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COMPANY REGISTRATION NUMBER: 11769911

**Morris Line Engineering Limited**  
**Financial Statements**  
**For the year ended**  
**31 December 2022**



# **Morris Line Engineering Limited**

## **Financial Statements**

**Year ended 31 December 2022**

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# **Morris Line Engineering Limited**

## **Officers and Professional Advisers**

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<b>The board of directors</b>	D Kearle S L Thomas R Selden
<b>Company secretary</b>	R Selden
<b>Registered office</b>	Morris House South Road Bridgend Industrial Estate Bridgend United Kingdom CF31 3EB
<b>Auditor</b>	Clay Shaw Thomas Ltd Chartered accountants & statutory auditor 2 Oldfield Road Bocam Park Bridgend CF35 5LJ
<b>Bankers</b>	Barclays Bank 36 Dunraven Place Bridgend CF31 1JB

# Morris Line Engineering Limited

## Strategic Report

### Year ended 31 December 2022

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

The principal activity of the company during the year was the manufacture of electricity distribution and control apparatus.

Details of the trading activities and financial position of the company are shown on pages 12 and 13.

The company's turnover for the year was £12,682,689 (2021: £12,717,686).

The statement of income and retained earnings of the company is set out on page 12 and shows a profit before tax of £651,916 (2021: £801,748) for the year ended 31 December 2022.

The company met or exceeded its financial, quality, safety and environmental key performance indicators for 2022.

The principal activity of the company is the original equipment manufacture, to in-house design, of high voltage electrical line equipment for the electrical distribution networks, rail electrification and the oil & gas industries, mainly within the UK, GCC and Republic of Ireland. The company has a strong market position based upon products of recognised quality and reliability, maintained by close business relations with blue chip clients.

The company also manufactures low voltage switchgear for UK industry /construction clients, as well as providing specialist fire alarm maintenance and project services to the public sector, principally for NHS trusts.

The company operates within defined structures with a culture of fairness and openness to enhance long term shareholder and stakeholder value.

The expertise, commitment and support of the company employees is central to its success. The Directors sincerely thank all their colleagues for their hard work to help deliver these results.

The Company benefits from the close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, or significant worsening in commercial terms, could have a material impact on the trading results.

The Company devotes significant resources to supporting these relationships to ensure that they continue to operate as well in the future.

#### **Price risk**

The Company operates in a highly competitive market. Significant product innovations, technical advances or the intensification of price competition could adversely affect the results of the Company.

#### **Credit risk**

The Company has well established policies and procedures that require appropriate credit checks on potential customers before contracts and services are provided. The amount of exposure to any individual customer is subject to a limit which is reassessed by the company on a regular basis.

#### **Liquidity risk**

Effective management of cash and working capital is a key ongoing priority. The group has invoice discounting facilities and bank loans in place to ensure there are sufficient funds for its operations.

# Morris Line Engineering Limited

## Strategic Report *(continued)*

### Year ended 31 December 2022

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The Company's key performance indicators are turnover, margins, liquidity, risks and liability, utilisation of staff and safety, and shareholders funds. These are reviewed by the directors regularly throughout the year and measured against budgets. Turnover and margins for the company were as follows:

	<b>2022</b>	2021
	<b>£</b>	£
Turnover	<b>12,682,869</b>	12,717,686
Gross Profit	<b>3,122,982</b>	3,509,038
Gross Profit %	<b>25</b>	28

This report was approved by the board of directors on 24/09/23 and signed on behalf of the board by:



D Kearle  
Director

Registered office:  
Morris House  
South Road  
Bridgend Industrial Estate  
Bridgend  
United Kingdom  
CF31 3EB

# **Morris Line Engineering Limited**

## **Directors' Report**

### **Year ended 31 December 2022**

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

#### **Principal activities**

The principal activity of the company during the period was the manufacture of electricity distribution and control apparatus.

#### **Proposed dividends**

Prior to the issue of the 2022 financial statements the directors recommended an interim ordinary dividend amounting to £100,000 to its parent company, Morris Line Engineering (Holdings) Limited.

The interim dividend was paid on 30 June 2023.

#### **Directors**

The directors who served the company during the year were as follows:

D Kearle  
S L Thomas  
R Selden

#### **Dividends**

Particulars of recommended dividends are detailed in note 11 to the financial statements.

#### **Future developments**

The company set out its 2023 annual plan to its shareholders last December with trading for the first six months on plan.

The company has adapted well to the business challenges of recent years including the disruption to international trade and geopolitical instability arising from the COVID-19 pandemic and the Russo - Ukrainian conflict. During the later months of 2022, rising inflation, interest rates and energy costs started to impact, and these will be significant external factors affecting our 2023 trading year.

Business resilience is central to our strategy by looking after the health and wellbeing of our colleagues, diligent cash management and close working relationships with our key stakeholders including clients and suppliers. Key business metrics are kept under ongoing review and risk registers are updated regularly.

Our focus remains on creating long-term stakeholder value by continued product R&D and service differentiation, supported by professional development of our people, systems and processes to build a responsible, sustainable, efficient and flexible organisation.

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

The directors are responsible for preparing the strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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# Morris Line Engineering Limited

## Directors' Report *(continued)*

### Year ended 31 December 2022

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

#### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 24/09/23 and signed on behalf of the board by:



D Kearle  
Director

Registered office:  
Morris House  
South Road  
Bridgend Industrial Estate  
Bridgend  
United Kingdom  
CF31 3EB

# **Morris Line Engineering Limited**

## **Independent Auditor's Report to the Members of Morris Line Engineering Limited**

**Year ended 31 December 2022**

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### **Opinion**

We have audited the financial statements of Morris Line Engineering Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of income and retained earnings, statement of financial position 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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.

# **Morris Line Engineering Limited**

## **Independent Auditor's Report to the Members of Morris Line Engineering Limited** *(continued)*

**Year ended 31 December 2022**

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### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 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.

# **Morris Line Engineering Limited**

## **Independent Auditor's Report to the Members of Morris Line Engineering Limited** *(continued)*

**Year ended 31 December 2022**

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### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

# Morris Line Engineering Limited

## Independent Auditor's Report to the Members of Morris Line Engineering Limited *(continued)*

Year ended 31 December 2022

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### Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, 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:

- The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant including UK Companies Act, employment law, health & safety regulations and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

- We understood how the Company is complying with those legal and regulatory frameworks by, making inquiries to management, those responsible for legal and compliance procedures and the company secretary.

- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. The assessment did not identify any issues in this area.

- We assessed the susceptibility of the Company financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;

- Understanding how those charged with management considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;

- Challenging assumptions and judgments made by management in its significant accounting estimates; and

- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and reviewing journal entries.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

# **Morris Line Engineering Limited**

## **Independent Auditor's Report to the Members of Morris Line Engineering Limited** *(continued)*

**Year ended 31 December 2022**

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As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# Morris Line Engineering Limited

## Independent Auditor's Report to the Members of Morris Line Engineering Limited *(continued)*

Year ended 31 December 2022

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Use of our report

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



24/8/23

James Tucker ACA FCCA (Senior Statutory Auditor)

For and on behalf of  
Clay Shaw Thomas Ltd  
Chartered accountants & statutory auditor  
2 Oldfield Road  
Bocam Park  
Bridgend  
CF35 5LJ

**Morris Line Engineering Limited**  
**Statement of Income and Retained Earnings**  
**Year ended 31 December 2022**

	Note	2022 £	2021 £
<b>Turnover</b>	<b>4</b>	<b>12,682,869</b>	12,717,686
Cost of sales		<b>(9,559,887)</b>	(9,208,648)
<b>Gross profit</b>		<b>3,122,982</b>	3,509,038
Administrative expenses		<b>(3,232,973)</b>	(3,295,794)
Other operating income	<b>5</b>	<b>762,000</b>	589,171
<b>Operating profit</b>	<b>6</b>	<b>652,009</b>	802,415
Interest payable and similar expenses	<b>9</b>	<b>(93)</b>	(667)
<b>Profit before taxation</b>		<b>651,916</b>	801,748
Tax on profit	<b>10</b>	<b>(117,050)</b>	(148,976)
<b>Profit for the financial year and total comprehensive income</b>		<b>534,866</b>	652,772
Dividends paid and payable	<b>11</b>	<b>(300,000)</b>	–
<b>Retained earnings at the start of the year</b>		<b>3,144,995</b>	2,492,223
<b>Retained earnings at the end of the year</b>		<b>3,379,861</b>	3,144,995

All the activities of the company are from continuing operations.

The notes on pages 14 to 25 form part of these financial statements.

# Morris Line Engineering Limited

## Statement of Financial Position

31 December 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	12	278,105	238,541
<b>Current assets</b>			
Stocks	13	1,733,975	1,717,391
Debtors	14	4,173,442	3,943,513
Cash at bank and in hand		<u>1,134,249</u>	<u>450,654</u>
		7,041,666	6,111,558
<b>Creditors: amounts falling due within one year</b>	15	<u>3,882,313</u>	<u>3,165,016</u>
<b>Net current assets</b>		<u>3,159,353</u>	<u>2,946,542</u>
<b>Total assets less current liabilities</b>		<u>3,437,458</u>	<u>3,185,083</u>
<b>Provisions</b>			
Taxation including deferred tax	16	<u>57,596</u>	<u>40,087</u>
<b>Net assets</b>		<u>3,379,862</u>	<u>3,144,996</u>
<b>Capital and reserves</b>			
Called up share capital	20	1	1
Profit and loss account	21	<u>3,379,861</u>	<u>3,144,995</u>
<b>Shareholders funds</b>		<u>3,379,862</u>	<u>3,144,996</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the medium companies regime.

These financial statements were approved by the board of directors and authorised for issue on ....., and are signed on behalf of the board by:

24/08/23



D Kearle  
Director

Company registration number: 11769911

The notes on pages 14 to 25 form part of these financial statements.

# Morris Line Engineering Limited

## Notes to the Financial Statements

Year ended 31 December 2022

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### 1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Morris House, South Road, Bridgend Industrial Estate, Bridgend, CF31 3EB, United Kingdom.

### 2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 3. Accounting policies

#### **Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

#### **Going concern**

The directors have assessed whether there are any material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. In assessing whether the going concern assumption is appropriate, the directors have taken in to account all available information about the future, and conclude that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### **Disclosure exemptions**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Morris Line Engineering (Holdings) Limited which can be obtained from the Companies House register. As such, advantage has been taken of the cash flow statement disclosure exemptions available under paragraph 1.12 of FRS 102.

# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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

##### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

##### **(i) Recognition and subsequent measurement of construction contracts**

The first judgement is to identify whether a contract exists and whether it should be accounted for as a construction contract under the applicable accounting standards of FRS102.

The company then makes an assessment of construction contract profitability. This involves making several key judgements to accurately measure the revenue, costs, and potential risks associated with the contract:

**Revenue Recognition:** Judgement is required to determine the appropriate method of revenue recognition for the construction contract by reference to the stage of completion. The company determines the stage of completion of a transaction or contract using the method that measures most reliably the work performed.

**Cost Estimation:** Estimating the costs associated with the construction contract is a critical judgement. This involves considering direct costs (e.g., materials, labour, subcontractors) and indirect costs (e.g., overhead, equipment, administrative expenses). Accurate cost estimation is essential to determine the profitability of the contract.

**Change Orders and Variations:** Construction projects often involve change orders or variations, which are modifications to the original contract scope, specifications, or price. Judgement is required to assess the impact of these changes on the profitability of the contract. This involves evaluating the *additional costs, potential delays, and pricing adjustments associated with change orders.*

**Contract Risks and Contingencies:** Assessing contract risks and contingencies requires judgement. It involves identifying and evaluating potential risks that may impact the profitability of the contract, such as delays, cost overruns, penalties, or legal disputes. Judgement is needed to estimate the probability and potential impact of these risks and to determine whether provisions or disclosures for contingencies are necessary.

**Contract Completion and Milestones:** Determining the completion of the construction contract and the achievement of milestones requires judgement. Milestones are significant stages or events in the construction process that trigger specific billing or revenue recognition. Judgement is needed to assess the completion criteria and milestones outlined in the contract and to determine the appropriate recognition of revenue associated with these milestones.

**Contract Modifications:** Construction contracts may undergo modifications. Judgement is required to assess the impact of these modifications on the profitability of the contract. This involves evaluating any additional costs, changes in contract terms, potential disputes, and the likelihood of recovery from claims.

# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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

Profit Margin Assessment: Assessing the appropriate profit margin for the construction contract involves judgement. It requires considering factors such as the complexity of the project, market conditions, competition, risk profile, and the contractor's historical performance. Judgement is needed to determine a profit margin that adequately compensates for the risks and provides a reasonable return on investment.

#### **(ii) Stock Provisions**

The Company constructs assets based on a customer order that can often change resulting in a parts ordered becoming obsolete. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of raw materials.

Determining the appropriate timing and magnitude of stock write-downs or reversals requires careful judgement. If stock is deemed slow moving or obsolete, a write-down is recognised to reduce the carrying value. However, if subsequent events indicate a recovery in value, a reversal may be appropriate. The timing and amount of such write-downs and reversals require careful consideration of market conditions, sales projections, and any potential utilisation within secured construction contracts as discussed above.

#### **Revenue recognition**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for the stage of completion of construction contracts and services rendered, stated net of discounts and of Value Added Tax.

When the outcome of a transaction involving the completion of contracts or rendering of services can be reliably estimated, revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

#### **Taxation**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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

##### **Taxation *(continued)***

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

##### **Operating leases**

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

##### **Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

##### **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	Over lease term of 5 years
Plant and machinery	-	20% straight line
Equipment	-	33% straight line

##### **Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs.

The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

##### **Stocks**

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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

##### Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

##### Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

##### Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

##### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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#### Construction contracts

Where the outcome of construction contracts can be reliably estimated, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity as at the period end.

Where the outcome of construction contracts cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is expensed immediately, with a corresponding provision for an onerous contract being recognised. Where the collectability of an amount already recognised as contract revenue is no longer probable, the uncollectible amount is expensed rather than recognised as an adjustment to the amount of contract revenue.

The entity uses the percentage of completion method to determine the amounts to be recognised in the period. The stage of completion is measured by reference completion of a physical proportion of the contract work or the completion of a proportion of the service contract.

#### 4. Turnover

Turnover arises from:

	2022	2021
	£	£
Installation and maintenance	2,108,684	2,373,204
Manufacture of electrical contracts	10,574,185	10,344,482
	<u>12,682,869</u>	<u>12,717,686</u>

An analysis of turnover by geographical market is given below:

	2022	2021
	£	£
United Kingdom	8,739,144	8,630,084
GCC Countries	2,411,183	2,490,476
Europe	1,476,865	1,062,628
Rest of the World	55,677	534,498
Total	<u>12,682,869</u>	<u>12,717,686</u>

#### 5. Other operating income

	2022	2021
	£	£
Management charges receivable	762,000	580,000
Government grant income	—	9,171
	<u>762,000</u>	<u>589,171</u>

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# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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#### 6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2022	2021
	£	£
Depreciation of tangible assets	81,003	91,852
Gains on disposal of tangible assets	–	(7,350)
Impairment of trade debtors	<u>(92,677)</u>	<u>79,935</u>

#### 7. Auditor's remuneration

	2022	2021
	£	£
Fees payable for the audit of the financial statements	<u>11,950</u>	<u>11,500</u>

#### 8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2022	2021
	No.	No.
Production staff	55	59
Management, engineering and administrative staff	34	37
	<u>89</u>	<u>96</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022	2021
	£	£
Wages and salaries	2,772,638	2,762,439
Social security costs	278,556	253,659
Other pension costs	<u>126,224</u>	<u>129,541</u>
	<u>3,177,418</u>	<u>3,145,639</u>

#### 9. Interest payable and similar expenses

	2022	2021
	£	£
Other interest payable and similar charges	<u>93</u>	<u>667</u>

#### 10. Tax on profit

##### Major components of tax expense

	2022	2021
	£	£
<b>Current tax:</b>		
UK current tax expense	117,100	154,369
Adjustments in respect of prior periods	<u>(17,559)</u>	<u>(14,620)</u>
Total current tax	<u>99,541</u>	<u>139,749</u>

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# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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#### 10. Tax on profit *(continued)*

	2022	2021
	£	£
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>17,509</b>	<u>9,227</u>
<b>Tax on profit</b>	<b>117,050</b>	<u>148,976</u>

#### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021
	£	£
Profit on ordinary activities before taxation	<b>651,916</b>	801,748
Profit on ordinary activities by rate of tax	<b>123,864</b>	152,332
Adjustment to tax charge in respect of prior periods	<b>(17,559)</b>	(14,620)
Effect of expenses not deductible for tax purposes	<b>654</b>	12,597
Effect of capital allowances and depreciation	<b>(7,418)</b>	(10,560)
Deferred tax	<b>17,509</b>	<u>9,227</u>
Tax on profit	<b>117,050</b>	<u>148,976</u>

#### Factors that may affect future tax expense

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021. This confirmed an increase to the corporation tax rate to 25% with effect from 1 April 2023.

Deferred taxes at the balance sheet date have been calculated based on the corporation tax rate of 25% that is enacted at the reporting date.

#### 11. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2022	2021
	£	£
Dividends on ordinary shares	<b>300,000</b>	<u>-</u>

# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

#### 12. Tangible assets

	Leasehold improvements £	Plant and machinery £	Equipment £	Total £
<b>Cost</b>				
At 1 January 2022	171,935	265,934	24,021	<b>461,890</b>
Additions	55,711	42,925	21,931	<b>120,567</b>
<b>At 31 December 2022</b>	<u>227,646</u>	<u>308,859</u>	<u>45,952</u>	<u><b>582,457</b></u>
<b>Depreciation</b>				
At 1 January 2022	12,101	202,115	9,133	<b>223,349</b>
Charge for the year	40,974	28,310	11,719	<b>81,003</b>
<b>At 31 December 2022</b>	<u>53,075</u>	<u>230,425</u>	<u>20,852</u>	<u><b>304,352</b></u>
<b>Carrying amount</b>				
<b>At 31 December 2022</b>	<u>174,571</u>	<u>78,434</u>	<u>25,100</u>	<u><b>278,105</b></u>
At 31 December 2021	<u>159,834</u>	<u>63,819</u>	<u>14,888</u>	<u>238,541</u>

#### 13. Stocks

	2022 £	2021 £
Raw materials and consumables	<u>1,733,975</u>	<u>1,717,391</u>

Stock is stated after provision for impairment of £179,418 (2021: £257,400).

#### 14. Debtors

	2022 £	2021 £
Trade debtors	<b>1,714,695</b>	1,606,514
Amounts owed by group undertakings	<b>423,955</b>	860,298
Prepayments and accrued income	<b>82,971</b>	104,982
Amounts recoverable on contracts	<b>1,843,997</b>	1,230,031
Other debtors	<b>107,824</b>	141,688
	<u><b>4,173,442</b></u>	<u>3,943,513</u>

The debtors above include the following amounts falling due after more than one year:

	2022 £	2021 £
Trade debtors	<b>24,619</b>	–
Other debtors	<b>63,471</b>	57,732
	<u><b>88,090</b></u>	<u>57,732</u>

# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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#### 14. Debtors *(continued)*

The directors made an assessment that circumstances which led to the initial recognition of an impairment provision have changed, indicating an increase in the recoverable amount of contract retentions.

Consequently, the impairment provisions were reversed to the sum of £92,677 with the gain recognised in the profit and loss.

Trade debtors are stated after provision for impairment of £254,748 (2021: £347,425).

#### 15. Creditors: amounts falling due within one year

	2022	2021
	£	£
Invoice discounting	1,077,480	845,988
Payments received on account	37,913	37,600
Trade creditors	1,454,563	801,333
Amounts owed to group undertakings	781,374	1,031,037
Accruals and deferred income	—	13,026
Corporation tax	57,003	72,369
Social security and other taxes	67,876	114,334
Other creditors	406,104	249,329
	<u>3,882,313</u>	<u>3,165,016</u>

Included within creditors are amounts owed to group undertakings of £781,374 (2021: £1,031,037). The liabilities are repayable on demand and have no interest charged.

Invoice discounting liabilities are secured by fixed and floating charges on the Company's interests in freehold, leasehold or other immovable property or in which the Group has an interest in all building trade fixtures and plant and machinery.

#### 16. Provisions

	Deferred tax (note 17) £
At 1 January 2022	40,087
Additions	17,509
<b>At 31 December 2022</b>	<u><b>57,596</b></u>

# Morris Line Engineering Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2022

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#### 17. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2022	2021
	£	£
Included in provisions (note 16)	<b>57,596</b>	40,087

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022	2021
	£	£
Accelerated capital allowances	<b>57,596</b>	40,087

#### 18. Employee benefits

##### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £126,224 (2021: £129,541).

#### 19. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2022	2021
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	—	9,171

#### 20. Called up share capital

##### Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

#### 21. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

#### 22. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2022	2021
	£	£
Not later than 1 year	<b>356,238</b>	335,832
Later than 1 year and not later than 5 years	<b>662,666</b>	797,295
Later than 5 years	—	57,500
	<b><u>1,018,904</u></b>	<b><u>1,190,627</u></b>

# **Morris Line Engineering Limited**

## **Notes to the Financial Statements *(continued)***

### **Year ended 31 December 2022**

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#### **22. Operating leases *(continued)***

During the year, property rental payments under non cancellable operating leases of £255,260 (2021: £246,077) were recognised as an expense in the profit and loss.