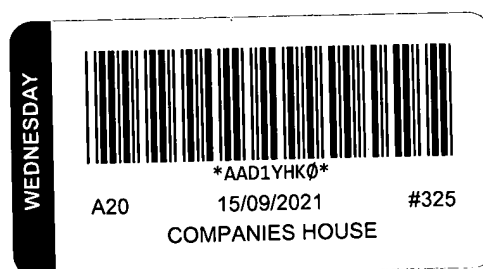


Company Registration No. 08813058 (England and Wales)

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

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2020**



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 2020

The directors present the group strategic report for the year ended 31 July 2020, 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

The beginning of the year saw continued downward pressure on oil and gas prices though demand had started to show signs of recovery. However, any thoughts of a recovery disappeared with the outbreak of Covid-19 in China. With governments struggling to contain the virus it spread quickly across the world and was recognised as a pandemic at the beginning of March 2020. The world reacted by, in the most part, introducing measures that severely restricted economic activity and the demand for oil and gas plummeted. Oil prices only recovered to pre-pandemic levels on 8 February 2021.

Despite this the directors are pleased to report that the group, once again had a profitable year. Whilst we are not unaffected by the industry slump, we have been successful in managing our resources to ensure that we can continue to operate a profitable business. This has been achieved by continuing to improve our products and services to both our long term existing and new customers. We also appreciate the importance of the long-term relationships that we continue to maintain with our suppliers during these difficult periods.

The net assets of the group have increased from £7,223,832 as at 31 July 2019 to £8,061,018 as at 31 July 2020 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 company's performance.

- Turnover has decreased during the year 36.76% to £10,830,495 from £17,125,683, this is due to the industry downturn and the impact of Covid-19 in final four months.
- Gross profit percentage has decreased this year from 46.28% to 23.55%, this is consistent with prior years.
- EBITDA has decreased this year from £6,271,411 to £1,178,643, this is due to the decrease in turnover being reflected in the decrease in profit.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

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.

Development and performance

Despite the industry downturn because of the Covid-19 pandemic the group continues to strive to improve the products and services that we can offer to our existing and new customer base. This is achieved by the support and effort of the employees along with ensuring that the facilities are in place to produce these services.

On behalf of the board



R Anderson

Director

Date: 13/5/21

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2020

The directors present their annual report and financial statements for the year ended 31 July 2020.

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.

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

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid (2019: £nil). The directors do not recommend payment of a further dividend.

Auditor

A resolution to reappoint RSM UK Tax and Accounting Limited, chartered accountants, as auditor will be put to the members at the annual 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
Director

Date: 13/5/21

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JULY 2020

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 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2020 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 parent company and their 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' report.

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 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 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.

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

RSM UK Audit LLP

Rachel Fleming (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

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13 September 2021

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2020

	Notes	2020 £	2019 £
Turnover	3	10,830,495	17,125,683
Cost of sales		(8,280,083)	(9,200,105)
Gross profit		<u>2,550,412</u>	<u>7,925,578</u>
Administrative expenses		(1,787,743)	(1,795,490)
Other operating income		217,906	-
Operating profit	4	<u>980,575</u>	<u>6,130,088</u>
Share of results of associates and joint ventures		-	361,664
Interest receivable and similar income	8	2,777	2,574
Interest payable and similar expenses	9	-	(187,500)
Other gains and losses		-	(1)
Profit before taxation		<u>983,352</u>	<u>6,306,825</u>
Tax on profit	10	(146,166)	(565,105)
Profit for the financial year		<u><u>837,186</u></u>	<u><u>5,741,720</u></u>

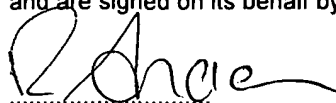
Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the 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 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Goodwill	11		802,278		896,808
Tangible assets	12		405,576		167,348
			<u>1,207,854</u>		<u>1,064,156</u>
Current assets					
Debtors	15	8,024,315		8,109,847	
Cash at bank and in hand		5,819,541		3,499,865	
		<u>13,843,856</u>		<u>11,609,712</u>	
Creditors: amounts falling due within one year	16	<u>(6,990,692)</u>		<u>(5,442,941)</u>	
Net current assets			<u>6,853,164</u>		<u>6,166,771</u>
Total assets less current liabilities			<u>8,061,018</u>		<u>7,230,927</u>
Provisions for liabilities	18		-		(7,095)
Net assets			<u>8,061,018</u>		<u>7,223,832</u>
Capital and reserves					
Called up share capital	21		30,000		30,000
Other reserves	22		2,961,600		2,961,600
Profit and loss reserves	22		5,069,418		4,232,232
Total equity			<u>8,061,018</u>		<u>7,223,832</u>

The financial statements were approved by the board of directors and authorised for issue on 13/5/20 and are signed on its behalf by:



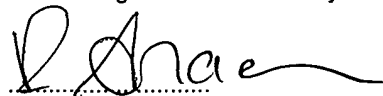
R Anderson
Director

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 JULY 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Investments	13	20,279,998		20,279,998	
Current assets					
Debtors	15	3,300,644		3,327,682	
Cash at bank and in hand		164		198	
		3,300,808		3,327,880	
Creditors: amounts falling due within one year	16	(5,648,122)		(6,148,144)	
Net current liabilities		(2,347,314)		(2,820,264)	
Total assets less current liabilities		17,932,684		17,459,734	
Capital and reserves					
Called up share capital	21	30,000		30,000	
Profit and loss reserves	22	17,902,684		17,429,734	
Total equity		17,932,684		17,459,734	

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 £472,950 (2019 - £2,344,402 profit).

The financial statements were approved by the board of directors and authorised for issue on 13/5/21 and are signed on its behalf by:



R Anderson
Director

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2020

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 August 2018	30,000	2,961,600	(1,509,488)	1,482,112
Year ended 31 July 2019:				
Profit and total comprehensive income for the year	-	-	5,741,720	5,741,720
Balance at 31 July 2019	30,000	2,961,600	4,232,232	7,223,832
Year ended 31 July 2020:				
Profit and total comprehensive income for the year	-	-	837,186	837,186
Balance at 31 July 2020	30,000	2,961,600	5,069,418	8,061,018

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2020

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 August 2018	30,000	15,085,332	15,115,332
Year ended 31 July 2019:			
Profit and total comprehensive income for the year	-	2,344,402	2,344,402
Balance at 31 July 2019	30,000	17,429,734	17,459,734
Year ended 31 July 2020:			
Profit and total comprehensive income for the year	-	472,950	472,950
Balance at 31 July 2020	30,000	17,902,684	17,932,684

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	23	2,352,569		4,459,482	
Interest paid		-		(187,500)	
Income taxes refunded		304,802		32,935	
Net cash inflow from operating activities		2,657,371		4,304,917	
Investing activities					
Purchase of tangible fixed assets		(341,766)		(32,360)	
Proceeds from other investments and loans		1,294		(1,294)	
Interest received		2,777		2,574	
Net cash used in investing activities		(337,695)		(31,080)	
Financing activities					
Repayment of borrowings		-		(2,500,000)	
Net cash used in financing activities		-		(2,500,000)	
Net increase in cash and cash equivalents		2,319,676		1,773,837	
Cash and cash equivalents at beginning of year		3,499,865		1,726,028	
Cash and cash equivalents at end of year		5,819,541		3,499,865	

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

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 0YB.

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

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.

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.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies (Continued)

Going concern

The directors have prepared detailed forecasts which have been updated to consider the impact of the COVID 19 pandemic on revenue and working capital. The directors, with reference to these forecasts, consider that the entity 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 £6,853,164 (2019: £6,166,771) and had net assets of £8,061,018 (2019: £7,223,232).

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 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.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies (Continued)

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.

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 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.

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 loans from fellow group companies, 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.

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.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies (Continued)

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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.

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 or fixed assets.

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.

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.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies (Continued)

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.

The assets and liabilities of overseas joint ventures are translated at the exchange rate ruling at the balance sheet date. The profit and loss account of the joint venture is translated at the average exchange rate for the period. Exchange differences arising on these transactions are taken to reserves.

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 % 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.

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover analysed by class of business		
Sale of offshore fluid transfer systems and products	10,830,495	17,125,683
	<u> </u>	<u> </u>
	2020 £	2019 £
Other revenue		
Interest income	2,777	2,574
Grants received	153,406	-
	<u> </u>	<u> </u>

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

3 Turnover and other revenue (Continued)

	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	2,375,523	5,272,405
USA	1,546,911	4,111,311
Europe (excluding United Kingdom)	4,643,407	6,997,462
Rest of the world	2,264,654	744,505
	<u>10,830,495</u>	<u>17,125,683</u>

Other operating income represents income from the sale of machinery (£64,500) and monies received in respect of the Coronavirus Job Retention Scheme (£153,406).

4 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	57,504	30,442
Government grants	(153,406)	-
Depreciation of owned tangible fixed assets	103,538	46,793
Amortisation of intangible assets	94,530	94,530
Operating lease charges	276,341	180,934
	<u>278,407</u>	<u>352,699</u>

5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and subsidiaries	18,250	17,750
For other services		
All other non-audit services	10,565	9,895
	<u>28,815</u>	<u>27,645</u>

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Directors	3	3	-	-
Office and administration	28	21	-	-
Engineers and workshop	34	38	-	-
	<u>65</u>	<u>62</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	2,498,305	2,429,312	-	-
Social security costs	262,118	215,492	-	-
Pension costs	107,543	114,147	-	-
	<u>2,867,966</u>	<u>2,758,951</u>	<u>-</u>	<u>-</u>

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	<u>224,326</u>	<u>215,317</u>

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

	2020 £	2019 £
Remuneration for qualifying services	<u>107,564</u>	<u>104,522</u>

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	2,232	1,805
Other interest income	545	769
Total income	<u>2,777</u>	<u>2,574</u>

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

9 Interest payable and similar expenses

	2020	2019
	£	£
Other interest	-	187,500

10 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	81,936	1,191,875
Adjustments in respect of prior periods	(2,682)	(590,709)
Total current tax	79,254	601,166
Deferred tax		
Origination and reversal of timing differences	132,953	(36,061)
Changes in tax rates	(66,041)	-
Total deferred tax	66,912	(36,061)
Total tax charge	146,166	565,105

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

	2020	2019
	£	£
Profit before taxation	983,352	6,306,825
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	186,837	1,198,297
Tax effect of expenses that are not deductible in determining taxable profit	2,366	2,868
Adjustments in respect of prior years	(1,388)	(590,709)
Permanent capital allowances in excess of depreciation	8,104	1,542
Other permanent differences	-	(68,717)
Amortisation on assets not qualifying for tax allowances	17,581	17,581
Deferred tax rate adjustment	(66,041)	4,243
Other changes	(1,293)	-
Taxation charge	146,166	565,105

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

11 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 August 2019 and 31 July 2020	1,890,603
Amortisation and impairment	
At 1 August 2019	993,795
Amortisation charged for the year	94,530
At 31 July 2020	1,088,325
Carrying amount	
At 31 July 2020	802,278
At 31 July 2019	896,808

The company had no intangible fixed assets at 31 July 2020 or 31 July 2019.

12 Tangible fixed assets

Group	Equipment, plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 August 2019	482,491	218,371	102,085	802,947
Additions	299,881	41,885	-	341,766
At 31 July 2020	782,372	260,256	102,085	1,144,713
Depreciation and impairment				
At 1 August 2019	391,651	178,547	65,401	635,599
Depreciation charged in the year	77,207	17,160	9,171	103,538
At 31 July 2020	468,858	195,707	74,572	739,137
Carrying amount				
At 31 July 2020	313,514	64,549	27,513	405,576
At 31 July 2019	90,840	39,824	36,684	167,348

The company had no tangible fixed assets at 31 July 2020 or 31 July 2019.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

13 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
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 2019 and 31 July 2020	20,279,998
Carrying amount	
At 31 July 2020	20,279,998
At 31 July 2019	20,279,998

14 Subsidiaries

Details of the company's subsidiaries at 31 July 2020 are as follows:

Name of undertaking	Registered office key	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 address:

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

The company's investment in Flexible Engineered Solutions Limited is held via Flexible Engineered Solutions Holdings Limited.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

15 Debtors

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	3,645,862	1,707,087	-	-
Amounts recoverable on long term contracts	1,203,529	2,871,898	-	-
Amounts owed by group undertakings	-	-	2,750,000	2,750,000
Other debtors	2,583,840	2,867,551	2	2
Prepayments and accrued income	96,644	94,864	-	-
	<u>7,529,875</u>	<u>7,541,400</u>	<u>2,750,002</u>	<u>2,750,002</u>
Deferred tax asset (note 18)	494,440	568,447	550,642	577,680
	<u>8,024,315</u>	<u>8,109,847</u>	<u>3,300,644</u>	<u>3,327,682</u>

Included within other debtors is £2,050,849 (2019: £2,338,738) due in greater than one year.

included within other debtors is £2,214,849 (2019: £2,382,738) due from related parties (Note 26).

16 Creditors: amounts falling due within one year

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Payments received on account	1,601,700	221,368	-	-
Trade creditors	1,361,041	1,102,909	-	-
Amounts owed to group undertakings	-	-	2,750,000	2,750,000
Corporation tax payable	1,023,450	639,394	6	28
Other taxation and social security	70,817	60,518	-	-
Other creditors	15,468	536	-	-
Accruals and deferred income	2,918,216	3,418,216	2,898,116	3,398,116
	<u>6,990,692</u>	<u>5,442,941</u>	<u>5,648,122</u>	<u>6,148,144</u>

17 Provisions for liabilities

		Group 2020	2019	Company 2020	2019
	Notes	£	£	£	£
Deferred tax liabilities	18	-	7,095	-	-

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

18 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 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Group				
Accelerated capital allowances	1,715	7,095	(56,202)	(9,233)
Other short term timing differences	(1,715)	-	550,642	577,680
	<u>-</u>	<u>7,095</u>	<u>494,440</u>	<u>568,447</u>
	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Company				
Other short term timing differences	-	-	550,642	577,680
	<u>-</u>	<u>-</u>	<u>550,642</u>	<u>577,680</u>
			Group 2020 £	Company 2020 £
Movements in the year:				
Liability/(asset) at 1 August 2019			(561,352)	(577,680)
Charge to profit or loss			66,912	27,038
Liability/(asset) at 31 July 2020			<u>(494,440)</u>	<u>(550,642)</u>

19 Share options

In the prior year, 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.

20 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>107,543</u>	<u>114,147</u>

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.

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

20 Retirement benefit schemes (Continued)

Included within other creditors is £15,122 (2019: £nil) relating to liabilities to the pension fund.

21 Share capital

	Group and company	
	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
30,000 Ordinary shares of £1 each	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.

22 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.

23 Cash generated from group operations

	2020	2019
	£	£
Profit for the year after tax	837,186	5,741,720
Adjustments for:		
Share of results of associates and joint ventures	-	(361,664)
Taxation charged	146,166	565,105
Finance costs	-	187,500
Investment income	(2,777)	(2,574)
Amortisation and impairment of intangible assets	94,530	94,530
Depreciation and impairment of tangible fixed assets	103,538	46,793
Other gains and losses	-	1
Movements in working capital:		
Decrease/(increase) in debtors	10,231	(1,270,901)
Increase/(decrease) in creditors	1,163,695	(541,028)
Cash generated from operations	2,352,569	4,459,482

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

24 Analysis of changes in net funds - group

	1 August 2019	Cash flows	31 July 2020
	£	£	£
Cash at bank and in hand	3,499,865	2,319,676	5,819,541

25 Financial commitments, guarantees and contingent liabilities

On 31 July 2020 contingent liabilities existed in respect of indemnities given on behalf of the group totalling £936,413 (2019: £1,619,718).

26 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, which includes the directors, is as follows.

	2020	2019
	£	£
Aggregate compensation	-	230,535

Transactions with related parties

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

	Rent payable		Interest paid	
	2020	2019	2020	2019
	£	£	£	£
Group				
Entities with common control	238,496	107,245	545	769

The following amounts were outstanding at the reporting end date:

Amounts due from related parties

	2020	2019
	Balance	Balance
	£	£
Group		
Entities with common control	2,214,849	2,382,738

FLEXIBLE ENGINEERED SOLUTIONS (GROUP) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

27 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 2020 £	2019 £	Company 2020 £	2019 £
Within one year	179,245	179,245	-	-
Between one and five years	238,269	418,005	-	-
	<u>417,514</u>	<u>597,250</u>	<u>-</u>	<u>-</u>

28 Controlling party

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