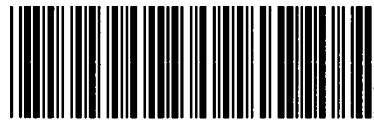


Company Registration No. 01299452 (England and Wales)

SONARDYNE INTERNATIONAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

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COMPANIES HOUSE

SONARDYNE INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors

S C Partridge
G Brown
M Davey
S J Fasham
D Newborough
J R Norton
S P Martin
S M Dunn

(Appointed 28 September 2021)

Company number

01299452

Registered office

Ocean House
Blackbushe Business Park
Saxony Way
Yateley
Hampshire
GU46 6GD

Auditor

Azets Audit Services
Woolsack Way
Godalming
Surrey
GU7 1LQ

SONARDYNE INTERNATIONAL LIMITED

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SONARDYNE INTERNATIONAL LIMITED

STRATEGIC REPORT

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

The directors present the strategic report for the nine month period ended 31 December 2021.

Statement by the directors relating to their statutory duties under section 172(1) of the Companies Act 2006

The Directors, in line with their duties under s172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the company and its subsidiaries ('Company') for the benefit of its members, and in doing so have regard, amongst other matters, to the:

- Likely consequences of any decision in the long term
- Interests of the Company's employees
- Need to foster the Company's business relationships with suppliers, customers and others
- Impact of the Company's operations on the community and the environment
- Desirability of the Company maintaining a reputation for high standards of business conduct
- Need to act fairly between members of the Company

The Directors' regard to these matters forms an integral part of day to day business. Decisions are taken in line with the policies, processes and culture embedded within the Company and shaped by the Company's governance framework, strategy, culture, information sharing and stakeholder engagement processes.

Achieving success in the long term lies at the core of our business strategy. Success is considered in terms of key stakeholders and where their interests lie. Opportunities for growth and diversification are a central theme and risks that threaten the achievement of such opportunities are identified and monitored. The Company has established a clear framework for strategic development looking forward for at least five years.

The Board promotes a strong culture of upholding the highest standards of business conduct and regulatory conduct. Ethical values are communicated to the Company's employees and embedded in the Company's policies and procedures, employee induction and training programmes and its risk control and oversight framework.

The Board recognises that respectful stakeholder relationships are vital to the long-term success of the business and that positive engagement can help enhance the operations and success of the Company.

The Directors are supported in the discharge of their duties by:

- Agenda planning for Boards and Committee meetings to provide sufficient time for the consideration and discussion of key matters.
- Proportionate and focused board reporting processes with clear identification of decisions required to be taken by the Board.
- Processes which ensure the provision of timely management information and escalation through reporting lines to the Board, and onward to the parent company and shareholders, from the Company's business areas, its risk and control functions, support teams and committees of the Board.
- Strict operation of reserved matter processes ensuring decisions are taken by the appropriate Board within the Company.
- Detailed induction process on commencement of employment enabling a thorough introduction to the Company.

SONARDYNE INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

Stakeholders

The Board understands the importance of engagement with all its stakeholders and gives appropriate weighting to the outcome of its decisions for the relevant stakeholder in considering how best to promote the success of the Company.

The Board regularly discusses issues concerning employees, clients, suppliers, community and environment and its shareholders, which it takes into account in its discussions and in its decision-making process. An annual Stakeholder Analysis review is conducted as part of the preparation for reviewing the five year strategic framework.

In addition to this, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly when required.

The below summarises the key stakeholders and how we engage with each:

Stakeholders	Engagement
Employees	<p>It is of vital importance that our employees consider the Company to be an engaging and rewarding place to work. We have a friendly and collaborative working culture where employees are encouraged to have a voice and use their creativity and drive.</p> <p>We consult with staff in a manner that fits with good practice in the jurisdictions in which we operate and according to the size of the trading company.</p> <p>We regularly monitor the range of pay and benefits across the Company to ensure they remain attractive and have a wide range of employee benefits to offer including a number of wellbeing initiatives.</p> <p>We engage in active performance management with our employees including establishing clear objectives for staff and using objective appraisal methods.</p> <p>We invest in all our employees by providing Company wide training on compliance matters such as data protection and anti-bribery as well as individual skills and experience based training. This is in addition to specific job training which is also encouraged.</p> <p>Regular Company presentations are delivered where updates are provided to employees and opportunities given for employees to ask questions and similar updates are delivered by the parent company focussing on wider group performance.</p> <p>A newsletter is circulated to all employees which includes details of recent sales activities and other business matters but also includes more informal features such as profiles of individual employees and social activities to improve collective engagement across the business.</p> <p>An employee forum, created several years ago, provides another avenue through which employees can raise ideas, provide feedback and ask questions via nominated representatives.</p> <p>We provide funding for employees for endeavours which allow a number of sporting and social activities to be enjoyed by interested employees and in some jurisdictions operate a matching fund to support them in charitable endeavours.</p>

SONARDYNE INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

Customers

Building and maintaining strong relationships with our customers is a top priority.

The nature of our business is that we can help solve our customers' technical challenges and make opportunities become realities. We communicate regularly with our customers and support that communication with know-how, guidance and training virtually and in person. In addition to direct visits, we also attend trade shows and exhibitions providing face to face contact with customers.

We work with other group operating companies, where synergies exist, to provide a cohesive approach to helping our customers.

We use customer feedback to improve the services we can provide. This includes, for example, our regular customer engagement surveys which determine the Net Promoter Score of the Company. The results are monitored by the Senior Management Team on behalf of the Board and any anomalies are brought to the attention of the Board in order that the findings can help improve customer engagement.

We continue to look for innovative solutions that not only improve the quality and efficiency of the service we provide to customers but also make it easier and more cost-effective for customers to deal with us.

Suppliers

Our governance framework includes policies and processes aimed at fostering strong supplier relationships. We are clear on our expectations of suppliers as set out in our Supplier Code of Conduct.

Due diligence is undertaken prior to appointing new suppliers and information is gathered to assess their suitability such as their anti-bribery and corruption practices, modern slavery policies and conflict minerals risk.

As travel restrictions have started to ease we have recommenced supplier visits and on-site quality audits in support of our working relationships with our suppliers. We understand the challenges faced by many of our suppliers caused by post-pandemic supply chain issues and work with them to identify mutually acceptable pragmatic solutions.

We ensure that suppliers are paid in a timely manner in accordance with our obligations.

SONARDYNE INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

Community & Environment	<p>The Board's approach to community and environment continues to be vitally important.</p> <p>The solar arrays installed across the HQ site have now been in operation for over eighteen months. They continue to provide over one quarter of the total electricity consumption at the site, thereby reducing demand on the network, with the surplus electricity generated at times of lower demand from the company being supplied back to the National Grid.</p> <p>Solar arrays have also been installed at our offices in Brazil and the company has continued to investigate further steps it can take to reduce its carbon footprint.</p> <p>As a result, the wider community benefits both directly and indirectly from the company's investments and initiatives.</p> <p>We continue to support the activities of the management company for the business park on which the HQ is situated which continues to work with the local Council in order to seek benefits for the local business community.</p> <p>The Board continues to commit and broaden the Company's work and associations with educational establishments, providing support in particular for programmes in Newcastle University, Heriot Watt University and Southampton University.</p>
Shareholders	<p>We provide regular reports to, and hold regular meetings with, our parent company which, in turn, feed into regular discussions and briefings with the group's shareholders. This ensures decisions are made at the appropriate level and that we incorporate the interests and needs of our shareholders into our long term business planning.</p>

SONARDYNE INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

Review of the business

At the start of the year, the decision was made to align financial reporting periods for all group companies. As a result, the company has changed its financial year end to 31 December.

Turnover for the 9 month period was £24.5m compared to £32.7m for the year to March 2021. Pre tax profit for the 9 month period was £0.5m (year to March 2021 - £2.4m).

Results for the period are in line with expectations. Following the reduction in revenue seen in 2020, as the Covid-19 pandemic affected business activity around the world, the position has stabilised as companies adapt to the changed trading environment and start to plan for a post-pandemic recovery. Order intake has been particularly strong and has exceeded expectations. On a pro-rata basis, turnover is unchanged however the order bank has increased by over 40% since the start of the financial period showing increased confidence and renewed activity across all sectors. The oil and gas sector continues to be the company's major market and the company will service and support those customers, responding to their changing needs as the energy transition gathers pace. At the same time, an increasing proportion of the company's business is being derived from other markets. The broader revenue base arising from diverse markets helps to protect the company from volatility or cyclical fluctuations in any one market which, in turn, enables the company to make continued investment in new technologies and capabilities which deliver better solutions for customers in all sectors.

Throughout the period, the impact of the Covid-19 pandemic continued to be felt across all areas of the business in all the locations in which we operate. The solutions and working practices implemented in the previous year continued to be of valuable benefit and enabled the company to work safely and effectively whilst satisfying the needs of customers in a challenging trading environment. As travel restrictions started to ease, we were pleased to be able to deliver more on-site support in addition to virtual support that had become the norm for the past year. We were also able to meet face to face with more of our key customers and suppliers as trade shows started to resume and on-site meetings became viable once again. Despite the easing of restrictions, the company remains vigilant, well aware that Covid-19 still presents a risk to the business. The directors continue to strike a balance between taking advantage of the opening up of economies and protecting our staff and our business operations.

At the end of the year John Ramsden retired from the company after 24 years' service in various senior positions, including over 10 years as the company's Managing Director prior to taking up the role of CEO of the company's parent, Covelya Group. At the end of April, Dr Ralph Rayner retired after nearly 16 years' service with the company as either non-executive director or non-executive Chairman and, latterly, non-executive Chairman of Covelya Group. The directors and shareholders would like to thank both of them for their contributions to the business through a period of considerable change.

The outlook for the coming year is very positive although there is still great uncertainty around the continuing impact of the Covid-19 pandemic and the effects of the war in Ukraine. Supply chain issues leading to material shortages, longer lead times and increasing prices also pose a significant threat. Whilst taking steps to mitigate the wider threats to the business, the Company is well placed to seize the opportunities presented by increasing business confidence and a more positive trading outlook. The Board of Directors remains optimistic for the future.

SONARDYNE INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

Principal Risks and Uncertainties

All activities of the Company are controlled by the Board which meets regularly to review the performance of the Company. The Board reviews the principal risks to the business and where it is deemed appropriate, puts in place ways to mitigate those risks.

A detailed annual budget is prepared and approved by the Board at the beginning of each financial year. Reporting against this budget is done on a monthly basis with detailed monthly management accounts produced to strict deadlines. A rolling twelve month forecast is produced quarterly to provide insight into the longer term outlook for the business.

Cash and debtors are monitored on a daily basis.

Principal risks and uncertainties include:

- Periods of lower activity in the offshore oil industry causing a further fall in our customers' capital budgets in the core markets
- Disruption to the supply chain and the effects of higher global inflation affecting material availability and prices
- The continuing impact of the Covid-19 pandemic and resulting restrictions on the global economy
- The volatility of the UK pound against other international currencies
- The alignment of risk in negotiated contract terms with the available rewards
- The scarcity of candidates in the job market and the effects of wage inflation

The Company's policies to mitigate these risks include diversification into other market areas, supply chain management, strong treasury management to minimise exchange risks, effective contract negotiation procedures, year on year investment in new products and a total commitment to making the company a great place to work in order to attract and retain talent.

Key Performance Indicators

Key performance indicators are used throughout the business. In the monthly management accounts these include measures and comparatives for employee numbers, capital expenditure, order intake, sales turnover, gross margins, pre-tax profit, order bank, cash and debtors.

Order intake is broadly similar compared pro-rata to the prior year

Turnover has remained consistent pro-rata to the prior year

Staff numbers have reduced slightly compared to the prior year

The company has continued to maintain a very strong balance sheet

Employees

Details of the average number of employees and related costs can be found in note 7 to the financial statements. Applications for employment by disabled persons are always fully considered. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company keeps employees informed on matters relevant to them as employees through regular meetings and newsletters. Senior management meet regularly with a committee of staff representatives to discuss issues raised by employees and to consult on a range of matters affecting employees' interests. In addition to this, updates are also provided to all staff on the parent group's performance along with the future plans for the Company.

SONARDYNE INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

Streamlined Energy and Carbon Reporting

Although our emissions have risen in 2021 compared to 2020, this is because of disproportionate reductions in travel and transport in 2020, due to the impact of the Covid-19 pandemic. Overall emissions are significantly below the levels reported prior to 2020 due to our investment in energy from renewable sources. Procurement of 100% renewable electricity and, from 1st October 2021, renewable "Green Gas" will assist our goal to become carbon neutral by 2025.

Figures are as follows, based on the calendar year:

	2021	2020
<i>Energy consumption</i>		
Aggregate of UK energy consumption in the year	kWh	kWh
- Gas combustion	174,356	167,472
- Fuel consumed for transport	171,846	123,224
- Electricity purchased	1,270,585	1,241,312
	<u>1,616,787</u>	<u>1,532,008</u>
	=====	=====
<i>Emissions of CO2 equivalent</i>		
	Metric Tonnes	Metric Tonnes
Scope 1 - direct emissions		
- Gas combustion	31.94	30.79
- Fuel consumed for owned transport	44.34	31.22
	<u>76.28</u>	<u>62.01</u>
Scope 2 - indirect emissions		
- Electricity purchased	269.78	289.40
Scope 3 - other indirect emissions		
- Business travel in employee owned vehicles	3.72	4.92
Associated Greenhouse net gas emissions (Tonnes CO2e)	72.4*	66.9*
<i>Intensity ratio</i> (Net Tonnes CO2e per employee)	0.27	0.22

*In 2021, renewable energy (Electricity and from 1st October 2021 – gas) reduced emissions by 277.42 tonnes of CO2 equivalent (2020: 289.40 tCO2e).

The following principles were used in compiling the figures:

Organisational boundary

A financial control approach has been taken.

Intensity measurement

We have chosen net emissions in tonnes of CO2e per employee as our intensity metric.

SONARDYNE INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

Renewable energy offset

100% renewable electricity was procured for the whole of 2020 and 2021. Renewable "Green" Gas was also procured from October 2021. To account for this, conversion factors have been applied across 12 months to determine gross emissions, prior to applying a renewable energy offset to calculate net emissions.

On behalf of the board



M Davey
Director

19th July 2022

Date

SONARDYNE INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the nine month period ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of the design, manufacture and supply of electronic and mechanical instruments for the offshore energy, ocean science and maritime security and defence markets.

Directors

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

S C Partridge	
G Brown	
M Chibah	(Resigned 29 April 2022)
M Davey	
S J Fasham	
D Newborough	
J R Norton	
J E Ramsden	(Resigned 31 December 2021)
R F Rayner	(Resigned 1 May 2022)
S P Martin	
S M Dunn	(Appointed 28 September 2021)

Results and dividends

The results for the nine month period are set out on page 14.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Political and charitable donations

It is the company policy not to make political donations.

During the year the company made charitable donations totalling £250 (31 March 2021 - £12,000).

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 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.

SONARDYNE INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

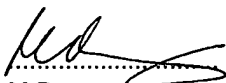
FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

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 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.

Statement of disclosure to auditor

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

On behalf of the board



M Davey
Director

Date: 19th July 2022.....

SONARDYNE INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SONARDYNE INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Sonardyne International Limited (the 'company') for the nine month period ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the nine month period 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial nine month period 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.

SONARDYNE INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF SONARDYNE INTERNATIONAL LIMITED

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 and the directors' report.

We have nothing to report in respect of the following matters where 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, 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.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

SONARDYNE INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF SONARDYNE INTERNATIONAL LIMITED

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

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 of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

Robert Southey (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

3 August 2022
Date:

Chartered Accountants
Statutory Auditor

Ashcombe Court
Woolsack Way
Godalming
Surrey
United Kingdom
GU7 1LQ

SONARDYNE INTERNATIONAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

	Notes	Period ended 31 December 2021 £	Year ended 31 March 2021 £
Turnover	3	24,539,830	32,717,976
Cost of sales		(10,631,212)	(11,441,306)
Gross profit		13,908,618	21,276,670
Administrative expenses		(13,619,787)	(19,321,030)
Other operating income		31,032	543,100
Exceptional items	4	165,054	(59,778)
Operating profit	5	484,917	2,438,962
Interest receivable and similar income	9	-	5,857
Interest payable and similar expenses	10	1,425	(3,577)
Profit before taxation		486,342	2,441,242
Tax on profit	11	245,125	(82,990)
Profit for the financial nine month period		731,467	2,358,252
Other comprehensive income		-	-
Total comprehensive income for the nine month period		731,467	2,358,252

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

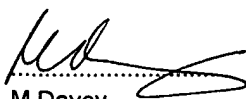
SONARDYNE INTERNATIONAL LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	31 December 2021		31 March 2021	
		£	£	£	£
Fixed assets					
Tangible assets	13		7,990,172		7,874,570
Investments	14		112,621		112,621
			<u>8,102,793</u>		<u>7,987,191</u>
Current assets					
Stocks	17	11,957,661		12,264,395	
Debtors	18	14,874,938		10,484,225	
Cash at bank and in hand		4,952,747		7,768,829	
		<u>31,785,346</u>		<u>30,517,449</u>	
Creditors: amounts falling due within one year	19	(5,081,707)		(4,526,340)	
Net current assets			<u>26,703,639</u>		<u>25,991,109</u>
Total assets less current liabilities			<u>34,806,432</u>		<u>33,978,300</u>
Provisions for liabilities					
Provisions	20	310,000		310,000	
Deferred tax liability	21	96,665		-	
			<u>(406,665)</u>		<u>(310,000)</u>
Net assets			<u>34,399,767</u>		<u>33,668,300</u>
Capital and reserves					
Called up share capital	23		12,286,362		12,286,362
Profit and loss reserves			22,113,405		21,381,938
Total equity			<u>34,399,767</u>		<u>33,668,300</u>

The financial statements were approved by the board of directors and authorised for issue on 19th July 2022 and are signed on its behalf by:


M Davey
Director

Company Registration No. 01299452

SONARDYNE INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2020		500,000	50,577,304	51,077,304
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	2,358,252	2,358,252
Issue of share capital	23	11,786,362	-	11,786,362
Distribution in specie	12	-	(31,553,618)	(31,553,618)
Balance at 31 March 2021		12,286,362	21,381,938	33,668,300
Period ended 31 December 2021:				
Profit and total comprehensive income for the period		-	731,467	731,467
Balance at 31 December 2021		12,286,362	22,113,405	34,399,767

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Sonardyne International Limited is a private company limited by shares incorporated in England and Wales. The registered office is Ocean House, Blackbushe Business Park, Saxony Way, Yateley, Hampshire, GU46 6GD.

1.1 Accounting convention

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

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

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

Exemptions for qualifying entities under FRS102

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

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Sonardyne International Limited is a wholly owned subsidiary of Covelya Group Limited (formerly Sonardyne Group Limited) and the results of Sonardyne International Limited are included in the consolidated financial statements of Covelya Group Limited (formerly Sonardyne Group Limited) which are available from Ocean House, Blackbushe Business Park, Saxony Way, Yateley, Hampshire, GU46 6GD.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

However, not all future events or conditions can be predicted and, given the current context of the Covid-19 pandemic, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all the potential implications on the company's trade, customers, suppliers and the wider economy. The directors have considered the impact Covid-19 has had on the company and believe the financial consequences of any direct impact has been minimal although the effect of indirect impacts is less easy to predict. The company's sites have all continued to operate in a Covid-secure manner enabling an uninterrupted supply of products and services to be provided to customers. The directors and management have taken active steps to adapt to the changing commercial environment in order to mitigate the impact of any future reduction in revenues and protect the cash flow of the company.

1.3 Reporting period

The current year financial statements were prepared for a period of nine months from 1 April 2021 to 31 December 2021. This was a short period in order to bring the year end in line with other group companies.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue in respect of equipment and systems sales is recognised when goods have been despatched to the customer in accordance with the sales agreement. Maintenance and repair services are invoiced at the completion of the servicing work carried out.

The company has a number of short term sales contracts. Sales are recognised on the delivery of a definable element of the contract. The income is treated as deferred until the corresponding goods or services are deemed to have been delivered in accordance with the contract. The income, costs and profit are then released to the statement of comprehensive income.

1.5 Research and development expenditure

Research and development expenditure is written off against profits in the year in which it is incurred.

1.6 Tangible fixed assets

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

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

Freehold property and Leasehold improvements	2% straight line
Plant and equipment	15% and 25% straight line
Fixtures and fittings	25% straight line
Motor vehicles	25% straight line
Boats and instruments	25% straight line

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Fixed asset investments

Interests in subsidiaries and associates entities held as fixed assets are shown at cost less provision for permanent impairment.

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stock and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. The proportion of overheads which is capitalised is dependent on the stage of completion.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash at banks and in hand, other short-term liquid investments with original maturities of three months or less.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

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

1.13 Derivatives

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.16 Employee benefits

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Leases

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

1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Warranty provision

Warranties are offered on all products supplied. The repair costs, which include material and labour costs associated with warranty work are recognised as the repair work is undertaken. Provision is made at the year end for estimated warranty work required to be undertaken.

Stock provision

The provision for slow moving and obsolete stock is made based on the number of years' usage held, with the provision staggered across the years. Consignment stock is provided for based on the date of last use, with any item not used in the last 12 months being provided for in full. Obsolete stock is fully provided for.

3 Turnover and other revenue

The turnover and profit before taxation are attributable to the one principal activity of the company.

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

	31 December 2021 £	31 March 2021 £
Turnover analysed by class of business		
Goods	22,630,493	29,433,468
Other	1,909,337	3,284,508
	<u>24,539,830</u>	<u>32,717,976</u>

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

3 Turnover and other revenue (Continued)

	31 December 2021	31 March 2021
	£	£
Other significant revenue		
Interest income	-	5,857
Grants received	31,032	543,100
	<u>31,032</u>	<u>543,100</u>
	31 December 2021	31 March 2021
	£	£
Turnover analysed by geographical market		
United Kingdom	6,482,643	8,028,280
European Union	2,147,781	2,604,633
Asia	5,377,318	7,385,373
Americas	6,883,027	7,153,718
Rest of the World	3,649,061	7,545,972
	<u>24,539,830</u>	<u>32,717,976</u>

4 Exceptional item

	31 December 2021	31 March 2021
	£	£
Expenditure		
Exceptional items	(165,054)	59,778
	<u>(165,054)</u>	<u>59,778</u>

In the period, the company decreased its provision against a debtor balance with Sonardyne Brasil Limitada by £165,054 (31 March 2021 - increase of £59,778). Sonardyne Brasil Limitada is a 100% subsidiary held indirectly through Sonardyne Overseas Holdings Limited.

5 Operating profit

	31 December 2021	31 March 2021
	£	£
Operating profit for the period is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(20,111)	227,044
Research and development costs	1,346,299	1,762,498
Government grants	(31,032)	(543,100)
Depreciation of owned tangible fixed assets	947,534	1,364,492
Loss on disposal of tangible fixed assets	3,770	7,417
Operating lease charges	219,201	56,962
	<u>219,201</u>	<u>56,962</u>

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

6 Auditor's remuneration

	31 December 2021	31 March 2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	29,500	28,950
For other services		
Taxation compliance services	9,800	7,750
All other non-audit services	3,950	3,230
	13,750	10,980

7 Employees

The average monthly number of persons (including directors) employed by the company during the nine month period was:

	31 December 2021	31 March 2021
	Number	Number
Technical	162	181
Administrative	90	87
Total	252	268

Their aggregate remuneration comprised:

	31 December 2021	31 March 2021
	£	£
Wages and salaries	9,276,317	13,519,553
Social security costs	1,050,249	1,398,993
Pension costs	722,577	969,317
	11,049,143	15,887,863

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

8 Directors' remuneration

	31 December 2021 £	31 March 2021 £
Remuneration for qualifying services	1,177,000	1,360,828
Company pension contributions to defined contribution schemes	98,550	107,515
	<u>1,275,550</u>	<u>1,468,343</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 9 (31 March 2021 - 8).

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

	31 December 2021 £	31 March 2021 £
Remuneration for qualifying services	<u>205,198</u>	<u>259,463</u>

9 Interest receivable and similar income

	31 December 2021 £	31 March 2021 £
Interest income		
Interest on bank deposits	-	5,857
	<u>-</u>	<u>5,857</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	-	5,857
	<u>-</u>	<u>5,857</u>

10 Interest payable and similar expenses

	31 December 2021 £	31 March 2021 £
Other finance costs:		
Finance costs for financial instruments measured at fair value through profit or loss	(1,425)	1,046
Other interest	-	2,531
	<u>(1,425)</u>	<u>3,577</u>

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

11 Taxation

	31 December 2021 £	31 March 2021 £
Current tax		
UK corporation tax on profits for the current period	-	156,505
Adjustments in respect of prior periods	(81,432)	5,251
Total UK current tax	<u>(81,432)</u>	<u>161,756</u>
Foreign current tax on profits for the current period	-	16,261
Total current tax	<u>(81,432)</u>	<u>178,017</u>
Deferred tax		
Origination and reversal of timing differences	(182,993)	(95,027)
Changes in tax rates	19,300	-
Total deferred tax	<u>(163,693)</u>	<u>(95,027)</u>
Total tax (credit)/charge	<u>(245,125)</u>	<u>82,990</u>

The actual (credit)/charge for the nine month period can be reconciled to the expected charge for the nine month period based on the profit or loss and the standard rate of tax as follows:

	31 December 2021 £	31 March 2021 £
Profit before taxation	<u>486,342</u>	<u>2,441,242</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (31 March 2021: 19.00%)	92,405	463,836
Tax effect of expenses that are not deductible in determining taxable profit	858	15,869
Tax effect of income not taxable in determining taxable profit	716	1,409
Unutilised tax losses carried forward	240,723	-
Double tax relief	-	(14,044)
Permanent capital allowances in excess of depreciation	(146,536)	(31,841)
Research and development tax credit	(237,298)	(250,247)
Other non-reversing timing differences	49,132	25,060
Effect of overseas tax rates	-	16,261
Under/(over) provided in prior years	(81,432)	5,251
Patent box relief	-	(64,895)
Disallowable exceptional items	-	11,358
Deferred tax	<u>(163,693)</u>	<u>(95,027)</u>
Taxation (credit)/charge for the period	<u>(245,125)</u>	<u>82,990</u>

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

12 Distributions

	31 December 2021 £	31 March 2021 £
Distribution in specie	-	31,553,618

13 Tangible fixed assets

	Freehold property and Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Boats and instruments £	Total £
Cost						
At 1 April 2021	6,823,567	8,283,954	3,699,684	158,637	4,043,039	23,008,881
Additions	-	921,511	142,982	-	51,877	1,116,370
Disposals	-	(183,858)	(173,746)	-	(44,684)	(402,288)
At 31 December 2021	6,823,567	9,021,607	3,668,920	158,637	4,050,232	23,722,963
Depreciation and impairment						
At 1 April 2021	1,377,258	6,723,487	3,294,639	136,702	3,602,225	15,134,311
Depreciation charged in the nine month period	73,400	549,793	169,989	11,579	142,773	947,534
Eliminated in respect of disposals	-	(152,278)	(161,643)	-	(35,133)	(349,054)
At 31 December 2021	1,450,658	7,121,002	3,302,985	148,281	3,709,865	15,732,791
Carrying amount						
At 31 December 2021	5,372,909	1,900,605	365,935	10,356	340,367	7,990,172
At 31 March 2021	5,446,309	1,560,467	405,045	21,935	440,814	7,874,570

14 Fixed asset investments

	Notes	31 December 2021 £	31 March 2021 £
Investments in subsidiaries	15	26,996	26,996
Investments in associates	16	85,625	85,625
		112,621	112,621

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Sonardyne Inc.	8280 Willow Place Drive North, Suite 130, Houston, Texas, 77070 USA	Retail of electronic and mechanical equipment	Ordinary	100.00	-
Sonardyne Asia PTE Limited	34 Loyang Crescent, Block B, Singapore, 508993	Retail of electronic and mechanical equipment	Ordinary	100.00	-
Sonardyne Overseas Holdings Limited	Ocean House, Blackbushe Business Park, Saxony Way, Yateley, GU46 6GD	Holding company	Ordinary	100.00	-
Sonardyne Limited	Ocean House, Blackbushe Business Park, Saxony Way, Yateley, GU46 6GD	Generation of electricity	Ordinary	100.00	-
Sonardyne Brazil Limited	Ocean House, Blackbushe Business Park, Saxony Way, Yateley, GU46 6GD	Holding company	Ordinary	-	100.00
Sonardyne Brasil Limitada	Av. Zen Lotes 05 E 06 Quadra D Zen, Rio Das Ostras, RJ Cep 28890-000, Brasil	Retail of electronic and mechanical equipment	Ordinary	-	100.00

16 Associates

Details of the company's associates at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held
				Direct
Lumasys Inc.	97 Water Street, PO Box 613, Woods Hole, MA 02543 USA	Subsea optical communication solutions	Ordinary	30.00

17 Stocks

	31 December 2021	31 March 2021
	£	£
Raw materials and consumables	7,916,932	7,779,310
Work in progress	3,533,051	4,157,941
Finished goods and goods for resale	507,678	327,144
	<u>11,957,661</u>	<u>12,264,395</u>

Consignment stock of £971,627 (31 March 2021 - £875,547) is held in the balance sheet at the year end. The items are held by sales partners both overseas and in the UK. No deposit is held in relation to the items and all risks and rewards of the stock remain with the company.

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

18 Debtors

	31 December 2021	31 March 2021
	£	£
Amounts falling due within one year:		
Trade debtors	4,525,871	3,310,311
Corporation tax recoverable	81,775	-
Amounts owed by group undertakings	8,536,565	5,536,203
Other debtors	175,364	115,806
Prepayments and accrued income	1,239,431	1,466,331
	<u>14,559,006</u>	<u>10,428,651</u>
Deferred tax asset (note 21)	299,683	16,541
	<u>14,858,689</u>	<u>10,445,192</u>
	<u>31 December 2021</u>	<u>31 March 2021</u>
	£	£
Amounts falling due after more than one year:		
Deferred tax asset (note 21)	16,249	39,033
	<u>14,874,938</u>	<u>10,484,225</u>

19 Creditors: amounts falling due within one year

	31 December 2021	31 March 2021
	£	£
Trade creditors	670,229	849,573
Amounts owed to group undertakings	1,171,676	610,860
Corporation tax	-	93,176
Other taxation and social security	398,606	446,876
Other creditors	490	2,393
Accruals and deferred income	2,840,706	2,523,462
	<u>5,081,707</u>	<u>4,526,340</u>

Included in Trade Creditors is an amount of £213,471 (31 March 2021 - £137,245) which relates to customer deposits.

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

20 Provisions for liabilities

	31 December 2021 £	31 March 2021 £
Other provision	310,000	310,000
Movements on provisions:		Other provision £
At 1 April 2021 and 31 December 2021		310,000

Warranty provision

A provision of £310,000 (31 March 2021 - £310,000) has been recognised for anticipated warranty claims on products sold during the last financial year. It is expected that most of this expenditure will be incurred within the next financial year.

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 31 December 2021 £	Liabilities 31 March 2021 £	Assets 31 December 2021 £	Assets 31 March 2021 £
Balances:				
Accelerated capital allowances	96,665	-	-	26,683
Tax losses	-	-	240,723	-
Retirement benefit obligations	-	-	58,959	16,541
Holiday pay	-	-	16,250	12,350
	<u>96,665</u>	<u>-</u>	<u>315,932</u>	<u>55,574</u>
Movements in the nine month period:				31 December 2021 £
Asset at 1 April 2021				(55,574)
Credit to profit or loss				(182,993)
Effect of change in tax rate - profit or loss				19,300
Asset at 31 December 2021				<u>(219,267)</u>

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

21 Deferred taxation

(Continued)

Deferred taxation

The portion of the deferred taxation liability/ (asset) set out above which is not expected to reverse within 12 months relates to accelerated capital allowances of £96,665 (March 2021 - £(26,683)) and other timing differences of £(16,250) (March 2021 - £(12,350)). Other timing differences expected to mature within 12 months amount to £(58,959) (March 2021 - £(16,541)) alongside tax losses carried forwards of £240,723 (31 March 2021 - £Nil)

22 Retirement benefit schemes

	31 December 2021	31 March 2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	722,577	969,317

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were £117,785 (31 March 2021 - £87,779) of outstanding contributions at the year end.

23 Share capital

	31 December 2021	31 March 2021	31 December 2021	31 March 2021
Ordinary share capital Issued and fully paid	Number	Number	£	£
Ordinary of £1 each	12,286,362	12,286,362	12,286,362	12,286,362

Ordinary shares are non-redeemable and carry full voting and participating rights.

24 Financial commitments, guarantees and contingent liabilities

At 31 December 2021 the company had commitments to buy:
NOK 600,000 for £50,041 (31 March 2021 - nil).

SONARDYNE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2021

25 Operating lease commitments

Lessee

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

	31 December 2021 £	31 March 2021 £
Within one year	109,210	294,493
Between two and five years	37,792	49,864
	<u>147,002</u>	<u>344,357</u>

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	31 December 2021 £	31 March 2021 £
Acquisition of tangible fixed assets	130,402	229,412
	<u>130,402</u>	<u>229,412</u>

27 Related party transactions

During the period the company made purchases from Lumasys Inc, a 30% owned associate, of £208,426 (31 March 2021 - £169,425). At the period end £nil was outstanding (31 March 2021 - £25,203).

28 Ultimate controlling party

The company's ultimate parent company and controlling party is Sonardyne Holdings Limited, a company registered in England and Wales at registered address, Ocean House, Blackbushe Business Park, Saxony Way, Yateley, GU46 6GD. This is also the largest group in which the results of the company are consolidated. Copies of the group financial statements of Sonardyne Holdings Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

During the prior year Covelya Group Limited (formerly Sonardyne Group Limited) became the company's immediate parent. The smallest group in which the results of the company are consolidated is Covelya Group Limited (formerly Sonardyne Group Limited).