

**Merlin Diesel Systems Limited**  
**Strategic Report, Report of the Directors and**  
**Financial Statements**  
**for the Year Ended 31 July 2022**

# **Merlin Diesel Systems Limited (Registered number: 02539463)**

## **Contents of the Financial Statements for the year ended 31 July 2022**

	<b>Page</b>
<b>Company Information</b>	1
<b>Strategic Report</b>	2
<b>Report of the Directors</b>	4
<b>Report of the Independent Auditors</b>	6
<b>Income Statement</b>	10
<b>Other Comprehensive Income</b>	11
<b>Balance Sheet</b>	12
<b>Statement of Changes in Equity</b>	13
<b>Notes to the Financial Statements</b>	14

# Merlin Diesel Systems Limited

## Company Information

for the year ended 31 July 2022

**DIRECTORS:**

K Bramley  
LK Bramley  
S Bramley  
M Rawlinson  
MF Brown  
DJ Henry  
AT Ashcroft  
AG James  
JE Morley

**SECRETARY:**

EL Bramley

**REGISTERED OFFICE:**

189/191 Bradkirk Place  
Walton Summit  
PRESTON  
Lancashire  
PR5 8AJ

**REGISTERED NUMBER:**

02539463 (England and Wales)

**AUDITORS:**

McMillan & Co LLP  
Chartered Accountants and  
Statutory Auditor  
28 Eaton Avenue  
Matrix Office Park  
Buckshaw Village  
Chorley  
Lancashire  
PR7 7NA

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Strategic Report

for the year ended 31 July 2022

The directors present their strategic report for the year ended 31 July 2022.

### REVIEW OF BUSINESS

Merlin Diesel Systems Limited is a company dedicated to the supply of parts and servicing of fuel systems for diesel engines. In addition the company manufactures the machinery necessary for servicing and testing fuel systems for all diesel engines including large marine engines and generators.

The company recorded sales in the year ended 31 July 2022 of £52.8m, an increase of 11.5% on the sales achieved in 2021 of £47.4m. The weakness of Sterling against the Euro has continued to make the company's products very attractive to the European market.

At the previous year end, the trade and assets of Feather Diesel Services Limited, a fellow subsidiary, were transferred into Merlin Diesel Systems Limited. From 1st August 2021, the trade continued within this company.

The gross margin percentage increased slightly to 26.0% (2021: 24.0%). The increased activity flowed through to create profit before taxation of £5.6m (2021: £6.2m).

The company continued to invest in stock holding during the year and the closing net stock balance was £21.9m (2021: £18.7m).

At 31 July 2022 the net assets were £21.4m (2021: £17.8m).

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company relate to:

- Maintaining margins and cash management.
- Maintaining a quality stockholding.
- Impact of trading resulting from the Ukraine conflict.
- Liquidity risk and annual renewal of overdraft facility.
- Adverse exchange rate movements.

### KEY PERFORMANCE INDICATORS

	2022	2021
Gross profit margins (gross profit/turnover)	26.0%	24.0%
Net stockholding	£21.9m	£18.7m
Stock turn (stock/cost of sales x 365 days)	205 days	190 days

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Strategic Report

for the year ended 31 July 2022

### ENERGY AND EMISSIONS REPORT

In the year we consumed the following energy in the support of the trade.

	2022	2021
UK energy use kWh	816,768	508,430
Associated greenhouse gas emissions - tonnes of CO2 equivalent	162.72	104.30
Intensity ratio emissions per £million turnover	3.08	2.20

UK energy use covers gas and electricity at our warehouse. Associated greenhouse gases have been calculated using the methodology set out in "2022 Government Greenhouse Gas Conversion Factors for Company Reporting".

### ON BEHALF OF THE BOARD:

LK Bramley - Director

31 March 2023

# **Merlin Diesel Systems Limited (Registered number: 02539463)**

## **Report of the Directors for the year ended 31 July 2022**

The directors present their report with the financial statements of the company for the year ended 31 July 2022.

### **DIVIDENDS**

A dividend of £969,693 was paid in the year (2021: £947,030).

### **FUTURE DEVELOPMENTS**

The company is totally dedicated to maintaining a high quality service, with the right machinery and the necessary highly skilled engineers.

### **DIRECTORS**

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

K Bramley  
LK Bramley  
S Bramley  
M Rawlinson  
MF Brown  
DJ Henry  
AT Ashcroft  
AG James

Other changes in directors holding office are as follows:

JE Morley - appointed 1 August 2021

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

# **Merlin Diesel Systems Limited (Registered number: 02539463)**

## **Report of the Directors**

for the year ended 31 July 2022

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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

### **ON BEHALF OF THE BOARD:**

LK Bramley - Director

31 March 2023

# Report of the Independent Auditors to the Members of Merlin Diesel Systems Limited

## Opinion

We have audited the financial statements of Merlin Diesel Systems Limited (the 'company') for the year ended 31 July 2022 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 July 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

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

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

## Other information

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

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

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

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

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

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

## **Report of the Independent Auditors to the Members of Merlin Diesel Systems Limited**

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

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

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

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

### **Responsibilities of directors**

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

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

## **Report of the Independent Auditors to the Members of Merlin Diesel Systems Limited**

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

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

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

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

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

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

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

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

- performed analytical procedures to identify any unusual or unexpected relationships; and
- tested journal entries to identify unusual transactions.

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the company's legal advisors.

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

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 Report of the Auditors.

## **Report of the Independent Auditors to the Members of Merlin Diesel Systems Limited**

### **Use of our report**

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

Neil McMillan FCA (Senior Statutory Auditor)  
for and on behalf of McMillan & Co LLP  
Chartered Accountants and  
Statutory Auditor

31 March 2023

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Income Statement

for the year ended 31 July 2022

	Notes	£	2022 £	£	2021 £
<b>TURNOVER</b>	3		<b>52,804,576</b>		47,358,798
Cost of sales			<u>39,066,415</u>		<u>36,009,719</u>
<b>GROSS PROFIT</b>			<b>13,738,161</b>		11,349,079
Distribution costs		<b>6,066,845</b>		3,905,846	
Administrative expenses		<u>2,111,490</u>		<u>1,294,711</u>	
			<b>8,178,335</b>		5,200,557
			<b>5,559,826</b>		6,148,522
Other operating income			<b>12,069</b>		16,388
<b>OPERATING PROFIT</b>	5		<b>5,571,895</b>		6,164,910
Interest payable and similar expenses	6		<b>18,216</b>		12,793
<b>PROFIT BEFORE TAXATION</b>			<b>5,553,679</b>		6,152,117
Tax on profit	7		<b>947,176</b>		1,092,398
<b>PROFIT FOR THE FINANCIAL YEAR</b>			<b>4,606,503</b>		5,059,719

The notes form part of these financial statements

## Merlin Diesel Systems Limited (Registered number: 02539463)

### Other Comprehensive Income for the year ended 31 July 2022

	Notes	2022 £	2021 £
PROFIT FOR THE YEAR		4,606,503	5,059,719
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>4,606,503</u>	<u>5,059,719</u>

The notes form part of these financial statements

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Balance Sheet

31 July 2022

	Notes	£	2022 £	£	2021 £
<b>FIXED ASSETS</b>					
Tangible assets	9		<b>1,490,318</b>		1,059,365
<b>CURRENT ASSETS</b>					
Stocks	10	<b>21,927,762</b>		18,728,105	
Debtors	11	<b>8,050,146</b>		7,786,036	
Cash at bank and in hand		<b>138,535</b>		172,076	
		<b>30,116,443</b>		<b>26,686,217</b>	
<b>CREDITORS</b>					
Amounts falling due within one year	12	<b>9,893,670</b>		<b>9,826,989</b>	
<b>NET CURRENT ASSETS</b>			<b>20,222,773</b>		16,859,228
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>21,713,091</b>		17,918,593
<b>PROVISIONS FOR LIABILITIES</b>	16		<b>308,524</b>		150,836
<b>NET ASSETS</b>			<b>21,404,567</b>		<b>17,767,757</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		<b>91,920</b>		91,920
Share premium	18		<b>20,880</b>		20,880
Capital redemption reserve	18		<b>48,500</b>		48,500
Retained earnings	18		<b>21,243,267</b>		17,606,457
<b>SHAREHOLDERS' FUNDS</b>			<b>21,404,567</b>		<b>17,767,757</b>

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2023 and were signed on its behalf by:

LK Bramley - Director

## Merlin Diesel Systems Limited (Registered number: 02539463)

### Statement of Changes in Equity for the year ended 31 July 2022

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
<b>Balance at 1 August 2020</b>	91,920	13,493,768	20,880	48,500	13,655,068
<b>Changes in equity</b>					
Dividends	-	(947,030)	-	-	(947,030)
Total comprehensive income	-	5,059,719	-	-	5,059,719
<b>Balance at 31 July 2021</b>	<u>91,920</u>	<u>17,606,457</u>	<u>20,880</u>	<u>48,500</u>	<u>17,767,757</u>
<b>Changes in equity</b>					
Dividends	-	(969,693)	-	-	(969,693)
Total comprehensive income	-	4,606,503	-	-	4,606,503
<b>Balance at 31 July 2022</b>	<u>91,920</u>	<u>21,243,267</u>	<u>20,880</u>	<u>48,500</u>	<u>21,404,567</u>

The notes form part of these financial statements

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Notes to the Financial Statements for the year ended 31 July 2022

### 1. STATUTORY INFORMATION

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

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

The amounts in the financial statements have been rounded to the nearest £1.

### 2. ACCOUNTING POLICIES

#### **Basis of preparing the financial statements**

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

#### **Going concern**

Following a technical breach of the financial covenants at the year end, the long term loan has been reclassified as due within one year. The bank have confirmed that no action will be taken as a result of the technical breach, and consequently, the financial statements have been prepared on a going concern basis.

#### **Financial Reporting Standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

#### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 those estimates.

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

The directors do not consider there to be any critical judgments that require disclosure in the financial statements.

#### **Sources of estimation uncertainty**

The directors consider the following matters to be key sources of estimation uncertainty which affect the financial statements;

**Valuation of stocks** - Stocks are carried at the lower of cost and net realisable value. In determining net realisable value, the directors apply a provisioning policy to the value of stocks held. This provides an estimate of net realisable value for old and slow moving stocks.

#### **Turnover**

The turnover shown in the profit and loss account represents the fair value of all goods and services, delivered during the year, at selling price exclusive of discounts, rebates, Value Added Tax and other sales taxes. Sales are recognised at the point at which the company has fulfilled its contractual obligations to the customer.

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Notes to the Financial Statements - continued for the year ended 31 July 2022

### 2. ACCOUNTING POLICIES - continued

#### Tangible fixed assets

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

Short leasehold	- 5% on cost
Long leasehold	- Over the term of the lease
Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 25% on cost

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

#### Government grants

The furlough and other grants are government grants accounted for under the accruals model. Where the grant is classed as revenue, it is recognised as income on a systematic basis over the periods in which the company recognises the related costs.

#### Stocks

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

#### Financial instruments

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

#### Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

#### Deferred tax

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

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

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

#### Research and development

Expenditure on research and development is written off in the year in which it is incurred.

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Notes to the Financial Statements - continued for the year ended 31 July 2022

### 2. ACCOUNTING POLICIES - continued

#### Foreign currencies

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

#### Hire purchase and leasing commitments

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

#### Pension costs and other post-retirement benefits

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

### 3. TURNOVER

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

An analysis of turnover by geographical market is given below:

	2022	2021
	£	£
UK	21,013,100	17,895,294
Overseas	31,791,476	29,463,504
	<u>52,804,576</u>	<u>47,358,798</u>

### 4. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	4,426,036	3,046,414
Social security costs	404,630	274,262
Other pension costs	683,503	487,328
	<u>5,514,169</u>	<u>3,808,004</u>

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

	2022	2021
Engineers	52	30
Sales	52	44
Warehouse	23	18
Administration	14	12
	<u>141</u>	<u>104</u>

	2022	2021
	£	£
Directors' remuneration	172,507	94,685
Directors' pension contributions to money purchase schemes	<u>116,918</u>	<u>88,573</u>

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Notes to the Financial Statements - continued for the year ended 31 July 2022

### 4. EMPLOYEES AND DIRECTORS - continued

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

Money purchase schemes	<u>7</u>	<u>7</u>
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### 5. OPERATING PROFIT

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

	2022	2021
	£	£
Other operating leases	355,749	221,892
Depreciation - owned assets	308,969	253,047
Profit on disposal of fixed assets	(2,500)	(8,841)
Auditors' remuneration	<u>8,750</u>	<u>8,000</u>

### 6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£	£
Bank interest	<u>18,216</u>	<u>12,793</u>

### 7. TAXATION

#### Analysis of the tax charge

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

	2022	2021
	£	£
Current tax:		
UK corporation tax	793,000	1,072,767
Adjustments in respect of prior years	-	(880)
Total current tax	<u>793,000</u>	<u>1,071,887</u>
Deferred tax	154,176	20,511
Tax on profit	<u>947,176</u>	<u>1,092,398</u>

UK corporation tax has been charged at 19% (2021 - 19%).

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Notes to the Financial Statements - continued for the year ended 31 July 2022

### 7. TAXATION - continued

#### Reconciliation of total tax charge included in profit and loss

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

	2022 £	2021 £
Profit before tax	<u>5,553,679</u>	<u>6,152,117</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,055,199	1,168,902
Effects of:		
Expenses not deductible for tax purposes	2,440	9,682
Utilisation of tax losses	(25,003)	-
Other timing differences	(10,576)	-
Research & development relief	(110,179)	(109,441)
Super deduction/restrictions on capital allowances and capital gain	(38,502)	23,255
Change in rate of deferred tax	73,797	-
Total tax charge	<u>947,176</u>	<u>1,092,398</u>

Following the enactment of Finance Act 2021, deferred tax has been provided at 25% for the current year.

### 8. DIVIDENDS

	2022 £	2021 £
Dividends paid	<u>969,693</u>	<u>947,030</u>

### 9. TANGIBLE FIXED ASSETS

	Short leasehold £	Long leasehold £	Plant and machinery £
<b>COST</b>			
At 1 August 2021	433,543	300,534	3,309,514
Additions	302,872	19,766	313,325
Disposals	-	-	(15,360)
At 31 July 2022	<u>736,415</u>	<u>320,300</u>	<u>3,607,479</u>
<b>DEPRECIATION</b>			
At 1 August 2021	177,608	279,649	2,670,415
Charge for year	27,633	2,015	217,135
Eliminated on disposal	-	-	(12,544)
At 31 July 2022	<u>205,241</u>	<u>281,664</u>	<u>2,875,006</u>
<b>NET BOOK VALUE</b>			
At 31 July 2022	<u>531,174</u>	<u>38,636</u>	<u>732,473</u>
At 31 July 2021	<u>255,935</u>	<u>20,885</u>	<u>639,099</u>

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Notes to the Financial Statements - continued for the year ended 31 July 2022

### 9. TANGIBLE FIXED ASSETS - continued

	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>			
At 1 August 2021	761,047	189,854	4,994,492
Additions	85,092	21,683	742,738
Disposals	-	(13,418)	(28,778)
At 31 July 2022	<u>846,139</u>	<u>198,119</u>	<u>5,708,452</u>
<b>DEPRECIATION</b>			
At 1 August 2021	676,238	131,217	3,935,127
Charge for year	34,344	27,842	308,969
Eliminated on disposal	-	(13,418)	(25,962)
At 31 July 2022	<u>710,582</u>	<u>145,641</u>	<u>4,218,134</u>
<b>NET BOOK VALUE</b>			
At 31 July 2022	<u>135,557</u>	<u>52,478</u>	<u>1,490,318</u>
At 31 July 2021	<u>84,809</u>	<u>58,637</u>	<u>1,059,365</u>

On the 31 July 2021 the tangible fixed assets of Feather Diesel Services Limited, a fellow subsidiary company, were transferred to Merlin Diesel Systems Limited at their accumulated cost and depreciation.

### 10. STOCKS

	2022 £	2021 £
Finished goods	<u>21,927,762</u>	<u>18,728,105</u>

### 11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade debtors	6,501,679	5,633,400
Amounts owed by group undertakings	832,372	1,728,756
Other debtors	375,963	321,119
Tax	107,000	-
Prepayments and accrued income	233,132	102,761
	<u>8,050,146</u>	<u>7,786,036</u>

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Notes to the Financial Statements - continued for the year ended 31 July 2022

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Bank loans and overdrafts (see note 13)	626,797	808,160
Trade creditors	8,347,087	7,918,584
Amounts owed to group undertakings	697,162	569,615
Corporation tax	-	60,663
Social security and other taxes	108,035	151,361
Other creditors	-	127,132
Directors' current accounts	25,007	137,915
Accruals and deferred income	89,582	53,559
	<u>9,893,670</u>	<u>9,826,989</u>

The directors' loan accounts are unsecured, bear no interest and have no fixed repayment term.

### 13. LOANS

An analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>626,797</u>	<u>808,160</u>

Following a technical breach of the financial covenants at the year end, the long term loan has been reclassified as due within one year. The bank have confirmed that no action will be taken as a result of the technical breach, and consequently, the financial statements have been prepared on a going concern basis.

Had the loans not been reclassified, the ageing of the loans as at 31 December 2022 would have been as follows:

	£
Bank loans due within 1 year	425,293
Bank loans due 1-2 years	425,293
Bank loans due 2-5 years	439,592
Bank loans due more than 5 years	201,400
	<u>,491,578</u>

### 14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022	2021
	£	£
Within one year	175,000	203,567
Between one and five years	682,118	175,000
	<u>857,118</u>	<u>378,567</u>

# Merlin Diesel Systems Limited (Registered number: 02539463)

## Notes to the Financial Statements - continued for the year ended 31 July 2022

### 15. SECURED DEBTS

The following secured debts are included within creditors:

	2022	2021
	£	£
Bank overdrafts	<u>626,797</u>	<u>808,160</u>

The bank overdraft is secured by a debenture dated 23 January 2012, both incorporating a fixed and floating charge over all current and future assets of the company.

There is an unlimited multilateral guarantee dated 9 August 2018 given by Merlin Diesel Holdings Limited, Merlin Diesel Systems Limited, Feather Diesel Holdings Limited and Feather Diesel Services Limited.

There is a guarantee dated 15 February 2012 in favour of HM Revenue & Customs for £200,000.

### 16. PROVISIONS FOR LIABILITIES

	2022	2021
	£	£
Deferred tax		
Accelerated capital allowances	<u>308,524</u>	<u>150,836</u>

	Deferred tax
	£
Balance at 1 August 2021	150,836
Provided during year	83,891
Change in rate	<u>73,797</u>
Balance at 31 July 2022	<u>308,524</u>

Following the enactment of Finance Act 2021, deferred tax has been provided at 25% for the current year.

### 17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2022	2021
Number:	Class:	Nominal value:	£	£
91,920	Ordinary	£1	<u>91,920</u>	<u>91,920</u>

The shares have attached to them full voting, dividend and capital distribution rights.

## Merlin Diesel Systems Limited (Registered number: 02539463)

### Notes to the Financial Statements - continued for the year ended 31 July 2022

#### 18. RESERVES

	Retained earnings £	Share premium £	Capital redemption reserve £	Totals £
At 1 August 2021	17,606,457	20,880	48,500	17,675,837
Profit for the year	4,606,503			4,606,503
Dividends	(969,693)			(969,693)
At 31 July 2022	<u>21,243,267</u>	<u>20,880</u>	<u>48,500</u>	<u>21,312,647</u>

#### 19. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The total contributions paid in the year amounted to £683,503 (2021: £487,328).

#### 20. ULTIMATE PARENT COMPANY

The ultimate parent company is Merlin Diesel Holdings Limited, a company incorporated in England and Wales.

The company is ultimately controlled jointly by LK Bramley and S Bramley, by virtue of their shareholding in the parent company.

#### 21. RELATED PARTY DISCLOSURES

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

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