

# **WILTON ENGINEERING SERVICES LIMITED**

Annual Report and Financial Statements  
for the Year Ended 30 June 2021

# Wilton Engineering Services Limited

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# Wilton Engineering Services Limited

## Company Information

<b>Directors</b>	C Stobbs W Scott S Glenn P J Johnson S Pearson
<b>Company secretary</b>	C Stobbs
<b>Registered office</b>	Wilton Group Head Office Port Clarence Offshore Base Port Clarence Road Middlesbrough Cleveland TS2 1RZ
<b>Auditor</b>	Azets Audit Services Chartered Accountants & Statutory Auditor Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS

# Wilton Engineering Services Limited

## Strategic Report for the Year Ended 30 June 2021

The directors present their strategic report for the year ended 30 June 2021.

### Principal activity

The principal activity of the company is the manufacture and commissioning of marine, offshore and subsea projects, and the provision of design and engineering services to the marine, offshore and subsea sectors.

### Fair review of the business

The company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Financial performance			
Turnover	£	10,834,545	6,084,777
Gross profit	£	778,782	409,881
Operating loss	£	(849,252)	(1,017,519)
Tax credit	£	432,773	174,325
Loss after tax	£	(472,900)	(931,738)
Net (overdraft)/cash	£	(483,472)	625,114
Net current (liabilities)/assets	£	(1,246,873)	5,486,206
Net assets	£	8,099,441	8,572,341

Wilton Engineering Services Limited (WES) demonstrates positive net assets at the year-end despite ongoing difficult trading conditions in the Oil and Gas sector.

The Directors previously identified a need to diversify into new markets to minimise fluctuations and the impact of downturns in Oil & Gas. However, to achieve the set targets it has taken longer than anticipated, from March 2020 the positive impact of this work started to take effect and a significant increase in order book has been achieved. However, the benefits of the improved order book have not yet been fully demonstrated in terms of delivery due to the ongoing impact of COVID throughout the year.

To allow sufficient time to implement the strategy, the Wilton Universal Group received an additional CBILS loan of £750k. The funding is secured by a Cross Guarantee over the assets of Port Clarence Logistics Limited (PCL), a related party. The strength of PCL's asset base and its continuing support allowed the company the required time to deliver a more diverse customer base. At the end of June 2021, the order book stood at £11.5m and this has increased to £18.0m at the end of May 2022 as the company successfully secured orders across Oil & Gas, Defence and Mining.

The Directors identified a longer-term need for manufacturing facilities, storage and logistics to meet future demands in both Defence and Renewable sectors. To take full advantage of this, the company acquired an additional 58 acre site (Haverton Hill) adjacent to the existing facility creating a 112 acre site in June 2021. The benefits of this have already allowed the company to expand its offering in Logistics and Defence and given the company an additional income stream. The site is expected to have a good range of opportunities in operation on the site by June 2022. Funding for the site was secured by a £4.1m bridging loan in January 2022, secured on the land and buildings of the Haverton Hill site.

# **Wilton Engineering Services Limited**

## **Strategic Report for the Year Ended 30 June 2021 (continued)**

In response to COVID-19 the Directors acted immediately to take mitigations to minimise the impact on trading including:

- Taking advantage of government support through tax deferment scheme.
- Secured additional support from the bank including a Capital payment holiday.
- Secured a £750,000 CBILS loan, which was extended to £1,500,000 in May 2021.
- Put working procedures in place to meet government guidelines for safe working practices:
  - o where possible employees to work from home;
  - o implement new requirements and social distancing arrangements for all those remaining on site;
  - o all employees working on third party sites were temporarily furloughed until they were able to safely return following a risk assessment.

- Identified the Company fell under key worker status and operated throughout the ongoing COVID-19 restrictions.

There has been an impact on efficiencies and project schedules in Wilton while the new measures were implemented. New forecasts have been prepared taking fully into account the adjustments required following COVID-19 and any ongoing risks perceived by the Directors.

The Directors have sensitised and reviewed profit forecasts and cashflow for the next twelve months considering COVID-19 mitigations and continued to carefully manage the company's working capital position during the year to ensure that the business has and continues to operate within its agreed funding facilities.

The current order book turnover is forecast to increase in the current year while enquiries and prospects remain strong. The Directors are confident the company will continue to trade within its available facilities and the business will return to profitability for the foreseeable future.

### **Principal risks and uncertainties**

#### **Employee risks**

The company has adopted strict working practices and is ensuring employees are not working in close contact. This includes production staff being split into smaller groups to enable social distancing can be adhered to at all times. Those employees who are able to work from home have been and continue to do so.

#### **Supply chain**

The company's continued success is reliant on maintaining strong working relationships with all its suppliers. Significant effort is placed on working with suppliers to ensure minimal disruption to the supply and distribution of products. The company made a significant order of materials prior to the UK lockdown which has helped to mitigate this risk.

#### **Customer risk**

The company has a very strong relationship with its current key customers which are regarded as 'blue chip' and continue to operate at full capacity despite Covid-19, with new orders being received throughout the UK lockdown.

#### **Credit and liquidity risk**

The directors acknowledge the principal risk to the company's operations is exposure arising from working on substantial contracts and fluctuations in the timings of cash flows from these contracts. Control and management of this risk during the year has been encouraging, and every effort will be made to maintain and improve on this going forward.

#### **Impact of COVID-19 virus**

The company continues to monitor the ongoing developments and has a business continuity plan in place to ensure we minimise the impact on both our customers and employees.

## **Wilton Engineering Services Limited**

### **Strategic Report for the Year Ended 30 June 2021 (continued)**

Approved by the Board on 22 June 2022 and signed on its behalf by:

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C Stobbs

Company secretary and director

# **Wilton Engineering Services Limited**

## **Directors' Report for the Year Ended 30 June 2021**

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

### **Directors of the company**

The directors who held office during the year were as follows:

C Stobbs - Company secretary and director

W Scott

S Glenn

P J Johnson

S Pearson

### **Information included in the Strategic Report**

The company's principal risks and uncertainties, which would otherwise be disclosed in the directors' report, are instead disclosed in the strategic report, as permitted by s414C(11) of the Companies Act 2006.

### **Financial instruments**

#### ***Objectives and policies***

The company finances its activities with a combination of bank loans, finance leases and hire purchase contracts, cash and short term deposits. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

### **Future developments**

Based on the current order book and further prospects currently in the order pipeline, alongside cost reduction actions implemented over recent years, the directors are confident the company will continue to trade within its available financial resources and see a return to profitability.

The short to medium term business strategy is focused on developing strategic partnerships with good quality clients and exploring new markets including offshore wind, energy from waste, nuclear, overseas markets and decommissioning. The board and senior management team will continue to focus on business winning across all markets, continuous improvement in efficiencies and ensuring the appropriate control environment is maintained.

### **Going concern**

The financial statements have been prepared on a going concern basis.

The company meets its day to day working capital requirements through cash generated from operations and external and related party borrowings. Further details are provided in Note 2 to the financial statements.

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

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

# **Wilton Engineering Services Limited**

## **Directors' Report for the Year Ended 30 June 2021 (continued)**

### **Reappointment of auditor**

Azets Audit Services Limited, trading as Azets Audit Services, were appointed auditor to the company following their acquisition of the trade of Tait Walker LLP, trading as MHA Tait Walker, on 1 May 2022. The auditor Azets Audit Services will be deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 22 June 2022 and signed on its behalf by:

.....

C Stobbs

Company secretary and director



# **Wilton Engineering Services Limited**

## **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Annual 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 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 apply them consistently;
- make judgements 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; and
- 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.

# **Wilton Engineering Services Limited**

## **Independent Auditor's Report to the Members of Wilton Engineering Services Limited**

### **Opinion**

We have audited the financial statements of Wilton Engineering Services Limited (the 'company') for the year ended 30 June 2021, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its loss 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 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our 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.

# **Wilton Engineering Services Limited**

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

### **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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our 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 and the Directors' Report.

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

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

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 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.

### **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:

## **Wilton Engineering Services Limited**

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

- enquiry of management around actual and potential litigation and claims;
- enquiry of management to identify any instances of non-compliance with laws and regulations;
- challenging assumptions and judgements made by management in their significant accounting estimates; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; employment law (including the Working Time Directive); anti-bribery and corruption; and compliance with the UK Companies Act and tax legislation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities is available 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.

#### **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.

.....  
Christopher Potter BA (Hons) ACA (Senior Statutory Auditor)

For and on behalf of Azets Audit Services

Chartered Accountants

Statutory Auditor

Bulman House

Regent Centre

Gosforth

Newcastle upon Tyne

NE3 3LS

28 June 2022

Azets Audit Services is a trading name of Azets Audit Services Limited.

# Wilton Engineering Services Limited

## Income Statement for the Year Ended 30 June 2021

	Note	2021 £	2020 £
Turnover	<u>3</u>	10,834,545	6,084,777
Cost of sales		<u>(10,055,763)</u>	<u>(5,674,896)</u>
Gross profit		778,782	409,881
Administrative expenses		(1,749,552)	(1,457,400)
Other operating income	<u>4</u>	<u>121,518</u>	<u>30,000</u>
Operating loss	<u>5</u>	(849,252)	(1,017,519)
Other interest receivable and similar income	<u>6</u>	-	577
Interest payable and similar expenses	<u>7</u>	<u>(56,421)</u>	<u>(89,121)</u>
Loss before tax		(905,673)	(1,106,063)
Taxation	<u>11</u>	<u>432,773</u>	<u>174,325</u>
Loss for the financial year		<u><u>(472,900)</u></u>	<u><u>(931,738)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 14 to 30 form an integral part of these financial statements.

# Wilton Engineering Services Limited

(Registration number: 02945270)

## Statement of Financial Position as at 30 June 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	<u>12</u>	9,848,017	2,310,895
Investments	<u>13</u>	1,720,000	1,720,000
		<u>11,568,017</u>	<u>4,030,895</u>
<b>Current assets</b>			
Debtors (including non-current debtors of £459,735 (2020: £459,735))	<u>14</u>	15,040,985	12,298,873
Cash at bank and in hand		584	625,144
		<u>15,041,569</u>	<u>12,924,017</u>
<b>Creditors: Amounts falling due within one year</b>	<u>15</u>	<u>(16,288,442)</u>	<u>(7,437,811)</u>
<b>Net current (liabilities)/assets</b>		<u>(1,246,873)</u>	<u>5,486,206</u>
<b>Total assets less current liabilities</b>		10,321,144	9,517,101
<b>Creditors: Amounts falling due after more than one year</b>	<u>15</u>	<u>(2,221,703)</u>	<u>(944,760)</u>
<b>Net assets</b>		<u>8,099,441</u>	<u>8,572,341</u>
<b>Capital and reserves</b>			
Called up share capital	<u>18</u>	919	919
Share premium reserve	<u>19</u>	6,799,554	6,799,554
Capital redemption reserve	<u>19</u>	49	49
Profit and loss account	<u>19</u>	1,298,919	1,771,819
<b>Total equity</b>		<u>8,099,441</u>	<u>8,572,341</u>

Approved and authorised by the Board on 22 June 2022 and signed on its behalf by:

.....  
S Pearson  
Director

The notes on pages 14 to 30 form an integral part of these financial statements.

# Wilton Engineering Services Limited

## Statement of Changes in Equity for the Year Ended 30 June 2021

	Share capital	Share premium	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 July 2019	919	6,799,554	49	2,703,557	9,504,079
Loss for the year	-	-	-	(931,738)	(931,738)
Total comprehensive income	-	-	-	(931,738)	(931,738)
At 30 June 2020	919	6,799,554	49	1,771,819	8,572,341

  

	Share capital	Share premium	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 July 2020	919	6,799,554	49	1,771,819	8,572,341
Loss for the year	-	-	-	(472,900)	(472,900)
Total comprehensive income	-	-	-	(472,900)	(472,900)
At 30 June 2021	919	6,799,554	49	1,298,919	8,099,441

The notes on pages 14 to 30 form an integral part of these financial statements.

# **Wilton Engineering Services Limited**

## **Notes to the Financial Statements for the Year Ended 30 June 2021**

### **1 General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is Wilton Group Head Office, Port Clarence Offshore Base, Port Clarence Road, Middlesbrough, Cleveland, TS2 1RZ.

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

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 years presented, unless otherwise stated.

#### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are prepared in sterling which is the functional currency of the entity.

#### **Summary of disclosure exemptions**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

The company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

#### **Name of parent of group**

These financial statements are consolidated in the financial statements of Wilton Universal Group Limited.

The consolidated financial statements of Wilton Universal Group Limited may be obtained from Companies House.

#### **Group accounts not prepared**

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. The financial statements present information about the company as an individual undertaking and not about its group.



# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 2 Accounting policies (continued)

#### Going concern

The financial statements have been prepared on a going concern basis.

The company is part of a group headed by Wilton Universal Group Limited. The company and its group are party, as chargors, to a funding facility in the form of a £4m term loan to Port Clarence Logistics Limited, a company under common control. This term loan is repayable in quarterly instalments of £110,000 plus a final instalment of £2,309,000 due in September 2024. In addition, during the year the company entered into two CBILs loans totalling £1.5m whose monthly repayments commence in August 2021 with the final instalment due in June 2026.

The company has recorded a loss before tax of £905,673 in the year ended 30 June 2021 and has net current liabilities of £1,246,873 at the year end including £3,958,418 due to Port Clarence Logistics Limited and a creditor of £6,000,000 in relation to the purchase of the Haverton Hill site in June 2021 which was financed by a bridging loan of £4.1m in January 2022 due for repayment in January 2023. The directors intend to refinance the bridging loan in or before January 2023 and, given the valuation of the property on which this would be secured, are confident that the loan would be successfully refinanced. Port Clarence Logistics Limited has indicated that it will not seek repayment of the amount due to it until such time as the company has the funds available to make such repayments. The company meets its day to day working capital requirements through cash generated from operations and these related party borrowings and bank loans.

The company and group's forecasts and projections for the next twelve months show that the company should be able to continue in operational existence for that period, taking into account anticipated developments and reasonably possible changes in trading performance and the timing of work alongside the continuing financial support of Port Clarence Logistics Limited. This also considers the impact of the COVID-19 pandemic and the hostilities in Ukraine on the wider economy and the effectiveness of available measures to assist in mitigating this impact and allow management to continue to carefully manage the group's working capital position to allow it to trade within its available facilities. The current order book is forecast to continue to increase in the coming year and tender activity levels and enquires are high. A letter of support has been received from Port Clarence Logistics Limited.

Although the forecast prepared taking account of the matters above support the ability of the company to remain a going concern and to be able to trade and meets its debts as they fall due, the full impact on the wider economy of the pandemic and the hostilities in Ukraine and the underlying trading assumptions used in forecasting are judgemental and difficult to predict and could be subject to significant variation. However, based on the factors set out above, the directors believe that there is no material uncertainty in relation to going concern and that the company has adequate financial resources to continue in operational existence for at least twelve months from the date of signing the financial statements and therefore the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 2 Accounting policies (continued)

#### Judgements

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:

As disclosed in note 14, the company is owed significant amounts by fellow group undertakings for which judgement is required in assessing whether any impairment of amounts receivable is required. Having regard for the company's expected future financial performance and that of its fellow group companies, on which their conclusion depends, the directors do not consider the group receivables to be impaired at the balance sheet date.

#### Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Application of construction contract accounting - The amount of revenue and profit recognised in relation to contracts which are part complete at the balance sheet date is dependent on estimates of the further costs that will be required to complete the contract and hence the overall profitability of the contract.

Estimates of further costs (and potential revenue variations) are continually evaluated and updated, based on management's detailed knowledge of the project status and contractual requirements.

Judgement is then required to assess the reliability of the estimates, which are affected by various factors, including the specific requirements of the contract (ie. whether 'routine' or specialised in nature) and the stage of completion of the project. The amount of revenue and profit recognised reflects management's judgement of these factors.

Revenue recognised in excess of amounts invoiced to customers is recognised within debtors as amounts recoverable on contracts. Payments and invoices in excess of revenue recognised on individual contracts are included in creditors as payments received on account.

The carrying amount of work in progress within debtors at year end is £1,041,316 (2020 - £263,412) and the carrying amount of payments on account within creditors at year end is £1,395,406 (2020 - £427,370).

Useful economic lives of tangible assets - The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The carrying amount is £9,848,017 (2020 - £2,310,895).

# **Wilton Engineering Services Limited**

## **Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)**

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

#### **Revenue recognition**

Turnover comprises revenue recognised in respect of services supplied under contract during the year, net of discounts and excluding Value Added Tax.

When the outcome of a construction contract can be estimated reliably, contract costs and turnover are recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to the proportion that contract costs to date bear to the total estimated contract costs.

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

When it is probable that contract costs will exceed the total contract turnover, the expected loss is recognised as an expense immediately.

Revenue recognised in excess of amounts invoiced to customers is recognised within debtors as amounts recoverable on contracts. Payments and invoices in excess of revenue recognised on individual contracts are included in creditors as payments received on account.

#### **Government grants**

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

Government grants relating to the costs incurred by the company are recognised in the income statement over the period necessary to match them with costs that they are intended to compensate. Government grants are presented separately and disclosed in Other operating income in the income statement.

Other operating income includes the UK Government assistance provided through Coronavirus Job Retention Scheme during the COVID-19 pandemic.

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are translated into sterling using the spot exchange rate at the dates of the transactions. At each period end, foreign currency monetary assets and liabilities are translated using the closing rate. Foreign exchange gains and losses are recognised in the profit and loss account.

#### **Tax**

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

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

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements. Unrelieved tax losses and other deferred tax assets are recognised when 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 and that are expected to apply to the reversal of the timing difference.

#### Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	five to twenty years straight line
Leasehold improvements	five to twenty years straight line
Plant and machinery	three to ten years straight line
Motor vehicles	one to five years straight line
Fixtures and fittings	one to five years straight line

#### Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment. Dividends on equity securities are recognised in income when receivable.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

# **Wilton Engineering Services Limited**

## **Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)**

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

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 2 Accounting policies (continued)

#### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

#### Share based payments

The company provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value at the date of the grant. To the extent material, the fair value (excluding the effect of non-market based vesting conditions) is expensed on a straight line basis over the vesting period. The amount recognised as an expense is adjusted periodically to reflect revisions to the actual number of share options that are expected to vest.

The company has no cash-settled share-based payment arrangements.

### 3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £	2020 £
Rendering of services	10,834,545	6,084,777

### 4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £	2020 £
Government grants	121,518	30,000

Included within government grants is £91,518 relating to income recognised in respect of the interest free period of a government backed loan received under the Coronavirus Business Interruption Loan Scheme.

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 5 Operating loss

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	239,546	254,863
Operating lease expense - plant and machinery	521,231	90,813

### 6 Other interest receivable and similar income

	2021 £	2020 £
Interest income on bank deposits	-	577

### 7 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and borrowings	-	44,362
Interest on obligations under finance leases and hire purchase contracts	173	2,430
Interest expense on other finance liabilities	56,248	42,329
	56,421	89,121

### 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £	2020 £
Wages and salaries	2,388,278	1,976,951
Social security costs	260,021	216,220
Pension costs, defined contribution scheme	78,787	65,970
	2,727,086	2,259,141

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Directors	4	4
Management and administration	18	13
Production	36	30
	58	47

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	326,644	308,477
Contributions paid to money purchase schemes	18,536	21,796
	<u>345,180</u>	<u>330,273</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Received or were entitled to receive shares under long term incentive schemes	2	2
Exercised share options	-	-
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid director:

	2021 £	2020 £
Remuneration	114,424	110,308
Company contributions to money purchase pension schemes	<u>3,600</u>	<u>3,600</u>

### 10 Auditor's remuneration

	2021 £	2020 £
Audit of the financial statements	<u>15,810</u>	<u>15,500</u>

### 11 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
<b>Current taxation</b>		
UK corporation tax	(432,773)	(151,602)
Group relief receivable	<u>-</u>	<u>(22,723)</u>
Tax receipt in the income statement	<u>(432,773)</u>	<u>(174,325)</u>



# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 11 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Loss before tax	(905,673)	(1,106,063)
Corporation tax at standard rate	(172,078)	(210,152)
Effect of revenues exempt from taxation	(573,082)	(204,351)
Effect of expense not deductible in determining taxable profit (tax loss)	706,158	91,956
Effect of tax losses	567,081	198,651
(Decrease)/increase from tax losses for which no deferred tax asset was recognised	(528,079)	101,173
Tax decrease from effect of adjustment in research and development tax credit	(432,773)	(151,602)
Total tax credit	(432,773)	(174,325)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% from 19%, as previously enacted. This new law was substantively enacted on 24 May 2021. The deferred tax balances at 30 June 2021 have been calculated based on these enacted tax rates.

### Deferred tax

Deferred tax assets and liabilities

2021	Asset £
Fixed Asset timing differences	(22,972)
Short term timing	376
Tax losses	590,243
Research and development credits	2,281
Capital gain	(569,928)
	-

There are £819,000 of unused tax losses (2020 - £2,229,000) for which no deferred tax asset is recognised in the Statement of Financial Position. There existed a net unrecognised deferred tax asset of £205,000 (2020 - £424,000) in respect of these losses together with fixed asset and other timing differences. The deferred tax asset has not been recognised until such time as its recovery can be assessed with reasonable certainty.

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 12 Tangible assets

	Land and buildings £	Long leasehold land and buildings £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost or valuation</b>						
At 1 July 2020	-	2,188,242	629,216	1,658,843	41,756	4,518,057
Additions	6,220,290	-	35,588	1,520,790	-	7,776,668
At 30 June 2021	6,220,290	2,188,242	664,804	3,179,633	41,756	12,294,725
<b>Depreciation</b>						
At 1 July 2020	-	720,077	606,506	838,823	41,756	2,207,162
Charge for the year	-	83,399	18,360	137,787	-	239,546
At 30 June 2021	-	803,476	624,866	976,610	41,756	2,446,708
<b>Carrying amount</b>						
At 30 June 2021	6,220,290	1,384,766	39,938	2,203,023	-	9,848,017
At 30 June 2020	-	1,468,165	22,710	820,020	-	2,310,895

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 12 Tangible assets (continued)

Included within the net book value of land and buildings above is £6,220,290 (2020 - £Nil) in respect of freehold land and buildings and £1,384,766 (2020 - £1,468,165) in respect of long leasehold land and buildings.

### Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2021	2020
	£	£
Plant and machinery	-	93,889

### 13 Investments

	2021	2020
	£	£
Investments in subsidiaries	1,720,000	1,720,000
<b>Subsidiaries</b>		£
<b>Cost or valuation</b>		
At 1 July 2020		1,720,000
At 30 June 2021		1,720,000
<b>Provision</b>		
At 1 July 2020		-
At 30 June 2021		-
<b>Carrying amount</b>		
At 30 June 2021		1,720,000
At 30 June 2020		1,720,000

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 13 Investments (continued)

#### Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2021	2020
Subsidiary undertakings				
Universal Coatings & Services Limited	Port Clarence Offshore Base, Port Clarence Road, Middlesbrough, TS2 1RZ United Kingdom	Ordinary Shares	100%	100%
Wilton Marine Services Limited	Port Clarence Offshore Base, Port Clarence Road, Middlesbrough, TS2 1RZ United Kingdom	Ordinary Shares	100%	100%

#### Subsidiary undertakings

The principal activity of Universal Coatings & Services Limited is industrial shotblasting and painting.

The principal activity of Wilton Marine Services Limited is that of a non-trading, dormant entity.

### 14 Debtors

	2021	2020
	£	£
Trade debtors	1,683,196	1,201,450
Amounts owed by group undertakings	9,829,420	9,829,420
Other debtors	1,778,466	712,235
Prepayments	124,223	95,906
Gross amount due from customers for contract work	1,041,316	236,412
Corporation tax asset	584,364	223,450
	15,040,985	12,298,873
Total non current element of loans and receivables	(459,735)	(459,735)
	<u>14,581,250</u>	<u>11,839,138</u>

#### Details of non-current trade and other debtors

£459,735 (2020 - £459,735) of other debtors are classified as non current. Other debtors includes cash deposits of £459,735 due after one year (2020 - £459,735) to secure customer bonds. The deposits are held in a bank account in the company's name, however the company is unable to utilise the funds until the expiry of the bond. £155,605 is due for release by December 2022 and £304,130 is due for release by September 2023.

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 15 Creditors

	Note	2021 £	2020 £
<b>Due within one year</b>			
Loans and borrowings	<u>16</u>	633,746	19,302
Trade creditors		9,184,493	1,632,123
Amounts owed to group undertakings		64,580	441,620
Social security and other taxes		188,277	493,353
Other creditors		4,443,563	4,323,616
Accrued expenses		378,377	100,427
Gross amount due to customers for contract work		<u>1,395,406</u>	<u>427,370</u>
		<u>16,288,442</u>	<u>7,437,811</u>
<b>Due after one year</b>			
Loans and borrowings	<u>16</u>	1,741,703	434,760
Deferred income		<u>480,000</u>	<u>510,000</u>
		<u>2,221,703</u>	<u>944,760</u>

### 16 Loans and borrowings

	2021 £	2020 £
<b>Current loans and borrowings</b>		
Bank borrowings	149,690	-
Bank overdrafts	484,056	-
Hire purchase and finance lease liabilities	<u>-</u>	<u>19,302</u>
	<u>633,746</u>	<u>19,302</u>

Bank overdrafts are secured by a fixed and floating charge over all the assets of the company, of its group headed by Wilton Universal Group Limited and of Port Clarence Logistics Limited, an entity subject to common control.

During the prior year, the company and its group became party, as chargors, to a new funding facility in the form of a term loan to Port Clarence Logistics Limited. The new facility which is a £4m secured loan repayable over 5 years and subject to interest at 2.95% was utilised to redeem the previously held bank overdraft, with the balance of funds available to fund the group's working capital requirements and those of Port Clarence Logistics Limited.

During the year, the company entered into two separate loan agreements to borrow a total of £1.5m under the government's Coronavirus Business Interruption Loan Scheme (CBILS). These loans are guaranteed by the Secretary of State. The first loan of £0.75m incurs interest at a fixed rate of 7% and the second loan of £0.75m incurs interest at a fixed rate of 6%, although no interest is payable on either loan in the first twelve months. The loans will be repaid in monthly repayments commencing in August 2021 and the final instalment is due in June 2026. The carrying amount at year end is £1,455,288 (2020 - £nil).

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 16 Loans and borrowings (continued)

	2021 £	2020 £
<b>Non-current loans and borrowings</b>		
Bank borrowings	1,305,598	-
Other borrowings	436,105	434,760
	<u>1,741,703</u>	<u>434,760</u>

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate. Other loans outstanding at the year end are secured by a cash deposit and by a fixed and floating charge over the company's other assets together with those of fellow group companies and of Port Clarence Logistics Limited.

### 17 Pension and other schemes

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £78,787 (2020 - £65,970).

Contributions totalling £3,762 (2020 - £4,715) were payable to the scheme at the end of the year and are included in creditors.

### 18 Share capital

#### Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Ordinary shares of £0.01 each	91,937	919	91,937	919

# Wilton Engineering Services Limited

## Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)

### 19 Reserves

#### Share premium

The share premium account represents the premium arising on the issue of shares, net of issue costs.

#### Capital redemption reserve

The capital redemption reserve arose from a company purchase of own shares in 2010 and is not distributable.

#### Profit and loss account

The profit and loss account represents the company's cumulative profits and losses, net of cumulative dividends paid and other adjustments.

### 20 Obligations under leases and hire purchase contracts

#### Finance leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	-	19,302
	-	19,302

#### Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	50,530	49,792
Later than one year and not later than five years	45,562	70,297
	96,092	120,089

The amount of non-cancellable operating lease payments recognised as an expense during the year was £36,321 (2020 - £37,628).

### 21 Contingent liabilities

The company, together with its fellow group undertakings and Port Clarence Logistics Limited, an entity subject to common control, is party to an Omnibus Guarantee and Set Off Agreement with Barclays Bank plc. These arrangements incorporate a fixed and floating charge over all the assets of the company, of its group headed by Wilton Universal Group Limited and of Port Clarence Logistics Limited and a cross guarantee to collectively guarantee payment of their indebtedness to the bank. The aggregate amount outstanding at the balance sheet date to which these guarantees relate was £3,627,643 (2020 - £3,847,500) of which £nil (2020 - £nil) is recognised within these financial statements.

# **Wilton Engineering Services Limited**

## **Notes to the Financial Statements for the Year Ended 30 June 2021 (continued)**

### **21 Contingent liabilities (continued)**

The company, together with the other members of its group headed by Wilton Universal Group Limited, is also a joint borrower in respect of loans to Port Clarence Logistics Limited from W Scott and S Glenn for which a fixed and floating charge over each borrowers' assets has been provided. The total amount outstanding at the balance sheet date, to which the security relates, was £591,986 (2020 - £507,882).

### **22 Related party transactions**

#### **Summary of transactions with entities with joint control or significant interest**

During the year, the company was charged £1,106,197 (2020 - £780,600) by Port Clarence Logistics Limited, an entity under joint control, for property rental and associated services. The company also charged Port Clarence Logistics Limited £381,582 (2020 - £538,344) for management, security and other services supplied.

At the balance sheet date £277,056 (2020 - £319,546) was due to, and £nil (2020 - £nil) was due from Port Clarence Logistics Limited (included respectively within creditors and debtors) in relation to these transactions.

The company has also received short term loans from Port Clarence Logistics Limited. At the balance sheet date, the loans outstanding amounted to £3,958,418 (2020 - £3,880,677) and are included in other creditors, due within one year. The loans are unsecured and are not subject to interest.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

### **23 Parent and ultimate parent undertaking**

The company's immediate parent is Pimco 2852 Limited, incorporated in England and Wales. The ultimate parent undertaking and the only group to consolidate these financial statements is Wilton Universal Group Limited, incorporated in England and Wales.

These consolidated financial statements are available upon request from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party is the directors of Wilton Universal Group in so much as they act in concert.



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