Company registration number 03556697 (England and Wales)

# L & I EATON ARC LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2022

# L & I EATON ARC LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Director** | Mr L J Bootle |
| **Company number** | 03556697 |
| **Registered office** | Unit Gf1, The Quad<br>Atherleigh Business Park, Gibfield Park Avenue<br>Atherton<br>Manchester<br>M46 0SY |
| **Auditor** | Lopian Gross Barnett & Co<br>1st Floor Cloister House<br>Riverside, New Bailey Street<br>Manchester<br>M3 5FS |
| **Business address** | Unit Gf1, The Quad<br>Atherleigh Business Park, Gibfield Park Avenue<br>Atherton<br>Manchester<br>M46 0SY |

# L & I EATON ARC LIMITED

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## L & I EATON ARC LIMITED

### STRATEGIC REPORT

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

The director presents the strategic report for the year ended 31 December 2022.

**Review of the business**

A leading company in the accident repair industry which works with core partners including insurance companies and work providers. During the year under review, the company operated 10 sites in prime locations throughout England and Scotland, making it one of the largest players in the UK market.

During the period, Turnover increased from £28.2m to £33.8m, Gross Profit Margin increased from 40.5% to 44.5% and Operating profit increased from £810k to £2.49million. This is in line with the director's expectations and reflects the medium-term strategic decision to broaden its customer base and therefore reduce its reliance on any particular customer or site. This is being achieved through several methods and the director believes the current strategy is prudent and will strengthen the company's position in the long term.

**Principal risks and uncertainties**

The primary risk to the level of activity relates to loss of approval from one or more major insurance customers. This is difficult to guard against such loss. The leadership team is continuing to develop the relationships with other major insurance companies to reduce this risk.

The secondary risks are the declining number of skilled staff – the leadership team are working closely with schools and colleges and with the support of our own academy are working to reduce this risk.

**Development and performance**

The industry is rapidly changing due to the technological evolution of the vehicles towards electric, hybrid and autonomous driving. The company is committed to continuous investment within these processes, including staff training and technological implementation to ensure it remains at the forefront of the industry and continues to develop strong relationships with current and future partners.

We have bought an additional site in Aberdeen earlier this year, which has seen considerable investment with the latest technology. We will also have a further 5 sites that will open by the end of the year, those sites being in Liverpool, Sheffield. Leeds, Newcastle, and a secondary site in Birmingham.

We are also investing heavily in green energy including our new sites having solar panels.

There is also a recruitment drive for Apprentices - we are working closely with our own apprenticeship academy to ensure we future proof the brand and that we can train and develop individuals for a long and successful career within L&I Eaton ARC Limited.

Our strategic plan is to continue expanding, looking next at Nottingham, Leicester & the south of England to strengthen our geographic footprint.

## L & I EATON ARC LIMITED

### STRATEGIC REPORT (CONTINUED)

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

**Key performance indicators**

The company operates in a competitive market and the leadership team are committed to maintaining and improving our NPS. This will ensure that efficiencies are maintained and our customers & insurers Key Performance Indicators (KPIs) are met on a continued basis.

The financial key performance indicators (KPI's) that the company regards as important and the relevant analysis for the year under review were:

| | 2022 | 2021 |
|---|---|---|
| a. Gross profit margin | 44.6% | 40.5% |
| b. The ratio of administrative expenses to turnover | 37.4% | 37.8% |
| c. The ratio of operating profit to turnover; and | 7.1% | 2.9% |
| d. Earnings before interest, tax, depreciation and amortisation | £3.2m | £1.6m |

An analysis of the company's competitors illustrates that the gross profit margin, cash position, net assets and other key performance indicators continues to be above the industry average.

The other non financial performance indicators that the company regards as important are:

e. Keys to Keys
f. Cycle time

On behalf of the board

Mr L J Bootle
**Director**

31 August 2023

# L & I EATON ARC LIMITED

## DIRECTOR'S REPORT

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

The director presents his annual report and financial statements for the year ended 31 December 2022.

**Principal activities**
The principal activity of the company continued to be that of motor vehicle body repairs.

**Results and dividends**
The results for the year are set out on page 9.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

**Director**
The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr L J Bootle

**Disabled persons**
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

**Employee involvement**
The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

**Auditor**
Lopian Gross Barnett & Co were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006.

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

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

On behalf of the board

Mr L J Bootle
**Director**

31 August 2023

# L & I EATON ARC LIMITED

## DIRECTOR'S RESPONSIBILITIES STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

The director is responsible for preparing the annual 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 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 director must not approve the financial statements unless he is 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 director is 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 director is 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. He is 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.

## L & I EATON ARC LIMITED

### INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF L & I EATON ARC LIMITED

**Opinion**

We have audited the financial statements of L & I Eaton Arc Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's 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 director's 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of director**
As explained more fully in the director's responsibilities statement, the director is 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 director determines 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.

**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, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of laws and regulations that affect the entity, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations.

- Where considered necessary we enquired of those charged with governance, reviewed correspondence and reviewed meeting minutes for evidence of non-compliance with relevant laws and regulations.

- We gained an understanding of the controls environment which includes the controls in place to prevent and detect fraud. We enquired of those charged with governance about any incidences of fraud that had taken place during the accounting period.

- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks.

- We reviewed financial statements disclosures to assess compliance with relevant laws and regulations.

- We enquired of those charged with governance about actual and potential litigation and claims.

- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.

- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council'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.

**Jason Selig BA ACA CTA DChA**
**Senior Statutory Auditor**
**For and on behalf of Lopian Gross Barnett & Co**

31 August 2023

**Chartered Accountants**
**Statutory Auditor**

1st Floor Cloister House
Riverside, New Bailey Street
Manchester
M3 5FS

## L & I EATON ARC LIMITED

### PROFIT AND LOSS ACCOUNT

***FOR THE YEAR ENDED 31 DECEMBER 2022***

| | Notes | 2022<br>£ | 2021<br>£ |
|---|---|---|---|
| **Turnover** | 3 | 33,867,462 | 28,202,266 |
| Cost of sales | | (18,776,787) | (16,770,820) |
| **Gross profit** | | 15,090,675 | 11,431,446 |
| Administrative expenses | | (12,679,626) | (10,660,440) |
| Other operating income | | - | 38,847 |
| **Operating profit** | 4 | 2,411,049 | 809,853 |
| Interest payable and similar expenses | 7 | (4,354) | (1,544) |
| **Profit before taxation** | | 2,406,695 | 808,309 |
| Tax on profit | 8 | (557,309) | (98,073) |
| **Profit for the financial year** | | 1,849,386 | 710,236 |

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

# L & I EATON ARC LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

***FOR THE YEAR ENDED 31 DECEMBER 2022***

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| **Profit for the year** | 1,849,386 | 710,236 |
| **Other comprehensive income** | - | - |
| **Total comprehensive income for the year** | 1,849,386 | 710,236 |

# L & I EATON ARC LIMITED

## BALANCE SHEET

### *AS AT 31 DECEMBER 2022*

| | Notes | 2022 £ | 2022 £ | 2021 £ | 2021 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | **11** | | 2,481,476 | | 2,945,802 |
| Investments | **12** | | 1,164,354 | | 1,164,354 |
| | | | 3,645,830 | | 4,110,156 |
| **Current assets** | | | | | |
| Stocks | **14** | 5,824,916 | | 3,437,243 | |
| Debtors | **15** | 4,945,247 | | 3,917,817 | |
| Cash at bank and in hand | | 895,332 | | 726,681 | |
| | | 11,665,495 | | 8,081,741 | |
| **Creditors: amounts falling due within one year** | **16** | (8,498,402) | | (6,991,975) | |
| **Net current assets** | | | 3,167,093 | | 1,089,766 |
| **Total assets less current liabilities** | | | 6,812,923 | | 5,199,922 |
| **Creditors: amounts falling due after more than one year** | **17** | | (643,197) | | (873,973) |
| **Provisions for liabilities** | | | | | |
| Deferred tax liability | **19** | 145,742 | | 151,351 | |
| | | | (145,742) | | (151,351) |
| **Net assets** | | | 6,023,984 | | 4,174,598 |
| **Capital and reserves** | | | | | |
| Called up share capital | **21** | | 100 | | 100 |
| Profit and loss reserves | | | 6,023,884 | | 4,174,498 |
| **Total equity** | | | 6,023,984 | | 4,174,598 |

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

The financial statements were approved and signed by the director and authorised for issue on 31 August 2023

Mr L J Bootle
**Director**

Company registration number 03556697 (England and Wales)

# L & I EATON ARC LIMITED

## STATEMENT OF CHANGES IN EQUITY

***FOR THE YEAR ENDED 31 DECEMBER 2022***

| | Notes | Share capital | Profit and loss reserves | Total |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Balance at 1 January 2021** | | 100 | 3,991,262 | 3,991,362 |
| **Year ended 31 December 2021:** | | | | |
| Profit and total comprehensive income | | - | 710,236 | 710,236 |
| Dividends | **9** | - | (527,000) | (527,000) |
| **Balance at 31 December 2021** | | 100 | 4,174,498 | 4,174,598 |
| **Year ended 31 December 2022:** | | | | |
| Profit and total comprehensive income | | - | 1,849,386 | 1,849,386 |
| **Balance at 31 December 2022** | | 100 | 6,023,884 | 6,023,984 |

# L & I EATON ARC LIMITED

## STATEMENT OF CASH FLOWS

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

| | Notes | 2022 £ | 2022 £ | 2021 £ | 2021 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | **26** | | 2,216,092 | | 620,969 |
| Interest paid | | | (4,354) | | (1,544) |
| Income taxes paid | | | (200) | | (627,373) |
| **Net cash inflow/(outflow) from operating activities** | | | 2,211,538 | | (7,948) |
| **Investing activities** | | | | | |
| Purchase of tangible fixed assets | | (303,454) | | (1,640,915) | |
| Loans made | | (1,707,502) | | (28,596) | |
| Repayment of loans | | 27,745 | | 527,000 | |
| **Net cash used in investing activities** | | | (1,983,211) | | (1,142,511) |
| **Financing activities** | | | | | |
| Payment of finance leases obligations | | (59,676) | | (63,779) | |
| Dividends paid | | - | | (527,000) | |
| **Net cash used in financing activities** | | | (59,676) | | (590,779) |
| **Net increase/(decrease) in cash and cash equivalents** | | | 168,651 | | (1,741,238) |
| Cash and cash equivalents at beginning of year | | | 726,681 | | 2,467,919 |
| **Cash and cash equivalents at end of year** | | | 895,332 | | 726,681 |

## 1 Accounting policies

**Company information**

L & I Eaton Arc Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit Gf1, The Quad, Atherleigh Business Park, Gibfield Park Avenue, Atherton, Manchester, M46 0SY.

### 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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

L & I Eaton Arc Limited is a wholly owned subsidiary of The James Group Limited and the results of L & I Eaton Arc Limited are included in the consolidated financial statements of The James Group Limited which are available from its registered office.

### 1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues 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. 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 contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

**1 Accounting policies** **(Continued)**

**1.4 Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

**1.5 Tangible fixed assets**

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

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 property & improvements | Over the lease term |
| Plant and equipment | Straight line over 5 years |
| Fixtures and fittings | Straight line over 3 years |
| Motor vehicles | 25% per annum reducing balance |

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

**1.6 Fixed asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss .

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

**1.7 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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.

**1 Accounting policies** **(Continued)**

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.

**1.8 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 cost and replacement cost, adjusted where applicable for any loss of service potential.

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

**1.9 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.

**1.10 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.

**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.

***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.

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.

**1 Accounting policies** **(Continued)**

***Derecognition of financial liabilities***

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

**1.11 Equity instruments**

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

**1.12 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.

**1.13 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.

**1.14 Retirement benefits**

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

**1 Accounting policies** **(Continued)**

**1.15 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases 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 lease obligation. Lease 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.

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

**1.16 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.

**1.17 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 director is 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.

**3 Turnover and other revenue**

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| **Turnover analysed by class of business** | | |
| Parts, paint and labour | 33,867,462 | 28,202,266 |

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| **Other revenue** | | |
| Grants received | - | 38,847 |

**3 Turnover and other revenue** **(Continued)**

All sales are derived in the UK.

**4 Operating profit**

| | 2022 | 2021 |
|---|---|---|
| Operating profit for the year is stated after charging/(crediting): | £ | £ |
| Government grants | - | (38,847) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 60,000 | 30,000 |
| Depreciation of owned tangible fixed assets | 767,780 | 832,899 |
| Operating lease charges | 1,205,771 | 1,096,051 |

**5 Employees**

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

| | 2022 | 2021 |
|---|---|---|
| | Number | Number |
| Administrative | 51 | 41 |
| Indirect | 134 | 137 |
| Direct | 119 | 90 |
| Total | 304 | 268 |

Their aggregate remuneration comprised:

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 10,598,822 | 8,767,221 |
| Pension costs | 257,401 | 214,858 |
| | 10,856,223 | 8,982,079 |

**6 Director's remuneration**

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Remuneration for qualifying services | 76,438 | 74,817 |

**7 Interest payable and similar expenses**

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| **Other finance costs:** | | |
| Interest on finance leases and hire purchase contracts | 4,354 | 1,544 |

## 8 Taxation

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| **Current tax** | | |
| UK corporation tax on profits for the current period | 547,383 | 111,754 |
| Adjustments in respect of prior periods | 15,535 | - |
| Total current tax | 562,918 | 111,754 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (5,609) | (13,681) |
| Total tax charge | 557,309 | 98,073 |

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

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Profit before taxation | 2,406,695 | 808,309 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | 457,272 | 153,579 |
| Tax effect of expenses that are not deductible in determining taxable profit | 22,515 | 1,718 |
| Adjustments in respect of prior years | 15,535 | - |
| Group relief | (938) | (53,937) |
| Deferred tax | (5,609) | (13,681) |
| Capital allowances | (77,344) | (147,857) |
| Depreciation | 145,878 | 158,251 |
| Taxation charge for the year | 557,309 | 98,073 |

## 9 Dividends

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Interim paid | - | 527,000 |

## L & I EATON ARC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

**10 Intangible fixed assets**

| | Goodwill |
|---|---|
| | £ |
| **Cost** | |
| At 1 January 2022 and 31 December 2022 | 286,965 |
| **Amortisation and impairment** | |
| At 1 January 2022 and 31 December 2022 | 286,965 |
| **Carrying amount** | |
| At 31 December 2022 | - |
| At 31 December 2021 | - |

**11 Tangible fixed assets**

| | Leasehold property & improvements | Plant and equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| At 1 January 2022 | 2,223,840 | 4,466,004 | 520,896 | 1,418,286 | 8,629,026 |
| Additions | 101,403 | 176,295 | 25,756 | - | 303,454 |
| At 31 December 2022 | 2,325,243 | 4,642,299 | 546,652 | 1,418,286 | 8,932,480 |
| **Depreciation and impairment** | | | | | |
| At 1 January 2022 | 820,009 | 3,594,806 | 431,259 | 837,150 | 5,683,224 |
| Depreciation charged in the year | 231,375 | 332,137 | 58,984 | 145,284 | 767,780 |
| At 31 December 2022 | 1,051,384 | 3,926,943 | 490,243 | 982,434 | 6,451,004 |
| **Carrying amount** | | | | | |
| At 31 December 2022 | 1,273,859 | 715,356 | 56,409 | 435,852 | 2,481,476 |
| At 31 December 2021 | 1,403,831 | 871,198 | 89,637 | 581,136 | 2,945,802 |

## 12 Fixed asset investments

| | Notes | 2022 | 2021 |
|---|---|---|---|
| | | £ | £ |
| Investments in subsidiaries | 13 | 1,164,354 | 1,164,354 |

## 13 Subsidiaries

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

| Name of undertaking | Registered office | Class of shares held | % Held Direct | % Held Indirect |
|---|---|---|---|---|
| Brookland (Lincoln) Limited | England and Wales | Ordinary | 0 | 100.00 |
| Brooklands Auto Body Centre Limited | England and Wales | Ordinary | 100.00 | - |
| Wheel Aid Limited | England and Wales | Ordinary | 100.00 | - |

## 14 Stocks

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Finished goods and goods for resale | 5,824,916 | 3,437,243 |

## 15 Debtors

| | 2022 | 2021 |
|---|---|---|
| **Amounts falling due within one year:** | £ | £ |
| Trade debtors | 1,750,493 | 1,708,350 |
| Amounts owed by group undertakings | 732,226 | 1,226,243 |
| Other debtors | 2,120,711 | 392,745 |
| Prepayments and accrued income | 341,817 | 590,479 |
| | 4,945,247 | 3,917,817 |

## 16 Creditors: amounts falling due within one year

| | Notes | 2022 | 2021 |
|---|---|---|---|
| | | £ | £ |
| Obligations under finance leases | 18 | 30,792 | 65,048 |
| Trade creditors | | 4,097,014 | 4,250,033 |
| Amounts owed to group undertakings | | 392,126 | 212,762 |
| Corporation tax | | 943,508 | 380,790 |
| Other taxation and social security | | 1,671,980 | 1,205,419 |
| Other creditors | | 953,802 | 621,493 |
| Accruals and deferred income | | 409,180 | 256,430 |
| | | 8,498,402 | 6,991,975 |

**16 Creditors: amounts falling due within one year** **(Continued)**

Included in other creditors is an amount of £205,356 which is secured by a fixed and floating charge over the assets of the company and all other members of its parent The James Group Limited.

**17 Creditors: amounts falling due after more than one year**

| | Notes | 2022<br>£ | 2021<br>£ |
|---|---|---|---|
| Obligations under finance leases | 18 | 55,159 | 80,579 |
| Other creditors | | 588,038 | 793,394 |
| | | 643,197 | 873,973 |

The other long term creditors are secured by a fixed and floating charge over the assets of the company and all other members of its parent The James Group Limited.

**18 Finance lease obligations**

| Future minimum lease payments due under finance leases: | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Within one year | 30,792 | 65,048 |
| In two to five years | 55,159 | 80,579 |
| | 85,951 | 145,627 |

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

**19 Deferred taxation**

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

| **Balances:** | Liabilities<br>2022<br>£ | Liabilities<br>2021<br>£ |
|---|---|---|
| Accelerated capital allowances | 145,742 | 151,351 |

**19 Deferred taxation** **(Continued)**

| Movements in the year: | 2022 £ |
|---|---|
| Liability at 1 January 2022 | 151,351 |
| Credit to profit or loss | (5,609) |
| Liability at 31 December 2022 | 145,742 |

**20 Retirement benefit schemes**

| Defined contribution schemes | 2022 £ | 2021 £ |
|---|---|---|
| Charge to profit or loss in respect of defined contribution schemes | 257,401 | 214,858 |

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.

**21 Share capital**

| Ordinary share capital | 2022 Number | 2021 Number | 2022 £ | 2021 £ |
|---|---|---|---|---|
| **Issued and fully paid** | | | | |
| Ordinary of £1 each | 100 | 100 | 100 | 100 |

**22 Operating lease commitments**

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

| | 2022 £ | 2021 £ |
|---|---|---|
| Within one year | 598,140 | 598,410 |
| Between two and five years | 1,706,102 | 1,956,102 |
| In over five years | 1,077,448 | 1,299,233 |
| | 3,381,690 | 3,853,745 |

**23 Related party transactions**

The company has given cross guarantees in respect of group company bank loans and overdrafts. As at both 31 December 2022 and 31 December 2021 no contingent liabilities existed.

The company has taken advantage of the exemption available in FRS102 'Related party disclosures' whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

### 24 Directors' transactions

At the beginning of the year the there was an amount due from the director of £27,745 which was cleared in full on 5 January 2022. At the balance sheet date further advances had been made totalling £1,707,502 that had been cleared within nine months of the year end.

### 25 Ultimate controlling party

The company is a wholly owned subsidiary of The James Group Limited, registered office Unit Gf1, The Quad, Atherleigh Business Park Gibfield Park Avenue, Atherton, Manchester, United Kingdom, M46 0SY.

The ultimate controlling party is L J Bootle.

### 26 Cash generated from operations

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Profit for the year after tax | 1,849,386 | 710,236 |
| **Adjustments for:** | | |
| Taxation charged | 557,309 | 98,073 |
| Finance costs | 4,354 | 1,544 |
| Depreciation and impairment of tangible fixed assets | 767,780 | 832,899 |
| **Movements in working capital:** | | |
| Increase in stocks | (2,387,673) | (1,568,615) |
| Decrease/(increase) in debtors | 652,327 | (1,099,691) |
| Increase in creditors | 772,609 | 1,646,523 |
| **Cash generated from operations** | 2,216,092 | 620,969 |

### 27 Analysis of changes in net funds

| | 1 January 2022 | Cash flows | 31 December 2022 |
|---|---|---|---|
| | £ | £ | £ |
| Cash at bank and in hand | 726,681 | 168,651 | 895,332 |
| Obligations under finance leases | (145,627) | 59,676 | (85,951) |
| | 581,054 | 228,327 | 809,381 |