN 2024

Mid Kent Electrical Engineering Company Limited

Independent Auditors' Report to the Members of Mid Kent Electrical Engineering Company Limited

Opinion

We have audited the financial statements of Mid Kent Electrical Engineering Company Limited (the 'company') for the year ended 30 April 2023, which comprise the Profit and loss account, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

Opinion 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 the Directors' report have been prepared in accordance with applicable legal requirements.

Mid Kent Electrical Engineering Company Limited

Independent Auditors' Report to the Members of Mid Kent Electrical Engineering Company Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company 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 Directors' responsibilities statement set out on page 3, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations was as follows:

- we identified the laws and regulations applicable to the company through discussions with management, and from our commercial knowledge and experience of the sector.
- we focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the operations of the company, including the Companies Act 2006;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting correspondence; and
- identified laws and regulations were communicated within the audit team and the team remained alert to instances of non-compliance throughout the audit.

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

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

Auditors' responsibilities for the audit of the financial statements (continued)

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;

Mid Kent Electrical Engineering Company Limited

Independent Auditors' Report to the Members of Mid Kent Electrical Engineering Company Limited (continued)

- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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

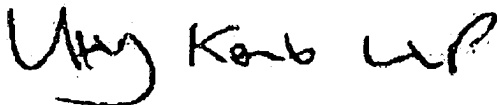
- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management and representatives of directors as to actual and potential litigation and claims.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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



Allan R. Hickie BSc FCA (Senior statutory auditor)
for and on behalf of
UHY Kent LLP
Chartered Accountants
Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 23 January 2024

Mid Kent Electrical Engineering Company Limited

**Profit and Loss Account
For the Year Ended 30 April 2023**

	2023	2022
	£	£
Turnover	20,688,676	12,268,090
Cost of sales	(16,082,262)	(10,237,643)
Gross profit	4,606,414	2,030,447
Administrative expenses	(2,187,996)	(1,644,297)
Other operating income	3,500	8,257
Operating profit	2,421,918	394,407
Interest payable and similar expenses	(102,904)	(68,250)
Profit before tax	2,319,014	326,157
Tax on profit	(464,915)	107,886
Profit for the financial year	1,854,099	434,043

There are no items of other comprehensive income for 2023 or 2022 other than the profit for the year. As a result, no separate Statement of Comprehensive Income has been presented.

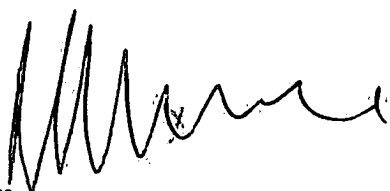
The notes on pages 13 to 23 form part of these financial statements.

Mid Kent Electrical Engineering Company Limited
Registered number: 01006814

Balance Sheet
As at 30 April 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	12	574,983	307,363
Current assets			
Stocks	13	2,203,354	1,745,216
Debtors: amounts falling due within one year	14	4,602,913	3,544,799
Cash at bank and in hand		218,757	117,268
		<u>7,025,024</u>	<u>5,407,283</u>
Creditors: amounts falling due within one year	15	(4,567,035)	(4,791,075)
Net current assets		<u>2,457,989</u>	<u>616,208</u>
Total assets less current liabilities		<u>3,032,972</u>	<u>923,571</u>
Creditors: amounts falling due after more than one year	16	(198,876)	(63,420)
Provisions for liabilities			
Deferred tax	17	(119,846)	-
		<u>(119,846)</u>	<u>-</u>
Net assets		<u><u>2,714,250</u></u>	<u><u>860,151</u></u>
Capital and reserves			
Called up share capital	18	20,000	20,000
Profit and loss account	19	2,694,250	840,151
		<u>2,714,250</u>	<u>860,151</u>

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


A.C. Savage
Director

Date: 23rd JAN 2024

The notes on pages 13 to 23 form part of these financial statements.

Mid Kent Electrical Engineering Company Limited

**Statement of Changes in Equity
For the Year Ended 30 April 2023**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 May 2021	20,000	406,108	426,108
Profit for the year	-	434,043	434,043
At 1 May 2022	<u>20,000</u>	<u>840,151</u>	<u>860,151</u>
Profit for the year	-	1,854,099	1,854,099
At 30 April 2023	<u><u>20,000</u></u>	<u><u>2,694,250</u></u>	<u><u>2,714,250</u></u>

The notes on pages 13 to 23 form part of these financial statements.

Mid Kent Electrical Engineering Company Limited

**Statement of Cash Flows
For the Year Ended 30 April 2023**

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	1,854,099	434,043
Adjustments for:		
Depreciation of tangible assets	120,840	120,258
Loss on disposal of tangible assets	(632)	(2,433)
Interest paid	102,904	68,250
Taxation charge	464,915	(107,886)
(Increase) in stocks	(458,138)	(774,664)
(Increase) in debtors	(1,166,000)	(972,587)
Increase in creditors	320,637	1,271,993
Net cash generated from operating activities	<u>1,238,625</u>	<u>36,974</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(54,698)	(51,702)
Sale of tangible fixed assets	1,400	2,433
HP interest paid	(11,927)	(8,330)
Net cash from investing activities	<u>(65,225)</u>	<u>(57,599)</u>
Cash flows from financing activities		
Repayment of/new finance leases	(165,895)	(80,925)
Movements on invoice discounting	(815,039)	111,606
Interest paid	(90,977)	(59,920)
Net cash used in financing activities	<u>(1,071,911)</u>	<u>(29,239)</u>
Net increase/(decrease) in cash and cash equivalents	<u>101,489</u>	<u>(49,864)</u>
Cash and cash equivalents at beginning of year	117,268	167,132
Cash and cash equivalents at the end of year	<u><u>218,757</u></u>	<u><u>117,268</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	218,757	117,268
	<u><u>218,757</u></u>	<u><u>117,268</u></u>

The notes on pages 13 to 23 form part of these financial statements.

Mid Kent Electrical Engineering Company Limited

**Analysis of Net Debt
For the Year Ended 30 April 2023**

	At 1 May 2022	Cash flows	At 30 April
	£	£	2023
			£
Cash at bank and in hand	117,268	101,489	218,757
Debt due within 1 year	-	(34,374)	(34,374)
Finance leases	(123,537)	(168,635)	(292,172)
	<u>(6,269)</u>	<u>(101,520)</u>	<u>(107,789)</u>

The notes on pages 13 to 23 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 30 April 2023**

1. General information

Mid Kent Electrical Engineering Company Limited ('the company') is a private company limited by shares, incorporated in England and Wales, registration number number 01006814. The registered office address is Unit 15b Dolphin Park, Upper Field Road, Eurolink Industrial Estate, Sittingbourne, Kent, ME10 3UP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements are prepared on the going concern basis assuming that the company will continue in operational existence for the foreseeable future. The directors have performed a going concern assessment to review whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. This assessment covers a period of at least one year from the date of authorisation for issue of the financial statements.

The profit after tax of £1,858,788 achieved for 2022/23 has further strengthened the company's balance sheet position. At 30 April 2023 the company had net current assets of £2,462,678 and overall net assets of £2,718,939.

Management accounts show that a further sizeable profit has been achieved year-to-date during 2023-24, and there is a reasonable expectation that the improved trading results will continue for the foreseeable future.

The improved financial position means the company's reliance on the invoice discounting facility has reduced. The facility loan balance at 30 April 2023 was down to £799,452 at 30 April 2023 compared to £1,614,491 at 30 April 2022. Nevertheless in making their assessment the directors have assumed the continuing support of its bankers will be available. The invoice discounting loan facility is secured against the company's trade debts, minimising the bank's risk.

Therefore based on the above the directors have concluded there are no material uncertainties about the company's ability to continue as a going concern.

2.3 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Notes to the Financial Statements
For the Year Ended 30 April 2023

2. Accounting policies (continued)

2.4 Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.5 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.6 Government grants

Grants are accounted for under the accruals model as permitted by FRS102. Grants relating to the Coronavirus Job Retention Scheme are credited to the profit and loss in the same period as related expenditure.

2.7 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**Notes to the Financial Statements
For the Year Ended 30 April 2023**

2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

		Over the remaining lease term
Short-term leasehold property	-	
Plant and machinery	-	15%
Motor vehicles	-	20%
Office equipment	-	10%
Computer equipment	-	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.12 Financial instruments

The company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

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

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks, loans from other third parties and loans to related parties.

Mid Kent Electrical Engineering Company Limited

Notes to the Financial Statements For the Year Ended 30 April 2023

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. Areas of judgement and potential sources of estimation uncertainty, are as follows:

Bad debt policy

No general provision is made at the year end and all bad debts are for either insolvent or doubtful debts that are well past due, and/or where communication with the debtor indicates that the debt will remain unpaid.

Stock valuation

Stock items are stated at the lower of cost and net realisable value. This requires the estimation of the eventual sales price of goods to customers in the future.

Leases

Management exercise judgement in determining the classification of leases as finance or operating at the date of inception. Where the lease term constitutes substantially all of the economic life of the asset, or where the present value of minimum lease payments amount to substantially all of their fair value, the lease is classified as a finance. All other leases are classified as operating leases.

Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual value, this will be nil due to the company using the assets for the whole of their useful economic life.

4. Turnover

The whole of the turnover is attributable to electrical engineering.

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	20,512,223	12,242,286
Rest of Europe	176,453	25,804
	<u>20,688,676</u>	<u>12,268,090</u>

5. Other operating income

	2023 £	2022 £
Other operating income	3,500	3,600
Government grants receivable	-	4,657
	<u>3,500</u>	<u>8,257</u>

Mid Kent Electrical Engineering Company Limited

**Notes to the Financial Statements
For the Year Ended 30 April 2023**

6. Operating profit

The operating profit is stated after charging:

	2023	2022
	£	£
Other operating lease rentals	355,199	317,273
Depreciation	120,840	120,258
Profit/loss on sale of tangible assets	(632)	(2,433)
Impairment of trade debtors	12,837	3,381
	<u>12,837</u>	<u>3,381</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2023	2022
	£	£
Wages and salaries	6,160,122	5,065,739
Social security costs	608,425	518,837
Cost of defined contribution scheme	302,349	269,527
	<u>7,070,896</u>	<u>5,854,103</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2023	2022
	No.	No.
Directors	4	4
Managers	10	10
Administration staff	22	22
Productive labour staff	129	97
	<u>165</u>	<u>133</u>

Mid Kent Electrical Engineering Company Limited

**Notes to the Financial Statements
For the Year Ended 30 April 2023**

8. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	441,884	268,613
Company contributions to defined contribution pension schemes	14,354	13,594
	<u>456,238</u>	<u>282,207</u>

During the year retirement benefits were accruing to 2 directors (2022 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £117,270 (2022 - £86,361).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2022 - £6,797).

9. Auditors' remuneration

During the year, the company obtained the following services from the company's auditors:

	2023 £	2022 £
Fees payable to the company's auditors for the audit of the company's financial statements	11,010	10,485
Fees payable to the company's auditors in respect of: All non-audit services not included above	26,456	19,736
	<u>37,466</u>	<u>30,221</u>

10. Interest payable and similar expenses

	2023 £	2022 £
Finance leases and hire purchase contracts	11,927	8,330
Other interest payable	90,977	59,920
	<u>102,904</u>	<u>68,250</u>

Mid Kent Electrical Engineering Company Limited

**Notes to the Financial Statements
For the Year Ended 30 April 2023**

11. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	237,183	-
	<u>237,183</u>	<u>-</u>
Total current tax	<u>237,183</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	227,732	(107,886)
Total deferred tax	<u>227,732</u>	<u>(107,886)</u>
Taxation on profit/(loss) on ordinary activities	<u>464,915</u>	<u>(107,886)</u>

Factors affecting tax charge for the year

The tax charge for the year is higher than (2022 - lower than) the standard rate of corporation tax in the UK of 19.49% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	2,319,014	326,157
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.49% (335 days at 19%, 30 days at 25%) (2022 - 19%)	451,976	61,970
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	26,844	2,129
Capital allowances for year in excess of depreciation	(84,192)	(8,129)
Utilisation of tax losses	(157,154)	(55,046)
Other differences leading to an increase (decrease) in the tax charge	(291)	(924)
Deferred taxation	227,732	(107,886)
Total tax charge for the year	<u>464,915</u>	<u>(107,886)</u>

Factors that may affect future tax charges

The main rate of corporation tax increased to 25% from April 2023.

Mid Kent Electrical Engineering Company Limited

**Notes to the Financial Statements
For the Year Ended 30 April 2023**

12. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Computer and office equipment £	Total £
Cost or valuation					
At 1 May 2022	102,905	743,442	712,207	289,822	1,848,376
Additions	21,402	21,872	334,530	11,424	389,228
Disposals	-	(73,133)	(67,407)	(121,756)	(262,296)
At 30 April 2023	<u>124,307</u>	<u>692,181</u>	<u>979,330</u>	<u>179,490</u>	<u>1,975,308</u>
Depreciation					
At 1 May 2022	69,916	661,182	589,318	220,597	1,541,013
Charge for the year on owned assets	3,808	9,214	3,111	16,465	32,598
Charge for the year on financed assets	-	11,459	76,783	-	88,242
Disposals	-	(72,759)	(67,407)	(121,362)	(261,528)
At 30 April 2023	<u>73,724</u>	<u>609,096</u>	<u>601,805</u>	<u>115,700</u>	<u>1,400,325</u>
Net book value					
At 30 April 2023	<u>50,583</u>	<u>83,085</u>	<u>377,525</u>	<u>63,790</u>	<u>574,983</u>
At 30 April 2022	<u>32,989</u>	<u>82,260</u>	<u>122,889</u>	<u>69,225</u>	<u>307,363</u>

The net book value of land and buildings may be further analysed as follows:

	2023 £	2022 £
Short leasehold	<u>50,583</u>	<u>32,989</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2023 £	2022 £
Plant and machinery	51,853	63,312
Motor vehicles	377,528	119,778
	<u>429,381</u>	<u>183,090</u>

Mid Kent Electrical Engineering Company Limited

**Notes to the Financial Statements
For the Year Ended 30 April 2023**

13. Stocks

	2023 £	2022 £
Raw materials and consumables	243,310	248,021
Work in progress (goods to be sold)	1,745,933	1,312,950
Finished goods and goods for resale	214,111	184,245
	<u>2,203,354</u>	<u>1,745,216</u>

14. Debtors

	2023 £	2022 £
Trade debtors	4,392,225	3,217,878
Other debtors	25,870	29,478
Prepayments and accrued income	184,818	189,557
Deferred taxation (see note 16)	-	107,886
	<u>4,602,913</u>	<u>3,544,799</u>

The company discounts the majority of its trade debts with recourse after ninety days. Against these trade debts The Royal Bank of Scotland plc Sales Financing have advanced, including charges, £799,452 (2022: £1,614,491), this amount is included in creditors shown as invoice discounting advances (see note 15).

15. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	2,015,535	1,426,806
Other taxation and social security	778,361	599,101
Obligations under finance lease and hire purchase contracts	93,296	60,117
Invoice discounting advances	799,452	1,614,491
Other creditors	418,944	208,646
Accruals and deferred income	461,447	881,914
	<u>4,567,035</u>	<u>4,791,075</u>

The invoice discounting advances are secured on the company's trade debtor balances.

Mid Kent Electrical Engineering Company Limited

**Notes to the Financial Statements
For the Year Ended 30 April 2023**

16. Creditors: Amounts falling due after more than one year

	2023 £	2022 £
Net obligations under finance leases and hire purchase contracts	198,876	63,420

Obligations under finance lease and hire purchase contracts, which are secured on the assets concerned, are repayable within five years.

17. Deferred taxation

	2023 £	2022 £
At beginning of year	107,886	-
Charged to profit or loss	(227,732)	107,886
At end of year	(119,846)	107,886

The deferred taxation balance is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	(119,846)	(45,317)
Tax losses carried forward	-	153,203
	(119,846)	107,886

18. Share capital

	2023 £	2022 £
Allotted, called up and fully paid 20,000 (2022 - 20,000) Ordinary shares of £1 each	20,000	20,000

19. Reserves

Profit and loss account

This reserve includes all current and historical retained profit and losses.

Mid Kent Electrical Engineering Company Limited

Notes to the Financial Statements For the Year Ended 30 April 2023

20. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £302,349 (2022 - £269,527). Contributions totalling £252 was payable to the fund (2022: £932) at the balance sheet date.

21. Commitments under operating leases

At 30 April 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	354,506	351,325
Later than 1 year and not later than 5 years	1,039,886	1,202,155
Later than 5 years	383,750	537,250
	<u>1,778,142</u>	<u>2,090,730</u>

22. Transactions with directors

The only transactions in the year were movements on the directors' current accounts, under a normal service agreement. All transactions are interest free and are repayable on demand.

The balance owing to the company by a director at 30 April 2023 was £869 (2022: £887).

23. Related party transactions

Executive pension scheme for directors

Freehold property owned by the Mid Kent Electrical Engineering Company Executive Pension Fund was rented out to the company throughout the year. The charges for the year were £248,500 (2022: £235,545).

At 30 April 2023 the company owed £20,881 (2022: £120,980) to the Mid Kent Electrical Engineering Company Executive Pension Fund.

Transactions with close family of the directors

At 30 April 2023 the company was owed £20,000 (2022: £20,000) in relation to loans provided to close family members. The company also paid close family members' private health insurance of £2,881 (2022: £4,477).

Key management personnel

The directors, who together have authority and responsibility for planning, directing and controlling the activities of the company, are considered to be key management personnel. Total remuneration of these individuals is disclosed in note 8 of the financial statements.

24. Controlling party

The ultimate controlling parties are A.C. Savage and M.F. Savage, equally.