

EWART ENGINEERING LIMITED

FINANCIAL STATEMENTS

31 AUGUST 2023



**EWART ENGINEERING LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	Mr B Ewart Mr C J Ewart Mrs A E Tinning Mrs K J Irving
<b>Registered number</b>	SC049122
<b>Registered office</b>	Glasgow Road Gretna Dumfriesshire DG16 5JN
<b>Independent auditors</b>	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditors 51 Rae Street Dumfries Dumfries and Galloway DG1 1JD
<b>Bankers</b>	Royal Bank of Scotland 151 High Street Dumfries Dumfriesshire DG1 2RA
<b>Solicitors</b>	Harper, Robertson & Shannon 100 High Street Annan Dumfriesshire DG12 6EH

# EWART ENGINEERING LIMITED

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## **EWART ENGINEERING LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2023**

#### **Introduction**

The directors present their Strategic Report for Ewart Engineering Limited for the year ended 31 August 2023.

#### **Business review**

##### **Development and financial performance during the year**

As reported in the company's profit and loss account, revenue has shown a slight decrease from £11.3m to £9.9m in the current year. Profit before tax has fallen from £0.71m to £0.4m primarily due to inflationary increases in overhead costs.

##### **Financial position at the reporting date**

The balance sheet shows that the company's net assets at the year end have stayed fairly constant, increasing slightly from £5.24m to £5.26m. The company continues to hold cash and manage working capital without external finance.

##### **Principal risks and uncertainties**

The directors continually monitor the key risks facing the company, together with assessing the controls used for managing these risks.

The principal risks and uncertainties facing the company are as follows:

**Economic downturn** - the company acknowledges the importance of maintaining close relationships with its key customers in order to be able to identify the early stages of potential difficulties. Sales trends in its major markets are constantly reviewed to enable early action to be taken in the event of sales declining. Rising inflation and interest rates will undoubtedly cause some businesses to encounter financial difficulties and customer credit terms are being carefully monitored.

**Competitor pressure** - the market in which the company operates is considered to be highly competitive and, therefore, competitor pressure could result in losing sales to key competitors. The company manages this risk by providing quality products and maintaining strong relationships with its key customers.

**Loss of key personnel** - the directors seek to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.

**EWART ENGINEERING LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2023**

**Financial key performance indicators**

The directors use a range of financial performance measures to monitor and manage the business. The key performance indicators for the past three years ending 31 August are set out below and are rounded to the nearest thousandth pound.

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Turnover	9,950	11,309	8,070
Gross profit	2,567	2,851	2,147
Profit before tax	400	712	238
Shareholder's Funds	5,262	5,245	4,856

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



.....  
**Mr C J Ewart**  
Director

Date: 23 January 2024

## **EWART ENGINEERING LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2023**

The directors present their report and the financial statements for the year ended 31 August 2023.

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### **Results and dividends**

The profit for the year, after taxation, amounted to £306,214 (2022 - £631,953).

Dividends of £288,382 (2022 - £243,281) were declared during the year.

#### **Directors**

The directors who served during the year were:

Mr B Ewart  
Mr C J Ewart  
Mrs A E Tinning  
Mrs K J Irving

## EWART ENGINEERING LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2023

#### Financial instruments

The company's principal financial instruments include bank balances, trade receivables and trade payables. The principal risks in respect of these instruments are set out below.

#### Liquidity risk

The company manages its cash requirements to maximise interest income whilst ensuring that the company has sufficient liquid resources to meet the operating needs of its business.

#### Credit risk

Investment of cash surpluses are made through banks and companies which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an on-going basis and provision is made for doubtful debts where necessary.

#### Foreign currency risk

The company's principal foreign currency exposures arise from trading operations with overseas companies. The directors ensure exposure to foreign currency risk is minimised by imposing strict payment terms on non-sterling invoices.

#### Disclosure of information to auditors

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

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

#### Auditors

The auditors, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



Mr C J Ewart  
Director

Date: 23 January 2024

## EWART ENGINEERING LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EWART ENGINEERING LIMITED

#### Opinion

We have audited the financial statements of Ewart Engineering Limited (the 'Company') for the year ended 31 August 2023, which comprise the Statement of income and retained earnings, the Statement of financial position, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

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

#### Other information

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

We have nothing to report in this regard.

## **EWART ENGINEERING LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EWART ENGINEERING LIMITED (CONTINUED)**

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

#### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## EWART ENGINEERING LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EWART ENGINEERING LIMITED (CONTINUED)

#### Auditors' responsibilities for the audit of the financial statements

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

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management and from our commercial knowledge;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence;
- we identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- 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 relationships;
- tested journal entries to identify unusual transactions;
- reviewed the application of accounting policies including stock overhead absorption

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; and
- enquiring of management as to actual and potential litigation and claims;

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

**EWART ENGINEERING LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EWART ENGINEERING LIMITED  
(CONTINUED)**

**Use of our report**

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



Douglas Russell CA (Senior statutory auditor)

for and on behalf of

**Armstrong Watson Audit Limited**

Chartered Accountants & Statutory Auditors

Dumfries

Date: 23 January 2024

**EWART ENGINEERING LIMITED**

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


	Note	2023 £	2022 £
Turnover	4	9,950,141	11,308,603
Cost of sales		<u>(7,382,959)</u>	<u>(8,457,181)</u>
<b>Gross profit</b>		<b>2,567,182</b>	<b>2,851,422</b>
Administrative expenses		(2,189,878)	(2,168,650)
Other operating income	5	-	28,430
<b>Operating profit</b>	6	<b>377,304</b>	<b>711,202</b>
Interest receivable and similar income	10	22,437	1,020
<b>Profit before tax</b>		<b>399,741</b>	<b>712,222</b>
Tax on profit	11	(93,527)	(80,269)
<b>Profit after tax</b>		<b>306,214</b>	<b>631,953</b>
Retained earnings at the beginning of the year		5,219,630	4,830,958
Profit for the year		306,214	631,953
Dividends declared and paid		(288,382)	(243,281)
<b>Retained earnings at the end of the year</b>		<b>5,237,462</b>	<b>5,219,630</b>


The notes on pages 13 to 24 form part of these financial statements.

**EWART ENGINEERING LIMITED**  
**REGISTERED NUMBER: SC049122**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2023**

	Note	2023 £	2022 £
<b>Fixed assets</b>			
Tangible assets	13	2,574,939	2,510,111
		2,574,939	2,510,111
<b>Current assets</b>			
Stocks	14	500,546	676,668
Debtors: amounts falling due within one year	15	1,457,886	1,315,179
Cash at bank and in hand	16	2,568,212	3,077,008
		4,526,644	5,068,855
Creditors: amounts falling due within one year	17	(1,509,084)	(2,014,989)
<b>Net current assets</b>		3,017,560	3,053,866
<b>Total assets less current liabilities</b>		5,592,499	5,563,977
<b>Provisions for liabilities</b>			
Deferred tax	18	(330,037)	(319,348)
		(330,037)	(319,348)
<b>Net assets</b>		5,262,462	5,244,629
<b>Capital and reserves</b>			
Called up share capital	19	15,000	15,000
Other reserves	20	10,000	10,000
Profit and loss account	20	5,237,462	5,219,629
		5,262,462	5,244,629

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

  
 .....  
**Mr C J Ewart**  
 Director

  
 .....  
**Mr B Ewart**  
 Director

Date: 23 January 2024

The notes on pages 13 to 24 form part of these financial statements.

**EWART ENGINEERING LIMITED**

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

	2023 £	2022 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	306,214	631,953
<b>Adjustments for:</b>		
Depreciation of tangible assets	188,154	209,592
Loss/(Profit) on disposal of tangible assets	48,953	-
Interest received	(22,437)	(1,020)
Taxation charge	93,527	80,269
(Increase)/decrease in stocks	176,122	(50,946)
(Increase)/decrease in debtors	(142,707)	315,405
Increase/(decrease) in creditors	(334,197)	(47,966)
Corporation tax (paid)	(155,283)	(40,720)
<b>Net cash generated from operating activities</b>	<b>158,346</b>	<b>1,096,567</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(332,012)	(98,294)
Sale of tangible fixed assets	30,078	-
Interest received	22,437	1,020
<b>Net cash from investing activities</b>	<b>(279,497)</b>	<b>(97,274)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(288,382)	(243,281)
<b>Net cash used in financing activities</b>	<b>(288,382)</b>	<b>(243,281)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(409,533)</b>	<b>756,012</b>
Cash and cash equivalents at beginning of year	2,612,530	1,856,517
<b>Cash and cash equivalents at the end of year</b>	<b>2,202,997</b>	<b>2,612,529</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	2,568,212	3,077,008
Bank overdrafts	(365,215)	(464,479)
	<b>2,202,997</b>	<b>2,612,529</b>

The notes on pages 13 to 24 form part of these financial statements.

**EWART ENGINEERING LIMITED**

**ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 AUGUST 2023**

	<b>At 1 September 2022 £</b>	<b>Cash flows £</b>	<b>At 31 August 2023 £</b>
Cash at bank and in hand	<b>3,077,008</b>	<b>(508,796)</b>	<b>2,568,212</b>
Bank overdrafts	<b>(464,479)</b>	<b>99,264</b>	<b>(365,215)</b>
Debt due within 1 year	<b>(105,595)</b>	<b>(13,356)</b>	<b>(118,951)</b>
	<b><u>2,506,934</u></b>	<b><u>(422,888)</u></b>	<b><u>2,084,046</u></b>

The notes on pages 13 to 24 form part of these financial statements.

## EWART ENGINEERING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2023

#### 1. General information

Ewart Engineering Limited is a private company limited by shares incorporated in Scotland. The address of its registered office and principal place of business is Glasgow Road, Gretna, Dumfriesshire, DG16 5JN.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

##### 2.2 Going concern

At the end of the year the company had net current assets of £3.02m and net assets of £5.26m, following a profit of £0.31m in the year.

The directors have considered the position of the company, its cash reserves and forecasts of future performance and cash flows, and have concluded that the going concern basis of accounting is appropriate.

The company has significant cash reserves and forecasts that future cash generation will remain positive. The performance of the business after the year end has been such that the directors do not believe that there is a material uncertainty in relation to the ability of the company to continue as a going concern.

##### 2.3 Revenue

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

###### Sale of goods

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

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

Revenue from the sale of manufactured goods is generally recognised on dispatch to the customer.

## EWART ENGINEERING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2023

#### 2. Accounting policies (continued)

##### 2.4 Operating leases: the Company as lessee

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

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

##### 2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

##### 2.6 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

##### 2.7 Pensions

###### Defined contribution pension plan

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

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

##### 2.8 Current and deferred taxation

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

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

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

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

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

## EWART ENGINEERING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2023

#### 2. Accounting policies (continued)

##### 2.9 Tangible fixed assets

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

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Plant and machinery	-	10% reducing balance
Motor vehicles	-	20% reducing balance
Fixtures and fittings	-	10% reducing balance

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

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

##### 2.10 Stocks

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

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

##### 2.11 Debtors

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

##### 2.12 Cash and cash equivalents

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

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

## **EWART ENGINEERING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2023**

#### **2. Accounting policies (continued)**

##### **2.13 Creditors**

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

##### **2.14 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

##### **2.15 Provisions for liabilities**

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

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

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

##### **2.16 Financial instruments**

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

##### **2.17 Dividends**

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

## EWART ENGINEERING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2023

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

The preparation of these financial statements require management to make judgements, estimates and assumptions that affect the application of policies and the reported of assets and liabilities, income and expenses.

~~Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.~~

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### **(a) Establishing useful economic lives for depreciation purposes of property, plant and equipment**

Long-lived assets, consisting primarily of property, plant and equipment, comprise a significant proportion of total fixed assets. The annual depreciation charge depends primarily on the estimated useful economic lives and is changed as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of the assets concerned. Changes in asset useful lives can have a significant impact on depreciation charges for the period. Details of the depreciation policies based on estimated useful economic lives are included in the relevant accounting policy note in these financial statements.

##### **(b) Providing for doubtful debts**

The company establishes a provision for receivables that are not estimated to be recoverable. When assessing recoverability the directors consider factors such as the ageing of receivables, past experience of recoverability, and the credit profile of individual groups of customers.

##### **(c) Overhead absorption**

The company absorbs costs into stock at the year end based on the total relevant costs incurred in the year divided by the number of labour hours undertaken in the year. This rate is then applied to labour hours spent on WIP in stock at the year end.

**EWART ENGINEERING LIMITED**

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

**4. Turnover**

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

	2023 £	2022 £
Manufacturing	9,950,141	11,308,603
	9,950,141	11,308,603

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	9,904,729	11,280,242
Rest of the world	45,412	28,361
	9,950,141	11,308,603

**5. Other operating income**

	2023 £	2022 £
Coronavirus Job Retention Scheme grant income	-	15,815
Insurance claims receivable	-	12,615
	-	28,430

**6. Operating profit**

The operating profit is stated after charging:

	2023 £	2022 £
Loss/(profit) on disposal of tangible fixed assets	48,953	-
Depreciation of tangible fixed assets	191,664	209,593
	240,617	209,593

**7. Auditors' remuneration**

	2023 £	2022 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	13,250	13,000

**EWART ENGINEERING LIMITED**

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

**8. Employees**

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

	2023 £	2022 £
Wages and salaries	2,895,462	3,289,935
Social security costs	282,986	343,086
Cost of defined contribution scheme	91,668	89,078
	3,270,116	3,722,099
	3,270,116	3,722,099

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

	2023 No.	2022 No.
Production staff	77	86
Administrative staff	7	7
	84	93
	84	93

**9. Directors' remuneration**

	2023 £	2022 £
Directors' emoluments	463,822	697,812
Company contributions to defined contribution pension schemes	1,853	1,713
	465,675	699,525
	465,675	699,525

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

The highest paid director received remuneration of £169,501 (2022 - £279,085).

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

**10. Interest receivable**

	2023 £	2022 £
Other interest receivable	22,437	1,020
	22,437	1,020
	22,437	1,020

**EWART ENGINEERING LIMITED**

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

**11. Taxation**

	2023 £	2022 £
<b>Corporation tax</b>		
Current tax on profits for the year	72,315	144,760
Adjustments in respect of previous periods	10,523	(13,271)
	82,838	131,489
<b>Total current tax</b>	82,838	131,489
<b>Deferred tax</b>		
Origination and reversal of timing differences	10,689	(51,220)
<b>Total deferred tax</b>	10,689	(51,220)
<b>Taxation on profit on ordinary activities</b>	93,527	80,269

**Factors affecting tax charge for the year**

The standard rate of corporation tax was 19% to 31 March 2023 and has risen to 25% from 1 April 2023. The average rate for this accounting period is 21.52%.

The tax assessed for the year is higher than (2022 - *lower than*) the standard rate of corporation tax in the UK of 21.52% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	399,741	712,222
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.52% (2022 - 19%)	86,024	135,322
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	10,688	140
Capital allowances for year in excess of depreciation	(26,412)	9,677
Adjustments to tax charge in respect of prior periods	10,523	(13,271)
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	2,015	(379)
Effect of changes in deferred tax	10,689	(51,220)
<b>Total tax charge for the year</b>	93,527	80,269

**EWART ENGINEERING LIMITED**

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

**11. Taxation (continued)**

**Factors that may affect future tax charges**

There are no factors that may affect future tax charges.

**12. Dividends**

	2023 £	2022 £
Ordinary A	84,101	73,878
Ordinary B	90,930	73,906
Ordinary C	85,761	72,500
Ordinary D	27,590	22,997
	<b>288,382</b>	<b>243,281</b>

**13. Tangible fixed assets**

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>					
At 1 September 2022	1,312,485	6,692,541	344,231	236,799	8,586,056
Additions	52,382	247,056	27,000	5,574	332,012
Disposals	-	(87,950)	(82,750)	-	(170,700)
At 31 August 2023	<b>1,364,867</b>	<b>6,851,647</b>	<b>288,481</b>	<b>242,373</b>	<b>8,747,368</b>
<b>Depreciation</b>					
At 1 September 2022	396,447	5,326,234	220,993	132,271	6,075,945
Charge for the year on owned assets	14,010	136,163	27,052	10,929	188,154
Disposals	-	(21,646)	(70,024)	-	(91,670)
At 31 August 2023	<b>410,457</b>	<b>5,440,751</b>	<b>178,021</b>	<b>143,200</b>	<b>6,172,429</b>
<b>Net book value</b>					
At 31 August 2023	<b>954,410</b>	<b>1,410,896</b>	<b>110,460</b>	<b>99,173</b>	<b>2,574,939</b>
At 31 August 2022	<b>916,038</b>	<b>1,366,307</b>	<b>123,238</b>	<b>104,528</b>	<b>2,510,111</b>

**EWART ENGINEERING LIMITED**

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

**14. Stocks**

	2023 £	2022 £
Raw materials and consumables	190,560	334,366
Work in progress and finished goods	309,986	342,302
	500,546	676,668

**15. Debtors**

	2023 £	2022 £
Trade debtors	1,451,400	1,313,129
Prepayments and accrued income	6,486	2,050
	1,457,886	1,315,179

**16. Cash and cash equivalents**

	2023 £	2022 £
Cash at bank and in hand	2,568,212	3,077,008
Less: bank overdrafts	(365,215)	(464,479)
	2,202,997	2,612,529

**17. Creditors: Amounts falling due within one year**

	2023 £	2022 £
Bank overdrafts	365,215	464,479
Trade creditors	444,221	503,458
Corporation tax	72,315	144,760
Other taxation and social security	453,925	277,267
Other creditors	138,679	119,212
Accruals and deferred income	34,729	505,813
	1,509,084	2,014,989

**EWART ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. Deferred taxation**

	2023 £	2022 £
At beginning of year	(319,348)	(370,568)
Charged to profit or loss	(10,689)	51,220
<b>At end of year</b>	<b>(330,037)</b>	<b>(319,348)</b>

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	(334,201)	(321,170)
Other timing differences	4,164	1,822
	<b>(330,037)</b>	<b>(319,348)</b>

**19. Share capital**

	2023 £	2022 £
<b>Allotted, called up and fully paid</b>		
5,250 (2022 - 5,250) Ordinary A shares of £1.00 each	5,250	5,250
5,250 (2022 - 5,250) Ordinary B shares of £1.00 each	5,250	5,250
2,250 (2022 - 2,250) Ordinary C shares of £1.00 each	2,250	2,250
2,250 (2022 - 2,250) Ordinary D shares of £1.00 each	2,250	2,250
	<b>15,000</b>	<b>15,000</b>

The company has four classes of Ordinary shares which carry voting rights but no right to fixed income. The shares rank pari passu with the exception of dividend rights which can be varied between each class.

**20. Reserves**

**Capital redemption reserve**

This reserve represents the amounts recognised upon company purchase of own shares.

**Profit and loss account**

This reserve represents cumulative profits and losses, net of distributions.

**EWART ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**21. Pension commitments**

The company operates a defined contribution scheme in respect of the directors and a Group Personal Pension Scheme in respect of other employees. The pension cost charge represents contributions payable by the company to these funds amounted to £91,668 (2022 - £89,078). Accrued contributions of £16,657 (2022 - £10,854).

**22. Related party transactions**

The directors maintained loan accounts with the company during the year. The loans are interest free, unsecured and repayable on demand. The total owed to the directors at the year end was £118,951.

Dividends totalling £288,382 (2022 - £243,281) were paid to the directors in the year.

**Remuneration of key management personnel**

Key management personnel comprise of the directors. Their aggregate remuneration is disclosed in note 9 to the financial statements.