

PHOENIX HIRE & SALES LIMITED
STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2023

Green & Co
Chartered Certified Accountants
and Registered Auditors (Statutory Auditor)
Pembroke House
Llantarnam Park Way
Cwmbran
Torfaen
NP44 3AU

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FOR THE YEAR ENDED 31ST MARCH 2023**

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PHOENIX HIRE & SALES LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST MARCH 2023

DIRECTORS:

G Derraven
J Derraven
N M Lewis
P T Lewis
J L Derraven

SECRETARY:

G Derraven

REGISTERED OFFICE:

Phoenix House
2 Ty Coch Park
Ty Coch Way
Cwmbran
Torfaen
NP44 7HB

REGISTERED NUMBER:

06491878 (England and Wales)

AUDITORS:

Green & Co
Chartered Certified Accountants
and Registered Auditors (Statutory Auditor)
Pembroke House
Llantarnam Park Way
Cwmbran
Torfaen
NP44 3AU

**STRATEGIC REPORT
FOR THE YEAR ENDED 31ST MARCH 2023**

The directors present their strategic report for the year ended 31st March 2023.

REVIEW OF BUSINESS

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

Turnover for the year increased by 30.89% from £11,785,477 in 2022 to £15,426,304 in 2023.

Cost of sales also increased from £5,872,568 in 2022 to £9,193,171 in 2023 resulting in a gross profit for the year of £6,233,133. The gross profit represents 40.41% of turnover, a decrease from 50.17% in the previous year.

Considering other income, expenditure and finance costs, the company made a net profit for the year before taxation of £620,758 compared with a net profit of £946,390 in the previous year.

Whilst there is a net current liability of £1,140,020 for the year, an increase from a net current liability of £587,628 in the previous year, the balance sheet remains strong, owing largely to the value of the tangible fixed assets. The cash balance has decreased from negative £288,985 in 2022 to a negative £705,949 at the end of 2023.

Our performance in 2023 was encouraging, reflecting a continuing increase in activity in the hire and sale of plant in the South Wales area.

PRINCIPAL RISKS AND UNCERTAINTIES

The business environment in which we operate continues to be challenging. The risks and challenges we are likely to face include:

- Managing the challenges posed by the ongoing Covid-19 global pandemic. Maintaining appropriate staff levels at each site whilst staff have been furloughed and/or need to self-isolate.
- Managing the burden of increasing fuel and energy costs.
- Finding and retaining excellent staff.
- Continuing to secure substantial hire and sale contracts in a highly competitive industry.
- Serious accident to staff or the public. The company has placed various safety measures and procedures in place which are audited by external bodies.
- Loss of income due to bad debts. The company insures against bad debt and also has significant provisions on its balance sheet.
- Loss of computer data. Back ups are regularly taken and stored off site to prevent a catastrophic loss.
- Theft or loss of physical assets. The company maintains an appropriate level of insurance to cover this.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31ST MARCH 2023**

FUTURE EXPECTATIONS

Our expectation of performance in 2024 is that trading conditions will be good as the restrictions related to the Covid-19 pandemic decrease and turnover will continue to increase. We are aware that the war in Ukraine and the rise in energy and fuel prices will have some effect, but the business is in a strong position to shoulder additional costs and supply issues that may arise.

We recognise that the environment we work in is highly competitive and that there will be significant pressure from clients to reduce costs for the services we provide. However, we consider that we are in a strong competitive position in terms of reputation and location to meet the current market, and we will continue to focus on strengthening our technical and management capability at our various sites.

FINANCIAL KEY PERFORMANCE INDICATORS

The directors review and monitor all aspects of the business but consider that turnover, gross profit and gross profit percentage are key performance indicators for the business.

KPI	2023	2022
Turnover	£15,426,304	£11,785,477
Gross Profit	£6,233,123	£5,912,909
Gross Profit %	40.41%	50.17%

ON BEHALF OF THE BOARD:

G Derraven - Secretary

15th December 2023

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2023**

The directors present their report with the financial statements of the company for the year ended 31st March 2023.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the sale and rehire of small plant.

DIVIDENDS

Interim dividends per share were paid during the year as follows:

Ordinary £1 - £4.1371

Ordinary B £1 - £7.813763

The total distribution of dividends for the year ended 31st March 2023 will be £203,368.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st April 2022 to the date of this report.

G Derraven

J Derraven

N M Lewis

P T Lewis

J L Derraven

FINANCIAL INSTRUMENTS

The company's financial instruments comprise of bank balances, trade debtors, trade creditors, hire purchase, intercompany loans within the group and to related companies under the control of the director and bank loans.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial statements concerned is shown below:

In respect of bank balances, liquidity is managed by maintaining sufficient cash balances.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2023**

POLITICAL DONATIONS AND EXPENDITURE

During the year the company paid £3,471 in charitable donations made up of the following:

	£
Air Ambulance	25
Bridgend Ravens	1,495
Giving With Lions	850
Jehu 2 day Challenge	100
Just Giving	301
Macmillan	300
Plan International	300
MND	100
	<u>3,471</u>

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2023**

AUDITORS

The auditors, Green & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

G Derraven - Secretary

15th December 2023

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PHOENIX HIRE & SALES LIMITED

Opinion

We have audited the financial statements of Phoenix Hire & Sales Limited (the 'company') for the year ended 31st March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PHOENIX HIRE & SALES LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 Report of the Directors.

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PHOENIX HIRE & SALES LIMITED

Auditors' responsibilities for the audit of the financial statements

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

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

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk or irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- * Enquiry of management and those charged with governance around actual and potential litigation and claims as actual , suspected and alleged fraud;
- * Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- * Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- * Performing audit work over the risk of management bias and 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 accounting estimates or indicators of potential bias.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PHOENIX HIRE & SALES LIMITED**

Use of our report

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

Edwin Gooderham (Senior Statutory Auditor)
for and on behalf of Green & Co
Chartered Certified Accountants
and Registered Auditors (Statutory Auditor)
Pembroke House
Llantarnam Park Way
Cwmbran
Torfaen
NP44 3AU

15th December 2023

**STATEMENT OF COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 31ST MARCH 2023**

	Notes	2023 £	2022 £
TURNOVER		15,426,304	11,785,477
Cost of sales		<u>9,193,171</u>	<u>5,872,568</u>
GROSS PROFIT		6,233,133	5,912,909
Administrative expenses		<u>5,492,954</u>	<u>4,852,687</u>
		740,179	1,060,222
Other operating income		<u>36,583</u>	<u>40,390</u>
OPERATING PROFIT	4	776,762	1,100,612
Amounts written off investments	5	<u>(1,074)</u>	<u>20,700</u>
		777,836	1,079,912
Interest payable and similar expenses	6	<u>157,078</u>	<u>133,522</u>
PROFIT BEFORE TAXATION		620,758	946,390
Tax on profit	7	<u>172,760</u>	<u>371,393</u>
PROFIT FOR THE FINANCIAL YEAR		447,998	574,997
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>447,998</u>	<u>574,997</u>

The notes form part of these financial statements

PHOENIX HIRE & SALES LIMITED (REGISTERED NUMBER: 06491878)

**STATEMENT OF FINANCIAL POSITION
31ST MARCH 2023**

	Notes	2023 £	£	2022 £	£
FIXED ASSETS					
Tangible assets	9		6,923,843		5,897,037
CURRENT ASSETS					
Stocks	10	3,619,553		1,731,274	
Debtors	11	3,356,371		2,304,624	
Cash at bank and in hand		<u>259,315</u>		<u>93,757</u>	
		7,235,239		4,129,655	
CREDITORS					
Amounts falling due within one year	12	<u>8,375,259</u>		<u>4,717,283</u>	
NET CURRENT LIABILITIES			<u>(1,140,020)</u>		<u>(587,628)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,783,823		5,309,409
CREDITORS					
Amounts falling due after more than one year	13		(1,501,212)		(1,406,554)
PROVISIONS FOR LIABILITIES	17		<u>(1,009,503)</u>		<u>(874,377)</u>
NET ASSETS			<u>3,273,108</u>		<u>3,028,478</u>
CAPITAL AND RESERVES					
Called up share capital	18		50,700		50,700
Retained earnings	19		<u>3,222,408</u>		<u>2,977,778</u>
SHAREHOLDERS' FUNDS			<u>3,273,108</u>		<u>3,028,478</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15th December 2023 and were signed on its behalf by:

G Derraven - Director

The notes form part of these financial statements

PHOENIX HIRE & SALES LIMITED (REGISTERED NUMBER: 06491878)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2023**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1st April 2021	50,700	2,556,876	2,607,576
Changes in equity			
Profit for the year	-	574,997	574,997
Total comprehensive income	-	574,997	574,997
Dividends	-	(154,095)	(154,095)
Balance at 31st March 2022	50,700	2,977,778	3,028,478
Changes in equity			
Profit for the year	-	447,998	447,998
Total comprehensive income	-	447,998	447,998
Dividends	-	(203,368)	(203,368)
Balance at 31st March 2023	50,700	3,222,408	3,273,108

The notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2023**

	Notes	2023 £	2022 £
Cash flows from operating activities			
Cash generated from operations	1	1,846,751	1,447,588
Interest paid		(14,400)	(11,459)
Interest element of hire purchase payments paid		(140,671)	(122,063)
Finance costs paid		(2,007)	-
Tax paid		(8,155)	108
Net cash from operating activities		<u>1,681,518</u>	<u>1,314,174</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,783,854)	(2,135,939)
Sale of tangible fixed assets		536,733	545,221
Sale of fixed asset investments		-	20,700
Net cash from investing activities		<u>(2,247,121)</u>	<u>(1,570,018)</u>
Cash flows from financing activities			
Loan repayments in year		(72,524)	(57,007)
New HP loans in year		1,562,752	1,162,602
Capital repayments in year		(1,311,445)	(1,236,940)
Amount introduced by directors		259,248	200,546
Amount withdrawn by directors		(86,024)	6,240
Equity dividends paid		(203,368)	(154,095)
Net cash from financing activities		<u>148,639</u>	<u>(78,654)</u>
Decrease in cash and cash equivalents		<u>(416,964)</u>	<u>(334,498)</u>
Cash and cash equivalents at beginning of year	2	(288,985)	45,513
Cash and cash equivalents at end of year	2	<u>(705,949)</u>	<u>(288,985)</u>

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2023

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

	2023	2022
	£	£
Profit before taxation	620,758	946,390
Depreciation charges	1,441,474	1,213,852
Profit on disposal of fixed assets	(221,159)	(225,873)
Finance costs	<u>157,078</u>	<u>133,522</u>
	1,998,151	2,067,891
Increase in stocks	(1,888,279)	(640,841)
Increase in trade and other debtors	(1,051,747)	(517,161)
Increase in trade and other creditors	<u>2,788,626</u>	<u>537,699</u>
Cash generated from operations	<u><u>1,846,751</u></u>	<u><u>1,447,588</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31st March 2023

	31.3.23	1.4.22
	£	£
Cash and cash equivalents	259,315	93,757
Bank overdrafts	<u>(965,264)</u>	<u>(382,742)</u>
	<u><u>(705,949)</u></u>	<u><u>(288,985)</u></u>

Year ended 31st March 2022

	31.3.22	1.4.21
	£	£
Cash and cash equivalents	93,757	130,934
Bank overdrafts	<u>(382,742)</u>	<u>(85,421)</u>
	<u><u>(288,985)</u></u>	<u><u>45,513</u></u>

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2023

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.22 £	Cash flow £	At 31.3.23 £
Net cash			
Cash at bank and in hand	93,757	165,558	259,315
Bank overdrafts	<u>(382,742)</u>	<u>(582,522)</u>	<u>(965,264)</u>
	<u>(288,985)</u>	<u>(416,964)</u>	<u>(705,949)</u>
Debt			
Finance leases	(2,193,230)	(251,307)	(2,444,537)
Debts falling due within 1 year	(69,902)	(251)	(70,153)
Debts falling due after 1 year	<u>(284,071)</u>	<u>72,775</u>	<u>(211,296)</u>
	<u>(2,547,203)</u>	<u>(178,783)</u>	<u>(2,725,986)</u>
Total	<u>(2,836,188)</u>	<u>(595,747)</u>	<u>(3,431,935)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2023**

1. STATUTORY INFORMATION

Phoenix Hire & Sales Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Significant judgements and estimates

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

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

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Sale of new and second hand plant

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer.

Hire of plant and equipment

Turnover is recognised from plant hire sales on the basis of the dates they were provided during the financial year and hence the amounts to which the company is entitled.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- Not provided
Plant and machinery	- 20% on reducing balance
Fixtures and fittings	- 25% on cost
Motor vehicles	- 20% on cost
Computer equipment	- 20% on cost

Fixed assets are recorded at cost less accumulated depreciation.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated using the first-in, first out method and includes all purchase, transport and handling costs in bringing their stock to their present location and condition.

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

Deferred tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

2. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is shorter.

The interest element of these obligations is charged to the profit and loss over the relevant period. The capital element of the future payments is treated as a liability.

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, trade and other creditors and interest free loans.

Debtors and creditors with no stated interest rate are receivable or payable within one year and are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

Cash and cash equivalents comprise of cash at bank and in hand.

Loans and borrowings and concessionary loans are initially recorded at transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method less impairment. If an arrangement constitutes a finance transaction it is measured at present value. Loans and borrowings receivable within one year are not discounted.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

3. EMPLOYEES AND DIRECTORS

	2023	2022
	£	£
Wages and salaries	2,249,691	2,142,061
Social security costs	222,197	204,632
Other pension costs	47,938	47,270
	<u>2,519,826</u>	<u>2,393,963</u>

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

	2023	2022
Directors	5	5
Staff	79	79
	<u>84</u>	<u>84</u>

In addition to total salaries of £119,038 and total pension contributions of £2,143 the directors received benefits from the company during the year as follows:

G Derraven - £3,032
J Derraven - £19,852
N M Lewis - £6,971
P T Lewis - £13,794
J L Derraven - £4,388

	2023	2022
	£	£
Directors' remuneration	119,038	97,783
Directors' pension contributions to money purchase schemes	<u>2,143</u>	<u>1,785</u>

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

	2023	2022
Money purchase schemes	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2023	2022
	£	£
Other operating leases	84,537	29,815
Depreciation - owned assets	1,441,474	1,213,852
Profit on disposal of fixed assets	(221,159)	(225,873)
Auditors' remuneration	17,000	17,000
	<u>17,000</u>	<u>17,000</u>

5. AMOUNTS WRITTEN OFF INVESTMENTS

	2023	2022
	£	£
Exceptional items	<u>(1,074)</u>	<u>20,700</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023	2022
	£	£
Bank loan interest	4,550	5,277
Mortgage	5,556	6,074
Corporation tax interest	4,294	108
Hire purchase	140,671	122,063
PAYE interest	2,007	-
	<u>157,078</u>	<u>133,522</u>

7. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2023	2022
	£	£
Current tax:		
UK corporation tax	3,757	10,438
Overprovision of tax	33,877	(6,242)
Total current tax	<u>37,634</u>	<u>4,196</u>
Deferred tax	135,126	367,197
Tax on profit	<u>172,760</u>	<u>371,393</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

7. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

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

	2023	2022
	£	£
Profit before tax	<u>620,758</u>	<u>946,390</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022 - 19%)	117,944	179,814
Effects of:		
Expenses not deductible for tax purposes	4,310	10,216
Income not taxable for tax purposes	(42,020)	(42,915)
Capital allowances in excess of depreciation	(76,477)	(136,677)
Adjustments to tax charge in respect of previous periods	33,877	(6,242)
Deferred tax - accelerated capital allowances	135,126	367,197
Total tax charge	<u>172,760</u>	<u>371,393</u>

8. DIVIDENDS

	2023	2022
	£	£
Ordinary shares of £1 each		
Interim	124,113	81,195
Ordinary B shares of £1 each		
Interim	<u>79,255</u>	<u>72,900</u>
	<u>203,368</u>	<u>154,095</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

9. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £
COST			
At 1st April 2022	192,224	7,955,942	164,482
Additions	-	2,417,737	43,926
Disposals	-	(640,730)	-
At 31st March 2023	<u>192,224</u>	<u>9,732,949</u>	<u>208,408</u>
DEPRECIATION			
At 1st April 2022	-	2,915,729	103,107
Charge for year	-	1,205,451	31,474
Eliminated on disposal	-	(347,147)	-
At 31st March 2023	<u>-</u>	<u>3,774,033</u>	<u>134,581</u>
NET BOOK VALUE			
At 31st March 2023	<u>192,224</u>	<u>5,958,916</u>	<u>73,827</u>
At 31st March 2022	<u>192,224</u>	<u>5,040,213</u>	<u>61,375</u>

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1st April 2022	1,151,446	77,933	9,542,027
Additions	317,617	4,574	2,783,854
Disposals	(55,700)	-	(696,430)
At 31st March 2023	<u>1,413,363</u>	<u>82,507</u>	<u>11,629,451</u>
DEPRECIATION			
At 1st April 2022	578,289	47,865	3,644,990
Charge for year	192,996	11,553	1,441,474
Eliminated on disposal	(33,709)	-	(380,856)
At 31st March 2023	<u>737,576</u>	<u>59,418</u>	<u>4,705,608</u>
NET BOOK VALUE			
At 31st March 2023	<u>675,787</u>	<u>23,089</u>	<u>6,923,843</u>
At 31st March 2022	<u>573,157</u>	<u>30,068</u>	<u>5,897,037</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

9. TANGIBLE FIXED ASSETS - continued

At the year end the company held fixed assets with a net book value of £2,192,899 (2022: £2,289,350) under hire purchase contracts.

10. STOCKS

	2023	2022
	£	£
Stocks	<u>3,619,553</u>	<u>1,731,274</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Trade debtors	3,292,375	2,297,199
Prepayments	<u>63,996</u>	<u>7,425</u>
	<u>3,356,371</u>	<u>2,304,624</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Bank loans and overdrafts (see note 14)	1,035,417	452,644
Hire purchase contracts (see note 15)	1,154,621	1,070,747
Trade creditors	4,739,794	2,438,362
Corporation Tax	52,365	22,886
Social security and other taxes	84,580	68,934
VAT	539,934	281,249
Other creditors	11,383	12,226
Amounts owed to associates	293,121	60,581
Directors' current accounts	386,145	212,921
Accruals and deferred income	<u>77,899</u>	<u>96,733</u>
	<u>8,375,259</u>	<u>4,717,283</u>

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

	2023	2022
	£	£
Bank loans (see note 14)	211,296	284,071
Hire purchase contracts (see note 15)	<u>1,289,916</u>	<u>1,122,483</u>
	<u>1,501,212</u>	<u>1,406,554</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

14. LOANS

An analysis of the maturity of loans is given below:

	2023 £	2022 £
Amounts falling due within one year or on demand:		
Bank overdrafts	965,264	382,742
Bank loans	<u>70,153</u>	<u>69,902</u>
	<u>1,035,417</u>	<u>452,644</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>165,610</u>	<u>219,609</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 yr by instal	<u>45,686</u>	<u>64,462</u>

15. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2023 £	2022 £
Net obligations repayable:		
Within one year	1,154,621	1,070,747
Between one and five years	<u>1,289,916</u>	<u>1,122,483</u>
	<u>2,444,537</u>	<u>2,193,230</u>
	Non-cancellable	operating leases
	2023	2022
	£	£
Within one year	6,563	19,316
Between one and five years	<u>-</u>	<u>6,563</u>
	<u>6,563</u>	<u>25,879</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

16. SECURED DEBTS

The following secured debts are included within creditors:

	2023	2022
	£	£
Hire purchase contracts	2,444,537	2,193,230
Stocking plan	2,398,090	-
Bank loan - mortgage	95,099	103,974
	<u>4,937,726</u>	<u>2,297,204</u>

The hire purchase liabilities are secured against the assets to which they relate.

The mortgage and CBILS loans are secured against the freehold property held in the company.

The stocking plan liabilities are secured against the stock items to which they relate.

17. PROVISIONS FOR LIABILITIES

	2023	2022
	£	£
Deferred tax	<u>1,009,503</u>	<u>874,377</u>
		Deferred tax
		£
Balance at 1st April 2022		874,377
Provided during year		135,126
Balance at 31st March 2023		<u>1,009,503</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023	2022
			£	£
30,000	Ordinary	£1	30,000	30,000
10,557	Ordinary A	£1	10,557	10,557
10,143	Ordinary B	£1	10,143	10,143
			<u>50,700</u>	<u>50,700</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

19. RESERVES

	Retained earnings £
At 1st April 2022	2,977,778
Profit for the year	447,998
Dividends	(203,368)
At 31st March 2023	<u>3,222,408</u>

20. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31st March 2023 and 31st March 2022:

	2023 £	2022 £
P T Lewis and N M Lewis		
Balance outstanding at start of year	103	1,863
Amounts advanced	-	2,000
Amounts repaid	(19)	(3,760)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>84</u>	<u>103</u>
G Derraven and J Derraven		
Balance outstanding at start of year	212,817	4,272
Amounts advanced	258,244	208,545
Amounts repaid	(85,000)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>386,061</u>	<u>212,817</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2023

21. RELATED PARTY DISCLOSURES

As at the 31st March 2023 the company owed £293,121 (2022 - £60,581) to Survey Safety & Training Ltd, a company in which G Derraven and P T Lewis are directors and shareholders.

As at 31st March 2023 the combined balance of the directors' loan account was £386,145 (2022: £212,921).

Personal guarantee's were issued by the director's against a mortgage taken out by the company as follows:

Directors	Guarantee amount
Mr G Derraven & Mrs J Derraven	£25,000
Mr P T Lewis & Mrs N M Lewis	£5,000

Entities with control, joint control or significant influence over the entity

	2023	2022
	£	£
Sales	365,741	341,235
Purchases	1,031,566	1,052,350
Amount due to related party	<u>293,121</u>	<u>60,581</u>

22. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is G Derraven.

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

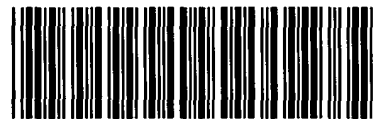
Company Registration Number: NI663693

William Keys & Sons Ltd

Reports and Financial Statements

for the financial year ended 31 December 2023

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COMPANIES HOUSE

William Keys & Sons Ltd

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William Keys & Sons Ltd
DIRECTOR AND OTHER INFORMATION

Director	Mr. Derek Keys
Company Registration Number	NI663693
Registered Office	72 - 74 Omagh Road Dromore Omagh Co Tyrone BT78 3AJ Northern Ireland
Business Address	72 - 74 Omagh Road Dromore Omagh Co Tyrone BT78 3AJ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors Merchant Square 20-22 Wellington Place Belfast BT1 6GE
Bankers	Danske Bank 5-7 Market Street Omagh Co Tyrone BT78 1BN
Solicitors	McConnell & Fyffe The Old Rectory 21 Church Street Omagh Co Tyrone BT78 1DG

William Keys & Sons Ltd
STRATEGIC REPORT
for the financial year ended 31 December 2023

The director presents his strategic report on the company for the financial year ended 31 December 2023.

Principal Activity

The principal activity of the company is that of purchase and sale of plant and machinery.

Review of the Company's Business

The results for the year show a pre-tax profit of £4,782,500 (2022: loss £4,502,903) on turnover of £73,608,318 (2022: £82,387,406).

The director considers the company's financial position at the year end to be satisfactory and will continue to seek every opportunity to increase profits. The director is committed to creation of shareholder value by increasing the company's market share through organic growth.

Principal Risks and Uncertainties

Performance in the sector is affected by general economic conditions and specific sectoral factors. The company's performance is also affected by the availability for machinery for resale and continued competition from other dealers. In order to mitigate the risk, the director sources machinery from a wide variety of suppliers.

Financial key performance indicators

	2023	2022
Gross profit margin	2%	6%
Movement in sales	(11)%	(1)%
Operating profit/(loss) margin	6%	(5)%

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make its sites and offices safe environments for employees and customers alike.

Statement by the director in performance of his statutory duties' accordance with S172(1) Companies Act 2006

This section describes how the director has had regard to the matters set out in section 172(1) (a) to (f) of Companies Act 2006 and forms the director's statement required under the Companies (Miscellaneous Reporting) Regulations 2018.

The director requires all employees of the company to adhere to the highest standards of integrity and meet all legal and regulatory requirements.

In making decisions, the director gives the appropriate consideration to the short and long term impacts of those decisions. These decisions are based on relevant budgets, forecasts, considerations of principal and emerging business risks and the wider market environment. In making these decisions the director gives due consideration to the impact on key stakeholders and acknowledge that appropriate engagement and consultation with these stakeholders supports the future success of the Company. This includes decisions which impact the Company's:

- Employees, to ensure that appropriate levels of communication are provided by the directors and feedback received from the employees and acted on;
- Customers to ensure that appropriate levels of engagement are maintained across the customer base and that high levels of customer service are monitored and maintained;
- Suppliers, to ensure that a strong relationship is maintained with key suppliers;
- Community and environment, to ensure that the activities of the Company support the local community and environment, for example, through providing employment for local people, supporting in their training and ensuring that the Company activities look after the local environment;
- Regulators, to ensure that the Company is in compliance with all laws and regulations; and
- Other key stakeholders.

William Keys & Sons Ltd
STRATEGIC REPORT

for the financial year ended 31 December 2023

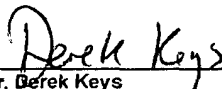
Environment

The company recognises its responsibility to carry out its operations whilst minimising environmental impacts. The director's continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Employees

The company's most important resource is its people, their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical.

On behalf of the board


Mr. Derek Keys
Director

Date: 4th July 24

William Keys & Sons Ltd
DIRECTOR'S REPORT
for the financial year ended 31 December 2023

The director presents his report and the audited financial statements for the financial year ended 31 December 2023.

Principal Activity

The principal activity of the company is that of purchase and sale of plant and machinery.

Results and Dividends

The profit/(loss) for the financial year after providing for depreciation and taxation amounted to £3,671,517 (2022 - £(4,352,369)).

The director does not recommend payment of a dividend.

Director

The director of the company who served during the financial year and up to date of signing the financial statements is as follows:

Mr. Derek Keys

There were no changes in shareholdings between 31 December 2023 and the date of signing the financial statements.

Future Developments

The company plans to continue its present activities and current trading levels. Employees are kept as fully informed as practicable about developments within the business.

Statement of Director's Responsibilities

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the director 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 the financial statements, the director is required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director is also 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.

Director's confirmations

In the case of each director in office at the date the director's report is approved:

- 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 they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

William Keys & Sons Ltd
DIRECTOR'S REPORT

for the financial year ended 31 December 2023

Financial risk management

The company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, liquidity risk and interest rate risk.

Given the size of the company, the director has not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of director is implemented by the company's finance department.

Foreign exchange risk

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business, both on sales in Euro, Japanese Yen, South African Rand, Mexican Peso, Turkish Lira and Australian Dollar and purchase in Euro, US Dollar, Japanese Yen, South African Rand, Mexican Peso, Turkish Lira and Australian Dollar. The company seeks to mitigate the exposure to foreign exchange risk by hedging certain currencies using foreign exchange contracts.

Credit Risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the director.

Liquidity Risk

The company actively maintains a mix of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

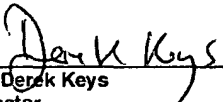
Interest Rate Risk

The company has both interest bearing liabilities. The interest bearing liabilities include bank overdrafts on which an interest charge varies in line with the banks base rate. The company has a policy of maintaining debt at competitive rate to ensure a reasonable degree over future interest cash flows. The director will revisit the appropriateness of this policy should the company's operations change size or nature.

Statement of Greenhouse Gas (GHG) Emissions

The Statement of Greenhouse Gas (GHG) Emissions for UK offices are included in the Directors' report in the financial statements of Gardrum Holdings Limited, which does not form part of this report.

On behalf of the board


Mr. Derek Keys
Director

Date: 4th July 24

Independent auditors' report to the members of William Keys & Sons Ltd

Report on the audit of the financial statements

Opinion

In our opinion, William Keys & Sons Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Reports and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2023; Income Statement and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of William Keys & Sons Ltd (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the director for the financial statements

As explained more fully in the Statement of Director's Responsibilities, the director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The director is also responsible for such internal control as they 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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.

Independent auditors' report to the members of William Keys & Sons Ltd (continued)

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims, litigation and instances of fraud;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, for example, unexpected account combinations impacting revenue; and
- Testing of assumptions and judgements made by management in making significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
4 July 2024

William Keys & Sons Ltd
INCOME STATEMENT
for the financial year ended 31 December 2023

	Notes	2023 £	2022 £
Turnover	5	73,608,318	82,387,406
Cost of sales		(72,164,357)	(77,761,172)
Gross profit		1,443,961	4,626,234
Administrative expenses		(1,405,479)	(1,622,532)
Other gains and losses	7	4,744,018	(7,486,548)
Operating profit/(loss)	6	4,782,500	(4,482,846)
Interest payable and similar expenses	8	-	(20,057)
Profit/(loss) before taxation		4,782,500	(4,502,903)
Tax on profit/(loss)	10	(1,110,983)	150,534
Profit/(loss) for the financial year		3,671,517	(4,352,369)
Total comprehensive income/(expense)		3,671,517	(4,352,369)

William Keys & Sons Ltd
Company Registration Number: NI663693
BALANCE SHEET
as at 31 December 2023

	Notes	2023 £	2022 £
Fixed Assets			
Tangible assets	11	58,946	77,486
Current Assets			
Stocks	12	24,461,159	22,917,758
Debtors	13	3,562,617	1,686,624
Cash and cash equivalents		-	728,940
		28,023,776	25,313,322
Creditors: amounts falling due within one year	14	(4,576,000)	(4,852,069)
Net Current Assets		23,447,776	20,461,253
Total Assets less Current Liabilities		23,506,722	20,538,739
Creditors: amounts falling due after more than one year	15	(732,766)	(1,431,665)
Provisions for liabilities	16	(14,736)	(19,371)
Net Assets		22,759,220	19,087,703
Capital and Reserves			
Called up share capital	19	101	101
Retained earnings		22,759,119	19,087,602
Total Shareholders' Funds		22,759,220	19,087,703

Approved by the Director and authorised for issue on 4th July 24

Derek Keys
Mr. Derek Keys
Director

William Keys & Sons Ltd
STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2023

	Called up share capital £	Retained earnings £	Total £
At 1 January 2022	101	23,439,971	23,440,072
Loss for the financial year	-	(4,352,369)	(4,352,369)
At 31 December 2021	101	19,087,602	19,087,703
Profit for the financial year	-	3,671,517	3,671,517
At 31 December 2022	101	22,759,119	22,759,220

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

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

1. General Information

William Keys & Sons Ltd is a company limited by shares incorporated and registered in Northern Ireland. The registered number of the company is NI663693. The registered office of the company is 72 - 74 Omagh Road, Dromore, Omagh, Co Tyrone, BT78 3AJ, Northern Ireland. The nature of the company's operations and its principal activities are set out in the Director's Report. The financial statements have been presented in Pound (£) which is also the functional currency of the company.

2. Summary of Significant Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Statement of compliance

The financial statements of the company for the financial year ended 31 December 2023 have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) issued by the Financial Reporting Council and in accordance with the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on a going concern basis, 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 judgement in applying the company's accounting policies. No critical judgements or critical accounting estimates have been applied to these financial statements.

The directors have agreed with the company's auditors' that the auditors' liability to damages for breach of duty in relation to the audit of the company's financial statements for the year to 31 December 2023 should be limited to the greater of £5 million or 5 times the auditors' fees, and that in any event the auditors' liability for damages should be limited to that part for any loss suffered by the company as is just and equitable having regard to the extent to which the auditor, the company and any third parties are responsible for the loss in question. The shareholders approved this limited liability agreement, as required by the Companies Act 2006, by a resolution dated 6 May 2024.

Cash flow statement

The company has availed of the exemption in FRS 102 from the requirement to prepare a Cash Flow Statement because it is a subsidiary undertaking for which the consolidated financial statements are publicly available.

Turnover

Turnover represents the invoiced value of goods supplied during the year excluding value added tax and is net of sales returns, trade discounts and rebates.

The company recognises turnover when: (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of the revenue can be reliably measured; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the company's sales channels have been met.

Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transition is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by the future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over the fair value is amortised over the period for which the asset is expected to be used.

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

2. Summary of Significant Accounting Policies (continued)

Finance cost

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Business combinations

Group reconstructions are accounted for using merger accounting, where the trade and assets acquired by the company are acquired from an undertaking controlled by the same parties before and after the acquisition. Using merger accounting, the carrying amounts of the acquired entity's assets and liabilities are not adjusted to fair value, although appropriate adjustments are made to achieve uniformity of accounting policies in the combined entities. Under merger accounting, no goodwill arises and the acquired entity's assets and liabilities are brought in at the amounts at which the entity recorded them in its books before the combination.

Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting.

Tangible assets and depreciation

Tangible 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over the estimated useful lives, on a straight line and reducing balance basis.

Plant and machinery	- 15% reducing balance
Motor vehicles	- 25% reducing balance

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 Statement of comprehensive income.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Trade and other debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash within insignificant risk of change in value.

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

2. Summary of Significant Accounting Policies (continued)

Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

Provisions

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 or economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income 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.

Trade and other creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution scheme for specific directors and 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 when they are due. Amounts not paid are shown in accruals in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Taxation and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings 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 difference 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.

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

2. Summary of Significant Accounting Policies (continued)

Foreign currencies

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.

Foreign currency gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'cost of sales'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating losses'.

Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. Annual contributions payable to the company's pension scheme are charged to the Income Statement in the period to which they relate.

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

2. Summary of Significant Accounting Policies (continued)

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the Statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade creditors initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors 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.

Derivatives, including interest rate swaps and 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 and loss in finance costs or income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii. Offsetting

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

Ordinary share capital

Ordinary share are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

3. Going concern

The director believes that preparing the financial statements on the going concern basis is appropriate as the company is trading profitably and has sufficient resources to meet its liabilities as they fall due.

4. Group Company Exemptions Claimed

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholder.

The company has taken advantage of the following exemptions:

- The preparation of a Statement of cash flows, required under section 7 of FRS 102 and paragraph 1.12(b), on the basis that it is a qualifying entity and its ultimate parent company, Gardrum Holdings Limited, includes the company's cash flows in its own consolidated financial statements;
- From the disclosure of financial instruments, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statements disclosure;
- Disclosure of the company's key management personnel compensation, as required by FRS 102 paragraph 33.7, as this information is provided in the consolidated financial statements of its ultimate parent; and
- Disclosure of the company's related party transactions and balances, under FRS 102 paragraph 33.1A, as all the voting rights of the company are controlled within the group.

This information is included in the consolidated financial statements of Gardrum Holdings Limited as at 31 December 2023 and these financial statements may be obtained from 72-74 Omagh Road, Dromore, Co Tyrone, BT78 3AJ.

5. Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom.

6. Operating profit/(loss)	2023	2022
	£	£
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation of tangible assets	18,540	24,528
Loss on disposal of tangible assets	-	183,319
(Profit)/loss on foreign currencies	(1,813,883)	1,199,894
Auditors' remuneration		
- audit services	42,800	40,000

7. Other Gains and Losses	2023	2022
	£	£

Fair value gains and losses are as follows:

Movement on fair value of derivative financial instruments	4,744,018	(7,486,548)
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8. Interest payable and similar expenses	2023	2022
	£	£
Interest on overdue tax	-	20,057

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

9. Employees and remuneration

Number of employees

The average number of persons employed (including executive director) during the financial year was as follows:

	2023	2022
	Number	Number
Sales	16	15
Management	3	2
Administration	6	6
	25	23

The staff costs (inclusive of director's salaries) comprise:

	2023	2022
	£	£
Wages and salaries	724,949	656,420
Social security costs	76,744	72,630
Other pension costs	12,799	11,485
	814,492	740,535

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

10. Tax on profit/(loss)

	2023 £	2022 £
(a) Analysis of charge/(credit) in the financial year		
Current tax:		
Corporation tax at 23.50% (2022 - 19.00%)	1,129,231	-
Adjustment in respect of previous periods	(13,613)	(13,613)
Total current tax	<u>1,115,618</u>	<u>(13,613)</u>
Deferred tax:		
Origination and reversal of timing differences	(4,635)	(136,921)
Total deferred tax	<u>(4,635)</u>	<u>(136,921)</u>
Tax on profit/(loss) (Note 10 (b))	<u><u>1,110,983</u></u>	<u><u>(150,534)</u></u>

(b) Factors affecting tax charge/(credit) for the financial year

The tax assessed for the financial year differs from the standard rate of corporation tax in the United Kingdom 23.50% (2022 - 19.00%). The differences are explained below:

	2023 £	2022 £
Profit/(loss) before tax taxable at 23.50%	<u>4,782,500</u>	<u>(4,502,903)</u>
Profit/(loss) before tax		
multiplied by the standard rate of corporation tax		
in the United Kingdom at 23.50% (2022 - 19.00%)	1,123,888	(855,552)
Effects of:		
Expenses not deductible for tax purposes	5,343	116,299
Deferred tax	(4,635)	(136,921)
Effects of group relief/other relief	-	739,253
Adjustment to tax charge in respect of previous periods	(13,613)	(13,613)
Total tax charge/(credit) for the financial year (Note 10 (a))	<u><u>1,110,983</u></u>	<u><u>(150,534)</u></u>

(c) Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). The new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted average tax rate was 23.5%

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

11. Tangible assets

	Plant and machinery	Motor vehicles	Total
	£	£	£
Cost			
At 1 January 2023	74,690	180,391	255,081
At 31 December 2023	74,690	180,391	255,081
Accumulated Depreciation			
At 1 January 2023	66,346	111,249	177,595
Charge for the financial year	1,248	17,292	18,540
At 31 December 2023	67,594	128,541	196,135
Net book value			
At 31 December 2023	7,096	51,850	58,946
At 31 December 2022	8,344	69,142	77,486

12. Stocks

	2023 £	2022 £
Goods for resale	24,461,159	22,917,758

The provision for slow moving and damaged stock at the year end was £1,397,684 (2022: £1,397,684).

13. Debtors

	2023 £	2022 £
Trade debtors	842,080	510,381
Amounts owed by related parties	119,614	702
Other debtors	32,160	46,982
Other taxation and social security	1,177,573	842,798
Derivative asset	1,373,576	252,608
Prepayments and accrued income	17,614	13,153
	<u>3,562,617</u>	<u>1,666,624</u>

Amounts owed to group and related party undertakings are unsecured, interest free and have no fixed date of repayment.

Included in debtors above are amounts greater than one year of £454,832 (2022: £43,869).

Derivative financial instruments

The fair value measurement on these derivative financial instruments as at the year ended 31 December 2023.

The Company has entered into a number of foreign currency derivative contracts during the year. As at 31 December 2023 the company has the following derivative contracts in place:

Buys	GBP	Sells	EUR	£58,015,874
Buys	GBP	Sells	USD	£47,028,306
Buys	TRY	Sells	EUR	£356,781
Buys	TRY	Sells	JPY	£433,642

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

14. Creditors:	2023	2022
Amounts falling due within one year	£	£
Bank overdrafts	1,727,141	-
Trade creditors	626,177	171,747
Amounts owed to group undertakings	409,191	1,125,626
Amounts owed to related parties	19,997	-
Taxation and social security	1,148,621	17,109
Derivative liability	529,922	3,454,073
Accruals and deferred income	114,951	83,514
	<u>4,576,000</u>	<u>4,852,069</u>

The company's bank overdrafts are secured by a charge over book debts and a floating charge over the total assets.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15. Creditors:	2023	2022
Amounts falling due after more than one year	£	£
Derivative financial instruments	<u>732,766</u>	<u>1,431,665</u>

16. Provisions for liabilities

The amounts provided for deferred taxation are analysed below:

	Capital allowances	Total	Total
	£	2023 £	2022 £
At financial year start	19,371	19,371	156,292
Credited to profit and loss	(4,635)	(4,635)	(136,921)
At financial year end	<u>14,736</u>	<u>14,736</u>	<u>19,371</u>

17. Financial Instruments

Financial assets measured at fair value through profit or loss comprise derivatives.

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio comprise derivatives.

	2023 £	2022 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>1,373,576</u>	<u>252,608</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	<u>(1,262,689)</u>	<u>(4,885,738)</u>

William Keys & Sons Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

18. Pension costs - defined contribution

The company operated a defined contribution 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 £12,799 for the year ended 31 December 2023 (2022: £11,485). There were outstanding payments at 31 December 2023 of £2,458 (2022: £2,166).

19. Called up share capital	Description	Number of shares	Value of units	2023	2022
				£	£
	Allotted, called up and fully paid Ordinary Shares Class 1	101	£1 each	101	101

20. Director's remuneration	2023	2022
	£	£
Remuneration	64,649	62,485

21. Related party transactions

The company has availed of the exemption under FRS 102 in relation to the disclosure of transactions with group undertakings.

The company has taken advantage of the exemption under FRS 102 paragraph 33.1A "Related party disclosures" from disclosing transactions with wholly owned group companies as all of the voting rights of the company are controlled within the group.

Companies which are deemed to be related parties owing to them being controlled by brothers of Mr Derek Keys are Equipment Sales No.3 Ltd (formerly Equipment Sales Ltd), Equipment & Plant Services No.1 Ltd (formerly Equipment & Plant Services Ltd) and Old Coach House Properties Ltd. Gortalowry Developments Ltd, Euro Acutions FZE and Barford Equipment Ltd are deemed to be related parties owing to them being under common control of Mr Derek Keys.

22. Parent and ultimate parent company

The company regards William Keys & Sons Holdings Limited as its parent company.

The company's ultimate parent undertaking is Gardrum Holdings Limited.
The address of Gardrum Holdings Limited is 72-74 Omagh Road, Dromore, Co Tyrone BT78 3AJ Northern Ireland.
Gardrum Holdings Limited is regarded as both the controlling party and the ultimate controlling party.

The parent of the largest group in which the results are consolidated is Gardrum Holdings Limited.
Gardrum Holdings Limited is registered in Northern Ireland.
Gardrum Group Financial Statements are available at 72-74 Omagh Road, Dromore, Co Tyrone, BT78 3AJ.

23. Controlling interest

The ultimate controlling party is Derek Keys.

Company registration number 04510044 (England and Wales)

TAYLOR & BRAITHWAITE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2023



TAYLOR & BRAITHWAITE LIMITED

COMPANY INFORMATION

Directors	Mr P Taylor Mrs M Taylor
Company number	04510044
Registered office	Dyke Nook Sandford Appleby-in-Westmorland CA16 6NS
Auditor	MHA Kendal House Murley Moss Business Village Oxenholme Road Kendal LA9 7RL

TAYLOR & BRAITHWAITE LIMITED

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TAYLOR & BRAITHWAITE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2023

The directors present the strategic report for the year ended 30 November 2023.

Fair review of the business

In line with market conditions, sales have fallen considerably during this period. Turnover was £16.5m (2022: £30.8m). Net profit was £293k (2022: £1,844k)

Principal risks and uncertainties

As in all businesses, the company is subject to a number of risks which it seeks to mitigate. The principal risks and areas of uncertainty are as follows:

Supplier risk

The company is reliant on the continuation of its supply chain and is dependent on them for the manufacture and supply of quality new construction equipment. However, we have a strong working relationship with our suppliers, whilst also constantly monitoring our supply chain and looking for supplier opportunities to increase our product portfolio. The restructuring of geographical sales areas, and corresponding appointment of Area Sales Managers, has enabled us maintain brand presence throughout our trading area.

Competition risk

The new and used construction equipment market is a competitive one and there is always the risk that customers will look to other suppliers or the internet. The company continually monitors its product range to ensure it is competitively priced whilst also responding to the activities of the market as necessary.

Stock Availability

Stock has now become widely available across all manufacturers and now exceeds demand. This is leading to in-stock machines being held for much longer periods of time and lower margins being achieved due to increased competition.

Credit risk

There is always the potential for customers to not pay their debts as they fall due. However, these are tightly controlled as machines are not released to the customer until paid, and we have expanded our credit control department to minimise our risk.

Exchange Rate

We are at risk of being less competitive should sterling weaken against the euro, resulting in fewer deals and lower margins. Key performance indicators to make market movements work in our favour.

The company monitors its performance using a number of measures. These include:

Turnover - £16.5m (2022: £30.8m)

Gross profit - £1.9m (2022: £4.1m)

Net profit - £293k (2022: £1,844k)

On behalf of the board

Mr P Taylor
Director

10 July 2024

TAYLOR & BRAITHWAITE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2023

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

Principal activities

The principal activity of the company during the year was that of the sale of new construction equipment supplied from a number of international manufacturing companies and also the purchase and sale of used construction equipment and the sale of related spare parts and services.

Results and dividends

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

Ordinary dividends were paid amounting to £632,200. The directors do not recommend payment of a final dividend.

Directors

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

Mr P Taylor

Mr I Burton

(Resigned 30 November 2023)

Mrs M Taylor

Mr H Taylor

(Deceased 26 January 2024)

Future developments

The industry is suffering from a downturn in equipment sales in numerous sectors with a lack of confidence causing many customers to postpone purchases, high costs of equipment, increased finance costs & increasing bad debt have reduced business levels across all departments. There is a large stock of equipment in dealer & manufacturer inventories leading to heavy discounting whilst absorbing stocking interest charges, as a result margins are poor on equipment sales.

A restructure within the Sales Department has been completed due to the retirement of the Sales Director, we are undergoing changes of territories & expanding the sales team.

As expected, both Turnover and Margin have fallen this year and we will need to closely monitor company wide performance to adapt to market conditions.

Auditor

MHA were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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.

Medium-sized companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the medium-sized companies exemption.

TAYLOR & BRAITHWAITE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

On behalf of the board

Mr P Taylor
Director

10 July 2024

TAYLOR & BRAITHWAITE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 2023

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.

TAYLOR & BRAITHWAITE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TAYLOR & BRAITHWAITE LIMITED

Opinion

We have audited the financial statements of Taylor & Braithwaite Limited (the 'company') for the year ended 30 November 2023 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 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 *Auditor's 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.

TAYLOR & BRAITHWAITE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TAYLOR & BRAITHWAITE LIMITED (CONTINUED)

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.

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.

Matters on which we are required to report by exception

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 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, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

TAYLOR & BRAITHWAITE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TAYLOR & BRAITHWAITE LIMITED (CONTINUED)

- enquiring of management and those charged with governance of any actual and potential litigation and claims;
- reviewing the financial statement disclosures and testing of supporting documentation to assess compliance with the relevant laws and regulations. For Taylor & Braithwaite Limited we consider these to be the Health and Safety Act 1974 and compliance with the UK Companies Act 2006;
- assessing whether the judgements made in making accounting estimates are indicative of any potential bias;
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business; and
- auditing the risk of fraud in revenue, including through the testing of the cut off of income at the year end and sales transaction testing to ensure revenue is complete in the financial statements and recognised in the correct accounting period.

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 financial statements is located on the FRC's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

Jenny McCabe FCA MAAT

Senior Statutory Auditor

For and on behalf of MHA, Statutory Auditor

Kendal, United Kingdom

10 July 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

TAYLOR & BRAITHWAITE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 NOVEMBER 2023

	Notes	2023 £	2022 £
Turnover	3	16,505,715	30,833,623
Cost of sales		(14,539,267)	(26,718,645)
Gross profit		1,966,448	4,114,978
Administrative expenses		(1,560,665)	(1,788,781)
Other operating income		750	25,358
Operating profit	4	406,533	2,351,555
Interest receivable and similar income	7	70,004	9,591
Interest payable and similar expenses	8	(92,281)	(81,680)
Profit before taxation		384,256	2,279,466
Tax on profit	9	(91,171)	(435,183)
Profit for the financial year		293,085	1,844,283

The profit and loss account has been prepared on the basis that all operations are continuing operations.

TAYLOR & BRAITHWAITE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 NOVEMBER 2023

	2023	2022
	£	£
Profit for the year	293,085	1,844,283
Other comprehensive income	-	-
Total comprehensive income for the year	<u>293,085</u>	<u>1,844,283</u>

TAYLOR & BRAITHWAITE LIMITED

BALANCE SHEET

AS AT 30 NOVEMBER 2023

	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Tangible assets	11		1,074,632		959,235
Current assets					
Stocks	12	3,195,673		3,275,417	
Debtors	13	2,075,752		2,434,843	
Cash at bank and in hand		3,346,437		4,173,875	
		8,617,862		9,884,135	
Creditors: amounts falling due within one year	14	(3,407,390)		(4,044,562)	
Net current assets			5,210,472		5,839,573
Total assets less current liabilities			6,285,104		6,798,808
Creditors: amounts falling due after more than one year	15		(522,319)		(736,151)
Provisions for liabilities					
Deferred tax liability	17	76,837	(76,837)	37,594	(37,594)
Net assets			5,685,948		6,025,063
Capital and reserves					
Called up share capital	19		3,000		3,000
Profit and loss reserves			5,682,948		6,022,063
Total equity			5,685,948		6,025,063

These financial statements have been prepared in accordance with the provisions relating to medium-sized companies.

The financial statements were approved by the board of directors and authorised for issue on 10 July 2024 and are signed on its behalf by:

Mr P Taylor
Director

Company registration number 04510044 (England and Wales)

TAYLOR & BRAITHWAITE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2023**

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 December 2021		3,000	5,356,483	5,359,483
Year ended 30 November 2022:				
Profit and total comprehensive income		-	1,844,283	1,844,283
Dividends	10	-	(1,178,703)	(1,178,703)
Balance at 30 November 2022		3,000	6,022,063	6,025,063
Year ended 30 November 2023:				
Profit and total comprehensive income		-	293,085	293,085
Dividends	10	-	(632,200)	(632,200)
Balance at 30 November 2023		3,000	5,682,948	5,685,948

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2023

1 Accounting policies

Company information

Taylor & Braithwaite Limited is a private company limited by shares incorporated in England and Wales. The registered office is Dyke Nook, Sandford, Appleby-in-Westmorland, CA16 6NS.

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 advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Taylor & Braithwaite (Holdings) Limited. These consolidated financial statements are available from its registered office.

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

1 Accounting policies

(Continued)

1.2 Going concern

The UK market experienced a considerable downturn during 2023 as a result of many construction projects being delayed or cancelled. This created uncertainty and a lack of confidence throughout the industry to invest in new equipment.

Suppliers are continuing to increase costs which is contributing towards lower margins. Increased costs of our machinery within the market also gives opportunities to our competitors who now also have stock available. Increases in transportation and freight costs have also caused longer lead times and delays in obtaining equipment and spare parts.

There was also an increase in the amount of stock available from competitors which led to lower margin sales throughout our product range.

The decision to exit the Crushing and Screening market has enabled the company to be more strategic when purchasing stock, as capital has been released to enable profits to be maximised when making payments against machines. Our cash position remains strong and gives us the ability to take advantage of discounts offered or positive exchange rates where possible.

It is anticipated that 2024 will have the same challenges of supply outweighing demand in machinery. Sales of machinery will continue to be challenging as aged stock costs will increase leading to a necessity to do low margin deals to enable movement of old stock.

In conclusion, 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 is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

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

1.4 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.

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

Land and buildings freehold	- 2% Straight Line
Fixtures, fittings & equipment	- 15%/25% Reducing Balance
Motor vehicles	- 25%/30% 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.

The directors perform annual impairment reviews to ensure that the recoverable amount is not lower than the carrying value.

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

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

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

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

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

1.6 Stocks

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

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

1.7 Cash at bank and in hand

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

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.

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.

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the 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.

Other financial liabilities

Derivatives, including interest rate swaps and 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.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.9 Taxation

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

Current tax

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

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

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

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

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

1.11 Retirement benefits

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

1.12 Finance creditors and operating leases

Obligations are classified as finance creditors whenever the terms of the agreement transfer substantially all the risks and rewards of ownership to the company. All other obligations are classified as operating leases.

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

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

1 Accounting policies

(Continued)

1.14 Foreign exchange

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

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.

Key sources of estimation uncertainty

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

Stock provision

Provision has been made against the value of used stock and older parts stock. Additional provision is included on a line by line basis when necessary.

3 Turnover and other revenue

	2023	2022
	£	£
Turnover analysed by class of business		
Sales	16,505,715	30,829,722
Hire income	-	3,901
	<u>16,505,715</u>	<u>30,833,623</u>
	2023	2022
	£	£
Other significant revenue		
Interest income	70,004	9,591
Grants received	-	23,858
	<u></u>	<u></u>

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

3 Turnover and other revenue

(Continued)

	2023 £	2022 £
Turnover analysed by geographical market		
United Kingdom	16,222,510	30,553,518
Rest of Europe	283,205	280,105
	<u>16,505,715</u>	<u>30,833,623</u>

4 Operating profit

	2023 £	2022 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(29,878)	56,824
Government grants	-	(23,858)
Fees payable to the company's auditor for the audit of the company's financial statements	17,857	18,298
Depreciation of owned tangible fixed assets	94,779	72,850
Depreciation of tangible fixed assets held under finance leases	20,480	36,069
Profit on disposal of tangible fixed assets	(16,023)	(24,258)
Operating lease charges	4,495	4,495
	<u>4,495</u>	<u>4,495</u>

5 Employees

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

	2023 Number	2022 Number
Directors	4	5
Sales	8	7
Service	14	13
Admin	4	4
	<u>30</u>	<u>29</u>

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	1,025,657	1,116,410
Social security costs	114,859	140,936
Pension costs	214,487	257,553
	<u>1,355,003</u>	<u>1,514,899</u>

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

6 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	62,876	78,545
Company pension contributions to defined contribution schemes	153,330	196,000
	<u>216,206</u>	<u>274,545</u>

7 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	70,004	9,591
	<u>70,004</u>	<u>9,591</u>

8 Interest payable and similar expenses

	2023 £	2022 £
Interest on bank overdrafts and loans	68,845	47,124
Interest on finance leases and hire purchase contracts	-	3,145
Other interest	23,436	31,411
	<u>92,281</u>	<u>81,680</u>

9 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits for the current period	54,022	436,311
Adjustments in respect of prior periods	(2,094)	1,664
Total current tax	<u>51,928</u>	<u>437,975</u>
Deferred tax		
Origination and reversal of timing differences	39,243	1,779
Adjustment in respect of prior periods	-	(4,571)
Total deferred tax	<u>39,243</u>	<u>(2,792)</u>
Total tax charge	<u>91,171</u>	<u>435,183</u>

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

9 Taxation

(Continued)

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:

	2023 £	2022 £
Profit before taxation	384,256	2,279,466
Expected tax charge based on the standard rate of corporation tax in the UK of 23.01% (2022: 19.00%)	88,417	433,099
Tax effect of expenses that are not deductible in determining taxable profit	4,943	8,453
Adjustments in respect of prior years	(2,094)	-
Permanent capital allowances in excess of depreciation	(3,077)	(3,889)
Over provided in prior years	-	1,664
Deferred tax adjustments in respect of prior years	-	(4,571)
Tax at marginal rate	(140)	-
Effective change in rate of deferred tax provision	3,122	427
Taxation charge for the year	91,171	435,183

10 Dividends

	2023 £	2022 £
Interim paid	632,200	1,178,703

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

11 Tangible fixed assets

	Land and buildings freehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 December 2022	891,631	158,632	356,105	1,406,368
Additions	-	1,935	298,299	300,234
Disposals	-	(2,275)	(148,380)	(150,655)
At 30 November 2023	891,631	158,292	506,024	1,555,947
Depreciation and impairment				
At 1 December 2022	169,847	89,947	187,339	447,133
Depreciation charged in the year	16,498	13,879	84,882	115,259
Eliminated in respect of disposals	-	(1,152)	(79,925)	(81,077)
At 30 November 2023	186,345	102,674	192,296	481,315
Carrying amount				
At 30 November 2023	705,286	55,618	313,728	1,074,632
At 30 November 2022	721,784	68,685	168,766	959,235

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

	2023 £	2022 £
Motor vehicles	57,336	77,816

12 Stocks

	2023 £	2022 £
Finished goods and goods for resale	3,195,673	3,275,417

Included within this figure is an impairment loss of £100,158 (2022: £77,558) which was recognised against stock during the year due to slow-moving and obsolete stock.

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

13 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	925,669	1,653,968
Corporation tax recoverable	79,208	-
Amounts owed by group undertakings	1,070,875	780,875
	<u>2,075,752</u>	<u>2,434,843</u>

14 Creditors: amounts falling due within one year

	Notes	2023	2022
		£	£
Bank loans and overdrafts		200,000	200,000
Obligations under finance creditors	16	13,912	34,768
Trade creditors		2,744,069	2,775,822
Corporation tax		-	196,311
Other taxation and social security		108,149	463,990
Other creditors		283,369	284,324
Accruals and deferred income		57,891	89,347
		<u>3,407,390</u>	<u>4,044,562</u>

Bank loans and overdrafts of £200,000 (2022: £200,000) are secured by a fixed charge over all present freehold and leasehold property and a floating charge over all assets and undertaking both present and future of the company. In addition, included in bank loans and overdrafts is a Coronavirus Business Interruption Loan (CBIL) where the bank has received a guarantee from the UK Government under the CBIL scheme.

Included within obligations under finance creditors at 30 November 2023 is an amount of £13,912 (2022: £34,768) secured by fixed charges on the fixed assets concerned.

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

15 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Bank loans and overdrafts		516,667	716,667
Obligations under finance creditors	16	5,652	19,484
		<u>522,319</u>	<u>736,151</u>

Bank loans and overdrafts of £516,667 (2022: £716,667) are secured by a fixed charge over all present freehold and leasehold property and a floating charge over all assets and undertaking both present and future of the company. In addition, included in bank loans and overdrafts is a Coronavirus Business Interruption Loan (CBIL) where the bank has received a guarantee from the UK Government under the CBIL scheme.

Net obligations under finance creditors of £5,652 (2022: £19,484) are secured by fixed charges on the assets concerned.

16 Finance creditor obligations

	2023 £	2022 £
Future minimum lease payments due under finance creditors:		
Within one year	13,912	34,768
In two to five years	5,652	19,484
	<u>19,564</u>	<u>54,252</u>

Finance creditor payments represent rentals payable by the company for certain items of plant and machinery and stock. Creditors include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average finance term is less than one year. All creditor agreements are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Accelerated capital allowances	<u>76,837</u>	<u>37,594</u>

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

17 Deferred taxation (Continued)

	2023 £
Movements in the year:	
Liability at 1 December 2022	37,594
Charge to profit or loss	39,243
Liability at 30 November 2023	76,837

18 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	214,487	257,553

The company operates 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

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital				
Issued and fully paid				
'A' Ordinary of £1 each	1,124	1,124	1,124	1,124
'B' Ordinary of £1 each	674	674	674	674
'C' Ordinary of £1 each	422	422	422	422
'D' Ordinary of £1 each	360	360	360	360
'E' Ordinary of £1 each	330	330	330	330
'F' Ordinary of £1 each	30	30	30	30
'G' Ordinary of £1 each	30	30	30	30
'H' Ordinary of £1 each	30	30	30	30
	3,000	3,000	3,000	3,000

All shares rank pari passu. Members have the right to receive notice of, attend and vote at general meetings of the company. Members have the right to participate in all legally declared dividends and in the event of winding up are entitled to participate in any distributions. The shares are not redeemable.

20 Financial commitments, guarantees and contingent liabilities

The following securities are held in favour of HSBC:

- £100,000 guarantee dated 05/05/2021 from one of the company's directors.

TAYLOR & BRAITHWAITE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2023

21 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:

	2023 £	2022 £
Within one year	2,247	4,495
Between two and five years	-	2,247
	<u>2,247</u>	<u>6,742</u>

22 Related party transactions

Transactions with related parties

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

	Dividends paid	
	2023 £	2022 £
Key management personnel	-	45,569

The following amounts were outstanding at the reporting end date:

	2023 £	2022 £
Amounts due to related parties		
Key management personnel	<u>283,389</u>	<u>284,324</u>

Other information

In accordance with section 33.1A of FRS102, as wholly owned subsidiary company, Taylor & Braithwaite Limited is not required to disclose transactions with its parent, Taylor & Braithwaite (Holdings) Limited.

23 Ultimate controlling party

The ultimate holding company is Taylor & Braithwaite (Holdings) Limited, a company registered in England.

The ultimate controlling party are the Taylor family, the controlling directors and shareholders of that company.

Copies of the consolidated financial statements of Taylor & Braithwaite (Holdings) Limited, which is both the smallest and largest group for which consolidated financial statements are prepared, may be obtained from Taylor & Braithwaite (Holdings) Limited, Dyke Nook, Sandford, Appleby-in-Westmorland, United Kingdom, CA16 6NS.

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

Registered number: SC656507

SANY HEAVY MACHINERY (UK) LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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COMPANIES HOUSE

SANY HEAVY MACHINERY (UK) LTD

COMPANY INFORMATION

Directors	Qin Li Dong Zhu
Registered number	SC656507
Registered office	Unit 6 M8 Interlink Industrial Estate Kirkshaws Road Coatbridge ML5 4RP
Independent auditors	French Duncan LLP (trading as AAB) Chartered Accountants & Statutory Auditor 133 Finnieston Street Glasgow G3 8HB
Bankers	HSBC Bank PLC 8 Canada Square London E14 5HQ
Solicitors	Wright, Johnston & McKenzie LLP 319 St Vincent Street Glasgow G2 5RZ

SANY HEAVY MACHINERY (UK) LTD

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SANY HEAVY MACHINERY (UK) LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Introduction

The directors present their Strategic Report for the period ended 31 December 2023.

Business review

The principal activity of the Company is the selling of heavy machinery, particularly excavators, wheel loaders and piling rigs.

Turnover has decreased by 13% to £36.9m (2022: £41.6m) in the year to 31 December 2023. Gross profit increased to £6m (2022: £3.5m) which resulted in an operating profit of £1.45m (2022: £0.38m).

Sany Heavy Machinery (UK) Ltd provides high-quality machinery. Although we have experienced a fall in turnover in the current year we continue to remain profitable, we expect our growth to continue given that this was our 3rd year of trading having already exceeded £100m in turnover since our inception.

The overarching strategy of the Company includes expanding its product offerings and increasing profitability through cost efficiencies whilst continuing to invest in both our product offering and employee training needs to meet the identified business risks both financially and operationally to mitigate any potential threats.

Principal risks and uncertainties

Health, safety and environmental risk

The Company is subject to stringent health, safety and environmental regulations. Accordingly, the provision of adequate training is a top priority and every precaution is taken to minimise risk in this area.

Revenue risk

The Company has developed key relationships with customers. The Company continues to focus on building relationships with existing and potential customers, and always performs to a high standard in order to minimise the risk of losing a trading customer. The Company is constantly seeking to develop new products and revenue streams and increase the number of third party customers in order to manage this risk.

Credit risk

The Company's principal financial assets are stock and trade debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Company has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers. The Company manages credit risk through its credit control procedure and review processes.

Competitive risk

The Company operates in a competitive industry. The Company continues to focus on building key relationships with our customers and providing a quality service to distinguish ourselves from our competitors. The Company manages the risk of competition through providing quality products and maintaining excellent customer service.

Liquidity risk

The Company manages its liquidity risk through the day to day management of working capital. Forecasts and budgets are in place and performance monitored on a regular basis to ensure that cash requirements are met and that liabilities can be paid as they fall due.

Going concern

The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly, the going concern basis has been adopted in preparing the financial statements.

SANY HEAVY MACHINERY (UK) LTD

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

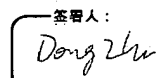
Financial key performance indicators

The key financial indicators are turnover and operating profit which are addressed in the business review.

Future developments

The Company is constantly seeking to develop new opportunities to generate increased sales volume.

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

Signature:

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Dong Zhu
Director
Date: 2024年8月6日

SANY HEAVY MACHINERY (UK) LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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

Principal activity

Sany Heavy Machinery (UK) Ltd was established to provide support to the UK construction market. The Company sells heavy machinery, particularly excavators, wheel loaders and piling rigs which are manufactured by another group company in China. In addition, the company also sells component parts and carries out servicing.

Results and dividends

The profit for the year, after taxation, amounted to £1,084,582 (2022 - £312,201).

There are no current plans to make any dividend payments (2022 - £NIL).

Directors

The directors who served during the year were:

Qin Li
Dong Zhu

SANY HEAVY MACHINERY (UK) LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

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.

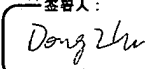
Post balance sheet events

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

Auditors

The auditors, French Duncan LLP (trading as AAB), will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

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

— 签署人:  —
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Dong Zhu
Director

Date: 2024年8月6日

SANY HEAVY MACHINERY (UK) LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANY HEAVY MACHINERY (UK) LTD

Qualified Opinion

We have audited the financial statements of Sany Heavy Machinery (UK) Ltd (the 'Company') for the year ended 31 December 2023, which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows 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).

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 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 qualified opinion

We were not appointed as auditor of the company until after 31 December 2021 and thus did not observe the counting of physical inventories at the end of that year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities of £3,327,546 held at 31 December 2021 by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount at 31 December 2021 was necessary or whether there was any consequential effect on the cost of sales for the year ended 31 December 2022. Our audit opinion on the financial statements for the period ended 31 December 2022 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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.

SANY HEAVY MACHINERY (UK) LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANY HEAVY MACHINERY (UK) LTD (CONTINUED)

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.

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.

SANY HEAVY MACHINERY (UK) LTD

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANY HEAVY MACHINERY (UK) LTD
(CONTINUED)**

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.

The extent to which the audit was considered capable of detecting irregularities including fraud

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:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

- performed high level analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

SANY HEAVY MACHINERY (UK) LTD

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANY HEAVY MACHINERY (UK) LTD
(CONTINUED)**

**The extent to which the audit was considered capable of detecting irregularities including fraud
(continued)**

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;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claim.

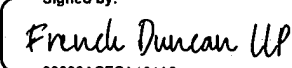
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with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

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:

38098ACFCA184A3...

Thomas Bates (Senior Statutory Auditor)

for and on behalf of
French Duncan LLP

Chartered Accountants & Statutory Auditor

133 Finnieston Street
Glasgow
G3 8HB
Date: 21 August 2024

SANY HEAVY MACHINERY (UK) LTD

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £	2022 £
Turnover	4	36,858,508	41,588,073
Cost of sales		(30,875,148)	(38,082,588)
Gross profit		5,983,360	3,505,485
Distribution costs		(434,648)	(399,387)
Administrative expenses		(4,097,518)	(2,730,088)
Other operating income	5	359	5,536
Operating profit	6	1,451,553	381,546
Tax on profit	10	(366,971)	(69,345)
Profit after tax		1,084,582	312,201
Retained earnings at the beginning of the year		578,074	265,873
Profit for the year		1,084,582	312,201
Retained earnings at the end of the year		1,662,656	578,074

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of income and retained earnings.

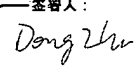
The notes on pages 12 to 25 form part of these financial statements.

SANY HEAVY MACHINERY (UK) LTD
REGISTERED NUMBER: SC656507

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	11	109,782	137,811
Tangible assets	12	506,814	383,125
		<u>616,596</u>	<u>520,936</u>
Current assets			
Stocks	13	7,212,692	6,853,259
Debtors: amounts falling due within one year	14	5,923,637	7,827,388
Cash at bank and in hand	15	2,092,558	1,776,693
		<u>15,228,887</u>	<u>16,457,340</u>
Creditors: amounts falling due within one year	16	(11,624,707)	(14,163,799)
Net current assets		<u>3,604,180</u>	<u>2,293,541</u>
Total assets less current liabilities		<u>4,220,776</u>	<u>2,814,477</u>
Provisions for liabilities			
Deferred tax	17	(111,904)	(75,709)
Other provisions	18	(1,446,216)	(1,160,694)
		<u>(1,558,120)</u>	<u>(1,236,403)</u>
Net assets		<u><u>2,662,656</u></u>	<u><u>1,578,074</u></u>
Capital and reserves			
Called up share capital	19	1,000,000	1,000,000
Profit and loss account	20	1,662,656	578,074
		<u><u>2,662,656</u></u>	<u><u>1,578,074</u></u>

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

— 签署人: 
 FE5E2E4AF14A453...

Dong Zhu
 Director

Date: 2024年8月6日

The notes on pages 12 to 25 form part of these financial statements.

SANY HEAVY MACHINERY (UK) LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	1,084,582	312,201
Adjustments for:		
Amortisation of intangible assets	28,029	2,336
Depreciation of tangible assets	83,716	27,228
Taxation charge	366,971	69,345
(Increase) in stocks	(359,433)	(3,525,713)
Decrease/(increase) in debtors	2,406,017	(2,755,985)
(Increase)/decrease in amounts owed by groups	(502,266)	767
(Decrease)/increase in creditors	(2,593,948)	1,303,068
(Decrease)/increase in amounts owed to groups	(275,920)	4,647,337
Increase in provisions	285,522	960,441
Corporation tax received/(paid)	-	(61,819)
Net cash generated from operating activities	523,270	979,206
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(140,147)
Purchase of tangible fixed assets	(207,405)	(394,347)
Net cash (used in) investing activities	(207,405)	(534,494)
Net increase in cash and cash equivalents	315,865	444,712
Cash and cash equivalents at beginning of year	1,776,693	1,331,981
Cash and cash equivalents at the end of year	2,092,558	1,776,693
Cash at bank and in hand	2,092,558	1,776,693

The notes on pages 12 to 25 form part of these financial statements.

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. General information

Sany Heavy Machinery (UK) Limited is a private company limited by shares incorporated in Scotland. The registered office is Unit 6, M8 Industrial Estate, Kirkshaw Road, Coatbridge, Glasgow, ML5 4RP. The company registered number is SC656507.

The company's principal activity is selling heavy machinery, particularly excavators, wheel loaders and piling rigs which are manufactured by another group company in China. In addition, the company also sells component parts and carries out servicing.

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 financial statements are prepared in GBP and rounded to the nearest £1.

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

The following principal accounting policies have been applied:

2.2 Going concern

The company manages its working capital and cash position closely to ensure that it has adequate resources to pay its debts as they fall due. As a consequence, the directors believe the company is well placed to manage its business risks. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 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.

2.7 Employee benefits

Short-term employee benefits are recognised as an expense in the period in which they are incurred.

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.

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)**2.9 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.10 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.

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:

Plant and machinery	- 10%
Motor vehicles	- 12%
Office equipment	- 19%
Computer equipment	- 32%
Other fixed assets	- 32% to 100%

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.

2.11 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 weighted average 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.

2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 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.

2.16 Financial instruments

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 and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cashflows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of about-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provisions

Provisions are recognised where the Company has an obligation, as a result of a past event, that can be measured reliably. The recording of provisions is an area which requires the exercise of management judgement relating to the nature, timing and probability of the liability. Typically the Company's Balance Sheet includes provisions for warranties.

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £	2022 £
Main business sales	35,450,155	41,515,911
After sales	1,408,353	72,162
	<u>36,858,508</u>	<u>41,588,073</u>

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	34,513,301	41,477,060
Rest of Europe	994,807	111,013
Rest of the world	1,350,400	-
	<u>36,858,508</u>	<u>41,588,073</u>

5. Other operating income

	2023 £	2022 £
Other operating income	<u>359</u>	<u>5,536</u>

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. Operating profit

The operating profit is stated after charging:

	2023 £	2022 £
Depreciation of tangible fixed assets	83,716	27,228
Amortisation of intangible assets	28,029	2,336
Other operating lease rentals	258,354	249,386
	<u>258,354</u>	<u>249,386</u>

7. 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	21,500	18,500
	<u>21,500</u>	<u>18,500</u>

8. Employees

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

	2023 £	2022 £
Wages and salaries	2,153,393	1,482,599
Social security costs	244,387	165,361
Cost of defined contribution scheme	101,216	64,761
	<u>2,498,996</u>	<u>1,712,721</u>

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

	2023 No.	2022 No.
Directors	2	2
Office	38	23
	<u>40</u>	<u>25</u>

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

9. Directors' remuneration

	2023	2022
	£	£
Directors' emoluments	50,000	50,000
Company contributions to defined contribution pension schemes	4,000	4,000
	54,000	54,000

During the year retirement benefits were accruing to no director (2022 - 1) in respect of defined contribution pension schemes.

10. Taxation

	2023	2022
	£	£
Corporation tax		
Current tax on profits for the year	330,776	-
Adjustments in respect of previous periods	-	(4,495)
	330,776	(4,495)
Total current tax	330,776	(4,495)
Deferred tax		
Origination and reversal of timing differences	36,195	73,840
Total deferred tax	36,195	73,840
Tax on profit	366,971	69,345

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2022 - lower than) the standard rate of corporation tax in the UK of 23.52% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	1,451,553	381,546
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19%)	341,405	72,494
Effects of:		
Fixed asset differences	6,491	(11,262)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	16,933	6,629
Income not taxable for tax purposes	-	(11,746)
Adjustments to brought forward values	-	4
Adjustments to tax charge in respect of prior periods	-	(4,495)
Remeasurement of deferred tax for changes in tax rates	2,142	17,721
Total tax charge for the year	366,971	69,345

Factors that may affect future tax charges

There are no factors which may affect future tax charges

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Intangible assets

	Licence £
Cost	
At 1 January 2023	140,147
At 31 December 2023	140,147
Amortisation	
At 1 January 2023	2,336
Charge for the year	28,029
At 31 December 2023	30,365
Net book value	
At 31 December 2023	109,782
At 31 December 2022	137,811

SANY HEAVY MACHINERY (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

12. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Office equipment £	Computer equipment £	Other fixed assets £	Total £
Cost or valuation						
At 1 January 2023	-	189,549	185,883	34,182	5,490	415,104
Additions	10,035	142,490	41,182	8,560	5,138	207,405
At 31 December 2023	10,035	332,039	227,065	42,742	10,628	622,509
Depreciation						
At 1 January 2023	-	9,905	8,523	13,107	444	31,979
Charge for the year on owned assets	380	29,896	37,694	12,482	3,264	83,716
At 31 December 2023	380	39,801	46,217	25,589	3,708	115,695
Net book value						
At 31 December 2023	9,655	292,238	180,848	17,153	6,920	506,814
At 31 December 2022	-	179,644	177,360	21,075	5,046	383,125

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. Stocks

	2023	2022
	£	£
Goods for resale	7,212,692	6,853,259

14. Debtors

	2023	2022
	£	£
Trade debtors	4,504,990	7,760,242
Amounts owed by group undertakings	502,266	-
Other debtors	31,657	-
Prepayments and accrued income	884,724	67,146
	5,923,637	7,827,388

15. Cash and cash equivalents

	2023	2022
	£	£
Cash at bank and in hand	2,092,558	1,776,693

16. Creditors: Amounts falling due within one year

	2023	2022
	£	£
Trade creditors	150,092	103,010
Amounts owed to group undertakings	10,688,407	10,964,327
Corporation tax	330,776	-
Other taxation and social security	69,134	1,508,475
Other creditors	12,631	144,449
Accruals and deferred income	373,667	1,443,538
	11,624,707	14,163,799

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. Deferred taxation

	2023 £
At beginning of year	(75,709)
Charged to profit or loss	(36,195)
At end of year	(111,904)

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	(111,904)	(75,709)

18. Provisions

	Warranty Provision £
At 1 January 2023	1,160,694
Charged to profit or loss	886,254
Utilised in year	(600,732)
At 31 December 2023	1,446,216

19. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
1,000,000 (2022 - 1,000,000) Ordinary shares of £1.00 each	1,000,000	1,000,000

20. Reserves

Profit and loss account

The profit and loss account represents the accumulated profits and losses of the company less distributions made to shareholders

SANY HEAVY MACHINERY (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

21. Pension commitments

The company operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the company to the funds and amounted to £101,216 (2022 - £64,761). There were outstanding contributions at the end of the financial year amounting to £16,232 (2022 - £Nil).

22. Commitments under operating leases

At 31 December 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	90,474	195,653
Later than 1 year and not later than 5 years	6,349	66,489
	<u>96,823</u>	<u>262,142</u>

23. Related party transactions

The company has taken the exemption in section 33.1A of FRS102 not to disclose inter group transactions.

The net amount owed to group undertakings at 31 December 2023 is £10,186,141 (2022: £10,964,327).

The directors and certain employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel.

24. Controlling party

The Company is a wholly owned subsidiary of Sany International Development Limited, whose holding company is Sany Heavy Industry Co., Ltd. Sany International Development Limited is registered in Hong Kong and the registration address is Room 2010, 20th Floor, Landmark North, No.39 Lung Sum Avenue, Sheung Shui, New Territories, Hong Kong. Sany Heavy Industry Co., Ltd is registered in China and the registration address is 5th Floor, Building 6, No.8 Beiqing Road, Changping District, Beijing, China.

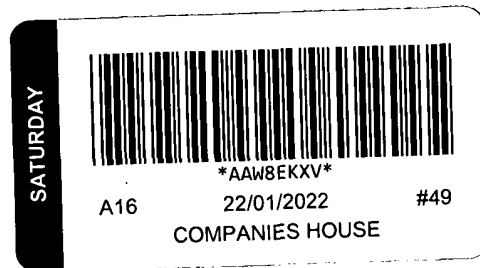
The ultimate controlling party of Sany Heavy Industry Co., Ltd is Sany Group Co., Limited. Sany Group Co., Limited is registered in China and the registered address is 3rd Floor, SANY Administration Centre, SANY Industrial Estate, Sanyi Road, Changsha Economic and Technological Development District, Changsha City, Hunan Province, China

The smallest group to consolidate the results included in these financial statements is Sany Heavy Industry Co., Ltd. The largest group to consolidate the results included in these financial statements is Sany Group Co., Limited. The consolidated financial statements of Sany Heavy Industry Co., Ltd and Sany Group Co., Limited are available from Shanghai Stock Exchange.

The ultimate controlling party of Sany Group Co., Limited is Mr Wengen Liang.

REGISTERED NUMBER: 07068266 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 December 2020
for
LiuGong Machinery (UK) Limited**



LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Contents of the Financial Statements
for the year ended 31 December 2020**

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LiuGong Machinery (UK) Limited

**Company Information
for the year ended 31 December 2020**

DIRECTORS:

B L Prescott
S J Ford
G I McGregor
H C Dale
L Guobing
K S Skalna-Kadziela
S Yuan

SECRETARY:

L Wang

REGISTERED OFFICE:

3 Bolde Close
Portsmouth
Hampshire
PO3 5RD

REGISTERED NUMBER:

07068266 (England and Wales)

AUDITORS:

Bennett Brooks & Co Limited
Chartered Accountants
& Statutory Auditors
St George's Court
Winnington Avenue
Northwich
Cheshire
CW8 4EE

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Strategic Report
for the year ended 31 December 2020**

The directors present the strategic report for the year ended 31 December 2020.

REVIEW OF BUSINESS

The principal activity of the Company is the selling of the LiuGong product range and the support needed therein with servicing and parts.

With the UK directors having over 50 years in the business of selling construction plant and machinery, it stood the company in good stead with their knowledge of the product and the customers.

PRINCIPAL RISKS AND UNCERTAINTIES

LiuGong Machinery (UK) Ltd. as a 100% owned subsidiary can take advantage of being supported by the wider LiuGong corporation. The identification of strategic, operational, compliance and financial risks is a key part of the work of the directors and senior staff.

There are everyday risks such as changes in key personnel, competitor threats, exchange rate fluctuations and the current uncertainty regarding further Covid lockdowns. The latter ultimately leads to a reduction in demand for new construction equipment and repairs (parts) of existing fleet.

LiuGong Machinery (UK) Ltd is principally supplied by LiuGong companies and any price increases are agreed for a year ahead which allows the UK operation to structure its price book for its customers over the same timescale.

The company's cash flow is always considered a principal risk to the business and this is closely monitored by the directors and reported regularly to head office with cash flow forecasts prepared on a weekly basis.

With the outbreak of Covid-19 in March 2020, there was a reduction of demand for construction machinery across the UK. Over the year this was around 45% which also affected new machine sales for Liugong Machinery (UK) Ltd. End users also cut back on repairs to their existing fleet which resulted in a reduction of spare parts sales. With the vaccine scheme rolling out across the UK, the construction market has recovered very quickly with demand in 2021 back to 2019 levels. Liugong Machinery (UK) Ltd started 2021 with a good order book which has strengthened throughout the year..

The UK government has committed to significantly increase infrastructure spending within the UK and confirmed the HS2 project will go ahead. This offers Liugong the opportunity to take advantage of market conditions to further penetrate the UK construction business and increase sales as the Liugong brand becomes more established in the UK.

KEY PERFORMANCE INDICATORS

The key performance indicators are turnover and profit and these are reflected in the results below:

The turnover for the 12 months was £17,958,535 (2019: £16,761,535).

The loss for the 12 months before tax was £2,413,359 (2019: Loss £241,008).

OTHER INFORMATION AND EXPLANATIONS

The current main site in Portsmouth was close to its operating limit and the management have made changes to increase capacity taking on extra space at the Uxbridge site and redeploying the used machine refurbishment to that location. This frees up the main site at Portsmouth to focus on new machine preparation and provides a short term capacity boost in readiness of increased new machine sales in 2021.

The company has no direct competitors selling LiuGong products as they are the sole UK subsidiary.

ON BEHALF OF THE BOARD:



S J Ford - Director

19 January 2022

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Report of the Directors
for the year ended 31 December 2020**

The directors present their report with the financial statements of the company for the year ended 31 December 2020. The comparative information is for the 13 month period from 1 December 2018 to 31 December 2019.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

B L Prescott
S J Ford
G I McGregor
H C Dale
L Guobing
S Yuan

Other changes in directors holding office are as follows:

K S Skalna-Kadziela - appointed 5 March 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, Bennett Brooks & Co Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



S J Ford - Director

19 January 2022

**Report of the Independent Auditors to the Members of
LiuGong Machinery (UK) Limited**

Opinion

We have audited the financial statements of LiuGong Machinery (UK) Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss 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 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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 Report of the Directors.

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

- adequate accounting records have not been kept, 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.

**Report of the Independent Auditors to the Members of
LiuGong Machinery (UK) Limited**

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and regulations which govern the preparation of financial statements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, through management bias in manipulation of accounting estimates or accounting for significant transactions outside the normal course of business. Audit procedures performed included:

- Enquiry of management around actual and potential litigation and claims and instances of non-compliance with laws and regulations;
- Auditing the risk of management override of controls, through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing financial statement disclosures and agreeing to supporting documentation to assess compliance with applicable laws and regulations; and
- Review of board meeting minutes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

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



Jason Leach (Senior Statutory Auditor)
for and on behalf of Bennett Brooks & Co Limited
Chartered Accountants
& Statutory Auditors
St George's Court
Winnington Avenue
Northwich
Cheshire
CW8 4EE

19 January 2022

LiuGong Machinery (UK) Limited (Registered number: 07068266)

Income Statement
for the year ended 31 December 2020

		Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
	Notes		
TURNOVER	4	17,958,535	16,761,535
Cost of sales		16,181,062	14,075,697
GROSS PROFIT		1,777,473	2,685,838
Administrative expenses		4,263,331	2,877,478
		(2,485,858)	(191,640)
Other operating income		90,120	-
OPERATING LOSS	6	(2,395,738)	(191,640)
Interest receivable and similar income		2,754	4,982
		(2,392,984)	(186,658)
Interest payable and similar expenses	7	20,375	54,350
LOSS BEFORE TAXATION		(2,413,359)	(241,008)
Tax on loss	8	(356,358)	(37,057)
LOSS FOR THE FINANCIAL YEAR		(2,057,001)	(203,951)

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Other Comprehensive Income
for the year ended 31 December 2020**

	Notes	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
LOSS FOR THE YEAR		(2,057,001)	(203,951)
OTHER COMPREHENSIVE INCOME		—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(2,057,001)</u>	<u>(203,951)</u>

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

Balance Sheet
31 December 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible assets	9	2,658,149	2,051,116
CURRENT ASSETS			
Stocks	10	12,323,576	11,177,310
Debtors	11	3,343,280	3,850,241
Cash at bank		54,342	1,336,375
		15,721,198	16,363,926
CREDITORS			
Amounts falling due within one year	12	14,021,493	16,109,962
NET CURRENT ASSETS		1,699,705	253,964
TOTAL ASSETS LESS CURRENT LIABILITIES		4,357,854	2,305,080
PROVISIONS FOR LIABILITIES	16	239,812	130,037
NET ASSETS		4,118,042	2,175,043
CAPITAL AND RESERVES			
Called up share capital	17	597	102
Share premium		5,932,370	-
Other reserves		-	1,932,865
Retained earnings		(1,814,925)	242,076
SHAREHOLDERS' FUNDS		4,118,042	2,175,043

The financial statements were approved by the Board of Directors and authorised for issue on 19 January 2022 and were signed on its behalf by:



S.J. Ford - Director

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Statement of Changes in Equity
for the year ended 31 December 2020**

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance at 1 December 2018	102	446,027	-	-	446,129
Changes in equity					
Deficit for the period	-	(203,951)	-	-	(203,951)
Total comprehensive income	-	(203,951)	-	-	(203,951)
Share issue - capitalisation of loan	-	-	-	1,932,865	1,932,865
Balance at 31 December 2019	102	242,076	-	1,932,865	2,175,043
Changes in equity					
Deficit for the year	-	(2,057,001)	-	-	(2,057,001)
Total comprehensive income	-	(2,057,001)	-	-	(2,057,001)
Increase in share capital	495	-	-	-	495
Share issue - capitalisation of loan	-	-	3,999,505	-	3,999,505
Transfer between reserves	-	-	1,932,865	(1,932,865)	-
Balance at 31 December 2020	597	(1,814,925)	5,932,370	-	4,118,042

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Cash Flow Statement
for the year ended 31 December 2020**

		Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
Cash flows from operating activities			
Cash generated from operations	1	(2,933,840)	4,139,481
Interest paid		(20,375)	(54,350)
Tax paid		-	(39,286)
Net cash from operating activities		<u>(2,954,215)</u>	<u>4,045,845</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(944,731)	(1,982,644)
Sale of tangible fixed assets		39,852	-
Interest received		2,754	4,982
Net cash from investing activities		<u>(902,125)</u>	<u>(1,977,662)</u>
Cash flows from financing activities			
Loan repayments in year		-	(2,577,848)
Share premium		-	1,932,865
Net cash from financing activities		<u>-</u>	<u>(644,983)</u>
(Decrease)/increase in cash and cash equivalents		<u>(3,856,340)</u>	<u>1,423,200</u>
Cash and cash equivalents at beginning of year	2	1,336,375	(86,825)
Cash and cash equivalents at end of year	2	<u><u>(2,519,965)</u></u>	<u><u>1,336,375</u></u>

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Notes to the Cash Flow Statement
for the year ended 31 December 2020**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
Loss before taxation	(2,413,359)	(241,008)
Depreciation charges	301,325	76,428
(Profit)/loss on disposal of fixed assets	(3,479)	428
Finance costs	20,375	54,350
Finance income	(2,754)	(4,982)
	<u>(2,097,892)</u>	<u>(114,784)</u>
Increase in stocks	(1,146,266)	(7,286,011)
Decrease/(increase) in trade and other debtors	973,094	(1,633,042)
(Decrease)/increase in trade and other creditors	(662,776)	13,173,318
	<u>(2,933,840)</u>	<u>4,139,481</u>
Cash generated from operations	<u>(2,933,840)</u>	<u>4,139,481</u>

2. CASH AND CASH EQUIVALENTS

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

Year ended 31 December 2020

	31.12.20 £	1.1.20 £
Cash and cash equivalents	54,342	1,336,375
Bank overdrafts	(2,574,307)	-
	<u>(2,519,965)</u>	<u>1,336,375</u>

Period ended 31 December 2019

	31.12.19 £	1.12.18 £
Cash and cash equivalents	1,336,375	14,818
Bank overdrafts	-	(101,643)
	<u>1,336,375</u>	<u>(86,825)</u>

3. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1.1.20 £	Cash flow £	At 31.12.20 £
Net cash			
Cash at bank	1,336,375	(1,282,033)	54,342
Bank overdrafts	-	(2,574,307)	(2,574,307)
	<u>1,336,375</u>	<u>(3,856,340)</u>	<u>(2,519,965)</u>
Total	<u>1,336,375</u>	<u>(3,856,340)</u>	<u>(2,519,965)</u>

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Notes to the Cash Flow Statement
for the year ended 31 December 2020**

4. MAJOR NON-CASH TRANSACTIONS

The share issue during the year (note 16), was satisfied by the capitalisation of an intercompany loan of £4,000,000 and is a non-cash transaction.

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Notes to the Financial Statements
for the year ended 31 December 2020**

1. STATUTORY INFORMATION

LiuGong Machinery (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

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

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources, through reliance on the company bank and support of the group companies, 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.

Reporting period

The financial statements have been prepared for a period of 12 months. The comparative information presented for 2019 covers a period of 13 months, the extension was to align the period end with the rest of the group. Therefore, the amounts are not entirely comparable.

Turnover

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

Revenue from the hiring out of machines is recognised when a performance obligation of the contract is satisfied. Performance obligations are contracted to be the availability of the machine for specific period of time, typically per calendar month.

Revenue for the service and repairs of machines is recognised when the contract is complete, meets the quality standards regulating the profession have been met and the significant risk and rewards associated have been duly transferred to the customer.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

2. ACCOUNTING POLICIES - continued

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. Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use.

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

Leasehold land and buildings	Straight line over 5 years
Leasehold improvements	Straight line over 10 years
Plant and machinery	Straight line over 12 years
Plant and machinery - Equipment for hire	Straight line over 5 years
Fixtures and fittings	Straight line over 5 years
Computers	Straight line over 5 years
Motor vehicles	Straight line over 8 years

Assets in the course of construction are not depreciated.

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.

Stocks

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

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

Used machines which are part-exchanged upon the sale of new machines are written down to their stock-in value (SIV) before being recognised as stock. The difference between part-exchange value and the SIV is treated as an additional selling cost of the new machine sold and is recognised in accordance with the revenue recognition policy. The SIV is based on the directors' experience of the market and is therefore a critical judgement.

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.

Foreign exchange

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

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 lease asset are consumed.

Retirement benefits

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

Notes to the Financial Statements - continued
for the year ended 31 December 2020

2. ACCOUNTING POLICIES - continued

Impairment of fixed assets

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

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

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

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

Notes to the Financial Statements - continued
for the year ended 31 December 2020

2. ACCOUNTING POLICIES - continued

Cash and cash equivalents

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

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

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.

Impairment of financial assets

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

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the 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, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Notes to the Financial Statements - continued
for the year ended 31 December 2020

2. **ACCOUNTING POLICIES - continued**

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 interest rate swaps and 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.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

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.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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 liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Employee Benefits

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

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

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

Notes to the Financial Statements - continued
for the year ended 31 December 2020

3. **CRITICAL ACCOUNTING 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.

Depreciation rates

The depreciation rates for tangible fixed assets have been aligned with the group policy for depreciation. However, the group policy has been disregarded for the depreciation of freehold and leasehold properties, as the depreciation rates were substantially different to the expected useful lives of the assets. For the freehold property, there is a rent payable to the council, so the depreciation rate has been based on the term of this. For the leasehold property, the depreciation rate has been based on the term of the lease.

Key sources of estimation uncertainty

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

Warranty provision

Where machines are sold with a warranty, a provision for the estimated claim that could arise on that warranty is calculated. All reclaimable costs incurred up to the period end were recharged to group in the current period. The estimation is based upon available future claims information and experience, the level of costs reclaimed from group companies and as it is an estimate, the assumptions used may prove over time to be inaccurate. The total warranty provision at 31 December 2020 was £60,000.

Stock in value

Used machines which are part-exchanged upon the sale of new machines are written down to their stock in value (SIV) before being recognised as stock. The difference between part-exchange value and the SIV is treated as an additional selling cost of the new machine sold and is recognised in accordance with the revenue recognition policy. The SIV requires the use of judgement and is based on the directors' experience of the market.

Net Realisable Value of stock

The net realisable values (NRV) of used machines are assessed by the directors and based on the directors' experience of the market. Any write down in value is charged to the Income Statement. The valuations require the use of judgement and are based upon the directors' knowledge of market conditions at the time.

4. **TURNOVER**

The turnover and loss before taxation are attributable to the one principal activity of the company.

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

	Year Ended	Period
	31.12.20	1.12.18 to 31.12.19
	£	£
Sales of machines	16,428,252	15,322,167
Sales of part	604,755	363,631
Servicing and repairs	801,305	1,063,503
Hire of machines	97,944	5,655
Commissions receivable	-	6,579
Carriage	26,279	-
	<u>17,958,535</u>	<u>16,761,535</u>

LiuGong Machinery (UK) Limited (Registered number: 07068266)

Notes to the Financial Statements - continued
for the year ended 31 December 2020

4. **TURNOVER - continued**

An analysis of turnover by geographical market is given below:

	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
United Kingdom	16,204,883	15,664,558
Europe	857,605	614,073
Rest of the World	896,047	482,904
	<u>17,958,535</u>	<u>16,761,535</u>

5. **EMPLOYEES AND DIRECTORS**

	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
Wages and salaries	2,010,421	1,713,585
Social security costs	230,415	184,460
Other pension costs	70,554	32,535
	<u>2,311,390</u>	<u>1,930,580</u>

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

	Year Ended 31.12.20	Period 1.12.18 to 31.12.19
Directors	3	5
Direct staff	24	21
Administration staff	19	17
	<u>46</u>	<u>43</u>

	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
Directors' remuneration	<u>208,000</u>	<u>110,509</u>

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

	2	1
Money purchase schemes	<u>2</u>	<u>1</u>

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

5. EMPLOYEES AND DIRECTORS - continued

Information regarding the highest paid director for the year ended 31 December 2020 is as follows:

	Year Ended 31.12.20 £
Emoluments etc	<u>71,000</u>

6. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
Hire of plant & machinery	14,939	10,793
Depreciation - owned assets	301,325	76,428
(Profit)/loss on disposal of fixed assets	(3,479)	428
Audit fees	13,047	8,000
Auditors' remuneration for non audit work	8,465	33,300
Foreign exchange differences	284,516	(322,021)
Cost of stocks recognised as an expense	12,101,785	11,494,356
Impairment of stocks	3,126,266	2,026,675
Operating lease charges	<u>533,720</u>	<u>325,328</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
Bank interest on loans and overdrafts	20,375	1,675
Interest payable	-	32,240
VAT surcharges	-	20,435
	<u>20,375</u>	<u>54,350</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

8. TAXATION

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
Deferred tax:		
Deferred tax	(395,644)	(37,057)
Prior year deferred tax	39,286	-
Total deferred tax	(356,358)	(37,057)
Tax on loss	(356,358)	(37,057)

UK corporation tax has been charged at 19%.

Reconciliation of total tax credit included in profit and loss

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

	Year Ended 31.12.20 £	Period 1.12.18 to 31.12.19 £
Loss before tax	(2,413,359)	(241,008)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(458,538)	(45,792)
Effects of:		
Expenses not deductible for tax purposes	5,170	5,880
Depreciation in excess of capital allowances	-	2,855
Unrecognised deferred tax asset	57,724	-
Prior year deferred tax	39,286	-
Total tax credit	(356,358)	(37,057)

FACTORS THAT MAY EFFECT FUTURE CHARGES

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020. As the new law was substantively enacted pre year end, the impact of the change to 19% has been reflected in the financial statements for the year ended 31 December 2020 and the deferred tax balances disclosed at 19%.

The company has losses available to carry forward of £3,451,220 (2019: £753,918) which will be utilised against future profits. A net asset of £356,358 has been made for deferred tax in these financial statements, tax effected at 19% (2019: 17%).

In the Spring Budget 2021, the Government announced an increase in the corporation tax rate from 19% to 25% from 1 April 2023. As the new law had not been substantively enacted by the balance sheet date, its impact has not been reflected in the financial statements. The impact of the increase would be to increase the net deferred tax asset by approximately £112,000 (tax effect). This rate change was substantively enacted on 24 May 2021.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

9. TANGIBLE FIXED ASSETS

	Assets under construction £	Leasehold land and building £	Improvements to property £	Plant and machinery £
COST				
At 1 January 2020	48,514	1,268,461	58,887	416,375
Additions	-	-	95,652	785,720
Disposals	-	-	-	(33,000)
Reclassification/transfer	(48,514)	-	-	-
At 31 December 2020	-	1,268,461	154,539	1,169,095
DEPRECIATION				
At 1 January 2020	-	5,919	32,876	56,433
Charge for year	-	12,088	3,595	156,802
Eliminated on disposal	-	-	-	(2,750)
At 31 December 2020	-	18,007	36,471	210,485
NET BOOK VALUE				
At 31 December 2020	-	1,250,454	118,068	958,610
At 31 December 2019	48,514	1,262,542	26,011	359,942
	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2020	187,012	160,943	80,481	2,220,673
Additions	31,974	19,713	11,672	944,731
Disposals	-	(10,410)	-	(43,410)
Reclassification/transfer	48,514	-	-	-
At 31 December 2020	267,500	170,246	92,153	3,121,994
DEPRECIATION				
At 1 January 2020	55,828	9,843	8,658	169,557
Charge for year	39,829	57,881	31,130	301,325
Eliminated on disposal	-	(4,287)	-	(7,037)
At 31 December 2020	95,657	63,437	39,788	463,845
NET BOOK VALUE				
At 31 December 2020	171,843	106,809	52,365	2,658,149
At 31 December 2019	131,184	151,100	71,823	2,051,116

Included within Plant & Machinery is equipment available for hire with a cost of £778,500 and a net book value of £677,956.

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

10. STOCKS

	2020 £	2019 £
Stocks	12,323,576	11,177,310
	2020 £	2019 £
New machines	6,225,118	4,861,768
Used machines	4,290,473	5,027,560
Parts and work in progress	1,807,985	1,287,983
	12,323,576	11,177,310

There is no significant difference between the replacement cost of the inventory and its carrying amount.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade debtors	1,986,553	2,127,114
Other debtors	40,045	48,477
Due from group undertakings	111,262	593,450
Deferred Tax	609,377	143,244
VAT	62,978	-
Prepayments & accrued income	533,065	937,956
	3,343,280	3,850,241

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Bank loans and overdrafts (see note 13)	2,574,307	-
Trade creditors	185,526	415,392
Social security & other taxes	91,176	297,787
Other creditors	-	6,705
Due to group undertakings	10,694,078	13,523,333
Accruals & deferred income	476,406	1,866,745
	14,021,493	16,109,962

Amounts due to group undertakings are interest free, unsecured and repayable on demand.

13. LOANS

An analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year or on demand:		
Bank overdrafts	2,574,307	-

LiuGong Machinery (UK) Limited (Registered number: 07068266)

Notes to the Financial Statements - continued
for the year ended 31 December 2020

14. LEASING AGREEMENTS

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:

	2020	2019
	£	£
Within one year	247,206	232,259
Between two and five years	335,603	469,407
In over five year	95,833	145,833
	<u>678,642</u>	<u>847,499</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2020	2019
	£	£
Bank overdraft	<u>2,574,307</u>	<u>-</u>

On the 22nd October 2020, LiuGong Machinery (UK) Limited entered into an arranged overdraft facility, provided by HSBC UK Bank PLC, with a limit of £6,000,000. The overdraft facility contains a debenture including a fixed and floating charge over all assets. The floating charge covers all the undertaking of the company and all its property, both present and future. The debenture also contains a negative pledge, meaning the company shall not create or allow any mortgage, charge, pledge, lien or other encumbrance over all or any part of its assets or revenues or uncalled capital except the existing and future security of the bank.

16. PROVISIONS FOR LIABILITIES

	2020	2019
	£	£
Deferred tax	<u>239,812</u>	<u>130,037</u>
	Deferred tax	Deferred tax
	asset	asset
	£	£
Balance at 1 January 2020	130,037	(143,244)
Accelerated capital allowances	109,775	-
Recognition of tax losses	-	(466,133)
Balance at 31 December 2020	<u>239,812</u>	<u>(609,377)</u>

The provision for deferred tax of £239,812 relates to accelerated capital allowances, and the deferred tax asset of £609,376 relates to losses available to carry forward which will be utilised against future profits.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal	2020	2019
Number:	Class:	value:	£	£
595	Ordinary A	£1	595	100
2	Ordinary B	£1	2	2
			<u>597</u>	<u>102</u>

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

17. CALLED UP SHARE CAPITAL - continued

495 Ordinary A shares of £1 each were allotted as fully paid at a premium of 11,984.59 per share during the year.

The share issue was satisfied by the capitalisation of an intercompany loan. In the previous year £1,932,865 was classed as a capital contribution from this intercompany loan. The £1,932,865 was subsequently transferred from other reserves to share premium when the shares were issued during the year.

18. PENSION COMMITMENTS

The company operates 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.

Details of the annual charge to the profit and loss account is £70,554.

19. RELATED PARTY DISCLOSURES

	Sales		Purchases	
	2020	2019	2020	2019
	£	£	£	£
Other related parties	677,491	45,000	10,092,268	978,897

The above transactions and below amounts owed to and from other related parties relate to other group companies. All transactions were carried out under normal commercial terms.

Amounts due to related parties

The following amounts were outstanding as at the balance sheet:

	2020	2019
	£	£
Liugong Dressta Machinery Sp. z o.o.	1,999,002	10,371,016
LiuGong Machinery Europe B.V.	4,756,709	68,157
LiuGong Machinery Hongkong Co.,Ltd	3,938,367	3,084,160
	<u>10,694,078</u>	<u>13,523,333</u>

Amounts due from related parties

The following amounts were outstanding as at the balance sheet:

	2020	2019
	£	£
LiuGong Machinery Europe B.V.	63,546	252,514
Changzhou Liugong Machinery Co Ltd	28,913	23,342
Guangxi LiuGong Machinery Co Ltd	18,803	-
Liugong Construction Machinery N.A.,LLC	-	186,886
Liugong Dressta Machinery Sp. z o.o.	-	58,000
Liuzhou Liugong Excavator Co., Ltd.	-	72,708
	<u>111,262</u>	<u>593,450</u>

Key Management

The directors of the UK company and considered key management of the company. Their remuneration is disclosed in the directors remuneration section of the accounts.

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

20. ULTIMATE CONTROLLING PARTY

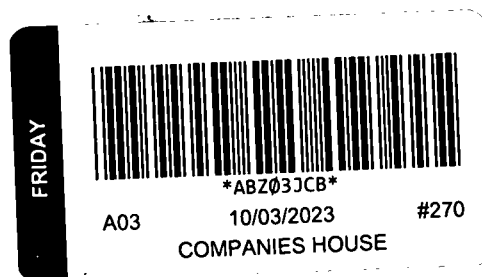
The company's parent company is Liugong Machinery HongKong Co., Ltd. whose registered office is 23/F, Sing Ho Finance Building, 168 Gloucester Road, Wan Chai Hong Kong.

The company's ultimate parent company is Guangxi Liugong Machinery Co., Ltd. A company registered in China whose registered office is No.1 Liutai Road, Liuzhou, Guangxi, 545007, China. Group accounts can be obtained from this address upon request.

The ultimate controlling party is Huang Haibo, President of Guangxi Liugong Machinery Co., Ltd.

REGISTERED NUMBER: 07068266 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 December 2021
for
LiuGong Machinery (UK) Limited**



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for the year ended 31 December 2021**

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LiuGong Machinery (UK) Limited

**Company Information
for the year ended 31 December 2021**

DIRECTORS:

B L Prescott
S J Ford
G I McGregor
H C Dale
L Guobing
K S Skalna-Kadziela
S Yuan

REGISTERED OFFICE:

3 Bolde Close
Portsmouth
Hampshire
PO3 5RD

REGISTERED NUMBER:

07068266 (England and Wales)

AUDITORS:

Bennett Brooks & Co Limited
Chartered Accountants
& Statutory Auditors
St George's Court
Winnington Avenue
Northwich
Cheshire
CW8 4EE

**Strategic Report
for the year ended 31 December 2021**

The directors present the strategic report for the year ended 31 December 2021.

REVIEW OF BUSINESS

The principal activity of the Company is the selling of the LiuGong product range and the support needed therein with servicing and parts.

With the UK directors having over 50 years in the business of selling construction plant and machinery, it stood the company in good stead with their knowledge of the product and the customers.

PRINCIPAL RISKS AND UNCERTAINTIES

LiuGong Machinery (UK) Ltd. as a 100% owned subsidiary can take advantage of being supported by the wider LiuGong corporation. The identification of strategic, operational, compliance and financial risks is a key part of the work of the directors and senior staff.

As the UK construction sectors continues its Covid 19 recovery, there are everyday risks such as changes in key personnel, competitor threats, exchange rate fluctuations, interest rates, high energy prices, components shortages and arrivals by sea freight taken longer than expected.

LiuGong Machinery (UK) Ltd is principally supplied by LiuGong companies and any price increases are agreed for a year ahead which allows the UK operation to structure its price book for its customers over the same timescale.

The company's cash flow is always considered a principal risk to the business and this is closely monitored by the directors and reported regularly to head office with cash flow forecasts prepared on a weekly basis.

With the outbreak of Covid-19 in March 2020, demand for construction machinery across the UK dropped by 45%. This also affected new machine sales for Liugong Machinery (UK) Ltd. End users also cut back on repairs to their existing fleet which resulted in a reduction of spare parts sales. With the vaccine scheme rolling out across the UK, the construction market recovered very quickly with demand in 2021 back to 2019 levels. Liugong Machinery (UK) Ltd started 2021 with a good order book which has strengthened throughout the year and into 2022, where Liugong has attracted some of the UK's biggest plant hire companies to its order books.

KEY PERFORMANCE INDICATORS

The key performance indicators are turnover and profit and these are reflected in the results below:

The turnover for the 12 months was £25,064,636 (2020: £17,958,535).

The loss for the 12 months before tax was £454,308 (2020: £2,413,359).

OTHER INFORMATION AND EXPLANATIONS

The current main site in Portsmouth is close to its operating limit and the management have made changes to increase capacity taking on extra space at the Uxbridge site and redeploying the used machine refurbishment to that location. This frees up the main site at Portsmouth to focus on new machine preparation and provides a short term capacity boost in readiness of increased new machine sales in 2022. Looking to 2023, with a new head office location within the Portsmouth area doubling LiuGong's capacity and output for new equipment.

The company has no direct competitors selling LiuGong products as they are the sole UK subsidiary.

ON BEHALF OF THE BOARD:



S J Ford - Director

8 March 2023

**Report of the Directors
for the year ended 31 December 2021**

The directors present their report with the financial statements of the company for the year ended 31 December 2021. The comparative information is for the 12 month period from 1 January 2020 to 31 December 2020.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2021.

DIRECTORS

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

B L Prescott
S J Ford
G I McGregor
H C Dale
L Guobing
K S Skalna-Kadziela
S Yuan

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, Bennett Brooks & Co Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



S J Ford - Director

8 March 2023

**Report of the Independent Auditors to the Members of
LiuGong Machinery (UK) Limited**

Opinion

We have audited the financial statements of LiuGong Machinery (UK) Limited (the 'company') for the year ended 31 December 2021 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss 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 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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 Report of the Directors.

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

- adequate accounting records have not been kept, 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.

**Report of the Independent Auditors to the Members of
LiuGong Machinery (UK) Limited**

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and regulations which govern the preparation of financial statements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, through management bias in manipulation of accounting estimates or accounting for significant transactions outside the normal course of business. Audit procedures performed included:

- Enquiry of management around actual and potential litigation and claims and instances of non-compliance with laws and regulations;
- Auditing the risk of management override of controls, through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing financial statement disclosures and agreeing to supporting documentation to assess compliance with applicable laws and regulations; and
- Review of board meeting minutes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

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



Jason Leach (Senior Statutory Auditor)
for and on behalf of Bennett Brooks & Co Limited
Chartered Accountants
& Statutory Auditors
St George's Court
Winnington Avenue
Northwich
Cheshire
CW8 4EE

8 March 2023

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Income Statement
for the year ended 31 December 2021**

	Notes	2021 £	2020 £
TURNOVER	4	25,064,636	17,958,535
Cost of sales		21,367,384	16,181,062
GROSS PROFIT		3,697,252	1,777,473
Administrative expenses		4,128,138	4,263,331
		(430,886)	(2,485,858)
Other operating income		17,627	90,120
OPERATING LOSS	6	(413,259)	(2,395,738)
Interest receivable and similar income		-	2,754
		(413,259)	(2,392,984)
Interest payable and similar expenses	7	41,049	20,375
LOSS BEFORE TAXATION		(454,308)	(2,413,359)
Tax on loss	8	(287,638)	(356,358)
LOSS FOR THE FINANCIAL YEAR		<u>(166,670)</u>	<u>(2,057,001)</u>

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Other Comprehensive Income
for the year ended 31 December 2021**

	Notes	2021 £	2020 £
LOSS FOR THE YEAR		(166,670)	(2,057,001)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(166,670)</u>	<u>(2,057,001)</u>

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Balance Sheet
31 December 2021**

		2021	2020
	Notes	£	£
FIXED ASSETS			
Tangible assets	9	3,045,259	2,658,149
CURRENT ASSETS			
Stocks	10	11,367,711	12,323,576
Debtors	11	4,858,603	3,343,280
Cash at bank		5	54,342
		<u>16,226,319</u>	<u>15,721,198</u>
CREDITORS			
Amounts falling due within one year	12	<u>14,843,123</u>	<u>14,021,493</u>
NET CURRENT ASSETS		<u>1,383,196</u>	<u>1,699,705</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,428,455</u>	<u>4,357,854</u>
PROVISIONS FOR LIABILITIES	16	<u>477,083</u>	<u>239,812</u>
NET ASSETS		<u><u>3,951,372</u></u>	<u><u>4,118,042</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	597	597
Share premium		5,932,370	5,932,370
Retained earnings		<u>(1,981,595)</u>	<u>(1,814,925)</u>
SHAREHOLDERS' FUNDS		<u><u>3,951,372</u></u>	<u><u>4,118,042</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2023 and were signed on its behalf by:



S J Ford - Director

The notes form part of these financial statements

**Statement of Changes in Equity
for the year ended 31 December 2021**

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance at 1 January 2020	102	242,076	-	1,932,865	2,175,043
Changes in equity					
Deficit for the year	-	(2,057,001)	-	-	(2,057,001)
Total comprehensive income	-	(2,057,001)	-	-	(2,057,001)
Increase in share capital	495	-	-	-	495
Share issue - capitalisation of loan	-	-	3,999,505	-	3,999,505
Transfer between reserves	-	-	1,932,865	(1,932,865)	-
Balance at 31 December 2020	597	(1,814,925)	5,932,370	-	4,118,042
Changes in equity					
Deficit for the year	-	(166,670)	-	-	(166,670)
Total comprehensive income	-	(166,670)	-	-	(166,670)
Balance at 31 December 2021	597	(1,981,595)	5,932,370	-	3,951,372

The notes form part of these financial statements

**Cash Flow Statement
for the year ended 31 December 2021**

		2021 £	2020 £
Cash flows from operating activities			
Cash generated from operations	1	(376,464)	(2,933,840)
Interest paid		(41,049)	(20,375)
Net cash from operating activities		<u>(417,513)</u>	<u>(2,954,215)</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(1,175,364)	(944,731)
Sale of tangible fixed assets		476,161	39,852
Interest received		-	2,754
Net cash from investing activities		<u>(699,203)</u>	<u>(902,125)</u>
 Decrease in cash and cash equivalents		<u>(1,116,716)</u>	<u>(3,856,340)</u>
Cash and cash equivalents at beginning of year	2	(2,519,965)	1,336,375
 Cash and cash equivalents at end of year	2	<u><u>(3,636,681)</u></u>	<u><u>(2,519,965)</u></u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the year ended 31 December 2021

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2021	2020
	£	£
Loss before taxation	(454,308)	(2,413,359)
Depreciation charges	379,393	301,325
Profit on disposal of fixed assets	(67,302)	(3,479)
Increase/(decrease) in provisions	150,197	-
Finance costs	41,049	20,375
Finance income	-	(2,754)
	<u>49,029</u>	<u>(2,097,892)</u>
Decrease/(increase) in stocks	955,865	(1,146,266)
(Increase)/decrease in trade and other debtors	(1,140,611)	973,094
Decrease in trade and other creditors	(240,747)	(662,776)
Cash generated from operations	<u>(376,464)</u>	<u>(2,933,840)</u>

2. CASH AND CASH EQUIVALENTS

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

Year ended 31 December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	5	54,342
Bank overdrafts	(3,636,686)	(2,574,307)
	<u>(3,636,681)</u>	<u>(2,519,965)</u>

Year ended 31 December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	54,342	1,336,375
Bank overdrafts	(2,574,307)	-
	<u>(2,519,965)</u>	<u>1,336,375</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.21	Cash flow	At 31.12.21
	£	£	£
Net cash			5
Cash at bank	54,342	(54,337)	
Bank overdrafts	(2,574,307)	(1,062,379)	(3,636,686)
	<u>(2,519,965)</u>	<u>(1,116,716)</u>	<u>(3,636,681)</u>
Total	<u>(2,519,965)</u>	<u>(1,116,716)</u>	<u>(3,636,681)</u>

4. MAJOR NON-CASH TRANSACTIONS

The share issue during the previous year (note 17), was satisfied by the capitalisation of an intercompany loan of £4,000,000 and is a non-cash transaction.

Notes to the Financial Statements
for the year ended 31 December 2021

1. STATUTORY INFORMATION

LiuGong Machinery (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

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

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources, through reliance on the company bank and support of the group companies, 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.

Turnover

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

Revenue from the hiring out of machines is recognised when a performance obligation of the contract is satisfied. Performance obligations are contracted to be the availability of the machine for specific period of time, typically per calendar month.

Revenue for the service and repairs of machines is recognised when the contract is complete, meets the quality standards regulating the profession have been met and the significant risk and rewards associated have been duly transferred to the customer.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use.

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

Leasehold land and buildings	Straight line over 5 years
Improvements to property	Straight line over 10 years
Plant and machinery	Straight line over 12 years
Plant and machinery - Equipment for hire	Straight line over 5 years
Fixtures and fittings	Straight line over 5 years
Computer equipment	Straight line over 5 years
Motor vehicles	Straight line over 8 years

Assets in the course of construction are not depreciated.

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.

Notes to the Financial Statements - continued
for the year ended 31 December 2021

2. ACCOUNTING POLICIES - continued

Stocks

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

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

Used machines which are part-exchanged upon the sale of new machines are written down to their stock-in value (SIV) before being recognised as stock. The difference between part-exchange value and the SIV is treated as an additional selling cost of the new machine sold and is recognised in accordance with the revenue recognition policy. The SIV is based on the directors' experience of the market and is therefore a critical judgement.

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.

Foreign exchange

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

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 lease asset are consumed.

Retirement benefits

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

Impairment of fixed assets

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

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

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

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

Notes to the Financial Statements - continued
for the year ended 31 December 2021

2. ACCOUNTING POLICIES - continued

Cash and cash equivalents

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

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

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.

Impairment of financial assets

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

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the 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, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Notes to the Financial Statements - continued
for the year ended 31 December 2021

2. **ACCOUNTING POLICIES - continued**

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 interest rate swaps and 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.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

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.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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 liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Employee Benefits

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

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

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

Notes to the Financial Statements - continued
for the year ended 31 December 2021

3. CRITICAL ACCOUNTING 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.

Depreciation rates

The depreciation rates for tangible fixed assets have been aligned with the group policy for depreciation. However, the group policy has been disregarded for the depreciation of freehold and leasehold properties, as the depreciation rates were substantially different to the expected useful lives of the assets. For the freehold property, there is a rent payable to the council, so the depreciation rate has been based on the term of this. For the leasehold property, the depreciation rate has been based on the term of the lease.

Key sources of estimation uncertainty

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

Warranty provision

Where machines are sold with a warranty, a provision for the estimated claim that could arise on that warranty is calculated. All reclaimable costs incurred up to the period end were recharged to group in the current period. The estimation is based upon available future claims information and experience, the level of costs reclaimed from group companies and as it is an estimate, the assumptions used may prove over time to be inaccurate. The total warranty provision at 31 December 2021 was £60,000.

Stock in value

Used machines which are part-exchanged upon the sale of new machines are written down to their stock in value (SIV) before being recognised as stock. The difference between part-exchange value and the SIV is treated as an additional selling cost of the new machine sold and is recognised in accordance with the revenue recognition policy. The SIV requires the use of judgement and is based on the directors' experience of the market.

Net Realisable Value of stock

The net realisable values (NRV) of used machines are assessed by the directors and based on the directors' experience of the market. Any write down in value is charged to the Income Statement. The valuations require the use of judgement and are based upon the directors' knowledge of market conditions at the time.

4. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

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

	2021	2020
	£	£
Sales of machines	23,490,322	16,428,252
Sales of part	573,101	604,755
Servicing and repairs	677,957	801,305
Hire of machines	305,618	97,944
Carriage	17,638	26,279
	<u>25,064,636</u>	<u>17,958,535</u>

Notes to the Financial Statements - continued
for the year ended 31 December 20214. **TURNOVER - continued**

An analysis of turnover by geographical market is given below:

	2021 £	2020 £
United Kingdom	23,310,984	16,204,883
Europe	857,605	857,605
Rest of the World	896,047	896,047
	<u>25,064,636</u>	<u>17,958,535</u>

5. **EMPLOYEES AND DIRECTORS**

	2021 £	2020 £
Wages and salaries	2,120,277	2,010,421
Social security costs	249,437	230,415
Other pension costs	65,873	70,554
	<u>2,435,587</u>	<u>2,311,390</u>

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

	2021	2020
Directors	3	3
Direct staff	28	24
Administration staff	22	19
	<u>53</u>	<u>46</u>

	2021 £	2020 £
Directors' remuneration	<u>234,400</u>	<u>208,000</u>

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

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2021 £	2020 £
Emoluments etc	<u>82,200</u>	<u>71,000</u>

6. **OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	2021 £	2020 £
Hire of plant & machinery	15,878	14,939
Depreciation - owned assets	379,395	301,325
Profit on disposal of fixed assets	(67,302)	(3,479)
Audit fees	21,018	13,047
Auditors' remuneration for non audit work	3,825	8,465
Foreign exchange differences	(154,643)	284,516
Cost of stocks recognised as an expense	19,390,128	12,101,785
Impairment of stocks	3,247,805	3,126,266
Operating lease charges	<u>548,301</u>	<u>533,720</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2021

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Bank interest on loans and overdrafts	41,049	20,375
	<u>41,049</u>	<u>20,375</u>

8. TAXATION

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2021	2020
	£	£
Deferred tax:		
Deferred tax	(82,355)	(395,644)
Prior year deferred tax	(47,553)	39,286
Effect of changes in tax rate	(157,730)	-
Total deferred tax	<u>(287,638)</u>	<u>(356,358)</u>
Tax on loss	<u>(287,638)</u>	<u>(356,358)</u>

UK corporation tax has been charged at 19% (2020 - 19%).

Reconciliation of total tax credit included in profit and loss

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

	2021	2020
	£	£
Loss before tax	<u>(454,308)</u>	<u>(2,413,359)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(86,319)	(458,538)
Effects of:		
Expenses not deductible for tax purposes	10,907	5,170
Income not taxable for tax purposes	(6,943)	-
Unrecognised deferred tax asset	-	57,724
Prior year deferred tax	(47,553)	39,286
Tax rate changes	(157,730)	-
Total tax credit	<u>(287,638)</u>	<u>(356,358)</u>

FACTORS THAT MAY EFFECT FUTURE CHARGES

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020. As the new law was substantively enacted pre year end, the impact of the change to 19% has been reflected in the financial statements for the year ended 31 December 2020 and the deferred tax balances disclosed at 19%.

The company has losses available to carry forward of £3,536,356 (2020: £3,451,220) which will be utilised against future profits. A net asset of £984,089 has been made for deferred tax in these financial statements, tax effected at 25% (2020:19%).

In the Spring Budget 2021, the Government announced an increase in the corporation tax rate from 19% to 25% from 1 April 2023. This rate change was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 and the deferred tax balances have been recognised at 25%.

Notes to the Financial Statements - continued
for the year ended 31 December 2021

9. TANGIBLE FIXED ASSETS

	Leasehold land and building £	Improvements to property £	Plant and machinery £
COST			
At 1 January 2021	1,268,461	154,539	1,169,095
Additions	-	-	996,140
Disposals	-	-	(437,500)
At 31 December 2021	<u>1,268,461</u>	<u>154,539</u>	<u>1,727,735</u>
DEPRECIATION			
At 1 January 2021	18,007	36,471	210,485
Charge for year	14,327	23,134	274,380
Eliminated on disposal	-	-	(73,267)
At 31 December 2021	<u>32,334</u>	<u>59,605</u>	<u>411,598</u>
NET BOOK VALUE			
At 31 December 2021	<u>1,236,127</u>	<u>94,934</u>	<u>1,316,137</u>
At 31 December 2020	<u>1,250,454</u>	<u>118,068</u>	<u>958,610</u>

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2021	267,500	170,246	92,153	3,121,994
Additions	46,817	54,781	77,626	1,175,364
Disposals	-	(90,190)	-	(527,690)
At 31 December 2021	<u>314,317</u>	<u>134,837</u>	<u>169,779</u>	<u>3,769,668</u>
DEPRECIATION				
At 1 January 2021	95,657	63,437	39,788	463,845
Charge for year	30,801	20,236	16,517	379,395
Eliminated on disposal	-	(45,564)	-	(118,831)
At 31 December 2021	<u>126,458</u>	<u>38,109</u>	<u>56,305</u>	<u>724,409</u>
NET BOOK VALUE				
At 31 December 2021	<u>187,859</u>	<u>96,728</u>	<u>113,474</u>	<u>3,045,259</u>
At 31 December 2020	<u>171,843</u>	<u>106,809</u>	<u>52,365</u>	<u>2,658,149</u>

Included within Plant & Machinery is equipment available for hire with a cost of £1,301,090 and a net book value of £1,035,898.

Notes to the Financial Statements - continued
for the year ended 31 December 2021

10. STOCKS

	2021 £	2020 £
Stocks	<u>11,367,711</u>	<u>12,323,576</u>
	2021 £	2020 £
New machines	5,488,901	6,225,118
Used machines	3,687,927	4,290,473
Parts and work in progress	<u>2,190,882</u>	<u>1,807,985</u>
	<u>11,367,711</u>	<u>12,323,576</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade debtors	3,216,333	1,986,553
Other debtors	207,436	40,045
Due from group undertakings	261,053	111,262
Deferred Tax	984,089	609,377
VAT	-	62,978
Prepayments & accrued income	<u>189,692</u>	<u>533,065</u>
	<u>4,858,603</u>	<u>3,343,280</u>

Amounts due from group undertakings are interest free, unsecured and repayable on demand. Of the above deferred tax balance, £750,000 is expected to reverse in more than one year (2020: £609,377).

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Bank loans and overdrafts (see note 13)	3,636,686	2,574,307
Trade creditors	774,797	185,526
Social security & other taxes	91,032	91,176
VAT	9,588	-
Other creditors	37,283	-
Due to group undertakings	9,401,330	10,694,078
Accruals & deferred income	<u>892,407</u>	<u>476,406</u>
	<u>14,843,123</u>	<u>14,021,493</u>

Amounts due to group undertakings are interest free, unsecured and repayable on demand.

13. LOANS

An analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>3,636,686</u>	<u>2,574,307</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2021

14. LEASING AGREEMENTS

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:

	2021 £	2020 £
Within one year	190,651	247,206
Between two and five years	233,482	335,603
In over five year	45,082	95,833
	<u>469,215</u>	<u>678,642</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2021 £	2020 £
Bank overdrafts	<u>3,636,686</u>	<u>2,574,307</u>

On the 22nd October 2020, LiuGong Machinery (UK) Limited entered into an arranged overdraft facility, provided by HSBC UK Bank PLC, with a limit of £6,000,000. The overdraft facility contains a debenture including a fixed and floating charge over all assets. The floating charge covers all the undertaking of the company and all its property, both present and future. The debenture also contains a negative pledge, meaning the company shall not create or allow any mortgage, charge, pledge, lien or other encumbrance over all or any part of its assets or revenues or uncalled capital except the existing and future security of the bank.

16. PROVISIONS FOR LIABILITIES

	2021 £	2020 £
Deferred tax	326,886	239,812
Other provisions	150,197	-
	<u>477,083</u>	<u>239,812</u>
	Deferred tax	Deferred tax asset
	£	£
Balance at 1 January 2021	239,812	(609,377)
Provided during year	-	(1,302)
Accelerated capital allowances	87,074	-
Recognition of tax losses	-	(373,410)
Balance at 31 December 2021	<u>326,886</u>	<u>(984,089)</u>

The provision for deferred tax of £326,886 relates to accelerated capital allowances, and the deferred tax asset of £984,089 relates to losses available to carry forward which will be utilised against future profits.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2021 £	2020 £
Number:	Class:	Nominal value:		
595	Ordinary A	£1	595	595
2	Ordinary B	£1	2	2
			<u>597</u>	<u>597</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2021

18. PENSION COMMITMENTS

The company operates 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.

Details of the annual charge to the profit and loss account is £65,873 (2020: £70,554).

19. RELATED PARTY DISCLOSURES

	Sales		Purchases	
	2021 £	2020 £	2021 £	2020 £
Other related parties	1,211,307	677,491	15,176,416	10,092,268

The above transactions and below amounts owed to and from other related parties relate to other group companies. All transactions were carried out under normal commercial terms.

Amounts due to related parties

The following amounts were outstanding as at the balance sheet:

	2021 £	2020 £
Liugong Dressta Machinery Sp. z o.o.	259,610	1,999,002
LiuGong Machinery Europe B.V.	112,425	4,756,709
LiuGong Machinery Hongkong Co., Ltd	9,029,295	3,938,367
	<u>9,401,330</u>	<u>10,694,078</u>

Amounts due from related parties

The following amounts were outstanding as at the balance sheet:

	2021 £	2020 £
LiuGong Machinery Europe B.V.	132,765	63,546
Changzhou Liugong Machinery Co Ltd	64,420	28,913
Guangxi LiuGong Machinery Co Ltd	38,586	18,803
LiuGong Machinery Hongkong Co., Ltd	12,621	-
Liugong Construction Machinery N.A., L.L.C	-	-
Liugong Dressta Machinery Sp. z o.o.	8,955	-
Liugong North America	3,706	-
Liuzhou Liugong Excavator Co., Ltd.	-	-
	<u>261,053</u>	<u>111,262</u>

Key Management

The directors of the UK company and considered key management of the company. Their remuneration is disclosed in the directors remuneration section of the accounts.

20. ULTIMATE CONTROLLING PARTY

The company's parent company is Liugong Machinery HongKong Co., Ltd. whose registered office is 23/F, Sing Ho Finance Building, 168 Gloucester Road, Wan Chai Hong Kong.

The company's ultimate parent company is Guangxi Liugong Machinery Co., Ltd. A company registered in China whose registered office is No.1 Liutai Road, Liuzhou, Guangxi, 545007, China. Group accounts can be obtained from this address upon request.

The ultimate controlling party is Huang Haibo, President of Guangxi Liugong Machinery Co., Ltd.

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 December 2022
for
LiuGong Machinery (UK) Limited**

**Contents of the Financial Statements
for the year ended 31 December 2022**

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LiuGong Machinery (UK) Limited

**Company Information
for the year ended 31 December 2022**

DIRECTORS:

H C Dale
K S Skalna-Kadziela
S Yuan
G Luo
C P Coulman
D L Thornewell

REGISTERED OFFICE:

3 Bolde Close
Portsmouth
Hampshire
PO3 5RD

REGISTERED NUMBER:

07068266 (England and Wales)

AUDITORS:

Bennett Brooks & Co Limited
Chartered Accountants
& Statutory Auditors
St George's Court
Winnington Avenue
Northwich
Cheshire
CW8 4EE

**Strategic Report
for the year ended 31 December 2022**

The directors present the strategic report for the year ended 31 December 2022.

REVIEW OF BUSINESS

The principal activity of the Company is the selling of the LiuGong range of construction equipment, spare parts and servicing.

With the UK directors having over 50 years in the business of selling construction plant and machinery, it stood the company in good stead with their knowledge of construction equipment, the market and customers.

PRINCIPAL RISKS AND UNCERTAINTIES

LiuGong Machinery (UK) Ltd, as a 100% owned subsidiary, can take advantage of being supported by the wider LiuGong corporation. The identification of strategic, operational, compliance and financial risks is a key part of the work of the directors and senior staff.

As the UK construction sectors continues its steady Covid 19 recovery, there are everyday risks such as changes in key personnel, competitor threats, exchange rate fluctuations, interest rates, high energy prices, components shortages and arrivals by sea freight taken longer than expected.

LiuGong Machinery (UK) Ltd is principally supplied by the LiuGong Group of companies and any price increases are agreed for a year ahead, which allows the UK operation to structure its price book for its customers over the same timescale.

The company's cash flow is always considered a principal risk to the business, and this is closely monitored by the directors and reported regularly to head office.

In 2022, growth continued into the UK construction market with the introduction of new products, despite major global factors such as the war in Ukraine. Liugong exhibited at the Hillhead quarry exhibition, which attracted new customers to the brand, and larger key account customers came on-board.

In 2023, we have introduced further new products to enhance our product offering, including electric machines, and have continued to attract more key account customers. The biggest challenge the industry faces is the prolonged high interest rates, making consumers sit and wait until the rates improve. Housing & demolition sectors have declined, as customer confidence dropped, leading to a reduction in construction equipment sales in the second half of 2023.

KEY PERFORMANCE INDICATORS

The key performance indicators are turnover and profit and these are reflected in the results below:

The turnover for the 12 months was £33,431,597 (2021: £25,064,636).

The loss for the 12 months before tax was £3,265,803 (2021: £454,308).

OTHER INFORMATION AND EXPLANATIONS

We have opened a Liugong R&D centre in Manchester for UK and Europe, to test and demonstrate the product here in the European work environment. The new F series machines were launched in the UK, proving a huge success to our customers. A new head office & parts warehouse has opened in Q4 2023.

Looking ahead, the prospects in 2024 are considered positive.

The company has no direct competitors selling LiuGong products as they are the sole UK subsidiary.

ON BEHALF OF THE BOARD:

C P Coulman - Director

20 March 2024

**Report of the Directors
for the year ended 31 December 2022**

The directors present their report with the financial statements of the company for the year ended 31 December 2022. The comparative information is for the 12 month period from 1 January 2021 to 31 December 2021.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2022.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

H C Dale
K S Skalna-Kadziela
S Yuan
G Luo

Other changes in directors holding office are as follows:

B L Prescott - resigned 31 December 2022
G I McGregor - resigned 14 October 2022

C P Coulman and D L Thornewell were appointed as directors after 31 December 2022 but prior to the date of this report.

S J Ford ceased to be a director after 31 December 2022 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, Bennett Brooks & Co Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

C P Coulman - Director

20 March 2024

Report of the Independent Auditors to the Members of LiuGong Machinery (UK) Limited

Opinion

We have audited the financial statements of LiuGong Machinery (UK) Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss 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 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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 Report of the Directors.

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

- adequate accounting records have not been kept, 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.

Report of the Independent Auditors to the Members of LiuGong Machinery (UK) Limited

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and regulations which govern the preparation of financial statements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, through management bias in manipulation of accounting estimates or accounting for significant transactions outside the normal course of business. Audit procedures performed included:

- Enquiry of management around actual and potential litigation and claims and instances of non-compliance with laws and regulations;
- Auditing the risk of management override of controls, through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business; and
- Reviewing financial statement disclosures and agreeing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

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

Jason Leach FCA (Senior Statutory Auditor)
for and on behalf of Bennett Brooks & Co Limited
Chartered Accountants
& Statutory Auditors
St George's Court
Winnington Avenue
Northwich
Cheshire
CW8 4EE

20 March 2024

Income Statement
for the year ended 31 December 2022

	Notes	2022 £	2021 £
TURNOVER	4	33,431,597	25,064,636
Cost of sales		<u>(31,536,949)</u>	<u>(21,367,384)</u>
GROSS PROFIT		1,894,648	3,697,252
Administrative expenses		<u>(5,143,260)</u>	<u>(4,128,138)</u>
		(3,248,612)	(430,886)
Other operating income		<u>31,470</u>	<u>17,627</u>
OPERATING LOSS	6	<u>(3,217,142)</u>	<u>(413,259)</u>
Interest payable and similar expenses	7	<u>(48,661)</u>	<u>(41,049)</u>
LOSS BEFORE TAXATION		(3,265,803)	(454,308)
Tax on loss	8	<u>157,872</u>	<u>287,638</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(3,107,931)</u></u>	<u><u>(166,670)</u></u>

The notes form part of these financial statements

LiuGong Machinery (UK) Limited (Registered number: 07068266)

**Balance Sheet
31 December 2022**

	Notes	2022 £	2021 £
FIXED ASSETS			
Tangible assets	9	2,542,287	3,045,259
CURRENT ASSETS			
Stocks	10	15,863,330	11,367,711
Debtors	11	8,521,282	4,858,603
Cash at bank		25,128	5
		<u>24,409,740</u>	<u>16,226,319</u>
CREDITORS			
Amounts falling due within one year	12	<u>(25,513,932)</u>	<u>(14,843,123)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,104,192)</u>	<u>1,383,196</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,438,095	4,428,455
PROVISIONS FOR LIABILITIES	16	<u>(594,654)</u>	<u>(477,083)</u>
NET ASSETS		<u>843,441</u>	<u>3,951,372</u>
CAPITAL AND RESERVES			
Called up share capital	17	597	597
Share premium		5,932,370	5,932,370
Retained earnings		<u>(5,089,526)</u>	<u>(1,981,595)</u>
SHAREHOLDERS' FUNDS		<u>843,441</u>	<u>3,951,372</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 March 2024 and were signed on its behalf by:

C P Coulman - Director

**Statement of Changes in Equity
for the year ended 31 December 2022**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2021	597	(1,814,925)	5,932,370	4,118,042
Changes in equity				
Deficit for the year	-	(166,670)	-	(166,670)
Total comprehensive income	-	(166,670)	-	(166,670)
Balance at 31 December 2021	597	(1,981,595)	5,932,370	3,951,372
Changes in equity				
Deficit for the year	-	(3,107,931)	-	(3,107,931)
Total comprehensive income	-	(3,107,931)	-	(3,107,931)
Balance at 31 December 2022	597	(5,089,526)	5,932,370	843,441

Cash Flow Statement
for the year ended 31 December 2022

		2022	2021
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	188,484	(376,464)
Interest paid		(48,661)	(41,049)
Tax paid		14,854	-
Net cash from operating activities		<u>154,677</u>	<u>(417,513)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(370,103)	(1,175,364)
Sale of tangible fixed assets		77,032	476,161
Net cash from investing activities		<u>(293,071)</u>	<u>(699,203)</u>
Decrease in cash and cash equivalents		<u>(138,394)</u>	<u>(1,116,716)</u>
Cash and cash equivalents at beginning of year	2	(3,636,681)	(2,519,965)
Cash and cash equivalents at end of year	2	<u>(3,775,075)</u>	<u>(3,636,681)</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the year ended 31 December 2022**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
Loss before taxation	(3,265,803)	(454,308)
Depreciation charges	463,510	379,393
Profit on disposal of fixed assets	(14,979)	(67,302)
Increase/(decrease) in provisions	260,589	150,197
Impairment of fixed assets	347,512	-
Finance costs	48,661	41,049
	<u>(2,160,510)</u>	<u>49,029</u>
(Increase)/decrease in stocks	(4,495,619)	955,865
Increase in trade and other debtors	(3,662,679)	(1,140,611)
Increase/(decrease) in trade and other creditors	<u>10,507,292</u>	<u>(240,747)</u>
Cash generated from operations	<u>188,484</u>	<u>(376,464)</u>

2. CASH AND CASH EQUIVALENTS

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

Year ended 31 December 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	25,128	5
Bank overdrafts	<u>(3,800,203)</u>	<u>(3,636,686)</u>
	<u>(3,775,075)</u>	<u>(3,636,681)</u>

Year ended 31 December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	5	54,342
Bank overdrafts	<u>(3,636,686)</u>	<u>(2,574,307)</u>
	<u>(3,636,681)</u>	<u>(2,519,965)</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.22	Cash flow	At 31.12.22
	£	£	£
Net cash			
Cash at bank	5	25,123	25,128
Bank overdrafts	<u>(3,636,686)</u>	<u>(163,517)</u>	<u>(3,800,203)</u>
	<u>(3,636,681)</u>	<u>(138,394)</u>	<u>(3,775,075)</u>
Total	<u>(3,636,681)</u>	<u>(138,394)</u>	<u>(3,775,075)</u>

**Notes to the Financial Statements
for the year ended 31 December 2022**

1. STATUTORY INFORMATION

LiuGong Machinery (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

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

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources, through reliance on the external bank financing and written support of the group companies, 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.

Turnover

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

Revenue from the hiring out of machines is recognised when a performance obligation of the contract is satisfied. Performance obligations are contracted to be the availability of the machine for specific period of time, typically per calendar month.

Revenue for the service and repairs of machines is recognised when the contract is complete, meets the quality standards regulating the profession have been met and the significant risk and rewards associated have been duly transferred to the customer.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use.

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

Freehold Land and Buildings	Straight line over 89 years
Improvements to leasehold property	Straight line over 5 years
Plant and machinery	Straight line over 12 years
Plant and machinery - Equipment for hire	Straight line over 3-5 years
Fixtures and fittings	Straight line over 5-10 years
Computer equipment	Straight line over 5 years
Motor vehicles	Straight line over 8 years

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.

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

2. ACCOUNTING POLICIES - continued

Stocks

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

Used machines which are part-exchanged upon the sale of new machines are written down to their stock-in value (SIV) before being recognised as stock. The difference between part-exchange value and the SIV is treated as an additional selling cost of the new machine sold and is recognised in accordance with the revenue recognition policy. The SIV is based on the directors' experience of the market and is therefore a critical judgement.

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.

Foreign exchange

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

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 lease asset are consumed.

Retirement benefits

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

Impairment of fixed assets

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

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

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

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

Notes to the Financial Statements - continued
for the year ended 31 December 2022

2. ACCOUNTING POLICIES - continued

Cash and cash equivalents

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

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

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.

Impairment of financial assets

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

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the 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, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Notes to the Financial Statements - continued
for the year ended 31 December 2022

2. ACCOUNTING POLICIES - continued

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 interest rate swaps and 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.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

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.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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 liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Employee Benefits

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

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

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

Share premium

The share premium accounts reflects the difference between the nominal value of shares issued and the fair value of shares.

Notes to the Financial Statements - continued
for the year ended 31 December 2022

3. CRITICAL ACCOUNTING 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.

Depreciation rates

The Directors estimate the useful economic lives of their tangible fixed assets, and these are reviewed and updated annually. This also requires the use of judgement.

Key sources of estimation uncertainty

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

Warranty provision

Where machines are sold with a warranty, a provision for the estimated claim that could arise on that warranty is calculated. All reclaimable costs incurred up to the period end were recharged to group in the current period. The estimation is based upon available future claims information and experience, the level of costs reclaimed from group companies and as it is an estimate, the assumptions used may prove over time to be inaccurate. The total warranty provision at 31 December 2022 was £410,786 (2021: £150,197).

Stock in value

Used machines which are part-exchanged upon the sale of new machines are written down to their stock in value (SIV) before being recognised as stock. The difference between part-exchange value and the SIV is treated as an additional selling cost of the new machine sold and is recognised in accordance with the revenue recognition policy. The SIV requires the use of judgement and is based on the directors' experience of the market.

Net Realisable Value of stock

The net realisable values (NRV) of used machines are assessed by the directors and based on the directors' experience of the market. Any write down in value is charged to the Income Statement. The valuations require the use of judgement and are based upon the directors' knowledge of market conditions at the time.

4. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

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

	2022	2021
	£	£
Sales of machines	31,631,255	23,490,322
Sales of parts	789,802	573,101
Servicing and repairs	835,870	677,957
Hire of machines	151,841	305,618
Carriage	22,829	17,638
	<u>33,431,597</u>	<u>25,064,636</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2022

4. **TURNOVER - continued**

An analysis of turnover by geographical market is given below:

	2022	2021
	£	£
United Kingdom	33,431,597	23,310,984
Europe	-	857,605
Rest of the World	-	896,047
	<u>33,431,597</u>	<u>25,064,636</u>

5. **EMPLOYEES AND DIRECTORS**

	2022	2021
	£	£
Wages and salaries	2,290,564	2,120,277
Social security costs	306,645	249,437
Other pension costs	48,375	65,873
	<u>2,645,584</u>	<u>2,435,587</u>

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

	2022	2021
Directors	3	3
Direct staff	45	28
Administration staff	8	22
	<u>56</u>	<u>53</u>

	2022	2021
	£	£
Directors' remuneration	357,397	234,400
Directors' pension contributions to money purchase schemes	<u>2,422</u>	<u>2,638</u>

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

	2022	2021
Money purchase schemes	<u>2</u>	<u>2</u>

Information regarding the highest paid director is as follows:

	2022	2021
	£	£
Emoluments etc	141,690	82,200
Pension contributions to money purchase schemes	<u>-</u>	<u>1,319</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2022

6. **OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	2022	2021
	£	£
Hire of plant & machinery	19,624	15,878
Depreciation - owned assets	463,510	379,395
Profit on disposal of fixed assets	(14,979)	(67,302)
Audit fees	22,500	21,018
Auditors' remuneration for non audit work	3,931	3,825
Foreign exchange differences	35,848	(154,643)
Cost of stocks recognised as an expense	28,567,205	19,390,128
Impairment of stocks	2,909,094	3,247,805
Operating lease charges	558,145	548,301
Impairment of fixed assets	347,512	-

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2022	2021
	£	£
Bank interest on loans and overdrafts	48,661	41,049
	<u>48,661</u>	<u>41,049</u>

8. **TAXATION**

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2022	2021
	£	£
Current tax:		
Overprovision in prior year	<u>(14,854)</u>	<u>-</u>
Deferred tax:		
Deferred tax	(143,018)	(82,355)
Prior year deferred tax	-	(47,553)
Effect of changes in tax rate	-	(157,730)
Total deferred tax	<u>(143,018)</u>	<u>(287,638)</u>
Tax on loss	<u>(157,872)</u>	<u>(287,638)</u>

UK corporation tax has been charged at 19% (2021 - 19%).

Notes to the Financial Statements - continued
for the year ended 31 December 2022

8. TAXATION - continued

Reconciliation of total tax credit included in profit and loss

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

	2022 £	2021 £
Loss before tax	<u>(3,265,803)</u>	<u>(454,308)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(620,503)	(86,319)
Effects of:		
Expenses not deductible for tax purposes	3,300	10,907
Income not taxable for tax purposes	-	(6,943)
Depreciation in excess of capital allowances	4,039	-
Adjustments to tax charge in respect of previous periods	(14,854)	-
Unrecognised deferred tax asset	470,146	-
Prior year deferred tax	-	(47,553)
Tax rate changes	-	(157,730)
Total tax credit	<u>(157,872)</u>	<u>(287,638)</u>

FACTORS THAT MAY EFFECT FUTURE CHARGES

In the Spring Budget 2021, the Government announced an increase in the corporation tax rate from 19% to 25% from 1 April 2023. This rate change was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 and the deferred tax balances have been recognised at 25%.

9. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Improvements to property £	Plant and machinery £
COST			
At 1 January 2022	1,268,461	154,539	1,727,735
Additions	-	-	296,519
Disposals	-	-	(108,820)
At 31 December 2022	<u>1,268,461</u>	<u>154,539</u>	<u>1,915,434</u>
DEPRECIATION			
At 1 January 2022	32,334	59,605	411,598
Charge for year	14,458	29,711	355,085
Eliminated on disposal	-	-	(47,033)
Impairments	-	-	347,512
At 31 December 2022	<u>46,792</u>	<u>89,316</u>	<u>1,067,162</u>
NET BOOK VALUE			
At 31 December 2022	<u>1,221,669</u>	<u>65,223</u>	<u>848,272</u>
At 31 December 2021	<u>1,236,127</u>	<u>94,934</u>	<u>1,316,137</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2022

9. TANGIBLE FIXED ASSETS - continued

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2022	314,317	134,837	169,779	3,769,668
Additions	-	41,987	31,597	370,103
Disposals	-	-	(266)	(109,086)
At 31 December 2022	<u>314,317</u>	<u>176,824</u>	<u>201,110</u>	<u>4,030,685</u>
DEPRECIATION				
At 1 January 2022	126,458	38,109	56,305	724,409
Charge for year	23,960	18,933	21,363	463,510
Eliminated on disposal	-	-	-	(47,033)
Impairments	-	-	-	347,512
At 31 December 2022	<u>150,418</u>	<u>57,042</u>	<u>77,668</u>	<u>1,488,398</u>
NET BOOK VALUE				
At 31 December 2022	<u>163,899</u>	<u>119,782</u>	<u>123,442</u>	<u>2,542,287</u>
At 31 December 2021	<u>187,859</u>	<u>96,728</u>	<u>113,474</u>	<u>3,045,259</u>

Included within Plant & Machinery is equipment available for hire with a cost of £1,459,340 (2021: £1,301,090) and a net book value of £572,596 (2022: £1,035,898).

10. STOCKS

	2022 £	2021 £
Stocks	<u>15,863,330</u>	<u>11,367,711</u>
	2022	2021
£		
New machines	11,290,771	5,488,901
Used machines	1,773,329	3,687,927
Parts and work in progress	<u>2,799,230</u>	<u>2,190,882</u>
	<u>15,863,330</u>	<u>11,367,711</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount. Inventory is stated after provisions of £3,658,102 (2021: £749,009).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade debtors	6,271,106	3,216,333
Other debtors	131,376	207,436
Due from group undertakings	218,667	261,053
Deferred Tax	984,089	984,089
Prepayments & accrued income	<u>916,044</u>	<u>189,692</u>
	<u>8,521,282</u>	<u>4,858,603</u>

Amounts due from group undertakings are interest free, unsecured and repayable on demand. Of the above deferred tax balance, £984,089 is expected to reverse in more than one year (2021: £984,089).

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Bank loans and overdrafts (see note 13)	3,800,203	3,636,686
Trade creditors	1,258,850	774,797
Social security & other taxes	99,923	91,032
VAT	339,635	9,588
Other creditors	39,641	37,283
Due to group undertakings	19,020,343	9,401,330
Accruals & deferred income	955,337	892,407
	<u>25,513,932</u>	<u>14,843,123</u>

Amounts due to group undertakings are interest free, unsecured and repayable on demand.

13. LOANS

An analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>3,800,203</u>	<u>3,636,686</u>

14. LEASING AGREEMENTS

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	70,106	190,651
Between two and five years	205,129	233,482
In over five year	-	45,082
	<u>275,235</u>	<u>469,215</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2022	2021
	£	£
Bank overdrafts	<u>3,800,203</u>	<u>3,636,686</u>

On the 22nd October 2020, LiuGong Machinery (UK) Limited entered into an arranged overdraft facility, provided by HSBC UK Bank PLC, with a limit of £6,000,000. The overdraft facility contains a debenture including a fixed and floating charge over all assets. The floating charge covers all the undertaking of the company and all its property, both present and future. The debenture also contains a negative pledge, meaning the company shall not create or allow any mortgage, charge, pledge, lien or other encumbrance over all or any part of its assets or revenues or uncalled capital except the existing and future security of the bank.

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

16. PROVISIONS FOR LIABILITIES

		2022	2021
	£		
Deferred tax		183,868	326,886
Warranty provision		<u>410,786</u>	<u>150,197</u>
		<u>594,654</u>	<u>477,083</u>

The provision for deferred tax of £183,868 (2021 - £326,886) relates to accelerated capital allowances, and the deferred tax asset of £984,089 (2021 - £984,089) relates to losses available to carry forward which will be utilised against future profits.

There are unprovided deferred tax assets relating to losses of £2,655,112 (2021: £nil).

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2022	2021
			£	£
595	Ordinary A	£1	595	595
2	Ordinary B	£1	<u>2</u>	<u>2</u>
			<u>597</u>	<u>597</u>

All shares have full voting, dividend and capital rights.

18. PENSION COMMITMENTS

The company operates 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.

Details of the annual charge to the profit and loss account is £48,375 (2021: £65,873). At the year end £22,451 (2021: £9,690) of money purchase contributions were included in other creditors.

19. RELATED PARTY DISCLOSURES

Key Management

The directors of the UK company and considered key management of the company. Their remuneration is disclosed in the directors remuneration section of the accounts.

20. ULTIMATE CONTROLLING PARTY

The company's parent company is Liugong Machinery HongKong Co., Ltd. whose registered office is 23/F, Sing Ho Finance Building, 168 Gloucester Road, Wan Chai Hong Kong.

The company's ultimate parent company is Guangxi Liugong Machinery Co., Ltd. A company registered in China whose registered office is No.1 Liutai Road, Liuzhou, Guangxi, 545007, China. Group accounts can be obtained from this address upon request.

The largest and smallest group of which the company is a member and for which group accounts are drawn up is that of Guangxi Liugong Machinery Co., Ltd.

The ultimate controlling party is Huang Haibo, President of Guangxi Liugong Machinery Co., Ltd.

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