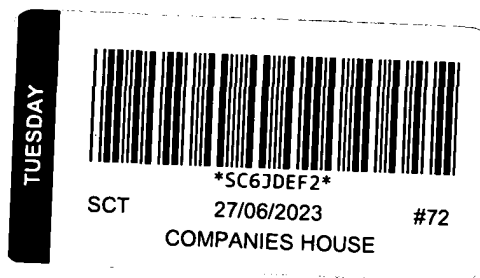


Company Registration No. SC106673 (Scotland)

COMPANIES HOUSE
27 JUN 2023
EDINBURGH MAILBOX

MECHANICAL & ELECTRICAL FIXINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022



MECHANICAL & ELECTRICAL FIXINGS LIMITED

COMPANY INFORMATION

Directors	R S Cunliffe M C Mearns A Bell D T Fairfull T Horan	(Appointed 20 September 2022)
Secretary	A Bell	
Company number	SC106673	
Registered office	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	
Solicitors	MacRoberts LLP 10 George St Edinburgh EH2 2PF	

MECHANICAL & ELECTRICAL FIXINGS LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report	4 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 22

MECHANICAL & ELECTRICAL FIXINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2022

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

Fair review of the business

The company's turnover has increased in the year to £23.6m (2021 - £22.4m). Gross margin remained strong but receded slightly from that achieved in 2021, resulting from a return to more normal competitive pressures following the pandemic. Overheads also increased as a result of the growth in the business across 2021 and 2022, investment in expanded operations in Ireland, including a new distribution facility and the company was also impacted by the inflationary pressures in the wider economy. As a result of the exceptional pressure on household finances, the company invested in their team, awarding pay reviews to help alleviate these pressures.

Despite these challenges, the company continued to report a strong operating profit of £3.0m (2021 - £4.1m).

Revenue growth, gross margin and operating profit are the key performance indicators that the company measure.

Principal risks and uncertainties

The principal risks and uncertainties facing the business are ongoing commercial pressures associated with the construction industry and customer credit risk. The construction industry has experienced exceptional activity levels and the disruption caused by pandemic and the ongoing war in Ukraine, have resulted in well-documented supply chain challenges. The company works closely with suppliers and customers and is focussed on delivering exceptional product quality and customer service, which enables the company to react quickly to meet the demands of customers. This approach is critical to customer retention. Credit risk is mitigated through controls, credit insurance and close monitoring of outstanding debts.

The directors are mindful of and remain vigilant around other risks including the war in Ukraine and the outlook for the wider UK economy. The latter is considered to be more positive with significant planned infrastructure investment creating opportunities for the construction sector. The company has an established diverse customer base within the construction industry and this diversity is important to mitigate the risks of a downturn in a particular subset of the wider construction industry.

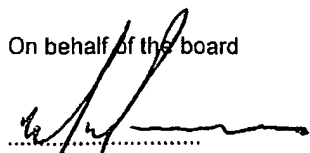
Environment, health and safety

The company's primary responsibility is the safety and wellbeing of its employees. The focus on innovation, exceptional product quality and customer service is only possible as a result of having a workforce who feel valued, engaged and aligned with the objectives of the company and a culture that is based on mutual respect and fairness. The company is also acutely aware of its wider environmental responsibilities and this is factored into decision making across all operations.

Future outlook, development and performance

Despite the challenges present in the wider economy, the directors are hopeful of another strong year in 2023 underpinned by the continued focus on innovation and quality of service to a diverse range of customers and a motivated and engaged workforce.

On behalf of the board



M C Mearns
Director

Date: 20/6/2023

MECHANICAL & ELECTRICAL FIXINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2022

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

Principal activities

The principal activity of the company continued to be that of designers, manufacturers and distributors of support supplies for the heating, plumbing, electrical ventilation and construction industries.

Directors

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

R S Cunliffe
M C Mearns
A Bell
D T Fairfull
T Horan

(Appointed 20 September 2022)

Results and dividends

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

Ordinary dividends were paid amounting to £712,750 (2021 - £610,000). The directors do not recommend payment of a final dividend.

A review of future outlook, development and performance is given in the Strategic Report.

Auditor

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board


.....
M C Mearns

Director

..... 20/6/2023

MECHANICAL & ELECTRICAL FIXINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2022

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

MECHANICAL & ELECTRICAL FIXINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MECHANICAL & ELECTRICAL FIXINGS LIMITED

Opinion

We have audited the financial statements of Mechanical & Electrical Fixings Limited (the 'company') for the year ended 31 October 2022 which comprise Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2022 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 Auditor 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 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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

MECHANICAL & ELECTRICAL FIXINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MECHANICAL & ELECTRICAL FIXINGS LIMITED

Matters on which we are required to report by exception

In the light of our 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 and the directors' report.

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

- adequate accounting records have not been kept, 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 statement 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 the financial statements that are free from material misstatements, 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.

Auditor responsibilities for the audit of the financial statements

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

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

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

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

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

MECHANICAL & ELECTRICAL FIXINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MECHANICAL & ELECTRICAL FIXINGS LIMITED

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation
- Health and Safety regulations
- General Data Protection Regulations

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes. We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition
- Stock valuation

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

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

MECHANICAL & ELECTRICAL FIXINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MECHANICAL & ELECTRICAL FIXINGS LIMITED

Use of report

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

Johnston Carmichael LLP

Barry Masson (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Statutory Auditor

Date: 23 June 2023
7-11 Melville Street
Edinburgh
EH3 7PE

MECHANICAL & ELECTRICAL FIXINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2022

	Notes	2022 £	2021 £
Turnover	3	23,588,177	22,474,794
Cost of sales		(16,024,873)	(14,572,070)
Gross profit		7,563,304	7,902,724
Distribution costs		(106,239)	(116,176)
Administrative expenses		(4,429,081)	(3,680,172)
Other operating income	4	-	-
Operating profit	4	3,027,984	4,106,376
Interest payable and similar expenses	7	-	(1,854)
Fair value gains / (losses) on financial instruments	8	139,380	191,903
Profit before taxation		3,167,364	4,296,425
Taxation	9	(402,122)	(685,584)
Profit for the financial year		2,765,242	3,610,841
Total comprehensive income for the year		2,765,242	3,610,841

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

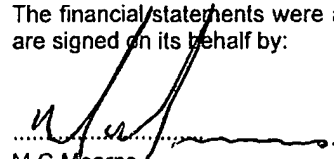
MECHANICAL & ELECTRICAL FIXINGS LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Goodwill	11		255,897		326,439
Tangible assets	12		470,375		382,535
			<u>726,272</u>		<u>708,974</u>
Current assets					
Stocks	13	3,098,967		2,860,732	
Debtors	14	5,462,695		5,684,259	
Investments	15	802,107		699,580	
Cash at bank and in hand		4,096,386		3,192,651	
		<u>13,460,155</u>		<u>12,437,222</u>	
Creditors: amounts falling due within one year	16	(5,012,090)		(6,022,377)	
Net current assets			<u>8,448,065</u>		<u>6,414,845</u>
Total assets less current liabilities			<u>9,174,337</u>		<u>7,123,819</u>
Provisions for liabilities			<u>(78,895)</u>		<u>(80,869)</u>
Net assets			<u><u>9,095,442</u></u>		<u><u>7,042,950</u></u>
Capital and reserves					
Called up share capital	19		50,000		50,000
Profit and loss reserves			9,045,442		6,992,950
Total equity			<u><u>9,095,442</u></u>		<u><u>7,042,950</u></u>

The financial statements were approved by the board of directors and authorised for issue on 20/10/23 and are signed on its behalf by:


.....
M C Mearns
Director

Company Registration No. SC106673

MECHANICAL & ELECTRICAL FIXINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2022

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 November 2020		50,000	3,992,109	4,042,109
Year ended 31 October 2021:				
Profit and total comprehensive income for the year		-	3,610,841	3,610,841
Dividends	10	-	(610,000)	(610,000)
Balance at 31 October 2021		50,000	6,992,950	7,042,950
Year ended 31 October 2022:				
Profit and total comprehensive income for the year		-	2,765,242	2,765,242
Dividends	10	-	(712,750)	(712,750)
Balance at 31 October 2022		50,000	9,045,442	9,095,442

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

Company Information

Mechanical & Electrical Fixings Limited is a private company limited by shares incorporated in Scotland. The registered office is Johnston Carmichael LLP, 7-11 Melville Street, Edinburgh, EH3 7PE.

1.1 Accounting convention

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

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

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

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

- from the requirement to present a statement of cashflows.
- from the requirement of certain FRS 102 Section 11 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48 (a) (iii), 11.48 (a) (iv), 11.48 (b) and 11.48(c) relating to financial instrument disclosures as equivalent disclosures are included within the consolidated financial statements.
- from the requirement to disclose key management personnel compensation.

The financial statements of the company are consolidated in the financial statements of Directional Drilling Consultants Limited. These consolidated financial statements are available from its registered office, 7-11 Melville Street, Edinburgh, EH3 7PE.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods sold net of VAT and trade discounts. Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

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

1.5 Tangible fixed assets

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

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

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

Plant and machinery	20% straight line
Fixtures, fittings & equipment	10% - 20% straight line
Motor vehicles	25% reducing balance

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

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

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

1.7 Cash and cash equivalents

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

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, including debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

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

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

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

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. *Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.* Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. *Deferred tax assets and liabilities are not discounted.*

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employees' services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

The company contributes to a defined contribution scheme for the benefit of employees. Contributions payable are charged to the profit and loss account in the year they are payable.

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

1 Accounting policies (Continued)

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to profit and loss account.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

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

Goodwill amortisation

The company establishes a reliable estimate of the useful life of goodwill arising on business combinations and intangible assets. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Stock provisioning

The company makes an assessment of any provision necessary for slow-moving and obsolete stock. When assessing impairment of stock, management consider various factors including the ageing and physical condition of stock.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
Turnover analysed by class of business		
Sale of goods	23,588,177	22,474,794

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

3	Turnover and other revenue	(Continued)	
		2022	2021
		£	£
	Turnover analysed by geographical market		
	Europe	5,077,869	5,922,099
	United Kingdom	18,510,308	16,552,695
		<u>23,588,177</u>	<u>22,474,794</u>
4	Operating profit	2022	2021
	Operating profit for the year is stated after charging/(crediting):	£	£
	Exchange losses/(gains)	36,060	(47,955)
	Fees payable to the company's auditor for the audit of the company's financial statements	26,500	25,000
	Depreciation of owned tangible fixed assets	120,575	122,978
	Profit on disposal of tangible fixed assets	(902)	(4,389)
	Amortisation of intangible assets	70,543	70,543
	Operating lease charges	299,520	180,941
		<u>299,520</u>	<u>180,941</u>
5	Employees		
	The average monthly number of persons (including directors) employed by the company during the year was:		
		2022	2021
		Number	Number
	Finance	4	4
	Operations	69	66
	Total	<u>73</u>	<u>70</u>
	Their aggregate remuneration comprised:		
		2022	2021
		£	£
	Wages and salaries	2,493,123	2,109,721
	Social security costs	227,551	187,126
	Pension costs	137,936	113,759
		<u>2,858,610</u>	<u>2,410,606</u>

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

6	Directors' remuneration	2022	2021
		£	£
	Remuneration for qualifying services	297,969	272,383
	Company pension contributions to defined contribution schemes	3,464	12,502
		<u>301,433</u>	<u>284,885</u>
	The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2021 - 2).		
	Remuneration disclosed above include the following amounts paid to the highest paid director:		
		2022	2021
		£	£
	Remuneration for qualifying services	119,171	93,387
	Company pension contributions to defined contribution schemes	-	6,375
		<u>-</u>	<u>6,375</u>
7	Interest payable and similar expenses	2022	2021
		£	£
	Interest on bank overdrafts and loans	-	1,854
		<u>-</u>	<u>1,854</u>
8	Fair value gains/(losses) on financial instruments	2022	2021
		£	£
	Change in the value of financial liabilities held at fair value through profit or loss	100,853	50,418
	Change in value of financial assets held at fair value through profit or loss	38,527	141,485
		<u>139,380</u>	<u>191,903</u>
9	Taxation	2022	2021
		£	£
	Current tax		
	UK corporation tax on profits for the current period	296,556	444,663
	Adjustments in respect of prior periods	(74,866)	(15,148)
	Total UK current tax	<u>221,690</u>	<u>429,515</u>
	Foreign current tax on profits for the current period	182,406	232,966
	Adjustments in foreign tax in respect of prior periods	-	(884)
	Total current tax	<u>404,096</u>	<u>661,597</u>

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

9 Taxation	(Continued)	
	2022	2021
	£	£
Deferred tax		
Origination and reversal of timing differences	(1,500)	6,024
Changes in tax rates	(474)	17,963
Total deferred tax	<u>(1,974)</u>	<u>23,987</u>
Total tax charge	<u>402,122</u>	<u>685,584</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	<u>3,167,364</u>	<u>4,296,425</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	601,799	816,321
Tax effect of expenses that are not deductible in determining taxable profit	4,316	2,883
Tax effect of income not taxable in determining taxable profit	(317,554)	(381,289)
Adjustments in respect of prior years	(74,866)	(13,286)
Effect of overseas tax rates	182,479	232,966
Effect of change in deferred tax rate	(474)	19,409
Fixed asset differences	6,422	8,580
Taxation charge for the year	<u>402,122</u>	<u>685,584</u>

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. This will increase in the company's tax charge in future years.

10 Dividends	2022	2021
	£	£
Interim paid	<u>712,750</u>	<u>610,000</u>

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

11 Intangible fixed assets

	Goodwill £
Cost	
At 1 November 2021 and 31 October 2022	715,426
Amortisation	
At 1 November 2021	388,986
Amortisation charged for the year	70,543
At 31 October 2022	459,529
Carrying amount	
At 31 October 2022	255,897
At 31 October 2021	326,439

12 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 November 2021	95,841	467,571	760,057	1,323,469
Additions	685	112,043	130,339	243,067
Disposals	-	-	(123,648)	(123,648)
At 31 October 2022	96,526	579,614	766,748	1,442,888
Depreciation and impairment				
At 1 November 2021	87,402	436,417	417,115	940,934
Depreciation charged in the year	2,996	22,213	95,366	120,575
Eliminated in respect of disposals	-	-	(88,996)	(88,996)
At 31 October 2022	90,398	458,630	423,485	972,513
Carrying amount				
At 31 October 2022	6,128	120,984	343,263	470,375
At 31 October 2021	8,439	31,154	342,942	382,535

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

13 Stocks		
	2022	2021
	£	£
Goods for resale	3,098,967	2,860,732
	<u>3,098,967</u>	<u>2,860,732</u>
<p>The stock value is stated net of a provision of £194,039 (2021 - £194,039).</p>		
14 Debtors		
	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	5,062,907	5,404,243
Corporation tax recoverable	50,385	-
Amounts owed by group undertakings	24,864	24,864
Derivative financial instruments	85,327	-
Other debtors	239,212	255,152
	<u>5,462,695</u>	<u>5,684,259</u>
<p>Included within trade debtors is a provision for bad debts of £23,724 (2021: £7,010).</p>		
15 Current asset investments		
	2022	2021
	£	£
Unlisted investments	802,107	699,580
	<u>802,107</u>	<u>699,580</u>
16 Creditors: amounts falling due within one year		
	2022	2021
	£	£
Trade creditors	3,215,142	3,803,458
Amounts owed to group undertakings	30,413	12,789
Corporation tax	-	644,615
Other taxation and social security	691,518	722,905
Derivative financial instruments	-	15,526
Other creditors	314,681	145,242
Accruals and deferred income	760,336	677,842
	<u>5,012,090</u>	<u>6,022,377</u>

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	80,869	80,869
Deferred tax charged in profit and loss account for the year	(1,974)	-
	<u>78,895</u>	<u>80,869</u>
		2022 £
Movements in the year:		
Liability at 1 November 2021		80,869
Credit to profit or loss		(1,974)
		<u>78,895</u>

18 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>137,936</u>	<u>113,759</u>

The company contributes to a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

MECHANICAL & ELECTRICAL FIXINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2022

20 Operating lease commitments

Lessee

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

	2022	2021
	£	£
Within one year	158,631	212,798
Between two and five years	599,393	634,393
In over five years	46,464	111,464
	<u>804,488</u>	<u>958,655</u>

21 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

Rent of premises

	2022	2021
	£	£
Post-employment benefit plan for the benefit of the employees of the reporting entity.	<u>116,251</u>	<u>106,771</u>

No guarantees have been given or received.

	2022	2021
	£	£
Amounts due to related parties		
Directors	<u>312,625</u>	<u>145,242</u>

During the year, the company made purchases of £Nil (2021 - £359,018) from a company with common directors.

22 Ultimate controlling party

Directional Drilling Consultants Limited is the parent company, which is registered in Scotland, for which group financial statements are prepared. Copies of the group financial statements are available to the public from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

There is no ultimate controlling party.