

EWART ENGINEERING LIMITED
FINANCIAL STATEMENTS
31 AUGUST 2021



ArmstrongWatson[®]
Accountants, Business & Financial Advisers

EWART ENGINEERING LIMITED

COMPANY INFORMATION

Directors	Mr B Ewart Mr C J Ewart Mrs A E Tinning Mrs K J Irving
Registered number	SC049122
Registered office	Glasgow Road Gretna Dumfriesshire DG16 5JN
Independent auditors	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditors 51 Rae Street Dumfries DG1 1JD
Bankers	The Royal Bank of Scotland Plc 52 High Street Annan Dumfriesshire DG12 6AN
Solicitors	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 2021

Introduction

The directors present their Strategic Report for Ewart Engineering Limited for the year ended 31 August 2021.

Business review

Development and financial performance during the year

As reported in the company's profit and loss account, company revenue has shown an increase of 38.2% from £5.84m to £8.07m in the current year. Profit after tax has decreased from £0.28m to £0.11m, largely as a result of changes in the structure of remuneration for directors. The directors are happy with the underlying improvements in profitability which has been pleasing given the difficult trading conditions.

Financial position at the reporting date

The balance sheet shows that the company's net assets at the year end have decreased from £5.05m to £4.84m. This is due to the company maintaining its dividend policy and illustrates the confidence of the directors in the current and future strength of the business. The company continues to hold cash and manage working capital without external finance.

Impact of Covid-19

The Covid-19 pandemic has not impacted on the turnover of the business in the same way as the previous year, with demand and production increasing. Margins remained healthy, but higher turnover improved the capacity of the business to cover overheads, resulting in a return to improved profitability.

The company was able to benefit from government relief schemes, particularly the Job Retention Scheme. After the year end, performance has continued to improve and the directors believe that the trading outlook is positive.

Government restrictions and Covid related absences are being monitored closely, but to date the Company has not encountered any significant difficulties in maintaining normal operations.

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 business 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 2021**

Financial key performance indicators

The directors use a range of financial performance measures to monitor and manage the business. The key performance indicators are set out below.

	2021	2020
	£'000	£'000
Turnover	8,070	5,840
Gross profit	2,147	1,318
Operating profit	238	371
Profit before tax	238	377

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



Mr C J Ewart
Director

Date: 1 March 2022

EWART ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2021

The directors present their report and the financial statements for the year ended 31 August 2021.

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 £124,816 (2020 - £275,475).

Dividends of £315,774 (2020 - £942,628) were declared during the year. Dividends proposed after the year end amounted to £Nil (2020 - £150,000).

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 2021**

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.



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Mr C J Ewart
Director

Date: 1 March 2022

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 2021, 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 2021 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;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- 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; 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 as a risk assessment tool to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- 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. 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 FCA (Senior Statutory Auditor)

for and on behalf of

Armstrong Watson Audit Limited

Chartered Accountants

Statutory Auditors

Dumfries

Date: 1 March 2022

EWART ENGINEERING LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 AUGUST 2021**

	Note	2021 £	2020 £
Turnover	4	8,070,199	5,840,191
Cost of sales		<u>(5,923,555)</u>	<u>(4,522,625)</u>
Gross profit		2,146,644	1,317,566
Administrative expenses		<u>(2,083,548)</u>	<u>(1,341,764)</u>
Other operating income	5	<u>174,799</u>	<u>395,259</u>
Operating profit	6	237,895	371,061
Interest receivable and similar income	10	<u>208</u>	<u>5,450</u>
Profit before tax		238,103	376,511
Tax on profit	11	<u>(113,287)</u>	<u>(101,036)</u>
Profit after tax		<u>124,816</u>	<u>275,475</u>
Retained earnings at the beginning of the year		<u>5,021,916</u>	<u>5,689,069</u>
		5,021,916	5,689,069
Profit for the year		124,816	275,475
Dividends declared and paid		<u>(315,774)</u>	<u>(942,628)</u>
Retained earnings at the end of the year		<u>4,830,958</u>	<u>5,021,916</u>

The notes on pages 13 to 26 form part of these financial statements.

EWART ENGINEERING LIMITED
REGISTERED NUMBER: SC049122

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	13	2,621,409	2,784,045
		2,621,409	2,784,045
Current assets			
Stocks	14	625,721	418,351
Debtors: amounts falling due within one year	15	1,630,584	1,146,706
Cash at bank and in hand	16	2,297,833	2,177,742
		4,554,138	3,742,799
Creditors: amounts falling due within one year	17	(1,949,021)	(1,166,068)
Net current assets		2,605,117	2,576,731
Total assets less current liabilities		5,226,526	5,360,776
Provisions for liabilities			
Deferred tax	19	(370,568)	(310,929)
		(370,568)	(310,929)
Creditors : amounts falling due after one year	20	-	(2,931)
Net assets		4,855,958	5,046,916
Capital and reserves			
Called up share capital	21	15,000	15,000
Capital redemption reserve	22	10,000	10,000
Profit and loss account	22	4,830,958	5,021,916
		4,855,958	5,046,916

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

1 March 2022



Mr C J Ewart
Director



Mr B Ewart
Director

The notes on pages 13 to 26 form part of these financial statements.

EWART ENGINEERING LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2021**

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	124,816	275,475
Adjustments for:		
Amortisation of government grants	(2,931)	(327)
Depreciation of tangible assets	236,188	223,440
Loss/(Profit) on disposal of tangible assets	1,668	12,430
Interest received	(208)	(5,450)
Taxation charge	113,287	101,036
(Increase)/decrease in stocks	(207,366)	69,556
(Increase)/decrease in debtors	(483,881)	308,773
Increase/(decrease) in creditors	505,913	(127,541)
Corporation tax (paid)	(53,460)	(140,441)
Net cash generated from operating activities	<u>234,026</u>	<u>716,951</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(102,749)	(346,047)
Sale of tangible fixed assets	27,529	32,500
Interest received	208	5,450
Net cash from investing activities	<u>(75,012)</u>	<u>(308,097)</u>
Cash flows from financing activities		
Dividends paid	(315,774)	(942,628)
Net cash used in financing activities	<u>(315,774)</u>	<u>(942,628)</u>
Net (decrease) in cash and cash equivalents	<u>(156,760)</u>	<u>(533,774)</u>
Cash and cash equivalents at beginning of year	2,013,276	2,547,050
Cash and cash equivalents at the end of year	<u>1,856,516</u>	<u>2,013,276</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,297,833	2,177,742
Bank overdrafts	(441,317)	(164,466)
	<u>1,856,516</u>	<u>2,013,276</u>

The notes on pages 13 to 26 form part of these financial statements.

EWART ENGINEERING LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 AUGUST 2021**

	At 1 September 2020 £	Cash flows £	At 31 August 2021 £
Cash at bank and in hand	2,177,742	120,091	2,297,833
Bank overdrafts	(164,466)	(276,851)	(441,317)
Debt due within 1 year	(163,028)	57,433	(105,595)
	<u>1,850,248</u>	<u>(99,327)</u>	<u>1,750,921</u>

The notes on pages 13 to 26 form part of these financial statements.

EWART ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

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.

The principal activity of the company is that of light manufacturing.

These financial statements are presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates.

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 judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

At the year end the company had net current assets of £2,605k, and net assets of £4,856k, following a profit of £125k in the year.

During the period, the company benefited from the Coronavirus Job Retention Scheme and the option to defer VAT payments. All deferred VAT was settled within 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 show that the 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.

EWART ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

2. Accounting policies (continued)

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.

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 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

2.6 Interest income

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

2.7 Borrowing costs

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

EWART ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

2. Accounting policies (continued)

2.8 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.

2.9 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 Statement of Financial Position 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.

2.10 Tangible fixed assets

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

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.

EWART ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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% - 20% 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.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a 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.

2.12 Debtors

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

2.13 Cash and cash equivalents

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

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

2.14 Creditors

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

EWART ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

2. Accounting policies (continued)

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 Statement of Financial Position 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 2021

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 reported amount 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 portion of the 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 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 accounting policies note 2.10.

(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 or groups of customers.

(c) Overhead absorption

The company absorbs costs into stock at 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.

4. Turnover

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	8,039,018	5,840,191
Rest of the world	31,182	-
	<u>8,070,200</u>	<u>5,840,191</u>

The whole of the turnover is attributable to principal activity of the company being that of light manufacturing.

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**NOTES TO THE FINANCIAL STATEMENTS
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5. Other operating income

	2021	2020
	£	£
Coronavirus Job Retention Scheme grant income	99,121	395,259
Amortisation of government grants	2,931	-
Insurance claims receivable	72,747	-
	174,799	395,259
	174,799	395,259

6. Operating profit

The operating profit is stated after charging:

	2021	2020
	£	£
Depreciation of tangible fixed assets	236,188	222,946
	236,188	222,946
	236,188	222,946

7. Auditors' remuneration

	2021	2020
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	10,540	9,900
	10,540	9,900
	10,540	9,900

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8. Employees

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

	2021 £	2020 £
Wages and salaries	3,027,714	2,342,706
Social security costs	301,653	192,178
Cost of defined contribution scheme	78,951	75,708
	3,408,318	2,610,592

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

	2021 No.	2020 No.
Number of production staff	78	89
Number of administrative staff	7	7
	85	96

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	826,209	91,467
Company contributions to defined contribution pension schemes	1,604	1,503
	827,813	92,970

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £314,085 (2020 - £21,185).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2020 - £NIL).

10. Interest receivable

	2021 £	2020 £
Other interest receivable	208	5,450
	208	5,450

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	53,648	53,800
Adjustments in respect of previous periods	-	(43)
	53,648	53,757
Total current tax	53,648	53,757
Deferred tax		
Origination and reversal of timing differences	(29,757)	16,329
Changes to tax rates	89,396	30,950
Total deferred tax	59,639	47,279
Taxation on profit on ordinary activities	113,287	101,036

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	238,103	376,511
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	45,240	71,537
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(556)	-
Adjustments to tax charge in respect of prior periods	-	(43)
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	(684)	248
Effect of changes in tax rates on deferred tax	89,396	30,950
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(17,500)	(11,610)
Other differences leading to an increase (decrease) in the tax charge	(2,609)	9,954
Total tax charge for the year	113,287	101,036

Factors that may affect future tax charges

EWART ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

11. Taxation (continued)

In May 2021 the UK Parliament substantively enacted an increase in the rate of Corporation Tax to 25% which will apply from 1 April 2023.

12. Dividends

	2021 £	2020 £
Ordinary 'A'	103,089	325,474
Ordinary 'B'	103,117	318,660
Ordinary 'C'	71,757	177,101
Ordinary 'D'	37,811	121,393
	315,774	942,628

13. Tangible fixed assets

	Freehold property £	Plant and machinery £	Total £
Cost or valuation			
At 1 September 2020	1,312,485	7,201,626	8,514,111
Additions	-	102,749	102,749
Disposals	-	(129,098)	(129,098)
At 31 August 2021	1,312,485	7,175,277	8,487,762
Depreciation			
At 1 September 2020	353,771	5,376,295	5,730,066
Charge for the year on owned assets	22,190	213,998	236,188
Disposals	-	(99,901)	(99,901)
At 31 August 2021	375,961	5,490,392	5,866,353
Net book value			
At 31 August 2021	936,524	1,684,885	2,621,409
At 31 August 2020	958,714	1,825,331	2,784,045

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

14. Stocks

	2021 £	2020 £
Raw materials and consumables	276,938	128,764
Work in progress and finished goods	348,783	289,587
	625,721	418,351
	625,721	418,351

15. Debtors

	2021 £	2020 £
Trade debtors	1,591,604	1,090,741
Prepayments and accrued income	38,980	55,965
	1,630,584	1,146,706
	1,630,584	1,146,706

16. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	2,297,833	2,177,742
Less: bank overdrafts	(441,317)	(164,466)
	1,856,516	2,013,276
	1,856,516	2,013,276

17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank overdrafts	441,317	164,466
Trade creditors	616,285	361,946
Corporation tax	53,989	53,800
Other taxation and social security	171,134	213,661
Other creditors	117,436	178,459
Accruals and deferred income	548,860	193,736
	1,949,021	1,166,068
	1,949,021	1,166,068

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

18. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,297,833	2,177,742
Financial assets that are debt instruments measured at amortised cost	1,591,604	1,090,738
	<u>3,889,437</u>	<u>3,268,480</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(1,618,303)</u>	<u>(738,509)</u>

Financial assets measured at fair value through profit or loss comprise of cash at bank and in hand.

Financial assets measured at amortised cost comprise of trade debtors.

Financial liabilities measured at amortised cost comprise of bank overdraft, trade creditors, other creditors and accruals and deferred income.

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19. Deferred taxation

	2021 £	2020 £
At beginning of year	(310,930)	(263,650)
Charged to profit or loss	(59,639)	(47,279)
At end of year	(370,569)	(310,929)

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(372,888)	(313,376)
Other timing differences	2,319	2,447
	(370,569)	(310,929)

20. Creditors: Amounts falling due after one year

	2021 £	2020 £
Government grants	(2,931)	(3,257)
Amounts released in year	2,931	326
	-	(2,931)

21. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
5,250 (2020 - 5,250) Ordinary 'A' shares of £1.00 each	5,250	5,250
5,250 (2020 - 5,250) Ordinary 'B' shares of £1.00 each	5,250	5,250
2,250 (2020 - 2,250) Ordinary 'C' shares of £1.00 each	2,250	2,250
2,250 (2020 - 2,250) Ordinary 'D' shares of £1.00 each	2,250	2,250
	15,000	15,000

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.

EWART ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

22. Reserves

Capital redemption reserve

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

Profit and loss account

This reserve represents cumulative profits and losses.

23. 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 and amounted to £78,951 (2020 - £75,708). Accrued contributions of £9,280 (2020 - £12,879) were included within other creditors, note 16 to the accounts, at the balance sheet date.

24. Commitments under operating leases

At 31 August 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	-	31,769
	<u>-</u>	<u>31,769</u>

25. Related party transactions

The directors maintained loan accounts with the company during the year. The loans are interest free, unsecured and repayable upon demand. The total owed in total to the directors at the year end was £105,595.

Dividends totalling £315,774 (2020 - £942,628) 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 8 to the financial statements.

26. Controlling party

There was no ultimate controlling party.