

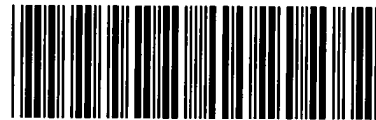
Modus Subsea Services Limited
(formerly Modus Seabed Intervention Limited)

**Directors' Report and Financial
Statements**

Registered number 02183639

31 March 2020

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Strategic Report

The directors present their Strategic Report for the year ended 31 March 2020.

Principal activities

The principal activity of the Company during the year was the provision of integrated project and engineering services to the subsea sectors including the supply and operation of remote and autonomous vehicles.

Business review

The Company continues to supply a diverse range of solutions to subsea industries, centring on its provision of modular remote and autonomous vehicles. The Company delivers its services through four service lines: Seabed Intervention (Trenching); Work-class Remote Operated Vehicles ("ROVs"); Autonomous Underwater Vehicle Technology ("AUVs"); and Managed and Technical Services. Disruptive technology development remains a key focus of the Company, with the Hybrid AUV ("HAUV") systems fully proven in the market. The Company took delivery of its second HAUV vehicle during the year which was awarded its first campaign within weeks of delivery.

The Directors consider EBITDA (calculated as Operating Profit plus depreciation, less other income net of related costs) to be the key measure of performance. During the year under review, the Company produced growth in EBITDA to £2.8m (2019: £2.6m) and gross profit increased by 7% to a £6.3m. The Company continued to utilise worldwide geographical markets, with 83% of the turnover arising from work outside of the UK (2019: 68%). Growth was achieved through strong performances in ROV and AUV service lines.

In April 2020, the Company successfully refinanced its debt and increased its working capital facilities by £1m. A Coronavirus Business Interruption Loan Scheme ("CBILS") loan of £1.5m has also been secured shortly after the year end as a contingency.

The results for the year ended 31 March 2020 were not materially impacted by Covid-19. The new financial year has seen an impact. The Company's revenues have been affected, with industry-wide impacts of project deferrals and cancellations. However, the majority of the Company's revenues are generated by long term agreements with customers, and once the Company and the customers had identified and proven a safe way of working, revenues have returned to normal levels on these agreements. The Company has also explored, and where appropriate, taken action to address costs and utilise Government support to mitigate the impact of Covid-19. The results for the year are set out on page 7. While noting the impact of Covid-19, it is the opinion of the Directors that the Company will continue to grow successfully in future years.

Principal risks and uncertainties

The Company recognises that in the market in which it operates there is strong competition. However, with the Company's available range of assets, extensive knowledge, focus and experience in the sector, it is our opinion that the Company will continue to grow its activities and remain competitive in the market.

By order of the board



PMI Short
Director

Beaumont House
Beaumont Street
Darlington
Co Durham
DL1 5RW

9 March 2021

Directors' Report

The directors present their Directors' Report and Financial Statements for the year ended 31 March 2020.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year and since the year end, were as follows:

JE Tompkins
NJ Ward
PMI Short
AC Tompkins (appointed 11 March 2020)
NSC Tompkins (appointed 11 March 2020)
M Hatta (appointed 27 November 2020)

Political contributions

The company made no political donations (2019: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board



PMI Short
Director

Beaumont House
Beaumont Street
Darlington
Co Durham
DL1 5RW

9 March 2021

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Modus Subsea Services Limited (formerly Modus Seabed Intervention Limited)

Opinion

We have audited the financial statements of Modus Subsea Services Limited (formerly Modus Seabed Intervention Limited) ("the company") for the year ended 31 March 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Modus Subsea Services Limited (formerly Modus Seabed Intervention Limited) (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**Independent auditor's report to the members of Modus Subsea Services Limited
(formerly Modus Seabed Intervention Limited) (continued)**

The purpose of our audit work and to whom we owe our responsibilities

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.



David Mitchell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

12 March 2021

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2020

	<i>Note</i>	2020 £000	2019 £000
Turnover	2	16,786	17,265
Cost of sales		(10,493)	(11,379)
		<hr/>	<hr/>
Gross profit		6,293	5,886
Administrative expenses		(5,045)	(4,594)
Other operating income	3	-	85
		<hr/>	<hr/>
Operating profit		1,248	1,377
Interest payable and similar charges	7	(273)	(334)
		<hr/>	<hr/>
Profit before taxation	4-7	975	1,043
Tax on profit	8	(210)	(144)
		<hr/>	<hr/>
Profit for the financial year		765	899
		<hr/>	<hr/>
Total comprehensive income for the year		765	899
		<hr/> <hr/>	<hr/> <hr/>

All activities derive from continuing operations.

Balance Sheet
at 31 March 2020

	<i>Note</i>	2020 £000	£000	2019 £000	£000
Fixed assets					
Tangible assets	9		15,624		13,477
Current assets					
Debtors	10	4,003		3,546	
Cash at bank and in hand		34		17	
		<hr/>		<hr/>	
Creditors: amounts falling due within one year	11	4,037 (9,499)		3,563 (9,195)	
		<hr/>		<hr/>	
Net current liabilities			(5,462)		(5,632)
			<hr/>		<hr/>
Total assets less current liabilities			10,162		7,845
Creditors: amounts falling due after more than one year	12		(4,879)		(3,512)
Provisions for liabilities	13		(275)		(90)
			<hr/>		<hr/>
Net assets			5,008		4,243
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	14		1		1
Share premium account			12		12
Capital contribution reserve			2,539		2,539
Profit and loss account			2,456		1,691
			<hr/>		<hr/>
Shareholders' funds			5,008		4,243
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on 9 March 2021 and were signed on its behalf by:



PMI Short
Director

Registered number: 02183639

Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital contribution £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2018	1	12	2,539	792	3,344
Total comprehensive income for the year					
Profit or loss	-	-	-	899	899
Other comprehensive income	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	-	-	899	899
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	1	12	2,539	1,691	4,243
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1 April 2019	1	12	2,539	1,691	4,243
Total comprehensive income for the year					
Profit or loss	-	-	-	765	765
Other comprehensive income	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	-	-	765	765
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	1	12	2,539	2,456	5,008
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements (forming part of the financial statements)

1 Accounting policies

Modus Subsea Services Limited (formerly Modus Seabed Intervention Limited) ('the Company') is a company limited by shares and incorporated and domiciled in the UK. These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, Modus Subsea Group Limited (formerly Tompkins UK Limited) includes the Company in its consolidated financial statements. The consolidated financial statements of Modus Subsea Group Limited (formerly Tompkins UK Limited) are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going concern

Notwithstanding net current liabilities of £5,462,000 as at 31 March 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility, to meet its liabilities as they fall due for that period. The overdraft facility is due to be renewed in April 2021 and the directors have no reason to believe this will not be renewed by the bank, who have been consistently supportive of the business.

Those forecasts are dependent on the company's ultimate parent company, Modus Subsea Group Limited (formerly Tompkins UK Limited) not seeking repayment of the amounts currently due to the group, which at 31 December 2020 amounted to £1,487,000. Modus Subsea Group Limited (formerly Tompkins UK Limited) has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Directors have also considered the impact of severe but plausible downside scenarios, including the possibility of another government imposed lockdown in 2021 due to a further peak of Covid-19 infection. Further to the support from Modus Subsea Group Limited (formerly Tompkins UK Limited) regarding the non-repayment of amounts currently due, those forecasts are dependent on AC Tompkins, the company's principle shareholder, providing additional financial support during that period. AC Tompkins has indicated his intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on its shareholder for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets (continued)

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present

value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 3-15 years
- fixtures, fittings, tools, equipment and leasehold improvements 3-4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the hire, management and operation of subsea construction equipment and associated engineering and support services to customers. Turnover is recognised over the period of hire, or as the services are provided, in accordance with the terms of the agreement.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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.

2 Analysis of turnover

All of the company's turnover is attributable to its principal activities.

By geographical market

	2020 £000	2019 £000
United Kingdom	2,896	5,587
Europe	11,859	7,741
Rest of World	2,031	3,937
	<u>16,786</u>	<u>17,265</u>

3 Other operating income

	2020 £000	2019 £000
Net gain on disposal of tangible fixed assets	-	85
	<u>-</u>	<u>85</u>

Notes to the Financial Statements *(continued)*

4 Expenses and auditor's remuneration

	2020	2019
	£000	£000
<i>Included in profit are the following:</i>		
Depreciation of tangible fixed assets	1,600	1,333
Hire of assets under operating leases – buildings	269	169
	<u> </u>	<u> </u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	26	16
	<u> </u>	<u> </u>

5 Remuneration of directors

	2020	2019
	£000	£000
Directors' emoluments	668	669
Company contributions to money purchase pension schemes	54	53
	<u> </u>	<u> </u>
	722	722
	<u> </u>	<u> </u>

Number of directors

Retirement benefits are accruing to the following number of directors under:
Money purchase schemes

	3	3
	<u> </u>	<u> </u>

The aggregate emoluments of the highest paid director were £257,000 (2019: £257,000) and company pension contributions of £18,000 (2019: £18,000) were made to a money purchase scheme on his behalf.

6 Staff numbers and costs

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

	Number of employees	
	2020	2019
Management and administration	33	28
Projects and engineering	16	11
Offshore operations	18	19
	<u> </u>	<u> </u>
	67	58
	<u> </u>	<u> </u>

Notes to the Financial Statements *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons was as follows:

	2020 £000	2019 £000
Wages and salaries	3,429	3,409
Social security costs	389	383
Other pension costs (see note 15)	168	148
	<u>3,986</u>	<u>3,940</u>

7 Interest payable and similar charges

	2020 £000	2019 £000
Bank interest	54	35
Loan interest	197	60
Interest on loan from related party	-	87
Finance charges payable in respect of finance leases	22	152
	<u>273</u>	<u>334</u>

8 Taxation

Analysis of charge in period:

	2020 £000	£000	2019 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	-		89	
Group relief payable	-		59	
Adjustments in respect of prior periods	25		(179)	
Double taxation relief	-		(16)	
	<u> </u>	25	<u> </u>	(47)
Total current tax		25		(47)
<i>Foreign tax</i>				
Current tax on income for the period	-		36	
	<u> </u>	-	<u> </u>	36
Total current tax		25		(11)
<i>Deferred tax (see note 13)</i>				
Origination/reversal of timing differences	199		57	
Adjustments in respect of prior periods	(22)		98	
Effect of tax rate change on opening balance	8		-	
	<u> </u>	185	<u> </u>	155
Total deferred tax		185		155
Tax on profit on ordinary activities		<u>210</u>		<u>144</u>

Notes to the Financial Statements *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit for the year	765	899
Total tax expense	210	144
	<hr/>	<hr/>
Profit excluding taxation	975	1,043
Tax using the UK corporation tax rate of 19 % (2019: 19%)	185	198
Effect of tax rates in foreign jurisdictions	-	21
Change in tax rate on deferred tax balances	8	(6)
Adjustments in respect of prior periods	4	(81)
Fixed asset differences	15	3
Expenses no deductible for tax purposes	1	1
Tax exempt revenue	(15)	-
R&D expenditure credits	10	10
Other permanent differences	2	-
Excess foreign tax withheld	-	(2)
	<hr/>	<hr/>
Total tax charge included in profit or loss	210	144
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future current and total tax charges

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

9 Tangible fixed assets

	Fixtures, fittings, tools, equipment and leasehold improvements £000	Plant and machinery £000	Assets under construction £000	Total £000
<i>Cost</i>				
At beginning of year	510	15,710	478	16,698
Additions	147	3,600	-	3,747
Disposals	-	-	-	-
Transfers	-	478	(478)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	657	19,788	-	20,445
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation and impairment</i>				
At beginning of year	397	2,824	-	3,221
Charge for year	45	1,555	-	1,600
Disposals in year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	442	4,379	-	4,821
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements *(continued)*

9 Tangible fixed assets *(continued)*

	Fixtures, fittings, tools, equipment and leasehold improvements £000	Plant and machinery £000	Assets under construction £000	Total £000
<i>Net book value</i>				
At 31 March 2020	215	15,409	-	15,624
At 1 April 2019	113	12,886	478	13,477

Included within the total net book value of plant and machinery is £1,094,000 (2019: £1,233,000) in respect of assets held under finance leases. Depreciation charged on these assets during the year was £123,000 (2019: £116,000).

10 Debtors

	2020 £000	2019 £000
Trade debtors	3,473	3,061
Other debtors	150	29
Other taxation and social security	148	126
Prepayments and accrued income	232	330
	<u>4,003</u>	<u>3,546</u>

11 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank overdraft	2,135	850
Bank loans	1,450	800
Corporation tax	180	36
Obligations under finance leases	184	728
Trade creditors	3,104	2,935
Amounts owed to group undertakings	1,416	1,474
Amounts owed to related parties	-	114
Other taxation and social security	133	131
Accruals and deferred income	718	1,474
Other creditors	179	653
	<u>9,499</u>	<u>9,195</u>

Obligations under finance leases are secured on the assets to which they relate and, subject to the other terms of the agreements, are repayable over 1 and 2 years.

The overdraft is secured by debenture and guarantee over the assets of the group. Interest on the overdraft is charged at 4.5%.

Notes to the Financial Statements *(continued)*

11 Creditors: amounts falling due within one year *(continued)*

The bank loans are secured over the plant and machinery held by the Company. Interest on the loans are charged at 3% + Bank of England variable base rate. Repayments are made monthly, with the final repayment due in December 2024.

The amounts owed to group undertakings are interest free. All amounts owed to group undertakings are repayable on demand.

The Company refinanced its debts in April 2020 with a £1 million increase in the overdraft facility limit and extension of the bank loan repayment period to mature in April 2027. Interest rates reduced to 2.8% + Bank of England variable rate on the overdraft facility and remained at 3% + Bank of England rate on the bank loan.

12 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Bank loans (see note 11)	4,558	2,933
Obligations under finance leases (see note 11)	51	276
Accruals and deferred income	270	303
	<u>4,879</u>	<u>3,512</u>

The maturity of obligations under finance leases is as follows:

	£000	£000
Within one year	188	755
Between one and two years	52	230
Between two and five years	-	52
	<u>240</u>	<u>1,037</u>
Less future finance charges	(5)	(33)
	<u>235</u>	<u>1,004</u>

13 Deferred tax

Deferred tax liabilities are attributable to the following:

	2020 £000	2019 £000
Accelerated capital allowances	354	90
Unutilised tax losses	(76)	-
Other short term timing differences	(3)	-
	<u>275</u>	<u>90</u>

Notes to the Financial Statements *(continued)*

14 Capital and reserves

	2020	2019
	£	£
<i>Allotted, called up and fully paid</i>		
1,247 (2019: 1,247) 'A' Ordinary shares of £1 each	1,247	1,247
58 (2019: 58) 'B' Ordinary shares of £1 each	58	58
	1,305	1,305
	1,305	1,305

The 'A' Ordinary and 'B' Ordinary shares rank pari passu in all respects other than that the 'B' Ordinary shares do not carry voting rights.

15 Pension scheme

The company operates a defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £168,000 (2019: £148,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16 Commitments

Non-cancellable operating leases are payable as follows:

	2020	2019
	Land and buildings £000	Land and buildings £000
In less than one year	269	209
In the second to fifth years inclusive	568	289
	837	498
	837	498

17 Related party transactions

At the balance sheet date, trading balances of £32,000 (2019: £114,000) remained outstanding to Tompkins Investments Limited, a company controlled by AC Tompkins.

18 Ultimate parent company and ultimate controlling party

The company is a subsidiary undertaking of Modus Subsea Group Limited (formerly Tompkins UK Limited). The ultimate controlling party is AC Tompkins.