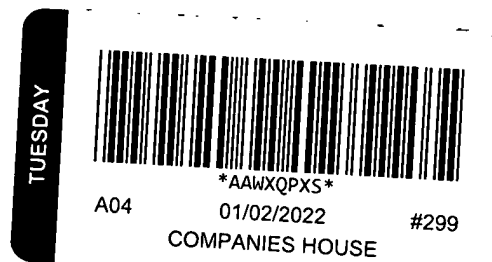


Registered number: 01405214

**Express Engineering (Gateshead)  
Limited**

**Annual report**

**30 September 2021**



# **Express Engineering (Gateshead) Limited**

## **Company information**

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<b>Directors</b>	W Barclay K Scott W Germaney G D Taylor G Thirlwell C S Thompson N Ransom
<b>Registered number</b>	01405214
<b>Registered office</b>	Kingsway North Team Valley Trading Estate Gateshead Tyne and Wear NE11 0EG
<b>Independent auditor</b>	UNW LLP Chartered Accountants Citygate St. James' Boulevard Newcastle upon Tyne Tyne and Wear NE1 4JE
<b>Bankers</b>	Lloyds Bank 102 Grey Street Newcastle upon Tyne NE1 6AG
<b>Solicitors</b>	Ward Hadaway LLP Sandgate House 102 Quayside Newcastle upon Tyne NE1 3DX

# **Express Engineering (Gateshead) Limited**

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# **Express Engineering (Gateshead) Limited**

## **Strategic report**

**Year ended 30 September 2021**

---

### **Introduction**

The directors present their report and company financial statements for the year ended 30 September 2021.

### **Principal activities and business review**

The company's principal activity during the year was contract manufacturing of complex components and building and testing high level critical systems and assemblies for a number of market sectors, primarily Oil & Gas but also in Nuclear and Defence.

The company achieved an EBITDA of £7.0m (2020: £6.8m) before taking account of any project costs. The EBITDA improvement was driven by an increase in sales to £37.1m (2020: £36.1m) supported through additional revenues from the Oil & Gas sector.

The directors' strategy to focus on servicing demand for assembled and tested products and leveraging its manufactured products and existing core capabilities has financial resilience in a challenging period. Performance has been supported by a recent upturn of estimating and order winning in a recovering Subsea Oil & Gas market.

Growth has been maintained despite the Covid-19 challenges and difficult market conditions which demonstrates the strong sector position and strategic business relationships with key accounts.

The company has a strong balance sheet and experienced management team, that continue to deliver added value and expertise to its key accounts. The company's balance sheet stands at £21.1m on 30 September 2021 (2020: £16.3m), providing a strong foundation and available financing facilities from which the company can deliver growth for its stakeholders.

### **Future developments**

The Covid-19 pandemic and the resultant market lows did not lead to a suppressed oil price for an extended period and the Brent price per barrel has made a "V" shaped recovery and is currently trading above \$70. Industry analysts are forecasting growth in Subsea production systems and equipment expenditure each year through to 2024, providing opportunity and healthy long-term prospects for Express.

The business is well placed to capitalise on these long-term market forecasts, by increasing its product portfolio and building on the strategic relationships working with its key accounts. It has continued to invest in capability and is delighted to have opened its new leading Test & Assembly facility during the year.

### **Covid-19**

The directors continue to prioritise the health and safety of our employees, customers and suppliers and acknowledge that the people in the business are key to designing and maintaining a sustainable and safe working environment. We are proud to have remained fully operational throughout the Covid-19 pandemic. All staff are well informed through ongoing open dialogue and consultation whilst the business continually monitors developments and policy changes that may require additional precautionary actions.

The global pandemic and associated market uncertainty had a short-term impact on order placement and that combined with the completion of several significant projects, caused a reduction in our order book that necessitated the company to make use of the government backed 'Job Retention Scheme' for a small number of employees in order to manage capacity, whilst long term market fundamentals and the impact of Covid-19 were assessed.

In consultation with customers, capacity was managed and aligned to match the short term reduced demand. The long-term market demand forecasts remain strong with previously deferred and delayed projects being released to the market.

The Covid-19 pandemic is not yet over. The company does however have a strong balance sheet and liquidity and is therefore well placed to cope with any further disruption or future challenges which the pandemic may provide.

## **Express Engineering (Gateshead) Limited**

### **Strategic report (continued)**

**Year ended 30 September 2021**

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#### **S172 statement**

The board consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be likely to promote the success of the company for the benefit of its stakeholders, and in doing so have regard (amongst other matters) to:

- a) The likely consequence on any decision in the long term;
- b) The interest of the company's employees;
- c) The need to foster business relationships with suppliers, customers and others;
- d) The impact of operations on the community and the environment;
- e) The desirability of the company maintaining a reputation for high standard of business conduct;
- f) The need to act fairly between members of the company

The board, continue to put the engagement with employees and the need to maintain strong business relationships with both customers and suppliers at the forefront of its business strategy.

#### **Environment**

The company aims not only to comply with environmental legislation but to incorporate environmental best practice in its key processes.

We recognise that being a responsible business requires a firm commitment to following conscientious environmental practices and we establish specific objectives and targets to continually reduce our environmental impact where possible.

Our employees and suppliers are expected to support our waste management and disposal programmes. We strive to segregate and dispose of waste in a way that minimizes adverse impacts.

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

The principal risks and uncertainties facing the company are broadly grouped as competitive, financial instrument risk and the use of derivatives.

#### **Competitive risks**

The company competes in an open market environment across all market sectors. The company's customers select suppliers based on a combination of factors including price, delivery, quality and reputation. The company has mitigated these risks by, wherever possible, entering into long-term partnership agreements with a number of its key accounts. The company also monitors key performance indicators (KPI's) including on-time delivery, cost of quality and quotation conversion rates to monitor its competitive position.

#### **Use of derivatives**

Where appropriate the company enters hedge agreements to mitigate foreign currency risk. There is limited exposure to foreign currency risk, but the company considers this limited and therefore there are no mitigating factors in place.

## **Express Engineering (Gateshead) Limited**

### **Strategic report (continued)**

**Year ended 30 September 2021**

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#### **Financial risk management policy**

The company's principal financial investments comprise cash and loans. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below.

#### **Price risk**

The company does not deem the exposure to price changes in their operating activity costs to be significant enough to consider any hedging activity.

#### **Credit risk**

The company has external debtors; however, the company undertakes assessments of its customers to ensure that credit is not extended where there is a likelihood of default.

#### **Interest rate risk**

The company finances its operations through bank loans and loan stock. The company has mitigated the risk of interest rate increases with fixed rates where possible.

#### **Liquidity risk**

The company's policy is to ensure that it has committed borrowing facilities in place, more than its peak forecast borrowings and cash flow projections. The company's bank debt facilities are monitored via bank covenants which are reported on a quarterly basis, although these are tracked by management monthly. All covenants have been met to date and are forecast to be met over the next 12 months.

#### **Cash flow risk**

The company manages this risk, by tracking and projecting cash flow on a weekly basis. By ensuring excess facilities are available to that forecast.

This report was approved by the board on 23 December 2021 and signed on its behalf by:



**G D Taylor**  
Director

# **Express Engineering (Gateshead) Limited**

## **Directors' report Year ended 30 September 2021**

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The directors present their report and the financial statements for the year ended 30 September 2021.

### **Results and dividends**

The profit for the year, after taxation, amounted to £4,792,487 (2020 - £5,398,517).

The directors do not recommend the payment of a final dividend (2020 - £nil).

### **Directors**

The directors who served during the year and changes since the year end were as follows:

W Barclay  
K Scott  
W Germaney  
G D Taylor  
G Thirlwell  
C S Thompson  
N Ransom

### **Greenhouse gas emissions, energy consumption and energy efficiency action**

The company's energy consumption for the year is 3,421,512kWh. The target set for yearly electricity consumption is 4,000,000kWh.

The company's greenhouse gas emissions for the year were 1,020 tonnes CO<sub>2</sub>, against a yearly target of 1,131 tonnes.

The information used to calculate our ratios is provided directly to the company by an industry expert. The data is tracked on a monthly basis and is presented to our internal health and safety committee during their regular meetings.

All electricity is purchased from a renewable energy source and the company sends zero waste to landfill as all waste is used to create for Refuse Derived Fuel. We constantly review our policies to ensure they are line with industry expectations and aim to better our targets year on year.

### **Matters covered in the strategic report**

Information regarding future developments and financial risk management objectives and policies, which would otherwise be disclosed in the directors' report are instead disclosed in the strategic report, as permitted by section 414c(11) of the Companies Act 2006.

### **Disclosure of information to auditor**

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 auditor is 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 auditor is aware of that information.

### **Post balance sheet events**

There have been no significant events affecting the company since the year end.

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## **Express Engineering (Gateshead) Limited**

### **Directors' report (continued)**

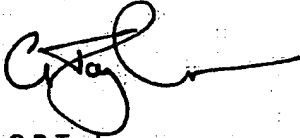
**Year ended 30 September 2021**

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#### **Auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

This report was approved by the board on 23 December 2021 and signed on its behalf by:



**G D Taylor**  
Director



## **Express Engineering (Gateshead) Limited**

### **Directors' responsibilities statement**

**Year ended 30 September 2021**

---

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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.



## **Independent auditor's report to the members of Express Engineering (Gateshead) Limited**

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### **Opinion**

We have audited the financial statements of Express Engineering (Gateshead) Limited ('the company') for the year ended 30 September 2021, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 30 September 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 '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 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.



## **Independent auditor's report to the members of Express Engineering (Gateshead) Limited (continued)**

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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 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.

### **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 7, 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.



## **Independent auditor's report to the members of Express Engineering (Gateshead) Limited (continued)**

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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:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and we discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines and litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law and certain aspects of company legislation, recognising the nature of the company's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the director and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not become aware of any actual or suspected non-compliance that was sufficiently significant to our audit or material.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with Auditing Standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Independent auditor's report to the members of Express Engineering (Gateshead) Limited (continued)**

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**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.

A handwritten signature in cursive script that reads 'Fern Rivett'.

**Fern Rivett BA ACA (Senior Statutory Auditor)**  
**for and on behalf of UNW LLP, Statutory Auditor**  
Chartered Accountants  
Newcastle Upon Tyne

Date: 23/12/21

## Express Engineering (Gateshead) Limited

### Statement of comprehensive income Year ended 30 September 2021

	Note	2021 £	2020 £
<b>Profit and loss account</b>			
Turnover	5	37,072,588	36,077,926
Cost of sales		(23,930,287)	(23,501,844)
<b>Gross profit</b>		<b>13,142,301</b>	<b>12,576,082</b>
Distribution costs		(22,015)	(38,686)
Administrative expenses		(7,926,407)	(7,497,491)
Other operating income	6	113,651	452,588
<b>Operating profit</b>	7	<b>5,307,530</b>	<b>5,492,493</b>
Interest receivable and similar income	11	-	2,588
Interest payable and similar charges	12	(66,191)	(119,391)
<b>Profit before taxation on ordinary activities</b>		<b>5,241,339</b>	<b>5,375,690</b>
Taxation on profit on ordinary activities	13	(448,852)	22,827
<b>Profit for the financial year</b>		<b>4,792,487</b>	<b>5,398,517</b>

There was no other comprehensive income for 2021 (2020: £nil).

The notes on pages 15 to 29 form part of these financial statements.


## Express Engineering (Gateshead) Limited

### Balance sheet

At 30 September 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	14	3,487,756	4,043,136
<b>Current assets</b>			
Stocks	15	3,609,156	7,819,050
Debtors	16	11,067,080	14,220,838
Bank and cash balances		10,318,331	4,598,038
		<u>24,994,567</u>	<u>26,637,926</u>
Creditors: amounts falling due within one year	17	(6,901,889)	(13,198,207)
<b>Net current assets</b>		<u>18,092,678</u>	<u>13,439,719</u>
<b>Total assets less current liabilities</b>		<u>21,580,434</u>	<u>17,482,855</u>
Creditors: amounts falling due after more than one year	18	(256,257)	(894,206)
<b>Provisions for liabilities</b>			
Other provisions	21	(235,109)	(292,068)
<b>Net assets</b>		<u>21,089,068</u>	<u>16,296,581</u>
<b>Capital and reserves</b>			
Called up share capital	22	100,000	100,000
Profit and loss account	23	20,989,068	16,196,581
<b>Total equity</b>		<u>21,089,068</u>	<u>16,296,581</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 December 2021.

  
G D Taylor  
Director

Company registered number: 01405214

The notes on pages 15 to 29 form part of these financial statements.

## **Express Engineering (Gateshead) Limited**

### **Statement of changes in equity Year ended 30 September 2021**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 October 2019</b>	<b>100,000</b>	<b>10,798,064</b>	<b>10,898,064</b>
<b>Profit for the year</b>	<b>-</b>	<b>5,398,517</b>	<b>5,398,517</b>
<b>At 1 October 2020</b>	<b>100,000</b>	<b>16,196,581</b>	<b>16,296,581</b>
<b>Profit for the year</b>	<b>-</b>	<b>4,792,487</b>	<b>4,792,487</b>
<b>At 30 September 2021</b>	<b>100,000</b>	<b>20,989,068</b>	<b>21,089,068</b>

The notes on pages 15 to 29 form part of these financial statements.



# Express Engineering (Gateshead) Limited

## Notes to the financial statements

Year ended 30 September 2021

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### 1. General information

Express Engineering (Gateshead) Limited ('the company') is engaged in contract engineering and manufacturing of complex components and assemblies in hard metals across a number of market sectors, predominantly Oil & Gas.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England. The address of the registered office is given in the company information page of the annual report.

### 2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', and the Companies Act 2006.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### 3.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with applicable accounting standards.

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### 3.2 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity and has taken advantage of the exemptions relating to the preparation of a cash flow statement. The consolidated financial statements of Express Engineering (Group) Limited include the equivalent key management personnel disclosures and a consolidated cash flow statement.

## **Express Engineering (Gateshead) Limited**

### **Notes to the financial statements**

**Year ended 30 September 2021**

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

##### **3.3 Going concern**

The company meets its working capital requirements through its operating cash flows supported by an invoice financing facility and bank loans, further details of which are provided in the notes to these financial statements.

The directors have prepared financial forecasts which indicate that the company will maintain sufficient financial headroom to enable it to continue meeting its liabilities as they fall due in the normal course of business for at least the next twelve months following approval of these financial statements. Relative to other companies, the company has experienced limited exposure to the impact of the Covid-19 global pandemic both in the year to 30 September 2021 and since the balance sheet date. This has been achieved through a strong order book, resulting in turnover of £37.1m (2020: £36.1m), supported by a diverse supply chain which includes domestic routes of supply. In line with government guidelines it has been open for trading throughout the lockdown period and has continued to trade profitably for the following year to date. The company utilised the Job Retention Scheme for a small number of employees. During this period, the company has also continued to maintain significant cash headroom, with further facilities available to ensure sufficient headroom is available should there be any further change in the trading environment in the next twelve months. The company maintained net current assets of £18.1m at 30 September 2021 which the directors consider is sufficient to fully mitigate the risks which remain during the current economic climate.

After making enquiries, the directors have a reasonable expectation that the company has adequate financial and other resources to continue in operational existence for the foreseeable future. Accordingly, the company continues to prepare the financial statements on a going concern basis.

##### **3.4 Revenue**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance and is measured at the fair value of the consideration receivable, excluding discounts and VAT. Revenue is recognised on the following bases:

###### **Sale of goods**

Revenue from the sale of goods is classified within turnover and is recognised when all performance conditions have been satisfied, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

###### **Interest income**

Income is recognised within interest receivable and similar income as interest accrues, using the effective interest method.

###### **Government grants**

Government grants in respect of specific projects are credited to a deferred income account and are released to the profit and loss account over the life of the project, subject to grant conditions being met.

Grants of a revenue nature are credited to income in the period to which they relate.

# Express Engineering (Gateshead) Limited

## Notes to the financial statements

Year ended 30 September 2021

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### 3. Accounting policies (continued)

#### 3.5 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### 3.6 Leases

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

Assets acquired under hire purchase arrangements and finance leases, where substantially all of the risks and rewards of ownership transfer to the lessee, are capitalised and the outstanding future obligations are shown in creditors.

#### 3.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 3.8 Employee benefits

##### Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

##### 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 balance sheet. The assets of the plan are held separately from the company in independently administered funds.

## Express Engineering (Gateshead) Limited

### Notes to the financial statements Year ended 30 September 2021

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#### 3. Accounting policies (continued)

##### 3.9 Taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax expense is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences arise from the inclusion of transactions and events in the financial statements in periods different from those in which they are assessed for tax.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

##### 3.10 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.

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

Depreciation is provided on the following basis:

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Leasehold improvements	- over the life of the lease
Plant and machinery	- 2 to 13 years
Motor vehicles	- 1 year
Fixtures and fittings	- 3 to 8 years
Computer equipment	- 3 to 8 years

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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.

# Express Engineering (Gateshead) Limited

## Notes to the financial statements

Year ended 30 September 2021

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### 3. Accounting policies (continued)

#### 3.11 Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value.

Work in progress and finished goods include the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

On a monthly basis, 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.

#### 3.12 Cash and cash equivalents

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

#### 3.13 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 balance sheet 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 balance sheet.

#### 3.14 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 non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

## Express Engineering (Gateshead) Limited

### Notes to the financial statements

Year ended 30 September 2021

#### 4. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Significant judgments in applying the company's accounting policies*

The cost of labour and attributable overhead is included in work in progress where the cost directly relates to the production of stock. This is released to the profit and loss account when the stock is sold. The level of labour and attributable overhead recognised in work in progress is judgmental based on productive labour hours and management's assessment of how much of the overhead cost directly relates to the production of stock.

In preparing these financial statements, the directors do not consider there to have been any other significant judgments that were required in the process of applying the company's accounting policies.

##### *Key sources of estimation uncertainty*

Estimates included within these financial statements include depreciation charges, calculation of warranty and dilapidations provisions and asset impairments (for example provisions against stock and debtors). None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

#### 5. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. The turnover and pre-tax profit is attributable to one continuing activity, namely precision engineering.

An analysis of turnover by geographical market is given below:

	2021 £	2020 £
United Kingdom	13,647,376	14,802,710
Europe	3,698,472	5,888,272
Rest of the world	19,726,740	15,386,944
	<u>37,072,588</u>	<u>36,077,926</u>

# Express Engineering (Gateshead) Limited

## Notes to the financial statements

Year ended 30 September 2021

### 6. Other operating income

	2021 £	2020 £
Other operating income	113,651	40,758
Government grants	-	411,830
	<u>113,651</u>	<u>452,588</u>

### 7. Operating profit

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

	2021 £	2020 £
Depreciation of tangible fixed assets	1,346,747	1,580,685
Other operating lease rentals	1,270,389	967,162
Profit on disposal of tangible fixed assets	(416,062)	(328,505)
Foreign exchange loss/(gains)	3,578	(1,616)
	<u>3,578</u>	<u>(1,616)</u>

### 8. Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	19,000	18,500
	<u>19,000</u>	<u>18,500</u>

Fees payable to the company's auditor and its associates in respect of:

Taxation compliance services	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

## Express Engineering (Gateshead) Limited

### Notes to the financial statements

Year ended 30 September 2021

#### 9. Employees

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

	2021 £	2020 £
Wages and salaries	8,448,682	8,460,310
Social security costs	850,844	839,688
Cost of defined contribution scheme	442,500	259,270
	<u>9,742,026</u>	<u>9,559,268</u>

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

	2021 No.	2020 No.
Administration	74	72
Manufacturing	139	134
Directors	7	7
	<u>220</u>	<u>213</u>

#### 10. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	780,007	632,695
Company contributions to defined contribution pension schemes	194,084	42,720
	<u>974,091</u>	<u>675,415</u>

During the year retirement benefits were accruing to 7 directors (2020 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £105,800 (2020 - £100,500).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £58,000 (2020 - £8,000).

#### 11. Interest receivable

	2021 £	2020 £
Bank interest receivable	-	2,588
	<u>-</u>	<u>2,588</u>



## Express Engineering (Gateshead) Limited

### Notes to the financial statements

Year ended 30 September 2021

#### 12. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	40,402	82,795
Finance leases and hire purchase contracts	25,789	36,596
	<u>66,191</u>	<u>119,391</u>

#### 13. Taxation

	2021 £	2020 £
<b>Corporation tax</b>		
UK Corporation tax on profits for the year	854,016	430,772
Adjustments in respect of previous periods	(405,164)	(453,599)
<b>Total current tax</b>	<u>448,852</u>	<u>(22,827)</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>448,852</u>	<u>(22,827)</u>

## Express Engineering (Gateshead) Limited

### Notes to the financial statements

Year ended 30 September 2021

#### 13. Taxation (continued)

##### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower 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	5,241,339	5,375,690
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	995,854	1,021,381
Effects of:		
Expenses not deductible for tax purposes	34,886	36,290
Adjustments to tax charge in respect of prior periods	(405,164)	(453,599)
Effects of group relief/other relief	(28,857)	(178,865)
Other differences leading to an increase in the tax charge	-	702
Unrecognised deferred tax movement	(147,867)	(448,736)
Total tax charge for the year	448,852	(22,827)

##### Factors that may affect future tax charges

The rate of corporation tax throughout the year was 19%. An increase to 25% is proposed from 1 April 2023.

## Express Engineering (Gateshead) Limited

### Notes to the financial statements Year ended 30 September 2021

#### 14. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 October 2020	403,985	21,705,135	4,054	2,116,116	24,229,290
Additions	52,629	479,970	10,383	256,605	799,587
Disposals	(35,355)	(5,880,428)	(9,554)	(1,715,377)	(7,640,714)
At 30 September 2021	421,259	16,304,677	4,883	657,344	17,388,163
<b>Depreciation</b>					
At 1 October 2020	361,574	17,873,597	1,087	1,949,896	20,186,154
Charge for the year	20,638	1,207,725	7,502	110,882	1,346,747
Disposals	(35,355)	(5,875,436)	(6,326)	(1,715,377)	(7,632,494)
At 30 September 2021	346,857	13,205,886	2,263	345,401	13,900,407
<b>Net book value</b>					
At 30 September 2021	74,402	3,098,791	2,620	311,943	3,487,756
At 30 September 2020	42,411	3,831,538	2,967	166,220	4,043,136

The net book value of plant and machinery above includes an amount of £793,513 (2020: £1,326,177) in respect of assets held under hire purchase contracts.

## Express Engineering (Gateshead) Limited

### Notes to the financial statements Year ended 30 September 2021

#### 15. Stocks

	2021 £	2020 £
Raw materials and consumables	27,561	79,011
Work in progress	3,581,595	7,740,039
	<u>3,609,156</u>	<u>7,819,050</u>

Work in progress is stated after provisions of £613,915 (2020: £727,887). The amount recognised in the profit and loss account in respect of this during the period was a credit of £113,972 (2020: £697,368 debit).

#### 16. Debtors

	2021 £	2020 £
Trade debtors	6,545,519	9,731,756
Amounts owed by group undertakings	3,616,190	3,616,190
Other debtors	168,279	334,792
Prepayments and accrued income	737,092	538,100
	<u>11,067,080</u>	<u>14,220,838</u>

Trade debtors is stated after provisions of £nil (2020: £nil). The amounts debited to the profit and loss account in respect of this during the period was £268 (2020: £nil).

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

	2021 £	2020 £
Bank loans (note 19)	404,667	404,664
Payments received on account	500,311	5,562,304
Trade creditors	2,224,337	3,163,595
Amounts owed to group undertakings	1,363,851	1,363,851
Corporation tax	854,016	436,756
Other taxation and social security	288,937	214,552
Net obligations under finance lease and hire purchase contracts (note 20)	206,279	622,197
Accruals and deferred income	1,059,491	1,430,288
	<u>6,901,889</u>	<u>13,198,207</u>

## Express Engineering (Gateshead) Limited

### Notes to the financial statements

Year ended 30 September 2021

#### 18. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Bank loans (note 19)	209,055	640,725
Net obligations under finance leases and hire purchase contracts (note 20)	47,202	253,481
	<u>256,257</u>	<u>894,206</u>

#### 19. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
<b>Amounts falling due within one year</b>		
Bank loans	404,667	404,664
<b>Amounts falling due 1-2 years</b>		
Bank loans	209,055	640,725
	<u>613,722</u>	<u>1,045,389</u>

The loan is a term loan facility provided in April 2017 by Shawbrook Bank Limited secured against certain plant and equipment. This facility was reset in May 2019 and is now payable in equal monthly installments through to April 2023 with interest being charged monthly at the Bank of England base rate +4.50%.

In addition to the plant and equipment term loan, in April 2017 Shawbrook Bank made available an invoice finance facility. This facility allows up to £10m of invoice finance, subject to various concentration limited and eligibility conditions, with a discount rate of the Bank of England base rate +2.25%. The facility is currently unutilised.

#### 20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	213,618	647,985
Between 1-5 years	48,283	261,901
Less: finance charges allocated to future periods	(8,420)	(34,209)
	<u>253,481</u>	<u>875,677</u>

Hire purchase liabilities are secured over the assets to which they relate.

## Express Engineering (Gateshead) Limited

### Notes to the financial statements Year ended 30 September 2021

#### 21. Provisions

	Warranty provision £
At 1 October 2020	292,068
Credited to the profit and loss account	(56,959)
At 30 September 2021	<u>235,109</u>

#### 22. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
100,000 (2020 - 100,000) Ordinary shares of £1.00 each	<u>100,000</u>	<u>100,000</u>

#### 23. Reserves

##### Profit and loss account

The profit and loss account reserve represents cumulative profits and losses, net of dividends and other adjustments.

#### 24. Contingent liabilities

Shawbrook Bank Limited provided facilities to the group, headed by Express Engineering (Group) Limited, which included an invoice financing facility and bank loans, further detail can be found in note 19 to these financial statements.

The facilities are secured at the balance sheet date by fixed and floating charges over the assets of the group headed by Express Engineering (Group) Limited.

At the year end, these borrowings totaled £613,722 (2020: £1,045,389).

#### 25. Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in other taxation and social security, are £67,226 (2020: £66,353).

## Express Engineering (Gateshead) Limited

### Notes to the financial statements

Year ended 30 September 2021

#### 26. Commitments under operating leases

At 30 September 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Within one year	1,137,915	887,631
Within two to five years	2,460,300	1,740,713
	<u>3,598,215</u>	<u>2,628,344</u>

#### 27. Related party transactions

Mr D Thompson, a close member of Mr C Thompson's family received amounts of £44,521 in the year (2020: £36,105), no outstanding amounts were owed to Mr D Thompson at the balance sheet date (2020: £nil).

Mr W Taylor, a close member of Mr C Thompson's family received amounts of £8,425 in the year (2020: £10,970), no outstanding amounts were owed to Mr W Taylor at the balance sheet date (2020: £nil).

Mr S Taylor, a close member of Mr C Thompson's family received amounts of £13,921 in the year (2020: £nil), no outstanding amounts were owed to Mr S Taylor at the balance sheet date (2020: £nil).

As the company is an indirectly owned subsidiary of Express Engineering (Group) Limited, the company has taken advantage of the exemption contained in FRS 102 from disclosure of related party transactions between wholly-owned subsidiaries and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the group.

#### 28. Parent undertaking preparing consolidated accounts

The company is a wholly owned subsidiary undertaking of Express Engineering (Holdings) Limited, a company registered in England. The ultimate parent undertaking is Express Engineering (Group) Limited, a company registered in England. The only group company to consolidate these financial statements is Express Engineering (Group) Limited. Copies of Express Engineering (Group) Limited consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The directors do not consider there to be a controlling party of Express Engineering (Group) Limited.

