

Registered number: 01405214

# Express Engineering (Gateshead) Limited

Annual report

30 September 2022

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# Express Engineering (Gateshead) Limited

## Company information

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

# **Express Engineering (Gateshead) Limited**

## **Contents**

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	<b>Page</b>
Strategic report	1 - 3
Directors' report	4 - 5
Directors' responsibilities statement	6
Independent auditor's report to the members of Express Engineering (Gateshead) Limited	7 - 10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14 - 28

# Express Engineering (Gateshead) Limited

## Strategic report Year ended 30 September 2022

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### Introduction

The directors present their report and financial statements for the year ended 30 September 2022.

### Principal activities and business review

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

The company achieved an EBITDA loss of £0.7m (2021: profit of £7.0m) before taking account of any project costs. The decrease in reported EBITDA is driven from a fall in sales to £22.6m (2021: £37.1m) as a consequence of the impact of Covid-19 on the Subsea Energy sector and reduced number of new projects installed during 2022.

Despite the challenging year, which is reflected in these results, market conditions have continued to improve throughout the year and the backlog within the business has built significantly providing confidence that a return to profitability in 2023 will be delivered.

The directors have continued to focus on servicing demand for assembled and tested products in its key markets demonstrating the strong sector position and strategic business relationships with key accounts. Growth will be delivered from increased demand from these accounts whilst also using existing core capabilities to service demand in adjacent markets.

Whilst the 2022 results reflect what has been a challenging 12 months, they demonstrate the management team's strategy to expand product portfolio and develop key relationships, has made the business financially robust. The company balance sheet remains strong, with net assets of £19.3m on 30 September 2022 (2021: £21.1m), providing a solid base which when accompanied by available financing facilities growth can be created from the increased backlog for stakeholders.

### Future developments

The Covid-19 and consequential market lows are now behind us and Brent price per barrel is back trading around \$80. Industry analysts are forecasting a sustained period of high activity in Subsea Production Systems & Equipment expenditure, through to 2027, providing opportunity and healthy long term prospects for Express.

The company is well placed to capitalise on these long term market forecasts, given its expanding product portfolio and strategic relationships with key accounts. It has continued to invest in capability throughout the year and can now provide deep hole drilling capacity and additional weld capability to complement its existing machining and assembly.

During 2022, the business has seen increased opportunity in market sectors adjacent to Subsea Energy. This will lead to further product expansion and deliver on the strategy to increase 'other market' revenues.

# Express Engineering (Gateshead) Limited

## Strategic report (continued) Year ended 30 September 2022

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### S172 statement

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

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

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

### Environment

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

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

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

### Principal risks and uncertainties

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

#### **Competitive risks**

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

#### **Use of derivatives**

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

# Express Engineering (Gateshead) Limited

Strategic report (continued)  
Year ended 30 September 2022

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## Financial risk management policy

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

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

### *Price risk*

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

### *Credit risk*

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

### *Interest rate risk*

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


### *Liquidity risk*

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

### *Cash flow risk*

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

This report was approved by the board on 26 June 2023 and signed on its behalf by:



G D Taylor  
Director

# Express Engineering (Gateshead) Limited

## Directors' report Year ended 30 September 2022

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The directors present their report and the financial statements for the year ended 30 September 2022.

### Results and dividends

The loss for the year, after taxation, amounted to £1,827,582 (2021 - profit of £4,792,487).

The directors do not recommend the payment of a final dividend (2021 - £nil).

### Directors

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

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

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

The company's energy consumption for the year was 4,262,477 kWh. The target set for yearly consumption is 4,800,000 kWh.

The company's greenhouse gas emissions for the year were 203 tonnes CO<sub>2</sub>, against a yearly target of 797 tonnes.

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

All electricity is purchased from a renewable energy source and the company send zero waste to landfill as all waste is used to create for refuse derived fuel. We constantly review our policies to ensure they are in line with industry expectations and aim to better our target year on year.

Post year end the company has completed an ESG audit and scored highly reflecting the importance placed in this area by the company.

### Matters covered in the strategic report

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

### Disclosure of information to auditor

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

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

# Express Engineering (Gateshead) Limited

## Directors' report (continued) Year ended 30 September 2022

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### Post balance sheet events

On the 5th May 2023, the company secured a new facility agreement with a limit of £12,000,000, which replaced the existing facility detailed in note 23.

### Auditor

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

This report was approved by the board on 26 June 2023 and signed on its behalf by:



G D Taylor  
Director

# **Express Engineering (Gateshead) Limited**

## **Directors' responsibilities statement Year ended 30 September 2022**

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

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

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

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

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



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

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### **Opinion**

We have audited the financial statements of Express Engineering (Gateshead) Limited ('the company') for the year ended 30 September 2022, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('United Kingdom Generally Accepted Accounting Practice').

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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



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

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### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

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### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



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

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**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

*Fern Rivett*

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

26 June 2023

## Express Engineering (Gateshead) Limited

### Statement of comprehensive income Year ended 30 September 2022

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	Note	2022 £	2021 £
<b>Profit and loss account</b>			
Turnover	5	22,618,225	37,072,588
Cost of sales		(16,701,864)	(23,930,287)
<b>Gross profit</b>		<b>5,916,361</b>	<b>13,142,301</b>
Distribution costs		(57,939)	(22,015)
Administrative expenses		(8,616,666)	(7,926,407)
Other operating income	6	108,964	113,651
<b>Operating (loss)/profit</b>	7	<b>(2,649,280)</b>	<b>5,307,530</b>
Interest payable and similar charges	11	(32,318)	(66,191)
<b>(Loss)/profit before taxation on ordinary activities</b>		<b>(2,681,598)</b>	<b>5,241,339</b>
Taxation on (loss)/profit on ordinary activities	12	854,016	(448,852)
<b>(Loss)/profit for the financial year</b>		<b>(1,827,582)</b>	<b>4,792,487</b>

There was no other comprehensive income for 2022 (2021:£nil).

The notes on pages 14 to 28 form part of these financial statements.

## Express Engineering (Gateshead) Limited

### Balance sheet At 30 September 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	13	4,125,392	3,487,756
<b>Current assets</b>			
Stocks	14	7,968,403	3,609,156
Debtors	15	14,776,659	11,067,080
Cash at bank and in hand		791,016	10,318,331
		<u>23,536,078</u>	<u>24,994,567</u>
Creditors: amounts falling due within one year	16	(7,601,010)	(6,901,889)
<b>Net current assets</b>		<u>15,935,068</u>	<u>18,092,678</u>
<b>Total assets less current liabilities</b>		<u>20,060,460</u>	<u>21,580,434</u>
Creditors: amounts falling due after more than one year	17	(128,240)	(256,257)
<b>Provisions for liabilities</b>			
Other provisions	20	(670,734)	(235,109)
<b>Net assets</b>		<u>19,261,486</u>	<u>21,089,068</u>
<b>Capital and reserves</b>			
Called up share capital	21	100,000	100,000
Profit and loss account	22	19,161,486	20,989,068
<b>Total equity</b>		<u>19,261,486</u>	<u>21,089,068</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 June 2023.



**G D Taylor**  
Director

Company registered number: 01405214

The notes on pages 14 to 28 form part of these financial statements.

## Express Engineering (Gateshead) Limited

### Statement of changes in equity Year ended 30 September 2022

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	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2020	100,000	16,196,581	16,296,581
Profit and total comprehensive income for the year	-	4,792,487	4,792,487
At 1 October 2021	100,000	20,989,068	21,089,068
Loss and total comprehensive expense for the year	-	(1,827,582)	(1,827,582)
At 30 September 2022	100,000	19,161,486	19,261,486

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The notes on pages 14 to 28 form part of these financial statements.

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 1. General information

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

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

### 2. Statement of compliance

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

### 3. Accounting policies

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

#### 3.1 Basis of preparation of financial statements

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

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling and rounded to the nearest £1.

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

#### 3.2 Reduced disclosures

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

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 3. Accounting policies (continued)

#### 3.3 Going concern

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

The directors have prepared financial forecasts which indicate that the company will maintain sufficient financial headroom to enable it to continue meeting its liabilities as they fall due in the normal course of business for at least the next twelve months following approval of these financial statements.

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

#### 3.4 Revenue

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

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

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

#### 3.5 Foreign currencies

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

#### 3.6 Employee benefits

##### **Short-term benefits**

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

##### **Defined contribution pension plan**

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 3. Accounting policies (continued)

#### 3.7 Leases

Assets held under finance leases and hire purchase contracts, which confer rights and obligations on the group similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, and the interest elements are charge to the profit and loss account over the period of the leases to produce a constant periodic rate of charge on the remaining balance of the liability.

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

#### 3.8 Finance costs

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

#### 3.9 Taxation

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

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

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

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

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

#### 3.10 Tangible fixed assets

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

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 3. Accounting policies (continued)

#### 3.10 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

#### 3.11 Stocks

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

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

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

On a monthly basis, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 3.12 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

#### 3.13 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.

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 3. Accounting policies (continued)

#### 3.14 Provisions for liabilities

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

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

When payments are eventually made, they are charged to the provision carried in the balance sheet.

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

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

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

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

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

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

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

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

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 5. Turnover

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

An analysis of turnover by geographical market is given below:

	2022 £	2021 £
United Kingdom	4,383,762	13,647,376
Europe	4,360,464	3,698,472
Rest of the world	13,873,999	19,726,740
	<u>22,618,225</u>	<u>37,072,588</u>

### 6. Other operating income

	2022 £	2021 £
Sale of scrap metal	<u>108,964</u>	<u>113,651</u>

### 7. Operating (loss)/profit

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

	2022 £	2021 £
Depreciation of tangible fixed assets	1,355,050	1,346,747
Operating lease rentals	1,112,217	1,270,389
Loss/(profit) on disposal of tangible fixed assets	6,076	(416,062)
Foreign exchange loss	<u>9,758</u>	<u>3,578</u>

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 8. Auditor's remuneration

During the year, the company obtained the following services from the company's auditor and its associates:

	2022 £	2021 £
Fees payable to the company's auditor and its associates for the audit of the company's financial statements	20,800	19,000
<b>Fees payable to the company's auditor and its associates in respect of:</b>		
Taxation compliance services	2,500	2,000
	<u>2,500</u>	<u>2,000</u>

### 9. Employees

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

	2022 £	2021 £
Wages and salaries	8,082,375	8,448,682
Social security costs	868,057	850,844
Cost of defined contribution scheme	599,665	442,500
	<u>9,550,097</u>	<u>9,742,026</u>

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

	2022 No.	2021 No.
Administration	78	74
Manufacturing	119	139
Directors	7	7
	<u>204</u>	<u>220</u>

## Express Engineering (Gateshead) Limited

### Notes to the financial statements Year ended 30 September 2022

#### 10. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	604,631	780,007
Company contributions to defined contribution pension schemes	134,055	194,084
	<u>738,686</u>	<u>974,091</u>

During the year retirement benefits were accruing to 6 directors (2021 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £94,615 (2021 - £105,800).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £29,785 (2021 - £58,000).

#### 11. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	23,975	40,402
Finance leases and hire purchase contracts	8,343	25,789
	<u>32,318</u>	<u>66,191</u>

#### 12. Taxation

	2022 £	2021 £
<b>Corporation tax</b>		
UK corporation tax on profits for the year	(458,003)	854,016
Adjustments in respect of previous periods	(396,013)	(405,164)
<b>Total current tax</b>	<u>(854,016)</u>	<u>448,852</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>(854,016)</u>	<u>448,852</u>

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 12. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	<u>(2,681,598)</u>	<u>5,241,339</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<b>(509,504)</b>	995,854
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>1,937</b>	34,886
Benefit of superdeductions	<b>(98,820)</b>	-
Adjustments to tax charge in respect of prior periods	<b>(396,012)</b>	(405,164)
Effects of group relief/other relief	-	(28,857)
Unrecognised deferred tax movement	<b>148,383</b>	(147,867)
<b>Total tax charge for the year</b>	<u><b>(854,016)</b></u>	<u>448,852</u>

#### Factors that may affect future tax charges

No provision has been made in these financial statements for any deferred tax asset. At 30 September 2022 there is a potential deferred tax asset of £600,742 in relation to fixed asset timing differences and losses.

In the March 2021 Budget, it was announced that the main UK corporation tax rate would remain at 19% for the financial years beginning 1 April 2021 and 1 April 2022, then increase to 25% from 1 April 2023. This rate increase was substantively enacted as part of the Finance Act 2021 on 24 May 2021. Therefore deferred tax at the balance sheet date has been calculated at 25% (2021: 19%), as this was the tax rate substantively enacted at the year end.

## Express Engineering (Gateshead) Limited

### Notes to the financial statements Year ended 30 September 2022

#### 13. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 October 2021	421,259	16,304,677	4,883	657,344	17,388,163
Additions	49,545	1,641,527	38,492	315,297	2,044,861
Disposals	-	(664,443)	(4,883)	(35,779)	(705,105)
At 30 September 2022	470,804	17,281,761	38,492	936,862	18,727,919
<b>Depreciation</b>					
At 1 October 2021	346,857	13,205,886	2,263	345,401	13,900,407
Charge for the year	27,502	1,149,418	13,586	164,544	1,355,050
Disposals	-	(612,268)	(4,883)	(35,779)	(652,930)
At 30 September 2022	374,359	13,743,036	10,966	474,166	14,602,527
<b>Net book value</b>					
At 30 September 2022	96,445	3,538,725	27,526	462,696	4,125,392
At 30 September 2021	74,402	3,098,791	2,620	311,943	3,487,756

The net book value of plant and machinery above includes an amount of £224,700 (2021: £793,513) in respect of assets held under hire purchase contracts.

## Express Engineering (Gateshead) Limited

### Notes to the financial statements Year ended 30 September 2022

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#### 14. Stocks

	2022	2021
	£	£
Raw materials and consumables	208,981	27,561
Work in progress	7,759,422	3,581,595
	<u>7,968,403</u>	<u>3,609,156</u>

Work in progress is stated after provisions of £1,500,591 (2021: £613,915). The amount recognised in the profit and loss account in respect of this during the period was £886,676 (2021: £113,972 credit).

#### 15. Debtors

	2022	2021
	£	£
Trade debtors	6,315,219	6,545,519
Amounts owed by group undertakings	7,369,289	3,616,190
Other debtors	180,973	168,279
Prepayments and accrued income	453,175	737,092
Corporation tax recoverable	458,003	-
	<u>14,776,659</u>	<u>11,067,080</u>

Trade debtors is stated after provisions of £nil (2021: £nil). The amounts debited to the profit and loss account in respect of this during the period was £nil (2021: £268).

## Express Engineering (Gateshead) Limited

### Notes to the financial statements Year ended 30 September 2022

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

	2022 £	2021 £
Bank loans (note 18)	209,055	404,667
Payments received on account	-	500,311
Trade creditors	3,044,544	2,224,337
Amounts owed to group undertakings	1,363,851	1,363,851
Corporation tax	-	854,016
Other taxation and social security	339,490	288,937
Net obligations under finance lease and hire purchase contracts (note 19)	94,449	206,279
Invoice discounting facility	1,028,670	-
Accruals and deferred income	1,520,951	1,059,491
	<u>7,601,010</u>	<u>6,901,889</u>

The accrual balance includes a dilapidations provision of £119,549 (2021: £237,865) in relation to any costs which would have to be incurred on exit from certain leases.

In addition to the plant and equipment term loan, in April 2017 Shawbrook Bank made available an invoice finance facility. This facility allows up to £5m of invoice finance, subject to various concentration limited and eligibility conditions, with a discount rate of the Bank of England base rate +2.25%. The facility has been utilised in the year and the year end balances amounts to £1,028,670 (2021: £nil).

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

	2022 £	2021 £
Bank loans (note 18)	-	209,055
Net obligations under finance leases and hire purchase contracts (note 19)	128,240	47,202
	<u>128,240</u>	<u>256,257</u>

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

### 18. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
<b>Amounts falling due within one year</b>		
Bank loans	209,055	404,667
<b>Amounts falling due 1-2 years</b>		
Bank loans	-	209,055
	<u>209,055</u>	<u>613,722</u>

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

### 19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	105,342	213,618
Between 1-5 years	135,994	48,283
Less: finance charges allocated to future periods	(18,647)	(8,420)
	<u>222,689</u>	<u>253,481</u>

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

### 20. Provisions

	Warranty provision £	Onerous contract provision £	Total £
At 1 October 2021	235,109	-	235,109
Charged to profit or loss	-	246,929	246,929
Increase in year	188,696	-	188,696
<b>At 30 September 2022</b>	<u>423,805</u>	<u>246,929</u>	<u>670,734</u>

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

### 21. Share capital

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
100,000 (2021 - 100,000) Ordinary shares of £1.00 each	<u>100,000</u>	<u>100,000</u>

### 22. Reserves

#### Profit and loss account

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

### 23. Contingent liabilities

Shawbrook Bank Limited provided facilities to the group, headed by Express Engineering (Group) Limited, which included an invoice financing facility and bank loans, further detail can be found in note 18 to these financial statements.

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

At the year end, these borrowings totaled £1,237,725 (2021: £613,722).

### 24. Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £599,665 (2021: £442,500). The unpaid contributions outstanding at the year end, included in other taxation and social security, are £68,511 (2021: £67,226).

### 25. Commitments under operating leases

At 30 September 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 (as restated) £
Within one year	1,042,390	1,102,794
Within two to five years	3,184,919	3,430,926
In more than five years	3,515,478	4,251,266
	<u>7,742,787</u>	<u>8,784,986</u>

# Express Engineering (Gateshead) Limited

## Notes to the financial statements Year ended 30 September 2022

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### 26. Related party transactions

During the year, the company entered into the following transactions, in the ordinary course of business, with other related parties:

The company made sales to Express Holdings (Thompson) Limited in the year totaling £nil (2021: £197), a company which Mr C Thompson shares a common directorship with. No outstanding amounts were owed from Express Holdings (Thompson) Limited at the balance sheet date (2021: £nil).

The company made sales to and purchases from Omega North East Limited in the year totaling £15,032 (2021: £nil) and £nil (2021: £176) respectively, a company which Mr C Thompson shares a common directorship with. An outstanding debtor of £4,037 was due at year end (2021: £nil creditor).

Mr D Thompson, a close member of Mr C Thompson's family received amounts of £57,761 in the year (2021: £44,521), no outstanding amounts were owed to Mr D Thompson at the balance sheet date (2021: £nil).

Mr W Taylor, a close member of Mr C Thompson's family received amounts of £nil in the year (2021: £8,425), no outstanding amounts were owed to Mr W Taylor at the balance sheet date (2021: £nil).

Mr S Taylor, a close member of Mr C Thompson's family received amounts of £21,320 in the year (2021: £13,921), no outstanding amounts were owed to Mr S Taylor at the balance sheet date (2021: £nil).

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

### 27. Parent undertaking preparing consolidated accounts

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

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