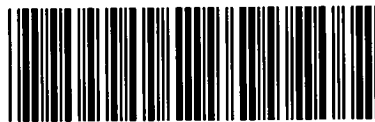


Registered number: SC107948

**DALES ENGINEERING SERVICES
LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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DALES ENGINEERING SERVICES LIMITED

COMPANY INFORMATION

Directors	G Mackie W Duncan K Thomson N Mackie J B Duncan
Company secretary	Masson Glennie LLP
Registered number	SC107948
Registered office	Broad House Broad Street Peterhead AB42 1HY
Independent auditors	Anderson Anderson & Brown Audit LLP Statutory Auditor Kingshill View Kingswells Aberdeen AB15 8PU

DALES ENGINEERING SERVICES LIMITED

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DALES ENGINEERING SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The principal activity of the company is that of the fabrication of materials and the provision of engineering services to the energy and renewables industries.

Business review

The Directors are disappointed with the results for the year despite a record Turnover for the Company. This can partly be attributed to the continued negative impact of Covid-19 on operations and costs. Fixed price contracts were also entered into which did not deliver the expected profit margins, partly due to significant cost increases experienced throughout the year.

The Company however was successful in diversifying its customer base to include a larger share of non-Oil and Gas industry related work which it has historically been reliant on. In the year, over 40% of Turnover was generated from customers operating in alternative industries including Renewables and Food Processing. This provides an excellent platform to grow the business alongside our continued services to the Oil and Gas industry.

Safety is key to all our operations and we were delighted to achieve a 5th straight year of no Lost Time Incidents (LTI). As we strive to maintain this and always improve we further added to our quality management certifications with the addition of ISO 45001 (Occupational Health & Safety).

The Company continues to report a strong net asset position of £10,113,844.

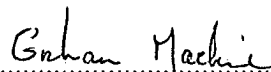
Principal risks and uncertainties

The directors have considered the principal risks and uncertainties to be associated with the global oil and gas market where changes in political and operational landscapes could impact favourably or otherwise upon business and as such are continually monitoring new opportunities.

Financial key performance indicators

The directors consider turnover and gross profit to be key performance indicators and monitor these on an ongoing basis.

This report was approved by the board and signed on its behalf.


.....

G Mackie
Director

Date: 16/9/22

DALES ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation, amounted to £344,952 (2020 - profit £285,264).

No dividends were paid in the year (2020 - £nil).

Directors

The directors who served during the year were:

G Mackie
W Duncan
K Thomson
N Mackie
J B Duncan

Future developments

The company has faced a challenging market following the year end with the volatile economy having an impact on operations and finances. However as outlined in the business review on page 1 the directors are optimistic about the future prospects of the company.

Disclosure of information to auditors

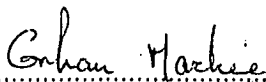
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Anderson Anderson & Brown Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
G Mackie
Director

Date: 16/9/22

DALES ENGINEERING SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DALES ENGINEERING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DALES ENGINEERING SERVICES LIMITED

Opinion

We have audited the financial statements of Dales Engineering Services Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

DALES ENGINEERING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DALES ENGINEERING SERVICES LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

DALES ENGINEERING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DALES ENGINEERING SERVICES LIMITED (CONTINUED)

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the company's key performance indicators to meet targets
- Timing and completeness of revenue recognition
- Management judgement applied in calculating provisions
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the company needs to comply with for the purpose of trading

Our audit procedures to respond to these risks included:

- Testing of journal entries and other adjustments for appropriateness
- Evaluating the business rationale of significant transactions outside the normal course of business
- Reviewing judgments made by management in their calculation of accounting estimates for potential management bias
- Enquiries of management about litigation and claims and inspection of relevant correspondence
- Reviewing legal and professional fees to identify indications of actual or potential litigation, claims and any non-compliance with laws and regulations

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

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

DALES ENGINEERING SERVICES LIMITED

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 Auditors' 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.

Anderson Anderson & Brown Audit LLP

Derek Mair (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown Audit LLP

Statutory Auditor

Kingshill View

Kingswells

Aberdeen

AB15 8PU

Date:

20 September 2022

DALES ENGINEERING SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	16,702,622	13,237,734
Cost of sales		(14,078,638)	(10,579,397)
GROSS PROFIT		<u>2,623,984</u>	<u>2,658,337</u>
Administrative expenses		(3,108,974)	(3,016,662)
Other operating income		159,903	720,831
OPERATING (LOSS)/PROFIT	6	<u>(325,087)</u>	<u>362,506</u>
Interest receivable and similar income	10	-	3,266
Interest payable and expenses	11	(616)	-
(LOSS)/PROFIT BEFORE TAX		<u>(325,703)</u>	<u>365,772</u>
Tax on (loss)/profit	12	(19,249)	(80,508)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u><u>(344,952)</u></u>	<u><u>285,264</u></u>

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

The notes on pages 11 to 22 form part of these financial statements.


DALES ENGINEERING SERVICES LIMITED

REGISTERED NUMBER: SC107948

**BALANCE SHEET
AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
FIXED ASSETS			
Tangible assets	13	560,197	554,866
		<u>560,197</u>	<u>554,866</u>
CURRENT ASSETS			
Stocks	14	1,276,353	1,444,278
Debtors: amounts falling due after more than one year	15	250,000	250,000
Debtors: amounts falling due within one year	15	8,044,477	5,105,806
Cash at bank and in hand	16	2,681,251	5,052,684
		<u>12,252,081</u>	<u>11,852,768</u>
Creditors: amounts falling due within one year	17	(2,579,554)	(1,849,207)
		<u>9,672,527</u>	<u>10,003,561</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,232,724</u>	<u>10,558,427</u>
PROVISIONS FOR LIABILITIES			
Deferred tax	19	(118,880)	(99,631)
		<u>(118,880)</u>	<u>(99,631)</u>
NET ASSETS		<u>10,113,844</u>	<u>10,458,796</u>
CAPITAL AND RESERVES			
Called up share capital	20	50,400	50,400
Share premium account		2,100	2,100
Profit and loss account		10,061,344	10,406,296
		<u>10,113,844</u>	<u>10,458,796</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
G Mackie
Director

Date: 16/9/22

The notes on pages 11 to 22 form part of these financial statements.

DALES ENGINEERING SERVICES LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2020	50,400	2,100	10,121,032	10,173,532
Comprehensive income for the year				
Profit for the year	-	-	285,264	285,264
At 1 January 2021	50,400	2,100	10,406,296	10,458,796
Comprehensive income for the year				
Loss for the year	-	-	(344,952)	(344,952)
At 31 December 2021	50,400	2,100	10,061,344	10,113,844

The notes on pages 11 to 22 form part of these financial statements.

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Dales Engineering Services Limited is incorporated in Scotland. The registered office is Broad House, Broad Street, Peterhead, AB42 1HY. The principal activity is the fabrication of materials and the provision of engineering services to the energy industry.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 102.

The following principal accounting policies have been applied:

2.2 Going concern

The directors, having made due and careful enquiry, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

This assessment is based on the understanding that the company will continue to trade, along with retained reserves and cash balances, which will allow the company to continue to meet its obligations as they fall due and operate as a going concern.

As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Operating leases

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

2.5 Government grants

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

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

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

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The Company contributes to a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Plant & machinery	- 15% reducing balance
Motor vehicles	- 20-25% reducing balance
Office equipment	- 15% straight line

2.11 Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

Work in progress is valued at cost less progress payments and any foreseeable losses. A prudent estimate of the profit attributable to work completed is recognised on contracts once the outcome of the contract can be assessed with reasonable certainty.

At each statement of financial position date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in statement of comprehensive income.

2.12 Profit recognition on long term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer or there is a reasonable degree of certainty that they will be accepted. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. The excess of payments on accounts over the value of the work done on individual contracts is included in creditors.

2.13 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Debtors due after more than one year are measured at the present value of future payments discounted at a market rate of interest.

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.14 Cash and cash equivalents

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

2.15 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.17 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans from group companies. These are measured at amortised cost and are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

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

The preparation of financial statements, requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of financial position date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements and estimates have had the most significant impact on amounts recognised in the financial statements.

Profit recognition on long term contracts

In assessing the profit on long term contracts that span the period end, an estimate is required for the stage of completion on individual contracts (where the outcome can be assessed with reasonable certainty. The estimate is determined by management making use of all information available at the time, in order to make a reasonable judgement on the stage of completion and the forecast profitability of the overall contract.

DALES ENGINEERING SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. Turnover

All turnover arose within the United Kingdom.

Turnover represents net invoiced supply of services, excluding value added tax.

Turnover relates to the rendering of services.

5. Other operating income

	2021 £	2020 £
Government grants	159,903	720,831
	<u>159,903</u>	<u>720,831</u>

6. Operating (loss)/profit

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

	2021 £	2020 £
Depreciation of tangible fixed assets	104,753	110,365
Operating lease payments		
- plant and machinery	21,420	25,000
- land and buildings	<u>67,464</u>	<u>145,352</u>

7. Auditors' remuneration

Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>14,500</u>	<u>13,500</u>
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DALES ENGINEERING SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****8. Employees**

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

	2021 £	2020 £
Wages and salaries	5,259,333	4,272,935
Social security costs	584,355	460,831
Cost of defined contribution scheme	108,771	109,247
	<u>5,952,459</u>	<u>4,843,013</u>

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

	2021 No.	2020 No.
Administration	27	28
Production	88	77
	<u>115</u>	<u>105</u>

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	132,933	132,263
Company contributions to defined contribution pension schemes	7,260	7,260
	<u>140,193</u>	<u>139,523</u>

During the year retirement benefits were accruing to 1 director (2020 - 1) in respect of defined contribution pension schemes.

10. Interest receivable

	2021 £	2020 £
Bank interest receivable	-	3,266
	<u>-</u>	<u>3,266</u>

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	616	-
	<u>616</u>	<u>-</u>

12. Taxation

	2021 £	2020 £
Corporation tax		
Adjustments in respect of previous periods	-	74,317
Total current tax	<u>-</u>	<u>74,317</u>
Deferred tax		
Origination and reversal of timing differences	(12,214)	(4,802)
Effect of tax rate change on opening balance	31,463	10,993
Total deferred tax	<u>19,249</u>	<u>6,191</u>
Taxation on profit on ordinary activities	<u>19,249</u>	<u>80,508</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
(Loss)/profit on ordinary activities before tax	<u>(325,703)</u>	<u>365,772</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(61,884)	69,497
Effects of:		
Expenses not deductible for tax purposes	215	18
Fixed asset differences	(2,083)	-
Group relief surrendered	54,468	-
Remeasurement of deferred tax for changes in tax rates	28,533	10,993
Total tax charge for the year	<u>19,249</u>	<u>80,508</u>

Factors that may affect future tax charges

DALES ENGINEERING SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Taxation (continued)

There were no factors that may affect future tax charges.

13. Tangible fixed assets

	Plant & machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation				
At 1 January 2021	1,535,098	172,830	158,952	1,866,880
Additions	62,402	45,870	4,844	113,116
Disposals	-	(27,370)	-	(27,370)
At 31 December 2021	1,597,500	191,330	163,796	1,952,626
Depreciation				
At 1 January 2021	1,096,409	108,320	107,285	1,312,014
Charge for the year on owned assets	66,229	23,892	14,632	104,753
Disposals	-	(24,338)	-	(24,338)
At 31 December 2021	1,162,638	107,874	121,917	1,392,429
Net book value				
At 31 December 2021	434,862	83,456	41,879	560,197
At 31 December 2020	438,689	64,510	51,667	554,866

14. Stocks

	2021 £	2020 £
Raw materials and consumables	478,141	464,136
Work in progress	798,212	980,142
	<u>1,276,353</u>	<u>1,444,278</u>

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

15. Debtors

	2021 £	2020 £
Due after more than one year		
Other debtors	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
Due within one year		
Trade debtors	5,420,423	2,464,529
Amounts owed by group undertakings	1,973,870	2,246,925
Prepayments and accrued income	650,184	394,352
	<u>8,044,477</u>	<u>5,105,806</u>

16. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	2,681,251	5,052,684
	<u>2,681,251</u>	<u>5,052,684</u>

17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,601,259	1,303,892
Corporation tax	1	74,317
Taxation and social security	744,383	213,314
Accruals and deferred income	233,911	257,684
	<u>2,579,554</u>	<u>1,849,207</u>

The bank holds a bond and floating charge over the assets of the company.

Cross guarantees exist with Dales 2002 Limited in respect of bank borrowings.

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,681,251	5,302,684
Financial assets that are debt instruments measured at amortised cost	7,913,068	4,949,722
	<u>10,594,319</u>	<u>10,252,406</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(2,421,402)	(1,561,576)

Financial assets measured at fair value through profit or loss comprise bank balances and long term debtors

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors and accruals.

19. Deferred taxation

	2021 £
At beginning of year	99,631
Charged to the profit or loss	(19,249)
At end of year	<u>118,880</u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	136,799	101,367
Short term timing differences	(2,596)	(1,736)
Losses and other deductions	15,323	-
	<u>118,880</u>	<u>99,631</u>

DALES ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
50,000 (2020 - 50,000) Ordinary shares of £1.00 each	50,000	50,000
400 (2020 - 400) 'A' Ordinary shares of £1.00 each	400	400
	<u>50,400</u>	<u>50,400</u>

21. Pension commitments

During the year the company made contributions to a defined contribution pension scheme of £108,771 (2020 - £109,247). Contributions payable at the year end totalled £24,137 (2020 - £20,810).

22. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	8,820	4,918
Between 2 and 5 years	2,310	6,930
	<u>11,130</u>	<u>11,848</u>

23. Related party transactions

Control

Throughout the year the company was controlled by the directors.

Transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33.1A "Related Party Disclosures" from the need to disclose transactions between group entities which are wholly owned.

24. Ultimate parent undertaking and controlling party

The ultimate parent company is Dales 2002 Limited, a company registered in Scotland.