

Company Registration No. 08813058 (England and Wales)

**FLEXIBLE ENGINEERED SOLUTIONS (GROUP)
HOLDINGS LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2022**



FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	R Anderson I Latimer
Company number	08813058
Registered office	Merchant Court North Seaton Industrial Estate Ashington Northumberland United Kingdom NE63 0YH
Auditor	RSM UK Audit LLP Chartered Accountants 1 St. James' Gate Newcastle upon Tyne United Kingdom NE1 4AD

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2022

The directors present the group strategic report for the year ended 31 July 2022, which includes Flexible Engineered Solutions (Group) Holdings Limited, which is a holding company, and its subsidiaries Flexible Engineered Solutions Holdings Limited, also a holding company, and Flexible Engineered Solutions Limited.

Fair review of the business

This year began with the world finally adapting to the effects of COVID-19 and an upturn in oil and gas prices. However, we had new struggles to face due to the difficulties in obtaining materials and increased costs as a result of the ongoing war in Ukraine.

Despite these challenges, the directors are delighted to report that the group has once again enjoyed a successful and profitable year. Whilst we have faced new challenges, our experienced and dedicated team of employees have yet again performed in a way to ensure that we operate a profitable business and maintaining a strong position for future years ahead. We have continued with this steady position by establishing strong working relationships with new customers as well as maintaining high levels of confidence with all existing customers. A major factor of our success is the continued development and performance of our market leading product range.

The net assets of the group have increased from £14,045,513 as at 31 July 2021 to £17,351,547 as at 31 July 2022 as a result of the profit in the year.

We still anticipate that this industry slump will continue in the short term, however we are experiencing encouraging signs of recovery.

Key performance indicators

The directors consider the following key performance indicators to be the key measures of the group's performance.

- Turnover has decreased during the year by 6.7% to £17,004,780 from £18,220,557.
- Gross profit percentage has decreased this year from 43.78% to 33.71%.
- EBITDA has decreased this year from £6,660,961 to £4,344,555, this is linked to the decrease in turnover.

Principal risks and uncertainties

The directors have identified the key risks and uncertainties which are a threat to the business and wherever possible have taken steps to address this.

Quality, Environment, health and safety incidents

The group recognises its responsibilities to ensure that the risk of any environmental and health and safety issues are minimised. The company has maintained accreditation for ISO9001:2015, ISO14001:2015, ISO45001:2018 and API Q1.

Foreign exchange rate risk

The group understands the effect that foreign exchange risk can have on the business, in order to reduce the risk all foreign transactions are monitored throughout the year on a timely basis.

Employees

The group understands the effect that the loss of key employees may have on the business, this risk is managed by providing competitive pay conditions to all employees.

Industry

The group is impacted by the fall in the oil price within the industry, this risk is managed by continuing to monitor industry trends.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

Development and performance

The group has continued to invest in its market leading range of products and services provided, despite the previous industry challenges. Again, this has been achievable through the continued efforts and support of the dedicated and experienced employees.

On behalf of the board

R Anderson
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R Anderson
Director

Date: 27/04/23
.....

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2022

The directors present their annual report and financial statements for the year ended 31 July 2022.

Principal activities

The principal activity of the parent company is that of a holding company. The principal activity of the group is the design and supply of offshore fluid transfer systems together with associated sub sea products and hardware.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid (2021: £nil). The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R Anderson
I Latimer

Auditor

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the group will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

R Anderson

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R Anderson
Director

Date: 27/04/23

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JULY 2022

The directors are responsible for preparing the Strategic Report and 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 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

Opinion

We have audited the financial statements of Flexible Engineered Solutions (Group) Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2022 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2022 and of the group's 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent 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.

Opinions on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The group audit engagement team identified the risk of management override of controls and estimation of long-term ongoing revenue contracts as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed in relation to management override included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. In terms of estimation of long-term ongoing revenue contracts and associated balances the audit procedures but were not limited to a detailed review of a sample of contracts as well as consideration of work in progress, payments on account and amounts recoverable on contracts.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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.

Claire Leece

Claire Leece (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

1 St. James' Gate

Newcastle upon Tyne

United Kingdom, NE1 4AD

28/04/23

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2022

	Notes	2022 £	2021 £
Turnover	3	17,004,780	18,220,557
Cost of sales		(11,272,427)	(10,243,030)
Gross profit		5,732,353	7,977,527
Administrative expenses		(1,637,029)	(1,650,469)
Other operating income		51,463	126,750
Operating profit	6	4,146,787	6,453,808
Interest receivable and similar income	8	3,351	887
Interest payable and similar expenses	9	-	(4,915)
Profit before taxation		4,150,138	6,449,780
Tax on profit	10	(844,104)	(465,285)
Profit for the financial year		3,306,034	5,984,495

Profit for the financial year is all attributable to the owners of the parent company.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 JULY 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Goodwill	11		613,218		707,748
Tangible assets	12		313,294		406,897
			<u>926,512</u>		<u>1,114,645</u>
Current assets					
Debtors	15	12,130,507		8,706,280	
Cash at bank and in hand		<u>11,177,974</u>		<u>8,020,607</u>	
		23,308,481		16,726,887	
Creditors: amounts falling due within one year	16	<u>(6,851,440)</u>		<u>(3,796,019)</u>	
Net current assets			<u>16,457,041</u>		<u>12,930,868</u>
Total assets less current liabilities			<u>17,383,553</u>		<u>14,045,513</u>
Provisions for liabilities	17		<u>(32,006)</u>		<u>-</u>
Net assets			<u><u>17,351,547</u></u>		<u><u>14,045,513</u></u>
Capital and reserves					
Called up share capital	20		30,000		30,000
Other reserves	21		2,961,600		2,961,600
Profit and loss reserves	21		<u>14,359,947</u>		<u>11,053,913</u>
Total equity			<u><u>17,351,547</u></u>		<u><u>14,045,513</u></u>

The financial statements were approved by the board of directors and authorised for issue on 27/04/23 and are signed on its behalf by:

R Anderson

R Anderson
Director

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 JULY 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Investments	13		20,279,998		20,279,998
Current assets					
Debtors	15	2,999,531		3,099,531	
Cash at bank and in hand		84		135	
		<u>2,999,615</u>		<u>3,099,666</u>	
Creditors: amounts falling due within one year	16	<u>(3,748,222)</u>		<u>(4,148,222)</u>	
Net current liabilities			<u>(748,607)</u>		<u>(1,048,556)</u>
Total assets less current liabilities			<u>19,531,391</u>		<u>19,231,442</u>
Capital and reserves					
Called up share capital	20		30,000		30,000
Profit and loss reserves	21		<u>19,501,391</u>		<u>19,201,442</u>
Total equity			<u>19,531,391</u>		<u>19,231,442</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £299,949 (2021 - £1,298,758 profit).

The financial statements were approved by the board of directors and authorised for issue on 27/04/23 and are signed on its behalf by:

R Anderson

R Anderson

Director

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2022

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 August 2020	30,000	2,961,600	5,069,418	8,061,018
Year ended 31 July 2021:				
Profit and total comprehensive income for the year	-	-	5,984,495	5,984,495
Balance at 31 July 2021	30,000	2,961,600	11,053,913	14,045,513
Year ended 31 July 2022:				
Profit and total comprehensive income for the year	-	-	3,306,034	3,306,034
Balance at 31 July 2022	30,000	2,961,600	14,359,947	17,351,547

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 August 2020	30,000	17,902,684	17,932,684
Year ended 31 July 2021:			
Profit and total comprehensive income for the year	-	1,298,758	1,298,758
Balance at 31 July 2021	30,000	19,201,442	19,231,442
Year ended 31 July 2022:			
Profit and total comprehensive income for the year	-	299,949	299,949
Balance at 31 July 2022	30,000	19,501,391	19,531,391

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	22	3,163,651		2,920,086	
Interest paid		-		(4,915)	
Income taxes paid		-		(601,128)	
		<u>3,163,651</u>		<u>2,314,043</u>	
Net cash inflow from operating activities		3,163,651		2,314,043	
Investing activities					
Purchase of tangible fixed assets		(9,635)		(118,114)	
Proceeds on disposal of tangible fixed assets		-		4,250	
Interest received		<u>3,351</u>		<u>887</u>	
Net cash used in investing activities			(6,284)		(112,977)
Net increase in cash and cash equivalents		<u>3,157,367</u>		<u>2,201,066</u>	
Cash and cash equivalents at beginning of year		<u>8,020,607</u>		<u>5,819,541</u>	
Cash and cash equivalents at end of year		<u>11,177,974</u>		<u>8,020,607</u>	

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2022

1 Accounting policies

Company information

Flexible Engineered Solutions (Group) Holdings Limited ("the parent company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Merchant Court, North Seaton Industrial Estate, Freeman Way, Ashington, NE63 0YH.

The group consists of Flexible Engineered Solutions (Group) Holdings Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

The parent company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Flexible Engineered Solutions (Group) Holdings Limited and all of its subsidiary undertakings for the year.

The merger method of accounting is applied to group reconstructions as if the entities had always been combined. Accordingly, in those years when a group reconstruction takes place, the whole of the results, assets, liabilities, shareholders funds and cash flows of the merged companies are consolidated, regardless of the actual date of the group reconstruction and corresponding figures from previous years are restated.

Where a business combination results in a change of control the results of subsidiaries acquired are consolidated for the year from which control passed. Acquisitions are accounted for under the acquisition method with goodwill, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being written off against reserves.

Going concern

The directors have prepared detailed forecasts for a period no less than 12 months from the date of approval of the financial statements. The directors, with reference to these forecasts, consider that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements

At the statement of financial position date the Group had net current assets of £16,457,041 (2021: £12,930,868) and had net assets of £17,351,547 (2021: £14,045,513).

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

1 Accounting policies (Continued)

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services in the ordinary nature of the business. Turnover is shown net of Value Added Tax, of goods and services provided to customers and, in the case of long term contracts, credit is taken appropriate to the stage of completion when the outcome of the contract can be ascertained with reasonable certainty.

Long term contracts

Long term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is classified as "amounts recoverable on long term contracts" and included in debtors; to the extent that payments on account exceed relevant turnover, the excess is included as a creditor.

Intangible fixed assets - goodwill

Goodwill representing the excess of the consideration for an acquired undertaking, or acquired trade and assets, compared with fair value of net assets acquired is capitalised and written off evenly over 20 years as in the opinion of the directors this represents the period over which the goodwill is expected to give rise to economic benefits. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Equipment, plant and machinery	25% reducing balance per annum
Fixtures, fittings and equipment	25% reducing balance per annum
Motor vehicles	25% reducing balance per annum

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due from fellow group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. Current and deferred tax is charged or credited to profit or loss.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The group operates a defined contribution pension scheme for the benefit of employees. Contributions payable are charged to the profit and loss account in the year they are payable. The assets of the scheme are held separately from those of the group.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

1 Accounting policies (Continued)

Government grants

Government grants are recognised when the conditions for receipt are met and there is reasonable assurance that the grant will be received. Grants related to income are deducted in reporting the related expense.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition

When assessing the recognition of turnover and costs, management make an assessment of the percentage complete by reference to information available to them at the time. Management consider whether the stage of completion, future costs and the collectability of billings can be reliably estimated. Turnover and costs are then recognised using these estimates. The process has an inherent level of uncertainty.

Amounts recoverable on long term contracts

Management judgement is used in assessing the carrying value of amounts recoverable on long term contracts. Management assess the probability that revenue on a project will be recoverable and, where this is the case, revenue relating to the activity in the year on that contract is recognised in amounts recoverable on long term contracts. See note 15 for the net carrying amount of amounts recoverable on long term contracts.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2022 £	2021 £
Turnover analysed by class of business		
Sale of offshore fluid transfer systems and products	17,004,780	18,220,557

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

3 Turnover and other revenue (Continued)

	2022 £	2021 £
Other revenue		
Interest income	3,351	887
Grants received	51,463	126,750
	<u>54,814</u>	<u>127,637</u>
	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	3,560,360	4,391,263
Europe	4,256,933	5,008,479
Rest of the world	9,187,487	8,820,815
	<u>17,004,780</u>	<u>18,220,557</u>

Other operating income represents monies received in respect of the Coronavirus Job Retention Scheme £8,514 (2021: £126,750) and grant of £42,949 received for office refurbishment.

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Directors	2	2	2	2
Office and administration	24	26	-	-
Engineers and workshop	21	29	-	-
	<u>47</u>	<u>57</u>	<u>2</u>	<u>2</u>

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	2,114,610	2,424,949	-	-
Social security costs	239,290	258,120	-	-
Pension costs	87,575	102,062	-	-
	<u>2,441,475</u>	<u>2,785,131</u>	<u>-</u>	<u>-</u>

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and subsidiaries	22,000	20,000
For other services		
All other non-audit services	10,500	9,500

6 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	72,885	81,445
Government grants	(51,463)	(126,750)
Depreciation of owned tangible fixed assets	103,238	112,623
Profit on disposal of tangible fixed assets	-	(80)
Amortisation of intangible assets	94,530	94,530
Operating lease charges	238,786	240,724

7 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	213,586	215,341

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022	2021
	£	£
Remuneration for qualifying services	106,892	107,942

8 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	3,195	519
Other interest income	156	368
Total income	3,351	887

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

9 Interest payable and similar expenses

	2022	2021
	£	£
Other interest	-	4,915

10 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	741,423	965,410
Adjustments in respect of prior periods	25,102	(699,463)
Total current tax	766,525	265,947
Deferred tax		
Origination and reversal of timing differences	77,579	355,477
Changes in tax rates	-	(156,139)
Total deferred tax	77,579	199,338
Total tax charge	844,104	465,285

The charge for the year can be reconciled to the profit per the income statement as follows:

	2022	2021
	£	£
Profit before taxation	4,150,138	6,449,780
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	788,526	1,225,458
Tax effect of expenses that are not deductible in determining taxable profit	171,850	1,485
Adjustments in respect of prior years	25,102	(699,463)
Double tax relief	-	(9,581)
Permanent capital allowances in excess of depreciation	167	631
Tax effect of income not taxable in determining taxable profit	(160,160)	-
Amortisation on assets not qualifying for tax allowances	-	17,580
Deferred tax rate adjustment	18,619	(70,825)
Taxation charge	844,104	465,285

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

11 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 August 2021 and 31 July 2022	1,890,603
Amortisation and impairment	
At 1 August 2021	1,182,855
Amortisation charged for the year	94,530
At 31 July 2022	1,277,385
Carrying amount	
At 31 July 2022	613,218
At 31 July 2021	707,748

The company had no intangible fixed assets at 31 July 2022 or 31 July 2021.

12 Tangible fixed assets

Group	Equipment, plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 August 2021	876,741	260,256	106,492	1,243,489
Additions	9,635	-	-	9,635
At 31 July 2022	886,376	260,256	106,492	1,253,124
Depreciation and impairment				
At 1 August 2021	555,342	211,844	69,406	836,592
Depreciation charged in the year	81,863	12,103	9,272	103,238
At 31 July 2022	637,205	223,947	78,678	939,830
Carrying amount				
At 31 July 2022	249,171	36,309	27,814	313,294
At 31 July 2021	321,399	48,412	37,086	406,897

The company had no tangible fixed assets at 31 July 2022 or 31 July 2021.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

13 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	14	-	-	20,279,998	20,279,998

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 August 2021 and 31 July 2022	20,279,998
Carrying amount	
At 31 July 2022	20,279,998
At 31 July 2021	20,279,998

14 Subsidiaries

Details of the company's subsidiaries at 31 July 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct Indirect	
Flexible Engineered Solutions Holdings Limited	1	Holding company	Ordinary	100.00	-
Flexible Engineered Solutions Limited	1	Design and supply of offshore fluid transfer systems together with associated sub sea products and hardware	Ordinary	-	100.00

Registered office addresses (all UK unless otherwise indicated):

1 Merchant Court, North Seaton Industrial Estate, Ashington, NE63 0YH

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

15 Debtors

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	4,612,528	3,712,516	-	-
Amounts recoverable on long term contracts	4,577,470	2,438,686	-	-
Amounts owed by group undertakings	-	-	2,750,000	2,750,000
Other debtors	2,565,907	2,162,830	2	2
Prepayments and accrued income	125,073	97,146	-	-
	<u>11,880,978</u>	<u>8,411,178</u>	<u>2,750,002</u>	<u>2,750,002</u>
Deferred tax asset (note 17)	249,529	295,102	249,529	349,529
	<u>12,130,507</u>	<u>8,706,280</u>	<u>2,999,531</u>	<u>3,099,531</u>

Included within other debtors is £1,788,120 (2021: £1,897,160) due in greater than one year.

Included within other debtors is £1,912,100 (2021: £2,065,140) due from related parties (note 26).

16 Creditors: amounts falling due within one year

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Payments received on account	1,196,517	537,863	-	-
Trade creditors	3,083,128	1,068,206	-	-
Amounts owed to group undertakings	-	-	2,750,106	2,750,106
Corporation tax payable	1,454,794	688,269	-	-
Other taxation and social security	73,385	58,800	-	-
Other creditors	13,450	12,616	-	-
Accruals and deferred income	1,030,166	1,430,265	998,116	1,398,116
	<u>6,851,440</u>	<u>3,796,019</u>	<u>3,748,222</u>	<u>4,148,222</u>

17 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2022	Liabilities 2021	Assets 2022	Assets 2021
	£	£	£	£
Group				
Accelerated capital allowances	34,005	1,945	-	(54,427)
Other short term timing differences	(1,999)	(1,945)	249,529	349,529
	<u>32,006</u>	<u>-</u>	<u>249,529</u>	<u>295,102</u>

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

17 Deferred taxation (Continued)

	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Company				
Other short term timing differences	-	-	249,529	349,529
			Group 2022 £	Company 2022 £
Movements in the year:				
Asset at 1 August 2021			(295,102)	(349,529)
Charge to profit or loss			77,579	100,000
Asset at 31 July 2022			(217,523)	(249,529)

18 Share options

In prior years, share options were granted in respect of a small number of B shares and C shares with an exercise price of £1. The vesting date for these options is the earlier of an exit event or 9.5 years from the date of the grant. On the grounds of materiality no charge has been made to the profit and loss account in respect of these grants.

19 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	87,575	102,062

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Included within other creditors is £13,161 (2021: £12,454) relating to liabilities to the pension fund.

20 Share capital

	Group and Company			
	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	30,000	30,000	30,000	30,000

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

21 Reserves

Other reserves

Other reserves represent the merger reserve. The merger reserve represents the difference between the cost of investment and the nominal value of the share capital.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

22 Cash generated from group operations

	2022 £	2021 £
Profit for the year after tax	3,306,034	5,984,495
Adjustments for:		
Taxation charged	844,104	465,285
Finance costs	-	4,915
Investment income	(3,351)	(887)
Gain on disposal of tangible fixed assets	-	(80)
Amortisation and impairment of intangible assets	94,530	94,530
Depreciation and impairment of tangible fixed assets	103,238	112,623
Movements in working capital:		
Increase in debtors	(3,469,800)	(881,303)
Increase/(decrease) in creditors	2,288,896	(2,859,492)
Cash generated from operations	3,163,651	2,920,086

23 Analysis of changes in net funds - group

	1 August 2021 £	Cash flows £	31 July 2022 £
Cash at bank and in hand	8,020,607	3,157,367	11,177,974

24 Financial commitments, guarantees and contingent liabilities

On 31 July 2022 contingent liabilities existed in respect of indemnities given on behalf of the company totalling £2,364,312 (2021: £267,043).

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

25 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Within one year	59,024	179,245	-	-
Between one and five years	-	59,024	-	-
	<u>59,024</u>	<u>238,269</u>	<u>-</u>	<u>-</u>

26 Related party transactions

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Rent payable		Interest received	
	2022 £	2021 £	2022 £	2021 £
Group				
Entities controlled by close family members of key management personnel	238,786	107,245	-	-
Other related parties	<u>120,000</u>	<u>120,000</u>	<u>156</u>	<u>368</u>

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2022 £	2021 £
Group		
Other related parties	<u>988,116</u>	<u>1,398,116</u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2022 Balance £	2021 Balance £
Group		
Entities controlled by close family members of key management personnel	1,903,851	2,011,973
Other related parties	<u>4,269</u>	<u>49,188</u>

Other related parties are pension schemes which some of the directors are trustees of.

The outstanding amounts are unsecured and no interest is charged. No guarantees have been given or received.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

27 Directors' transactions

Amounts due from the directors to the group at the year were £3,980 (2021: £3,980). There is no interest charged on the amounts due from the directors to the group. No amounts have been waived or written off during the current or prior periods.

28 Controlling party

The directors consider the ultimate controlling parties of the group to be R Anderson and I Latimer.