

Company Registration No. 10111491 (England and Wales)

SOUTHAMPTON MARINE SERVICES LIMITED

ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2021

SOUTHAMPTON MARINE SERVICES LIMITED

COMPANY INFORMATION

Directors	Mr P Morton Mr C Norman
Company number	10111491
Registered office	Kintyre House 70 High Street Fareham Hampshire United Kingdom PO16 7BB
Auditor	Alliott Wingham Limited Kintyre House 70 High Street Fareham Hants PO16 7BB
Business address	Western Avenue Western Docks Southampton Hampshire SO15 0HH

SOUTHAMPTON MARINE SERVICES LIMITED

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SOUTHAMPTON MARINE SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present the strategic report for the year ended 30 June 2021.

Fair review of the business

The company provides repair and refit services, including labour support, primarily to the commercial and defence marine sectors from a number of sites across the UK.

The Financial Statements for the period cover the core repair and refit trade as well as a number of special one-off projects. Against the backdrop of the COVID-19 (Coronavirus) pandemic, it has been a year of stabilising the business where the senior management team has continued to realise operational efficiencies and react quickly to the challenges of the pandemic.

The shareholders and Board have maintained their support of the company and have continued to see the benefits of a more stable and profitable business through efficiency improvements and a broadening of the customer base.

Principal risks and uncertainties

Company operations are UK centric (with a limited amount of overseas activity) and are subject to a number of risks, the principle area of risk and uncertainty relating to economic conditions prevailing in the UK (and globally to the extent that they affect the UK economy).

The company continues to take measures to ensure that it is not overly reliant on any one UK region, sector or customer.

The company continues to assess the risks and opportunities arising from the UK's exit from the European Union ("Brexit") and evaluate the impact this may have on its activity levels, supply chain and cost base. Whilst the majority of trade is with UK customers (within the UK), the company is aware that the marine industry, as a whole, has seen changes that have and will continue to affect the business. In order to mitigate these risks the company continues to review its supply chain arrangements.

The company has put measures in place to facilitate the ongoing assessment of the impact of COVID-19 and will also continue to look at options that mitigate any negative impact to trading activities through changes to its operational procedures and accessing any support available from various government schemes.

The implementation of the latest IR35 legislation has had a negligible impact on margins - the labour supply chain has been impacted more by the reduction of supply due to Brexit rather than the implications of IR35.

The company is exposed (to a greater or lesser extent) to a variety of financial risks from its operations including price risk, exchange rate risk, credit risk and liquidity risk.

Price Risk

The company has limited exposure to fluctuations in the cost of bought-in goods and services due to the high volume, short-term nature of the majority of trading, enabling it to price appropriately despite the impact of both COVID-19 and Brexit. Where larger contracts with fixed pricing are entered into, the company seeks to secure pricing for bought-in goods and services at the outset of the project.

SOUTHAMPTON MARINE SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Exchange Rate Risk

The company has limited exposure to changes in foreign currency exchange rates as customer invoicing is in GBP, labour is UK based and only a small proportion of bought-in goods and services are non-GBP purchases.

Credit Risk

The company's credit risk relates primarily to its Trade Receivables. The company contracts directly with its customers who range from blue chip companies operating government contracts to small and medium sized entities in the commercial sector. The credit terms granted are proportional to risk profile and larger contracts are invoiced on a stage payment basis (before, during and on completion of the projects).

Cash Flow and Liquidity Risk

The current cash position and short-to-medium term cash flow forecasts are prepared and reviewed on a weekly basis to mitigate cash flow risks and predict any funding requirements. The liquidity risk is mitigated by matching payments from customers with the cash outflows on projects and support functions, along with the regular review of the overall working capital position. The company has further mitigated the cash flow and liquidity risk by accessing various government COVID-19 (Coronavirus) support schemes.

Key performance indicators

The ongoing financial performance and financial position of the company are closely monitored through a series of key performance indicators which focus on project performance by site, sector, turnover, gross profit and net cash balances. All of these are monitored and were reviewed by the senior management team during the year under review. On turnover of £12.4m, the gross margin was £2.9m, 23.7% (2020 – £3.2m, 19.2%) and at the year end, there was a cash balance of £0.9m (2020 - £1.9m) and a loan balance of £1.5m (2020 - £2.7m).

On behalf of the board

.....
Mr C Norman
Director
.....

SOUTHAMPTON MARINE SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and financial statements for the year ended 30 June 2021.

Principal activities

The principal activity of the company continued to be the provision of marine engineering services.

Results and dividends

The results for the year are set out on page 8.

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

Directors

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

Mr P Morton
Mr C Norman

Auditor

The auditor, Allott Wingham Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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

Mr C Norman
Director

23 September 2021

SOUTHAMPTON MARINE SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

SOUTHAMPTON MARINE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOUTHAMPTON MARINE SERVICES LIMITED

Opinion

We have audited the financial statements of Southampton Marine Services Limited (the 'company') for the year ended 30 June 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the 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.

SOUTHAMPTON MARINE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SOUTHAMPTON MARINE SERVICES LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

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.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, the Companies Act 2006, and the relevant tax compliance regulations.

SOUTHAMPTON MARINE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SOUTHAMPTON MARINE SERVICES LIMITED

- We considered provisions of other laws and regulations that do not have direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate. These include compliance Money Laundering Regulations 2007 and Proceeds of Crime Act, and the Data Protection Act.

- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through a review of board minutes.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management within the group to understand where they considered there was a susceptibility to fraud.

- Our audit planning identified fraud risks in relation to management override of controls and income recognition. We considered the processes and controls that the Company has established address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls.

- We designed our audit procedures to detect irregularities, including fraud. Our procedures include journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business; enquiries with relevant parties. Third party correspondence review was also carried out with the Company's legal representatives to audit the completeness of any claims and legal matters made available to us.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

Use of our report

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

Mark Nolan FCA (Senior Statutory Auditor)
For and on behalf of Elliott Wingham Limited

23 September 2021

Chartered Accountants
Statutory Auditor

Kintyre House
70 High Street
Fareham
Hants
PO16 7BB

SOUTHAMPTON MARINE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 £	2020 £
Turnover	3	12,381,861	16,408,454
Cost of sales		(9,442,243)	(13,257,937)
Gross profit		<u>2,939,618</u>	<u>3,150,517</u>
Administrative expenses		(2,476,184)	(2,615,204)
Other operating income		226,058	356,587
Operating profit	4	<u>689,492</u>	<u>891,900</u>
Interest receivable and similar income	8	-	29
Interest payable and similar expenses	9	(29,557)	(10,110)
Profit before taxation		<u>659,935</u>	<u>881,819</u>
Tax on profit	10	(134,192)	(178,484)
Profit for the financial year		<u><u>525,743</u></u>	<u><u>703,335</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SOUTHAMPTON MARINE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	£	£
Profit for the year	525,743	703,335
Other comprehensive income	-	-
Total comprehensive income for the year	<u>525,743</u>	<u>703,335</u>

SOUTHAMPTON MARINE SERVICES LIMITED

BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Goodwill	11	212,606		251,084	
Other intangible assets	11	3		3	
Total intangible assets		212,609		251,087	
Tangible assets	12	439,335		303,879	
		651,944		554,966	
Current assets					
Stocks	13	434,283		735,618	
Debtors	14	1,936,434		2,068,185	
Cash at bank and in hand		902,997		1,881,574	
		3,273,714		4,685,377	
Creditors: amounts falling due within one year	15	(2,264,402)		(5,980,160)	
Net current assets/(liabilities)		1,009,312		(1,294,783)	
Total assets less current liabilities		1,661,256		(739,817)	
Creditors: amounts falling due after more than one year	16	(1,839,141)		-	
Provisions for liabilities					
Deferred tax liability	20	63,797		27,608	
		(63,797)		(27,608)	
Net liabilities		(241,682)		(767,425)	
Capital and reserves					
Called up share capital	22	100		100	
Profit and loss reserves		(241,782)		(767,525)	
Total equity		(241,682)		(767,425)	

The financial statements were approved by the board of directors and authorised for issue on 23 September 2021 and are signed on its behalf by:

Mr C Norman
Director

Company Registration No. 10111491

SOUTHAMPTON MARINE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 July 2019	100	(1,470,860)	(1,470,760)
Year ended 30 June 2020:			
Profit and total comprehensive income for the year	-	703,335	703,335
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	100	(767,525)	(767,425)
Year ended 30 June 2021:			
Profit and total comprehensive income for the year	-	525,743	525,743
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2021	100	(241,782)	(241,682)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SOUTHAMPTON MARINE SERVICES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	26	449,218		1,179,939	
Interest paid		(29,557)		(10,110)	
Income taxes (paid)/refunded		-		211,183	
Net cash inflow from operating activities		<u>419,661</u>		<u>1,381,012</u>	
Investing activities					
Purchase of tangible fixed assets		(223,258)		(30,284)	
Proceeds on disposal of tangible fixed assets		21,062		900	
Interest received		-		29	
Net cash used in investing activities		<u>(202,196)</u>		<u>(29,355)</u>	
Financing activities					
Increase in borrowings		-		375,000	
Repayment of borrowings		(1,192,769)			
Payment of finance leases obligations		(3,273)		(3,563)	
Net cash (used in)/generated from financing activities		<u>(1,196,042)</u>		<u>371,437</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(978,577)</u>		<u>1,723,094</u>	
Cash and cash equivalents at beginning of year		1,881,574		158,480	
Cash and cash equivalents at end of year		<u><u>902,997</u></u>		<u><u>1,881,574</u></u>	

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Company information

Southampton Marine Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is Kintyre House, 70 High Street, Fareham, Hampshire, United Kingdom, PO16 7BB.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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.

Management have determined that with the measures put in place following the financial loss in the year to 30 June 2019 and to address the impact of COVID-19 (Coronavirus), no material uncertainties exist that would need to be disclosed within the financial statements. The company has restructured its cost base to improve processes and efficiencies and at the time of approving the financial statements, demand remains within various business sectors that it operates. The company has developed a flexible cost base to ensure it is prepared to meet the challenges of COVID-19 in other sectors that have been more adversely affected.

1.3 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 is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Intangible Asset	Nil
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, 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:

Plant and equipment	15% reducing balance
Fixtures and fittings	25% reducing balance
Motor vehicles	25% reducing balance

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 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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.

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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.

1.8 Stocks

Stocks 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.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 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.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include 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.

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.11 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.

1.12 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.

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.

1.13 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.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

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

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

1.16 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.

1.17 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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Work in progress

Work in progress is valued at costs to date less net sales of goods or services. Calculation of these figures rely upon judgement of when profit will be realised.

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

2 Judgements and key sources of estimation uncertainty

(Continued)

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.

Property, plant & equipment

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible assets

Intangible assets are amortised over their useful lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors.

Provision for onerous contracts

Provisions for onerous contracts are calculated by estimating the costs of certain projects based on the works still to be carried out under obligation of the contract and offset against the benefits due to be derived from those contracts.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Marine engineering, building and refit services	12,381,861	16,408,454
	=====	=====
	2021	2020
	£	£
Other significant revenue		
Interest income	-	29
Grants received	223,908	236,061
	=====	=====
	2021	2020
	£	£
Turnover analysed by geographical market		
UK	11,988,921	15,053,360
Europe	392,940	853,639
Rest of the world	-	501,455
	=====	=====
	12,381,861	16,408,454
	=====	=====

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(3,865)	-
Government grants	(223,908)	(236,061)
Fees payable to the company's auditor for the audit of the company's financial statements	7,000	8,000
Depreciation of owned tangible fixed assets	61,487	55,530
Loss on disposal of tangible fixed assets	5,253	-
Amortisation of intangible assets	38,478	38,478
Operating lease charges	363,419	335,084
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	7,000	8,000
	<u> </u>	<u> </u>

6 Employees

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

	2021	2020
	Number	Number
Directors	2	2
Direct Staff	57	68
Admin	13	16
	<u> </u>	<u> </u>
Total	72	86
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	2,825,364	3,441,725
Social security costs	302,381	335,490
Pension costs	161,116	202,825
	<u> </u>	<u> </u>
	3,288,861	3,980,040
	<u> </u>	<u> </u>

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

7 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	103,125	71,250
Company pension contributions to defined contribution schemes	6,750	6,750
	<u>109,875</u>	<u>78,000</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

8 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Other interest income	-	29
	<u>-</u>	<u>29</u>

9 Interest payable and similar expenses

	2021	2020
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	3,728	9,273
Other finance costs:		
Interest on finance leases and hire purchase contracts	829	837
Other interest	25,000	-
	<u>29,557</u>	<u>10,110</u>

10 Taxation

	2021	2020
	£	£
Deferred tax		
Origination and reversal of timing differences	134,192	178,484
	<u>134,192</u>	<u>178,484</u>

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	659,935	881,819
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	125,388	167,546
Tax effect of expenses that are not deductible in determining taxable profit	1,493	467
Amortisation on assets not qualifying for tax allowances	7,311	7,311
Deferred tax adjustments in respect of prior years	-	3,160
Taxation charge for the year	134,192	178,484

11 Intangible fixed assets

	Goodwill	Intangible Asset	Total
	£	£	£
Cost			
At 1 July 2020 and 30 June 2021	384,779	3	384,782
Amortisation and impairment			
At 1 July 2020	133,695	-	133,695
Amortisation charged for the year	38,478	-	38,478
At 30 June 2021	172,173	-	172,173
Carrying amount			
At 30 June 2021	212,606	3	212,609
At 30 June 2020	251,084	3	251,087

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

12 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 July 2020	351,635	3,249	143,057	497,941
Additions	136,095	5,753	81,410	223,258
Disposals	(40,000)	-	(18,900)	(58,900)
At 30 June 2021	447,730	9,002	205,567	662,299
Depreciation and impairment				
At 1 July 2020	128,908	-	65,154	194,062
Depreciation charged in the year	37,537	1,233	22,717	61,487
Eliminated in respect of disposals	(24,586)	-	(7,999)	(32,585)
At 30 June 2021	141,859	1,233	79,872	222,964
Carrying amount				
At 30 June 2021	305,871	7,769	125,695	439,335
At 30 June 2020	222,727	3,249	77,903	303,879

13 Stocks

	2021 £	2020 £
Work in progress	434,283	735,618

14 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	1,406,253	1,216,065
Corporation tax recoverable	-	21,863
Other debtors	145,610	285,167
Prepayments and accrued income	364,048	448,427
	1,915,911	1,971,522
Deferred tax asset (note 20)	20,523	96,663
	1,936,434	2,068,185

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

15 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Obligations under finance leases	18	-	3,273
Other borrowings	17	-	2,692,769
Trade creditors		763,414	1,123,177
Taxation and social security		501,559	660,380
Other creditors		668,403	988,339
Accruals and deferred income		331,026	512,222
		<u>2,264,402</u>	<u>5,980,160</u>

16 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Other borrowings	17	1,500,000	-
Taxation and social security		339,141	-
		<u>1,839,141</u>	<u>-</u>

17 Loans and overdrafts

	2021 £	2020 £
Other loans	1,500,000	2,692,769
	<u>1,500,000</u>	<u>2,692,769</u>
Payable within one year	-	-
Payable after one year	1,500,000	-
	<u>1,500,000</u>	<u>-</u>

18 Finance lease obligations

	2021 £	2020 £
Future minimum lease payments due under finance leases:		
Within one year	-	3,273
	<u>-</u>	<u>3,273</u>

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

19 Provisions for liabilities

	Notes	2021 £	2020 £
Deferred tax liabilities	20	63,797	27,608

20 Deferred taxation

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

	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Balances:				
Accelerated capital allowances	63,797	27,608	-	-
Tax losses	-	-	20,523	96,663
	<u>63,797</u>	<u>27,608</u>	<u>20,523</u>	<u>96,663</u>
Movements in the year:				2021 £
Asset at 1 July 2020				(69,055)
Charge to profit or loss				112,329
Liability at 30 June 2021				<u>43,274</u>

The deferred tax asset set out above is only expected to partially reverse within the next 12 months and relates to the utilisation of tax losses against future expected profits.

21 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	51,641	52,952

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.

22 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	100	100	100	100

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

22 Share capital

(Continued)

Each share has full rights in the company with respect to voting, dividends and distributions.

23 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:

	2021	2020
	£	£
Within one year	390,171	525,871
Between two and five years	954,329	1,071,371
In over five years	1,001,600	507,214
	<u>2,346,100</u>	<u>2,104,456</u>

24 Control

The company has no ultimate controlling party.

25 Events after the reporting date

On 21 July 2021, the company entered into a 12 month rental agreement for office space in Scotland, beginning 1 August 2021. The amount of future commitment in respect of this agreement has been included in note above. There is no current commitment beyond the initial 12 month agreement.

26 Cash generated from operations

	2021	2020
	£	£
Profit for the year after tax	525,743	703,335
Adjustments for:		
Taxation charged	134,192	178,484
Finance costs	29,557	10,110
Investment income	-	(29)
Loss on disposal of tangible fixed assets	5,253	-
Amortisation and impairment of intangible assets	38,478	38,478
Depreciation and impairment of tangible fixed assets	61,487	55,530
Decrease in provisions	-	(450,000)
Movements in working capital:		
Decrease/(increase) in stocks	301,335	(336,328)
Decrease in debtors	33,748	671,010
(Decrease)/increase in creditors	(680,575)	309,349
Cash generated from operations	<u>449,218</u>	<u>1,179,939</u>

SOUTHAMPTON MARINE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

27 Analysis of changes in net debt

	1 July 2020	Cash flows	30 June 2021
	£	£	£
Cash at bank and in hand	1,881,574	(978,577)	902,997
Borrowings excluding overdrafts	(2,692,769)	1,192,769	(1,500,000)
Obligations under finance leases	(3,273)	3,273	-
	<u>(814,468)</u>	<u>217,465</u>	<u>(597,003)</u>

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