

GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2021
FOR
MEL AVIATION LIMITED

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 October 2021

	Page
Company Information	1
Group Strategic Report	2
Report of the Directors	4
Report of the Independent Auditors	5
Consolidated Income Statement	9
Consolidated Other Comprehensive Income	10
Consolidated Balance Sheet	11
Company Balance Sheet	12
Consolidated Statement of Changes in Equity	13
Company Statement of Changes in Equity	14
Consolidated Cash Flow Statement	15
Notes to the Consolidated Cash Flow Statement	16
Notes to the Consolidated Financial Statements	17

MEL AVIATION LIMITED
COMPANY INFORMATION
for the year ended 31 October 2021

DIRECTORS: Mr N F Smith
Mr G W Harvey
Mr N G Harvey

REGISTERED OFFICE: Laurence Walter House
Addison Road
Chilton Industrial Estate
Sudbury
Suffolk
CO10 2YW

REGISTERED NUMBER: 00939400 (England and Wales)

SENIOR STATUTORY AUDITOR: Mr Paul Dell F.C.A.

AUDITORS: Raffingers LLP, Statutory Auditor
Chartered Certified Accountants
19-20 Bourne Court
Southend Road
Woodford Green
Essex
IG8 8HD

GROUP STRATEGIC REPORT
for the year ended 31 October 2021

The directors present their strategic report of the company and the group for the year ended 31 October 2021.

REVIEW OF BUSINESS

Group turnover improved by 5.6% to £19.9m (2020: £18.8m). Gross margin also improved from 38% to 43%. Group profit before exceptional write downs and provisions amounted to £3.2m (2020: £1.5m). Exceptional write offs amounted to £2.7m and the resulting profit before tax for the year was £461k (2020: £1.4m).

The state of affairs at the balance sheet date is considered to be satisfactory with group net assets of £21.5m (2020: £22.5m).

A review of the groups activities is given below:-

MEL Aviation Limited, the parent company, based in Sudbury, Suffolk, supplies aviation support services to the military and civil aircraft industry. The company traded profitably and profit before exceptional write downs and provisions amounted to £3.3m (2020: £1.7m). Exceptional write offs amounted to £2.7m and the resulting profit before tax for the year was £576k (2020: £1.67m). The state of affairs at the balance sheet date is considered to be satisfactory.

Arrowsmith Engineering and Consultants Ltd, a business based in Hampshire supplies engineering and consultancy services to the aviation industry, mainly in relation to the helicopter industry. The business incurred a loss during the year of £218k (2020: £246k). The state of affairs at the balance sheet date is considered to be satisfactory.

Headset Services Ltd, a business based at Shoreham Airport supplies headset equipment to the aircraft industry and other sectors. The business traded profitably during the year with a profit before tax of £106k (2020:£35k). The state of affairs at the balance sheet date is considered to be satisfactory.

MEL Aviation GmbH, a subsidiary company based in Hamburg, Germany, incurred a loss during the year of £87k (2020: £76k). The state of affairs at the balance sheet date is considered to be satisfactory.

During the year, SMA Plastics Ltd was formed to acquire the assets of a small plastics manufacturing business.

The key financial performance indicators for the group are as follows:-

	2021	2020	Measure
Gross Profit Margin	43%	38%	Gross Profit/Turnover
Debtors days	247 days	254 days	Trade Debtors/Turnover
Creditors days	118 days	88 days	Trade Creditors/Cost of Sales

GROUP STRATEGIC REPORT
for the year ended 31 October 2021

PRINCIPAL RISKS AND UNCERTAINTIES

The group faces the usual business risks of competition within its sector and pressure on prices. These risks are mitigated by the directors continuously driving the business forward into new product areas and niche markets where prices can be maintained at profitable levels. The issue of increased manufacturing costs in the UK has been addressed by making use of a factory facility which the company has access to in Serbia.

The principal risks and uncertainties affecting the Group include:

- Retention of customers - the company maintains strong relationships with each of its key customers and has established procedures for monitoring performance and service levels.
- Competitive risk - the company's expertise and efficiency in its marketplace and its diversity of operations helps to mitigate the possible effect of action by any one single competitor.
- Manufacturing labour costs - the group has moved a significant part of its manufacturing capabilities to a factory facility in Serbia. This has allowed it to maintain tight control over its manufacturing cost base whilst still maintaining excellent quality in its products.
- Quality control risks - the group maintains strict quality control over its products. It holds appropriate approval with the Civil Aviation Authority (CAA) and the Federal Aviation Authority (FAA) along with other organisations to enable it to carry on its activities in various jurisdictions around the world.
- The civil aviation side of the group's business suffered due to the downturn in air travel, this was offset by other areas of the business as well as the move into new markets around healthcare and protective equipment.

The directors believe that the group has adequate resources in place to meet its forecast trading requirements and all risks and uncertainties are managed appropriately.

FUTURE DEVELOPMENTS

The group continues to seek to develop and expand its product range and service offering to its major customers, taking advantage of opportunities both in the UK and worldwide. The directors are confident of sustainable future growth in its precision engineering sector.

EMPLOYEES

The group operates an equal opportunities policy. The aim of this policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability.

Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability. Should, for whatever reason, an employee of the group becomes disabled whilst in the employment, every step, where appropriate will be taken to assist with rehabilitation and suitable re-training.

The group maintains its own health, safety and environmental policies covering all aspect of its operations. Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the group is responsive to the needs of the employees and the environment.

FINANCIAL INSTRUMENTS

The group has no funding facilities with its bank as it relies on its own cash reserves for its working capital requirements. The group has not entered into any hedging arrangements as the directors perceive the exchange rate risk to the business to be low.

ON BEHALF OF THE BOARD:

Mr G W Harvey - Director

4 May 2022

REPORT OF THE DIRECTORS
for the year ended 31 October 2021

The directors present their report with the financial statements of the company and the group for the year ended 31 October 2021.

DIVIDENDS

The total distribution of dividends for the year ended 31 October 2021 was £1,404,000 (2020:£1,404,000).

DIRECTORS

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

Mr N F Smith
Mr G W Harvey
Mr N G Harvey

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group 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 group'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 group's auditors are aware of that information.

ON BEHALF OF THE BOARD:

Mr G W Harvey - Director

4 May 2022

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEL AVIATION LIMITED

Opinion

We have audited the financial statements of MEL Aviation Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2021 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated 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 group's and of the parent company affairs as at 31 October 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the 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 Group 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 Group 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 Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEL AVIATION LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 four, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEL AVIATION 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.

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 group through discussions with directors and other management, and from our commercial knowledge and experience of the group sector;
- 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 group, including the Companies Act 2006, taxation legislation and data protection, 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 inspecting legal correspondence where necessary.

We assessed the susceptibility of the group'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 analytical procedures to identify any unusual or unexpected transactions;
- agreed income to underlying contracts;
- tested the appropriateness of journal entries;
- investigated the rationale behind significant or unusual transactions.

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

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing legal expenses for any potential issues.

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 that 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 the 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 Report of the Auditors.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MEL AVIATION 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.

Mr Paul Dell F.C.A. (Senior Statutory Auditor)
for and on behalf of Raffingers LLP, Statutory Auditor
Chartered Certified Accountants
19-20 Bourne Court
Southend Road
Woodford Green
Essex
IG8 8HD

4 May 2022

**CONSOLIDATED
INCOME STATEMENT
for the year ended 31 October 2021**

	Notes	2021 £	2020 £
TURNOVER	4	19,922,110	18,872,333
Cost of sales		<u>(11,289,499)</u>	<u>(11,722,156)</u>
GROSS PROFIT		8,632,611	7,150,177
Administrative expenses		<u>(5,721,832)</u>	<u>(5,846,615)</u>
		2,910,779	1,303,562
Other operating income		<u>273,933</u>	<u>169,622</u>
OPERATING PROFIT	7	3,184,712	1,473,184
Trade balances written off	8	(772,700)	-
Loan balances written off	8	<u>(1,947,807)</u>	<u>-</u>
		464,205	1,473,184
Interest receivable and similar income	9	<u>532</u>	<u>4,745</u>
		464,737	1,477,929
Interest payable and similar expenses	10	<u>(3,395)</u>	<u>(37,010)</u>
PROFIT BEFORE TAXATION		461,342	1,440,919
Tax on profit	11	<u>(32,809)</u>	<u>29,253</u>
PROFIT FOR THE FINANCIAL YEAR		<u>428,533</u>	<u>1,470,172</u>
Profit attributable to: Owners of the parent		<u>428,533</u>	<u>1,470,172</u>

The notes form part of these financial statements

CONSOLIDATED
OTHER COMPREHENSIVE INCOME
for the year ended 31 October 2021

	2021	2020
Notes	£	£
PROFIT FOR THE YEAR	428,533	1,470,172
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	<u>428,533</u>	<u>1,470,172</u>
FOR THE YEAR	<u>428,533</u>	<u>1,470,172</u>
Total comprehensive income attributable to:		
Owners of the parent	<u>428,533</u>	<u>1,470,172</u>

The notes form part of these financial statements

MEL AVIATION LIMITED (REGISTERED NUMBER: 00939400)**CONSOLIDATED BALANCE SHEET****31 October 2021**

	Notes	2021 £	£	2020 £	£
FIXED ASSETS					
Intangible assets	15		35,254		143,485
Tangible assets	16		702,696		729,141
Investments	17		-		-
Investment property	18		<u>328,263</u>		<u>328,263</u>
			1,066,213		1,200,889
CURRENT ASSETS					
Stocks	19	4,630,523		4,072,629	
Debtors	20	21,423,884		21,970,252	
Cash at bank and in hand		<u>6,220,124</u>		<u>5,266,255</u>	
		32,274,531		31,309,136	
CREDITORS					
Amounts falling due within one year	21	<u>11,789,465</u>		<u>9,957,258</u>	
NET CURRENT ASSETS			<u>20,485,066</u>		<u>21,351,878</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			21,551,279		22,552,767
CREDITORS					
Amounts falling due after more than one year	22		(2,786)		(29,994)
PROVISIONS FOR LIABILITIES	25		<u>(68,103)</u>		<u>(66,916)</u>
NET ASSETS			<u>21,480,390</u>		<u>22,455,857</u>
CAPITAL AND RESERVES					
Called up share capital	26		3,100		3,100
Revaluation reserve	27		168,370		168,370
Retained earnings	27		<u>21,308,920</u>		<u>22,284,387</u>
SHAREHOLDERS' FUNDS			<u>21,480,390</u>		<u>22,455,857</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 May 2022 and were signed on its behalf by:

Mr G W Harvey - Director

The notes form part of these financial statements

MEL AVIATION LIMITED (REGISTERED NUMBER: 00939400)

COMPANY BALANCE SHEET

31 October 2021

	Notes	2021 £	£	2020 £	£
FIXED ASSETS					
Intangible assets	15		35,127		119,650
Tangible assets	16		528,335		578,640
Investments	17		1,440,707		1,440,607
Investment property	18		328,263		328,263
			<u>2,332,432</u>		<u>2,467,160</u>
CURRENT ASSETS					
Stocks	19	3,497,616		2,919,317	
Debtors	20	23,238,613		22,747,774	
Cash at bank and in hand		<u>5,366,720</u>		<u>5,038,687</u>	
		32,102,949		30,705,778	
CREDITORS					
Amounts falling due within one year	21	<u>11,286,216</u>		<u>9,149,318</u>	
NET CURRENT ASSETS			<u>20,816,733</u>		<u>21,556,460</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			23,149,165		24,023,620
CREDITORS					
Amounts falling due after more than one year	22		(2,786)		(29,994)
PROVISIONS FOR LIABILITIES	25		<u>(52,563)</u>		<u>(54,893)</u>
NET ASSETS			<u>23,093,816</u>		<u>23,938,733</u>
CAPITAL AND RESERVES					
Called up share capital	26		3,100		3,100
Revaluation reserve	27		168,370		168,370
Retained earnings	27		<u>22,922,346</u>		<u>23,767,263</u>
SHAREHOLDERS' FUNDS			<u>23,093,816</u>		<u>23,938,733</u>
Company's profit for the financial year			<u>559,083</u>		<u>1,694,228</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 May 2022 and were signed on its behalf by:

Mr G W Harvey - Director

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 October 2021

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 November 2019	3,100	22,218,215	168,370	22,389,685
Changes in equity				
Dividends	-	(1,404,000)	-	(1,404,000)
Total comprehensive income	-	1,470,172	-	1,470,172
Balance at 31 October 2020	<u>3,100</u>	<u>22,284,387</u>	<u>168,370</u>	<u>22,455,857</u>
Changes in equity				
Dividends	-	(1,404,000)	-	(1,404,000)
Total comprehensive income	-	428,533	-	428,533
Balance at 31 October 2021	<u>3,100</u>	<u>21,308,920</u>	<u>168,370</u>	<u>21,480,390</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 October 2021

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 November 2019	3,100	23,477,035	168,370	23,648,505
Changes in equity				
Dividends	-	(1,404,000)	-	(1,404,000)
Total comprehensive income	-	1,694,228	-	1,694,228
Balance at 31 October 2020	<u>3,100</u>	<u>23,767,263</u>	<u>168,370</u>	<u>23,938,733</u>
Changes in equity				
Dividends	-	(1,404,000)	-	(1,404,000)
Total comprehensive income	-	559,083	-	559,083
Balance at 31 October 2021	<u>3,100</u>	<u>22,922,346</u>	<u>168,370</u>	<u>23,093,816</u>

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 October 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Cash generated from operations	1	2,544,203	7,161,287
Interest paid		-	(28,422)
Interest element of hire purchase payments paid		(3,395)	(8,588)
Tax paid		-	(50,496)
Net cash from operating activities		<u>2,540,808</u>	<u>7,073,781</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(1)	-
Purchase of tangible fixed assets		(163,433)	(4,580)
Sale of tangible fixed assets		750	252,501
Interest received		532	4,745
Net cash from investing activities		<u>(162,152)</u>	<u>252,666</u>
Cash flows from financing activities			
Repayments in the year		-	(3,375,000)
Hire purchase finance		(27,208)	(54,717)
Amount introduced by directors		27,698	-
Amount withdrawn by directors		(21,277)	(20,218)
Equity dividends paid		(1,404,000)	(1,404,000)
Net cash from financing activities		<u>(1,424,787)</u>	<u>(4,853,935)</u>
Increase in cash and cash equivalents		<u>953,869</u>	<u>2,472,512</u>
Cash and cash equivalents at beginning of year	2	5,266,255	2,793,743
Cash and cash equivalents at end of year	2	<u>6,220,124</u>	<u>5,266,255</u>

The notes form part of these financial statements

MEL AVIATION LIMITED (REGISTERED NUMBER: 00939400)

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 October 2021**

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

	2021	2020
	£	£
Profit before taxation	461,342	1,440,919
Depreciation charges	298,110	304,005
Profit on disposal of fixed assets	(750)	(93,076)
Finance costs	3,395	37,010
Finance income	(532)	(4,745)
	<u>761,565</u>	<u>1,684,113</u>
(Increase)/decrease in stocks	(557,894)	1,389,457
Decrease/(increase) in trade and other debtors	567,644	(90,456)
Increase in trade and other creditors	<u>1,772,888</u>	<u>4,178,173</u>
Cash generated from operations	<u><u>2,544,203</u></u>	<u><u>7,161,287</u></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 October 2021

	31.10.21	1.11.20
	£	£
Cash and cash equivalents	<u>6,220,124</u>	<u>5,266,255</u>

Year ended 31 October 2020

	31.10.20	1.11.19
	£	£
Cash and cash equivalents	<u>5,266,255</u>	<u>2,793,743</u>

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.11.20	Cash flow	At 31.10.21
	£	£	£
Net cash			
Cash at bank and in hand	<u>5,266,255</u>	<u>953,869</u>	<u>6,220,124</u>
	<u>5,266,255</u>	<u>953,869</u>	<u>6,220,124</u>
Debt			
Finance leases	<u>(55,602)</u>	<u>27,208</u>	<u>(28,394)</u>
	<u>(55,602)</u>	<u>27,208</u>	<u>(28,394)</u>
Total	<u><u>5,210,653</u></u>	<u><u>981,077</u></u>	<u><u>6,191,730</u></u>

4. **ACQUISITION OF BUSINESS**

During the year, a new company, SMA Plastics Limited, was formed to acquire the assets of a small plastics engineering business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 October 2021

1. **STATUTORY INFORMATION**

MEL Aviation 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 General 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 as modified by the revaluation of certain assets.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 October 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Turnover

Turnover comprises the value of goods and services supplied by the group companies to external customers, exclusive of Value Added Tax and trade discounts. Turnover is recognised on the sale of goods and services at the point of despatch subject to any adjustment for work in progress at the year end.

Purchased goodwill

Purchased goodwill is the excess of the fair value of the purchase consideration over the fair value of the net assets acquired on acquisition of subsidiary undertakings and is capitalised and amortised over its useful economic life, subject to a maximum period of 10 years. Where impairment of an investment occurs, the amount is written off in the year concerned.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

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 or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 2% on cost
Short leasehold	- 10% on cost
Long leasehold	- 10% on cost
Plant and machinery	- 33% on cost and 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 20% on cost
Computer equipment	- 20% on cost

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The group assesses at each reporting date whether tangible fixed assets are fully impaired.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the group expects to consume an asset's future economic benefits.

Government grants

Government grants, including non-monetary grants shall not be recognised until there is reasonable assurance that:

(a) the group will comply with the conditions attaching to them; and

(b) the grants will be received.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including transaction costs. Subsequently investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Investment properties whose fair value cannot be measured reliably without undue cost or effort on an on-going basis are included in plant, property and equipment at cost less accumulated depreciation and accumulated impairment losses.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell (net realisable value). Costs, which comprise direct production costs, are based on the method most appropriate to the type of inventory class. Overheads are charged to profit or loss as incurred. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of stocks recognised as an expense in the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

2. **ACCOUNTING POLICIES - continued**

Financial instruments

Basic financial assets, including trade and other receivables and cash and bank balances 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.

Basic financial liabilities, including trade and other payables, 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 receipts discounted at a market rate of interest.

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

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, 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 balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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.

Research and development

Expenditure on research activities and development expenditure is recognised in the profit and loss account as an expense as incurred.

Foreign currencies

The financial statements are presented in sterling, which is also the functional currency of the group. Transactions in currencies other than the functional currency of the group are recorded at the rate of exchange on the date the transaction occurred. Monetary items denominated in other currencies are translated at the rate prevailing at the end of the reporting period. All differences are taken to profit and loss. Non-monetary items that are measured at historic cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

2. **ACCOUNTING POLICIES - continued**

Hire purchase and leasing commitments

Assets that are held by the group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Pension costs and other post-retirement benefits

The group operates a small self administered pension scheme for the directors. No contributions were paid during the year. The group also operates a fully insured defined contribution pension scheme for certain members of staff and the pension charge represents the amounts paid by the group to the fund during the year. These contributions are invested separately from the group's assets.

Fixed asset investments

Fixed asset investments are shown at acquisition cost subject to any provisions for permanent diminution in value.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying values 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the group.

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

	2021	2020
	£	£
Repairs and overhaul	7,488,966	7,992,606
New build	10,425,758	8,773,635
Helmets and headset supply	886,110	975,773
Other	1,121,276	1,130,319
	<u>19,922,110</u>	<u>18,872,333</u>

An analysis of turnover by geographical market is given below:

	2021	2020
	£	£
United Kingdom	17,556,119	15,867,197
Europe and EU	1,410,784	2,218,899
Rest of the world	955,207	786,237
	<u>19,922,110</u>	<u>18,872,333</u>

5. EMPLOYEES AND DIRECTORS

	2021	2020
	£	£
Wages and salaries	4,326,502	4,341,482
Social security costs	404,575	390,339
Other pension costs	444,633	482,649
	<u>5,175,710</u>	<u>5,214,470</u>

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

	2021	2020
Production and distribution	76	82
Administration	60	57
	<u>136</u>	<u>139</u>

6. DIRECTORS' EMOLUMENTS

	2021	2020
	£	£
Directors' remuneration	330,512	336,588
Directors' pension contributions to money purchase schemes	<u>10,700</u>	<u>10,482</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

6. DIRECTORS' EMOLUMENTS - continued

Information regarding the highest paid director is as follows:

	2021	2020
	£	£
Emoluments etc	153,824	150,040
Pension contributions to money purchase schemes	<u>10,700</u>	<u>10,482</u>

7. OPERATING PROFIT

	2021	2020
	£	£
Other operating leases	628,485	620,174
Depreciation - owned assets	137,254	135,405
Depreciation - assets on hire purchase contracts	52,624	52,571
Profit on disposal of fixed assets	(750)	(93,076)
Goodwill amortisation	108,232	116,027
Auditors' remuneration - paid to group auditor for the audit of the group accounts	27,750	27,750
Auditors' remuneration - other services audit of subsidiary undertakings	31,500	24,500
Non-audit services - paid to the group auditor for other services	12,588	23,921
Foreign exchange differences	<u>98,130</u>	<u>18,171</u>

8. EXCEPTIONAL ITEMS

	2021	2020
	£	£
Trade balances written off	(772,700)	-
Loan balances written off	<u>(1,947,807)</u>	<u>-</u>
	<u>(2,720,507)</u>	<u>-</u>

The write offs relate to 2 US companies which the group had invested in. The companies ceased to trade during the year.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£	£
Bank interest receivable	<u>532</u>	<u>4,745</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Loan interest	-	28,422
Hire purchase	<u>3,395</u>	<u>8,588</u>
	<u>3,395</u>	<u>37,010</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

11. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	2021	2020
	£	£
Current tax:		
UK corporation tax	31,622	-
Deferred tax	1,187	(29,253)
Tax on profit	<u>32,809</u>	<u>(29,253)</u>

UK corporation tax has been charged at 19 % (2020 - 19 %).

Reconciliation of total tax charge/(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
	£	£
Profit before tax	<u>461,342</u>	<u>1,440,919</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19 % (2020 - 19 %)	87,655	273,775
Effects of:		
Expenses not deductible for tax purposes	419	(16,765)
Difference in depreciation over capital allowances	5,232	34,146
Loan write down	370,083	-
R&D tax credit claims	(448,253)	(449,943)
Losses carried forward	-	144,459
Deferred tax adjustment transition	1,187	(29,253)
Other	<u>16,486</u>	<u>14,328</u>
Total tax charge/(credit)	<u>32,809</u>	<u>(29,253)</u>

12. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

13. DIVIDENDS

	2021	2020
	£	£
Ordinary A shares of £1 each		
Interim	702,000	702,000
Ordinary B shares of £1 each		
Interim	<u>702,000</u>	<u>702,000</u>
	<u>1,404,000</u>	<u>1,404,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

14. **CORONAVIRUS JOB RETENTION SCHEME**

During the year, the group received £56,491 (2020: £95,694) from the Coronavirus Job Retention Scheme.

15. **INTANGIBLE FIXED ASSETS**

Group

	Goodwill £	Computer software £	Totals £
COST			
At 1 November 2020	1,730,621	43,441	1,774,062
Additions	<u>1</u>	<u>-</u>	<u>1</u>
At 31 October 2021	<u>1,730,622</u>	<u>43,441</u>	<u>1,774,063</u>
AMORTISATION			
At 1 November 2020	1,587,136	43,441	1,630,577
Amortisation for year	<u>108,232</u>	<u>-</u>	<u>108,232</u>
At 31 October 2021	<u>1,695,368</u>	<u>43,441</u>	<u>1,738,809</u>
NET BOOK VALUE			
At 31 October 2021	<u>35,254</u>	<u>-</u>	<u>35,254</u>
At 31 October 2020	<u>143,485</u>	<u>-</u>	<u>143,485</u>

Company

	Goodwill £
COST	
At 1 November 2020 and 31 October 2021	<u>839,706</u>
AMORTISATION	
At 1 November 2020	720,056
Amortisation for year	<u>84,523</u>
At 31 October 2021	<u>804,579</u>
NET BOOK VALUE	
At 31 October 2021	<u>35,127</u>
At 31 October 2020	<u>119,650</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

16. **TANGIBLE FIXED ASSETS**

Group

	Freehold property £	Short leasehold £	Long leasehold £	Plant and machinery £
COST				
At 1 November 2020	201,995	313,845	576,969	2,580,791
Additions	-	-	22,746	140,687
Disposals	-	-	-	(62,061)
At 31 October 2021	<u>201,995</u>	<u>313,845</u>	<u>599,715</u>	<u>2,659,417</u>
DEPRECIATION				
At 1 November 2020	49,810	193,023	303,066	2,493,165
Charge for year	4,057	18,577	42,536	95,343
Eliminated on disposal	-	-	-	(62,061)
At 31 October 2021	<u>53,867</u>	<u>211,600</u>	<u>345,602</u>	<u>2,526,447</u>
NET BOOK VALUE				
At 31 October 2021	<u>148,128</u>	<u>102,245</u>	<u>254,113</u>	<u>132,970</u>
At 31 October 2020	<u>152,185</u>	<u>120,822</u>	<u>273,903</u>	<u>87,626</u>
	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 November 2020	659,329	341,617	17,949	4,692,495
Additions	-	-	-	163,433
Disposals	-	(42,157)	-	(104,218)
At 31 October 2021	<u>659,329</u>	<u>299,460</u>	<u>17,949</u>	<u>4,751,710</u>
DEPRECIATION				
At 1 November 2020	644,948	261,393	17,949	3,963,354
Charge for year	7,003	22,362	-	189,878
Eliminated on disposal	-	(42,157)	-	(104,218)
At 31 October 2021	<u>651,951</u>	<u>241,598</u>	<u>17,949</u>	<u>4,049,014</u>
NET BOOK VALUE				
At 31 October 2021	<u>7,378</u>	<u>57,862</u>	<u>-</u>	<u>702,696</u>
At 31 October 2020	<u>14,381</u>	<u>80,224</u>	<u>-</u>	<u>729,141</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

16. **TANGIBLE FIXED ASSETS - continued**

Group

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 November 2020	651,812	261,026	912,838
Transfer to ownership	<u>(491,950)</u>	<u>-</u>	<u>(491,950)</u>
At 31 October 2021	<u>159,862</u>	<u>261,026</u>	<u>420,888</u>
DEPRECIATION			
At 1 November 2020	573,977	186,414	760,391
Charge for year	30,262	22,362	52,624
Transfer to ownership	<u>(491,950)</u>	<u>-</u>	<u>(491,950)</u>
At 31 October 2021	<u>112,289</u>	<u>208,776</u>	<u>321,065</u>
NET BOOK VALUE			
At 31 October 2021	<u>47,573</u>	<u>52,250</u>	<u>99,823</u>
At 31 October 2020	<u>77,835</u>	<u>74,612</u>	<u>152,447</u>

Company

	Freehold property £	Long leasehold £	Plant and machinery £
COST			
At 1 November 2020	201,995	576,969	1,025,151
Additions	<u>-</u>	<u>22,746</u>	<u>41,121</u>
At 31 October 2021	<u>201,995</u>	<u>599,715</u>	<u>1,066,272</u>
DEPRECIATION			
At 1 November 2020	49,810	303,066	956,032
Charge for year	4,057	42,536	43,414
At 31 October 2021	<u>53,867</u>	<u>345,602</u>	<u>999,446</u>
NET BOOK VALUE			
At 31 October 2021	<u>148,128</u>	<u>254,113</u>	<u>66,826</u>
At 31 October 2020	<u>152,185</u>	<u>273,903</u>	<u>69,119</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

16. **TANGIBLE FIXED ASSETS - continued**

Company

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 November 2020	294,726	282,680	2,655	2,384,176
Additions	-	-	-	63,867
At 31 October 2021	<u>294,726</u>	<u>282,680</u>	<u>2,655</u>	<u>2,448,043</u>
DEPRECIATION				
At 1 November 2020	291,517	202,456	2,655	1,805,536
Charge for year	<u>1,803</u>	<u>22,362</u>	-	<u>114,172</u>
At 31 October 2021	<u>293,320</u>	<u>224,818</u>	<u>2,655</u>	<u>1,919,708</u>
NET BOOK VALUE				
At 31 October 2021	<u>1,406</u>	<u>57,862</u>	-	<u>528,335</u>
At 31 October 2020	<u>3,209</u>	<u>80,224</u>	-	<u>578,640</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
COST	
At 1 November 2020 and 31 October 2021	<u>261,026</u>
DEPRECIATION	
At 1 November 2020	186,414
Charge for year	<u>22,362</u>
At 31 October 2021	<u>208,776</u>
NET BOOK VALUE	
At 31 October 2021	<u>52,250</u>
At 31 October 2020	<u>74,612</u>

MEL AVIATION LIMITED (REGISTERED NUMBER: 00939400)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

17. **FIXED ASSET INVESTMENTS**

Company

	Shares in group undertakings £
COST	
At 1 November 2020	1,440,607
Additions	100
At 31 October 2021	<u>1,440,707</u>
NET BOOK VALUE	
At 31 October 2021	<u>1,440,707</u>
At 31 October 2020	<u>1,440,607</u>

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

MEL Aviation GmbH

Registered office: Germany

Nature of business: Designers and engineers

	%		
Class of shares:	holding	2021	2020
Ordinary	100.00		
		£	£
Aggregate capital and reserves		(1,353,826)	(1,267,055)
Loss for the year		<u>(86,771)</u>	<u>(76,116)</u>

Headset Services Ltd

Registered office: England and Wales

Nature of business: Designers and engineers

	%		
Class of shares:	holding	2021	2020
Ordinary	100.00		
		£	£
Aggregate capital and reserves		1,647,617	1,541,862
Profit for the year		<u>105,755</u>	<u>34,860</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

17. FIXED ASSET INVESTMENTS - continued

Arrowsmith Engineering & Consulting Ltd

Registered office: England and Wales

Nature of business: Engineering and consulting

	%		
Class of shares:	holding		
Ordinary	100.00		
		2021	2020
		£	£
Aggregate capital and reserves		286,055	504,321
Loss for the year		<u>(218,266)</u>	<u>(245,989)</u>

SMA Plastics Limited

Registered office: England and Wales

Nature of business: Plastic moulding

	%	
Class of shares:	holding	
Ordinary	100.00	
		2021
		£
Aggregate capital and reserves		(1,450)
Loss for the year		<u>(1,550)</u>

18. INVESTMENT PROPERTY

Group

FAIR VALUE

At 1 November 2020
and 31 October 2021

NET BOOK VALUE

At 31 October 2021

At 31 October 2020

Total
£

328,263

328,263

328,263

Fair value at 31 October 2021 is represented by:

	£
Valuation in 2007	155,270
Valuation in 2013	(33,395)
Valuation in 2016	72,509
Cost	<u>133,879</u>
	<u>328,263</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

18. **INVESTMENT PROPERTY - continued**

Company

	Total £
FAIR VALUE	
At 1 November 2020 and 31 October 2021	<u>328,263</u>
NET BOOK VALUE	
At 31 October 2021	<u>328,263</u>
At 31 October 2020	<u>328,263</u>

There was no material change in the market value of the property situated in Portugal as confirmed by the recent valuation from Balai Golf Village sales department, an agent based in Portugal.

If the revalued asset was sold, the potential tax liability on the revalued amount would be £39,494.

Fair value at 31 October 2021 is represented by:

	£
Valuation in 2007	155,270
Valuation in 2013	(33,395)
Valuation in 2016	72,509
Cost	<u>133,879</u>
	<u>328,263</u>

If the investment property had not been revalued it would have been included at the following historical cost:

	2021 £	2020 £
Cost	<u>133,879</u>	<u>133,879</u>

19. **STOCKS**

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Stock of finished goods	3,808,042	3,308,804	3,081,505	2,596,765
Work-in-progress	<u>822,481</u>	<u>763,825</u>	<u>416,111</u>	<u>322,552</u>
	<u>4,630,523</u>	<u>4,072,629</u>	<u>3,497,616</u>	<u>2,919,317</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

20. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	13,494,713	13,147,531	12,225,760	10,964,398
Amounts owed by group undertakings	-	-	3,223,763	3,082,268
Other debtors	7,665,964	8,512,468	7,617,363	8,493,159
Directors' loan accounts	56,584	35,307	56,584	35,307
Tax	4,944	4,944	-	-
Prepayments	201,679	270,002	115,143	172,642
	<u>21,423,884</u>	<u>21,970,252</u>	<u>23,238,613</u>	<u>22,747,774</u>

Included in debtors due within one year is a loan due by Mr G W Harvey, a director, amounting to £56,584 (2020: £35,307) which is unsecured, interest free and repayable on demand.

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Hire purchase contracts (see note 23)	25,608	25,608	25,608	25,608
Trade creditors	3,646,619	2,834,875	3,148,087	2,237,444
Amounts owed to group undertakings	-	-	265,146	60,621
Tax	33,737	2,116	21,417	2,116
Social security and other taxes	670,558	699,968	572,668	573,224
Other creditors	6,495,252	5,516,984	6,471,820	5,495,394
Directors' loan accounts	62,132	34,434	62,132	34,434
Accruals and deferred income	855,559	843,273	719,338	720,477
	<u>11,789,465</u>	<u>9,957,258</u>	<u>11,286,216</u>	<u>9,149,318</u>

Included in other creditors due within one year is a directors' loan balance due to Mr N F Smith of £62,132 (2020:£34,434). This balance is repayable on demand.

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

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Hire purchase contracts (see note 23)	<u>2,786</u>	<u>29,994</u>	<u>2,786</u>	<u>29,994</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

23. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	2021	2020
	£	£
Gross obligations repayable:		
Within one year	28,883	28,883
Between one and five years	<u>3,099</u>	<u>33,774</u>
	<u>31,982</u>	<u>62,657</u>
Finance charges repayable:		
Within one year	3,275	3,275
Between one and five years	<u>313</u>	<u>3,780</u>
	<u>3,588</u>	<u>7,055</u>
Net obligations repayable:		
Within one year	25,608	25,608
Between one and five years	<u>2,786</u>	<u>29,994</u>
	<u>28,394</u>	<u>55,602</u>

Company

	Hire purchase contracts	
	2021	2020
	£	£
Gross obligations repayable:		
Within one year	28,883	28,883
Between one and five years	<u>3,099</u>	<u>33,774</u>
	<u>31,982</u>	<u>62,657</u>
Finance charges repayable:		
Within one year	3,275	3,275
Between one and five years	<u>313</u>	<u>3,780</u>
	<u>3,588</u>	<u>7,055</u>
Net obligations repayable:		
Within one year	25,608	25,608
Between one and five years	<u>2,786</u>	<u>29,994</u>
	<u>28,394</u>	<u>55,602</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

23. LEASING AGREEMENTS - continued

Group

	Non-cancellable operating leases	
	2021	2020
	£	£
Within one year	395,500	395,550
Between one and five years	810,600	1,010,250
In more than five years	<u>364,800</u>	<u>560,700</u>
	<u><u>1,570,900</u></u>	<u><u>1,966,500</u></u>

Company

	Non-cancellable operating leases	
	2021	2020
	£	£
Within one year	199,650	199,650
Between one and five years	-	<u>199,650</u>
	<u><u>199,650</u></u>	<u><u>399,300</u></u>

24. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Hire purchase contracts	<u>28,394</u>	<u>55,602</u>	<u>28,394</u>	<u>55,602</u>

The parent company has given a cross company guarantee to Clydesdale Bank in support of the revolving credit facilities for HBS Electronics (Holdings) Ltd, a company under common directorship. At the balance sheet date this revolving credit facility amounted to £12,000,000 (2020: £12,000,000).

The hire purchase and the finance lease liabilities are secured on the related assets.

25. PROVISIONS FOR LIABILITIES

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Deferred tax	<u>68,103</u>	<u>66,916</u>	<u>52,563</u>	<u>54,893</u>

Group

	Deferred tax
	£
Balance at 1 November 2020	66,916
Provision in the year	<u>1,187</u>
Balance at 31 October 2021	<u><u>68,103</u></u>

MEL AVIATION LIMITED (REGISTERED NUMBER: 00939400)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

25. **PROVISIONS FOR LIABILITIES - continued**

Company

	Deferred tax £
Balance at 1 November 2020	54,893
Credit to Income Statement during year	<u>(2,330)</u>
Balance at 31 October 2021	<u>52,563</u>

26. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2021 £	2020 £
2,480	Ordinary A	£1	2,480	2,480
620	Ordinary B	£1	<u>620</u>	<u>620</u>
			<u>3,100</u>	<u>3,100</u>

27. **RESERVES**

Group

	Retained earnings £	Revaluation reserve £	Totals £
At 1 November 2020	22,284,387	168,370	22,452,757
Profit for the year	428,533		428,533
Dividends	<u>(1,404,000)</u>		<u>(1,404,000)</u>
At 31 October 2021	<u>21,308,920</u>	<u>168,370</u>	<u>21,477,290</u>

Company

	Retained earnings £	Revaluation reserve £	Totals £
At 1 November 2020	23,767,263	168,370	23,935,633
Profit for the year	559,083		559,083
Dividends	<u>(1,404,000)</u>		<u>(1,404,000)</u>
At 31 October 2021	<u>22,922,346</u>	<u>168,370</u>	<u>23,090,716</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

28. **PENSION COMMITMENTS**

The group operates a small self administered pension scheme for the directors and no contributions were paid during the year.

The parent company and some of the subsidiaries operate fully insured defined contribution pension schemes for certain members of staff and the pension charge represents the amounts paid by the group to these funds during the year. Payments during the year amounted to £444,633 (2020: £482,649). These contributions are invested separately from the group's assets.

29. **DIRECTORS' ADVANCES, CREDITS AND GUARANTEES**

The following advances and credits to a director subsisted during the years ended 31 October 2021 and 31 October 2020:

	2021 £	2020 £
Mr G W Harvey		
Balance outstanding at start of year	35,307	-
Amounts advanced	56,584	35,307
Amounts repaid	(35,307)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>56,584</u>	<u>35,307</u>

30. **RELATED PARTY DISCLOSURES**

The parent 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.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 October 2021

30. RELATED PARTY DISCLOSURES - continued

During the year the group company supplied services to related parties under common control on normal commercial terms totalling £3,156,309 (2020: £3,330,112). The total balance due at the year amounted to £8,105,233 (2020: £8,185,079).

During the year the group company also received services from its related parties under common control on normal commercial terms totalling £1,916,298 (2020: £1,719,501). The total balance due at the year end amounted to £2,037,820 (2020: £1,527,298).

At the year end, total loans due to the parent company and its subsidiaries by related parties under common control amounted to £9,870,435 (2020: £8,056,561).

At the year end, total loan due by the parent company and its subsidiaries to related parties under common control amounted to £6,388,376 (2020: £5,497,807).

The parent and one of its subsidiaries occupies premises owned by the directors pension scheme. A commercial rent is paid to the pension scheme in this respect. The rents are set by independent market values in accordance with the leases of the properties and scheme rule. The amount of rent paid to the scheme during the year amounted to £210,500 (2020: £210,500). The amount due to the scheme at the year end in relation to this activity amounted to £126,300 (2020: £Nil).

Total compensation of key management personnel in the year amounted to £330,512 (2020: £336,588).

During the year, dividends of £702,000 (2020: £702,000) each were paid to Mr N S Smith and Mr G W Harvey, both directors of the parent and its subsidiaries.

31. AUDITOR LIABILITY LIMITATION AGREEMENT

The group has entered into a liability limitation agreement with Raffingers, the statutory auditor, in respect of the statutory audit for the year ended 31 October 2021. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by the directors on 21 January 2022.

32. ULTIMATE CONTROLLING PARTY

Mr N F Smith controls the group as a result of owning 80% of the parent company's issued share capital.

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.