# Score Marine Limited

## Annual report and financial statements

## for the 52 weeks ended 29 December 2022

**Registered Number SC229821**

# Contents

# Score Marine Limited

# Strategic report

**Principal Activities**
Score Marine Limited provides valve management services to the Defence and Maritime Industries.

**Business Model**
Score Marine has a specific expertise and core competence in valve engineering. The Company is part of the Score Group which is the market leading provider of valve management services on a global scale.

The Score Marine model manages whole valve populations in both the operations and project environments by applying its expertise in terms of engineering, new supply, repair and refurbishment, testing, inventory management, commissioning and maintenance planning across the full valve discipline. The company provides these services collectively or in their individual piece parts.

**Business Review and Results**
The Company turnover for the 52 weeks ended 29 December 2022 was £12.1 million (2021: £12.6 million) with a profit before tax of £4.1 million (2021: £2.7 million). Score Marine's services were again principally delivered to the UK Defence sector in the form of the Ministry of Defence (MoD) through the Prime Contractors who provide front line services to MoD and ad-hoc services to other providers.

The business has been dominated by project management and supply activities and specialist fast track repair and refurbishment work which is a core competence. The nature of these business streams and more specifically the timing of certain aspects of them can influence year on year performance.

**Key Performance Indicators (KPIs)**
Score Marine makes extensive use of Key Performance Indicators (KPIs) both externally with its contract customer base and internally as it sets goals and objectives for the organisation which are managed and monitored during the year.

The KPIs selected cover the full spectrum of the Company's performance and are aligned to the Score Group objectives. The target areas include HSE, business performance, customer satisfaction and sustainability, personnel development and ethical compliance. The KPIs are set for continuous improvement purposes at the Company's annual management review meeting and target areas which are important to Score Marine's business, its customers and the wider community.

HSE – The Principal indicator set was that the number of OHSA recordable incidents should be zero. This KPI was met. Supporting that were targets relating to START Cards (Stop, Think, Assess the Risk and Take Action), Toolbox Talks and Individual Safety Leaderships Tours (safety conversations). In addition the Company set targets to reduce electricity usage and waste to landfill.

Business Performance – The principal indicator set was for the Company to achieve a specific EBITDA on its business activities for the year and this target was met.

Customer Satisfaction and Sustainability - The principal indicators set related to on-time delivery performance, non-conformance levels, customer compliments on completed work and with the development and attraction of new business to lessen the reliance on specific areas. All of these KPIs were met.

Personnel Development – Targets were set for appraisal completion and competence enhancement which both showed/delivered year on year improvement. Note that these are constant processes as new apprentices and continuous personal development programmes have influence.

Ethical Compliance – Targets were set to complete a formal audit of all practices with no compliance breaches permitted. An audit was completed with no non-conformances identified.

Security – Target set to maintain security monitoring system for the work environment with full reporting functionality. Target achieved and audited by both BAE Systems and MoD with no major non-conformances identified.

# Score Marine Limited

# Strategic report (Cont.)

The directors and officers of the Company are content with both the relevance of the KPIs which were set for the reporting period and performance against these KPIs.

**Principal Risks and Uncertainties**
Score Marine in the main part contracts with Government bodies or with Prime Contractors operating on behalf of Government organisations. This has benefits as well as risks in so much as any risks associated with non-payment are relatively low but the uncertainty associated with budget constraints is ever present to some degree. The Company works hard to position itself to deal with such pressures as they arise.

A buoyant labour market can present challenges with skilled labour retention and recent rising energy costs and material shortages has put pressures on the Company's supply chain that are required to be monitored and managed. The other principal risk to Score Marine relates to losing or indeed failure to secure the mainframe contracts the Company presently operates and others that it is tendering.

These however are general business risks and the directors of Score Marine acknowledge their responsibilities in managing these and indeed in positioning the Company to deal with changes in Government policies and strategies.

**Future Developments**
The next 12 months will continue to see Score Marine's business influenced by new build projects and Company trading will remain biased in that regard. The Company will also provide guidance and assistance to other Group entities as those entities begin to become established in the defence sector in their own territories. Score Marine will however continue to provide the complete range of its service provision to its customer base and will maintain its innovative, flexible and agile approach to ensure that it continues to add value to its clients in what is an ever changing environment. Score Marine will also further engage with the Prime Contractors who provide front line services to Government Defence Organisations in both the operational maintenance environment and the new build project sector. The directors of Score Marine are confident that the Company has prepared properly to deliver an enduring, sustainable business which is valued by its customers.

Signed on behalf of the Board.

**Ian Davidson**
**Director**
**30 June 2023**

# Score Marine Limited

# Directors' report

The directors present their directors' report and the financial statements of the Company for the 52 weeks ended 29 December 2022.

**Principal Activities**
Score Marine Limited provides valve maintenance management and project management services to the Defence and Maritime Industries.

**Dividends**
During the period the Company paid an interim dividend of £1,500,000 (2021: £2,000,000). The directors do not recommend the payment of a final dividend (2021: £nil).

**Directors**
The directors of the Company who served during the 52 week period ended 29 December 2022 and up to the date of this report are:

David Buchan
Geoffrey Pearson
Gordon Ronaldson - resigned 5 May 2022
Ian Davidson
Mathew Whyte

**Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the Financial statements**
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

# Score Marine Limited

## Directors' report (Cont)

**Indemnifications of directors and insurance**
The Directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

**Political contributions**
The Company made no political donations nor incurred any political expenditure during the period (2021: £nil).

**Statement of disclosure of information to auditor**
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

**By order of the Board**

**Mathew Whyte**
**Secretary**
**Ian M Cheyne Building**
**Glen Test Facility**
**Wellbank**
**Peterhead**
**AB42 3GL**
**30 June 2023**

# Independent auditor's report to the members of Score Marine Limited

## Opinion

We have audited the financial statements of Score Marine Limited ("the Company") for the 52 weeks ended 29 December 2022 which comprise the Statement of profit and loss and retained earnings, balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 December 2022 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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

## Fraud and breaches of laws and regulations – ability to detect

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

# Independent auditor's report to the members of Score Marine Limited (Cont.)

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk that revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included; revenue and cash journals posted to unusual or unexpected accounts; and journals with specific descriptions which may indicate high risk.
- Re-performing for a risk-based sample of fixed prices contracts, the calculation of revenue recognised based on percentage completion of costs, and comparing forecasts against contractual terms and correspondence with customers.

*Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management] the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

# Independent auditor's report to the members of Score Marine Limited (Cont.)

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Strategic report and directors' report**

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

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

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

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

# Independent auditor's report to the members of Score Marine Limited (Cont.)

**Auditor's responsibilities**

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

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

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

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

**Paula Holland (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
1 Marischal Square
Broad Street
Aberdeen
AB10 1DD

30 June 2023

# Score Marine Limited

## Statement of profit and loss and retained earnings for the 52 weeks ended 29 December 2022

| | Note | **52 weeks ended 29 December 2022 £** | 52 weeks ended 30 December 2021 £ |
|---|---|---|---|
| **Turnover** | 2 | **12,098,639** | 12,643,900 |
| Cost of sales | | **(7,223,334)** | (8,968,235) |
| **Gross profit** | | **4,875,305** | 3,675,665 |
| Net operating expenses | 3 | **(781,112)** | (951,720) |
| **Operating profit** | | **4,094,193** | 2,723,945 |
| **Profit before taxation** | 4 – 6 | **4,094,193** | 2,723,945 |
| Tax on profit | 7 | **(778,693)** | (519,176) |
| **Profit for the financial period** | 15 | **3,315,500** | 2,204,769 |
| Retained profit at the beginning of the period | | **2,336,585** | 2,131,816 |
| Dividends paid | | **(1,500,000)** | (2,000,000) |
| **Retained profit at the end of the period** | 15 | **4,152,085** | 2,336,585 |

The above results all relate to continuing operations.

The Company has no other comprehensive income and therefore no separate statement of other comprehensive income has been presented.

# Score Marine Limited

# Balance sheet as at 29 December 2022 (SC229821)

| | Note | **29 December 2022** | | 30 December 2021 | |
|---|---|---|---|---|---|
| | | **£** | **£** | £ | £ |
| **Fixed assets** | | | | | |
| Tangible assets | 8 | | **27,370** | | - |
| **Current assets** | | | | | |
| Stocks | 9 | **2,272,430** | | 1,606,137 | |
| Debtors | 10 | **12,480,693** | | 10,656,831 | |
| Cash at bank in hand | | **2,776** | | 5,814 | |
| | | **14,755,899** | | 12,268,782 | |
| **Creditors: amounts falling due within one year** | 11 | **(9,804,435)** | | (9,282,675) | |
| **Net current assets** | | | **4,951,464** | | 2,986,107 |
| **Total assets less current liabilities** | | | **4,978,834** | | 2,986,107 |
| **Provisions for liabilities** | 12 | | **(826,649)** | | (649,422) |
| **Net assets** | | | **4,152,185** | | 2,336,685 |
| **Capital and reserves** | | | | | |
| Called up share capital | 14 | | **100** | | 100 |
| Profit and loss account | 15 | | **4,152,085** | | 2,336,585 |
| **Shareholder's funds** | | | **4,152,185** | | 2,336,685 |

The financial statements were approved by the board of directors on 30 June 2023 and were signed on its behalf by:

**Ian Davidson**
**Director**

# Score Marine Limited

# Notes to the financial statements

## 1 Principal accounting policies

Score Marine Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

**Basic of preparation**
These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling.

**FRS102 reduced disclosure framework**
The Company's parent undertaking, Buchan 1 Limited includes the Company in its consolidated financial statements. These consolidated financial statements are prepared in accordance with FRS 102 and are available to the public and may be obtained from Ian M Cheyne Building, Glen Test Facility, Wellbank, Peterhead, Aberdeenshire, AB42 3GL. In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:-

- Cash flow statement and related notes;
- Key management personnel compensation;
- The disclosures required by FRS 102.26 Share-based Payments;
- The reconciliation of the number of shares outstanding from the beginning to the end of the period; and
- The disclosures required by FRS102.11 Basic Financial Instruments and FRS102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36 (4) of schedule 1.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The financial statements are prepared on the historical cost basis.

**Accounting estimates and judgements**
*(a) Key sources of estimation uncertainty*
The directors consider the key areas where estimates have a significant effect on the amounts recognised in the financial statements to be within:

*Revenue recognition on long term contracts*
A limited number of customer contracts can span a longer term and judgement is required by the directors over the timing of recognition of revenue and attributable profit. In addition, estimation is required regarding the remaining costs to incur, stage of completion and expected final profitability. The estimates are considered by the directors on a contract-by-contract basis using past experience and knowledge as well as consideration of the specific circumstances. Risk is mitigated by agreeing long term pricing for materials used over the contract life.

*Stock provision*
The directors estimate the lower of cost and net realisable value for stocks through evaluation of sales trends and stock ageing, based on historic experience, as well as current market prices. Inventory provisions and assumptions are assessed at least annually at year-end. Specific provision is made for items which are obsolete or for which there are specific market changes. There has been no change in the methodology or assumptions used to estimate stock provisions in the year.

# 1 Principal accounting policies (Cont)

**Accounting estimates and judgements (Cont)**

*Warranty provision calculation*
Warranty provisions are calculated based on sales activity in the period using historic trends to evaluate the likely level and value of claims which may arise. Specific provision is assessed for any claims raised by customers based on their facts and circumstances.

*(b) Critical accounting judgements in applying the Company's accounting policies*
The directors have not made any critical accounting judgements in applying the Company's accounting policies apart from those involving estimations included above.

**Going concern**
The directors have prepared the financial statements using the going concern basis for the following reasons. At 29 December 2022, the Company had net current assets (including stocks) of £5.0m, net assets of £4.2m and recorded profit after tax of £3.3m for the 52 week trading period then ended.

The directors have prepared forecast cash flows for the period to 31 December 2024. The Company's current long term customer projects are forecast to extend through this period. The forecasts comprise a base forecast and a downside scenario. The forecast allows for a reasonably possible severe but plausible reduction in forecast customer turnover which may arise from projects being deferred or disruption to project execution and delivery. Under both the base and downside forecasts, the directors forecast that the Company will have, with headroom, sufficient liquidity to meet its financial obligations.

Those forecasts are dependent on the Company's ultimate parent undertaking, Buchan 1 Limited providing financial support during that period. Buchan 1 Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Company's going concern is also dependent on the financial position of its intermediate parent company, Buchan 2 Limited, as the Company has provided security in respect of bank borrowing facilities held by the group headed by Buchan 2 Limited ('the Group'). Consequently, in making their assessment of the Company's going concern, the directors have made enquiries of the financial position of the Group. At 29 December 2022, the Group had net current assets (including stocks) of £57.1m, net assets of £94.7m and recorded profit after tax of £12.6m for the 52 week trading period then ended. The Group earned net cash from operating activities of £26.6m. The Group is financed by a combination of cash balances and long term bank loans. As at 1 June 2023 Group bank loans comprise a £74.8m finance facility, of which £23.8m is repayable in instalments over the loan term to June 2025 and £51.0m repayable in a bullet payment in December 2025. In addition, at 1 June 2023 the Group has access to a £15m revolving credit facility of which £nil was drawn and cash reserves of £41.7m. Group Financial bank covenants relating to the facilities principally comprise ratios relating to Cash Flow to Debt Service; Earnings to Interest Cover; and Earnings to Net Debt which are tested quarterly on a rolling twelve month basis. The Group has complied with its financial covenants at each testing date up to the date of these financial statements.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for the period covered by the forecasts and therefore have prepared the financial statements on a going concern basis.

# 1 Principal accounting policies (Cont)

**Stock and work in progress**
Stock and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first out principle and includes all direct expenditure and production overheads based on the normal level of activity. Provision is made where necessary for obsolete, slow moving and defective stocks.

**Long term contracts**
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Revenue recognised is an estimate to the extent that future costs not yet incurred are an estimate. Provision is made for any losses as soon as they are foreseen. Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Payments received on account are included in creditors and represent payments on account in excess of turnover recognised.

**Turnover recognition**
Turnover is recognised when it is probable that the economic benefits associated with a transaction will flow to the Company and the amount of turnover can be measured reliably. Turnover from product sales is recognised when the Company has transferred to the customer the significant risks and rewards of ownership, which is normally upon delivery of the goods. Turnover from services is recognised as the service is provided (see long term contracts accounting policy). Turnover is stated net of sales taxes and trade discounts.

**Taxation**
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

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

# 1 Principal accounting policies (Cont)

**Warranty provision**
Provision is made, based on an assessment of historical claims made, in respect of the estimated cost of settling claims that may arise on goods sold and services provided, that are still in the warranty period.

**Share-based payment transactions**
Where the parent of the Company grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled. The fair value at grant date of share-based payments awarded is recognised as an employee expense, with a corresponding increase in equity spread over the period in which the employee becomes unconditionally entitled to the award. The fair value of the award granted is measured using an option valuation model, taking into account the terms and conditions upon which the award was granted.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

**Classification of financial instruments issued by the Company**
Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

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

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

# Score Marine Limited

## 1 Principal accounting policies (Cont)

**Dividends on shares presented within shareholders' funds**
Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

**Tangible fixed assets**
Tangible fixed assets are stated at purchase cost, together with any other costs that are directly attributable to bringing the asset into working condition for its intended use, less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings

**Depreciation**
Depreciation is calculated so as to write off the cost of tangible fixed assets less their residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | % |
|---|---|
| Plant and machinery | 25 |
| Electrical equipment | 50 |

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

**Impairment**
The Company performs impairment reviews in respect of fixed assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the recoverable amount of the asset, being the higher of the asset's net realisable value and its value in use, is found to be less than its carrying value, then an impairment loss is recognised immediately in the profit and loss account.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Government grants**
Government grants are included within debtors in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. Government grant income is presented within other income in the profit and loss account.

**Foreign currencies**
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at contractual rates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

## 2 Turnover

All sales originate in the United Kingdom. The geographical analysis by destination is as follows:-

| | **52 weeks ended 29 December 2022 £** | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| UK | **11,946,431** | 11,871,077 |
| Europe | **18,262** | 762,937 |
| Rest of World | **133,946** | 9,886 |
| | **12,098,639** | 12,643,900 |

| The analysis of turnover by activity is.as follows: | **52 weeks ended 29 December 2022 £** | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| Valve sales | **11,029,127** | 11,972,344 |
| Repairs | **976,606** | 555,679 |
| Labour | **92,906** | 115,877 |
| | **12,098,639** | 12,643,900 |

The valve sales relate to the sale of products with the remaining activities comprising the sale of services.

## 3 Net operating expenses

| Net operating expenses are analysed as follows: | **52 weeks ended 29 December 2022 £** | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| Distribution costs | **109,992** | 44,318 |
| Administrative expenses | **671,120** | 907,402 |
| Net operating expenses | **781,112** | 951,720 |

## 4 Expenses and auditor's remuneration

| Included in profit/ loss are the following: | 52 weeks ended 29 December 2022 £ | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| Depreciation of tangible fixed assets (note 8) | **2,980** | - |
| Operating lease rentals | **6,902** | 6,902 |
| (Gain) on foreign exchange | **(17,349)** | (15,684) |
| **Auditor's remuneration:** | | |
| Audit of these financial statements | **31,200** | 19,249 |

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Buchan 1 Limited.

## 5 Directors' remuneration

| | 52 weeks ended 29 December 2022 £ | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| Directors' emoluments | **284,566** | 301,032 |
| Company contributions to defined contribution pension plan (note 17) | **9,484** | 1,969 |
| Total | **294,050** | 303,001 |

Included in the above is a recharge from other group companies of £51,525 (2021: £201,991) for two (2021: four) directors for their services to this Company.

No directors exercised share options in the year.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £120,974 (2021: £133,644), and company pension contributions of £3,789 (2021: £968) were made to a money purchase scheme on their behalf.

## 6 Staff numbers and costs

The average number of persons employed by the Company (including executive directors) during the period was as follows:

| | **52 weeks ended 29 December 2022 £** | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| **By activity** | | |
| Production | **18** | 18 |
| Selling & distribution | **6** | 6 |
| Administration | **5** | 4 |
| | **29** | 28 |

| The aggregate payroll costs of the persons were as follows: | **52 weeks ended 29 December 2022 £** | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| Wages | **1,060,657** | 249,463 |
| Social security costs | **102,412** | 23,245 |
| Company contributions to defined contribution pension plan (note 17) | **39,380** | 9,439 |
| **Total** | **1,202,449** | 282,147 |

Previously, the company has had no employees and has utilised staff, and been recharged the associated costs, from a fellow subsidiary undertaking. On 24 September 2021, the company transferred 26 staff from a fellow subsidiary undertaking to establish a permanent workforce of its own.

The aggregate payroll costs recharged by the fellow subsidiary undertaking for the period to 29 December 2022 were £nil (2021: £717,699) for nil (2021: 49) staff.

During the prior period, the Company's parent company issued 130,000 equity instruments to Company employees and directors. These share options vest annually over a period of five years and are exercisable on sale or listing of the Group. The instruments lapse after seven years. No options were forfeited, exercised or lapsed in the year. Based on the number of options issued, the exercise price of £1 and the option fair value of £0.32 each, no material share-based payment expense arose in the period.

## 7 Taxation

| Total tax expense recognised in the profit and loss account | **52 weeks ended 29 December 2022 £** | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| **Current tax** | | |
| Current tax on income for the period | **562,339** | 190,248 |
| Adjustments in respect of prior periods | **446** | - |
| **Group relief** | | |
| Current tax on income for the period | **215,908** | 328,928 |
| **Total tax** | **778,693** | 519,176 |

| **Reconciliation of effective tax rate** | **52 weeks ended 29 December 2022 £** | 52 weeks ended 30 December 2021 £ |
|---|---|---|
| Profit for the period | **3,315,500** | 2,204,769 |
| Total tax expense | **778,693** | 519,176 |
| Profit excluding taxation | **4,094,193** | 2,723,945 |
| Tax using the UK Corporation tax rate of 19% (2021: 19%) | **777,897** | 517,550 |
| Expenses not deductible | **401** | - |
| Remeasurement of deferred tax for changes in tax rates | - | (566) |
| Deferred tax not recognised | **(51)** | 2,192 |
| Adjustment to tax charge in respect of prior period | **446** | - |
| **Total tax expense included in profit or loss** | **778,693** | 519,176 |

### Factors affecting future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. This will have a consequential effect on the company's future tax charge.

The unprovided deferred tax asset at 29 December 2022 has been calculated based on the rate of 25% substantively enacted at the balance sheet date.

## 8 Tangible fixed assets

| | Plant and machinery £ | Electrical Equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| 30 December 2021 | - | 20,301 | 20,301 |
| Additions | 30,350 | - | 30,350 |
| **29 December 2022** | **30,350** | **20,301** | **50,651** |
| **Depreciation** | | | |
| 30 December 2021 | - | 20,301 | 20,301 |
| Charge for the period | 2,980 | - | 2,980 |
| **29 December 2022** | **2,980** | **20,301** | **23,281** |
| **Net book value** | | | |
| 30 December 2021 | - | - | - |
| **29 December 2022** | **27,370** | - | **27,370** |

## 9 Stocks

| The amounts attributable to different categories are as follows: | **29 December 2022 £** | 30 December 2021 £ |
|---|---|---|
| Work in progress | **97,694** | 137,358 |
| Finished goods | **2,174,736** | 1,468,779 |
| | **2,272,430** | 1,606,137 |

Finished goods and work in progress recognised as cost of sales in the period amounted to £5,664,492 (2021: £6,141,044). The write-down of stocks to net realisable value amounted to £7,460 decrease in provision (2021: £53,927 increase in provision) and is included in cost of sales.

## 10 Debtors

| Amounts falling due within one year: | 29 December 2022 £ | 30 December 2021 £ |
|---|---|---|
| Trade debtors | **1,529,905** | 4,657,542 |
| Amounts owed by group undertakings | **10,837,148** | 5,885,576 |
| Prepayments and accrued income | **33,199** | 108,130 |
| Sundry debtors | **80,441** | 5,583 |
| | **12,480,693** | 10,656,831 |

Amounts owed by group undertakings are due on demand but are not expected to be settled within 12 months of the balance sheet date.

## 11 Creditors

| | 29 December 2022 £ | 30 December 2021 £ |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade creditors | **137,972** | 180,597 |
| Amounts owed to group undertakings | **637,329** | 938,082 |
| Corporation tax | **562,339** | 190,248 |
| Taxation and social security | **234,690** | 753,410 |
| Accruals and deferred income | **1,285,263** | 415,402 |
| Group relief | **215,908** | 328,928 |
| Payments received on account | **6,730,934** | 6,476,008 |
| | **9,804,435** | 9,282,675 |

## 12 Provisions for liabilities

| | Warranty provision |
|---|---|
| | £ |
| **At 30 December 2021** | 649,422 |
| Provisions used during the period | (45,770) |
| Provisions made during the period | 222,997 |
| **At 29 December 2022** | **826,649** |

The warranty provision is in respect of sales potentially subject to claims and it is expected that the non-project element of these costs will be incurred in the next financial period. Provision is made, based on an assessment of historical claims made, in respect of the estimated cost of settling claims that may arise on goods sold and services provided, that are still in the warranty period. To the extent that claims are not made within the warranty period, amounts may reverse in future periods.

## 13 Deferred taxation

A deferred tax asset of £2,623, calculated at 25% (2021: £2,360 calculated at 25%) consisting of decelerated capital allowances of £621 (2021: £nil) and £3,244 (2021: £2,360) of disallowable provisions has not been recognised as there is insufficient evidence that the asset will be recordable in foreseeable future.

## 14 Called up share capital

| | **29 December 2022** | 30 December 2021 |
|---|---|---|
| | **£** | £ |
| ***Allotted, called up and fully paid*** | | |
| 100 ordinary shares of £1 each | 100 | 100 |

During the period, the Directors paid a dividend of £15,000 per share (2021: £20,000 per share). No final dividend was recommended.

## 15 Reserves

| | Profit and loss account |
|---|---|
| | £ |
| 30 December 2021 | 2,336,585 |
| Profit for the financial period | 3,315,500 |
| Dividends paid | (1,500,000) |
| **29 December 2022** | **4,152,085** |

## 15 Reserves (Cont.)

The Profit and loss account comprises cumulative undistributed earnings of the company. Dividends comprise an interim dividend paid in respect of the current period of £1,500,000 (2021: £2,000,000). The aggregate amount of dividends proposed, but not included in these accounts at the period end is £nil (2021: £nil).

## 16 Contingent liabilities and financial commitments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company has an agreement to guarantee the bank borrowings of its intermediate parent company, Buchan 2 Limited. At 29 December 2022 the net position on the group borrowings was £16,735,771 (2021: £29,408,931). The assets of the Company are secured by a bond and floating charge.

**Operating lease commitments**
Non-cancellable operating lease rentals are payable as follows::

| | **29 December 2022 £** | 30 December 2021 £ |
|---|---|---|
| Less than one year | **6,327** | 6,902 |
| Between one and five years | - | 6,327 |
| | **6,327** | 13,229 |

## 17 Pension contributions

The Company contributes to individual employee personal pension plans. Contributions in the period amounting to £39,380 (2021: £9,439). Contributions amounting to £10,964 (2021: £9,803) were payable at the period end and are included in creditors.

## 18 Related party disclosures

As the Company is a wholly owned subsidiary of Buchan 1 Limited, the Company has taken advantage of the exemption contained in FRS 102, paragraph 33.1A and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

During the period January to September the Company had purchases of £38,678 (2021: £17,983) from HycAero Limited, a fellow subsidiary company. This Company became a fully owned subsidiary of the Group from October.

The company's customers and supply-chain includes certain companies who are related parties by virtue of their ultimate investor. During the period the company made sales of £4,164 (2021: £nil) and purchases of £879 (2021: £7,762) to these related parties. At the period end £nil (2021: £nil) was receivable and £nil (2021: £nil) was payable to these related parties.

## 19 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of its immediate parent, Score (Europe) Limited, incorporated in Scotland. Buchan 1 Limited is the ultimate parent company, incorporated in Scotland. The only group in which the results of the Company are consolidated is that headed by Buchan 1 Limited. The consolidated financial statements of the group are available to the public and may be obtained from the company secretary at Ian M Cheyne Building, Glen Test Facility, Wellbank, Peterhead, AB42 3GL. At the balance sheet date and at date of these financial statements, the directors regard SCF-IX LP to be the ultimate controlling party by virtue of its controlling interest in the equity capital of Buchan 1 Limited.