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MODUTEC LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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MODUTEC LIMITED

COMPANY INFORMATION



Directors

I R MacGregor
J A MacGregor (appointed 1 February 2019)
A C Matheson (appointed 1 February 2019)

Company secretary

A Matheson

Registered number

SC486008

Registered office

First Floor Aurora House
8 Inverness Campus
Inverness
IV2 5NA

MODUTEC LIMITED

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Introduction

Modutec Limited is an engineering contractor of utility services for onshore and offshore hazardous environments covering the EMEA regions (Europe, Middle East & Africa). The Group specializes in the engineering and offsite manufacture of modular technologies, broadly focusing on water treatment, power and living solutions for a variety of industries.

Business review

During the 12-month accounting period the Group grew its revenue by 22% and its operating profit by 108%.

Turnover - £66,738,000 (2018 - £54,549,000)
Operating Profit - £4,918,000 (2018 - £2,363,000)
Profit After Tax - £3,744,000 (2018 - £1,733,000)

The Group enjoys a prominent position as one of the leading mechanical, electrical, instrumentation, controls and automation (MEICA) providers in the UK utility industry. Sustained R&D investment has enabled the Group to extend its reach by offering modular build solutions for the construction of water treatment facilities across the UK. Such solutions have received national awards and accolades for their positive cost, schedule, quality and HSE impact on construction projects. The Group has a significant international reach in its support of the oil and gas, marine and chemical sectors. From its bases in the Middle East and Caspian, the Group is involved in HVAC Engineering and Specialist Outfitting of technical buildings designed for offshore hazardous areas. The owners and management of Modutec (under its new parent Envoy & Partners Ltd) have ambitious growth plans which will be fuelled by sustained M&A to enhance the offering in the future. This will involve M&A to enhance the technical capabilities of the Group as well as acquiring talent in strategic geographic locations. Recruitment and talent management remain a high priority for the Group, with investment levels increasing year on year. The Group employs in the region of 900 people worldwide and runs active modern apprenticeship schemes, graduate recruitment programmes and a series of leadership development initiatives. This is seen to be paramount to support the Group's growth plans across the UK and beyond.

Principal risks and uncertainties

The Group continues to place key emphasis on expanding its client base to reduce the risk of over reliance on any one customer or market deliverable. The Group is also pursuing a focussed strategic plan to extend across multi markets and geographies, whilst maintaining a blue chip client base, again to hedge risk where possible. The Group places significant importance on commercial and contractual management when engaging in long term fixed priced contracts. The directors manage foreign exchange risks on a contract by contract basis. The Group is also committed to reducing its carbon footprint where possible, with an emphasis on efficient project design and execution.

MODUTEC LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**



Key performance indicators

The Group continues to monitor its working capital closely, to ensure that as part of the Group banking facilities, it always has sufficient cash to both execute projects and invest in key growth and maintenance CAPEX and strategic acquisition. This is a key KPI for all senior management, along with Profit & Loss metrics and personnel management and retention policies. The Group continues to work to the highest standards of HSEQ and demands the highest standards from all staff.

This report was approved by the board and signed on its behalf.


.....
I R MacGregor
Director

Date: 5/12/19

MODUTEC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019



The directors present their report and the financial statements for the year ended 31 March 2019.

Results and dividends

The profit for the year, after taxation, amounted to £3,744,000 (2018 - £1,733,000).

Dividends of £12,401,000 were paid during the year (2018 - £3,630,000)

Directors

The directors who served during the year were:

I R MacGregor
J A MacGregor (appointed 1 February 2019)
A C Matheson (appointed 1 February 2019)
J D MacDonald (resigned 1 February 2019)
R J MacGregor (resigned 1 February 2019)

Future developments

The management of Modutec place importance on the securing of long term contracts and a robust forward orderbook, as part of the drive to growth the group both organically and by strategic acquisition. The directors are pursuing a strategy to expand further the group's MEICA offering, that already has a foothold in both the domestic UK and Middle Eastern markets, to other key geographies and markets worldwide. The directors continue to monitor macro-economic and political factors, to manage risk where possible.

Employee involvement

The Group adopts a policy of employee engagement, with management providing staff with updates on the company and also the wider Envoy & Partners group, via interactive feedback sessions. Management are also pioneering in providing projects personnel with detailed project financial metrics to drive project accountability and encourage feedback on delivery methods.

Disclosure of information to auditors

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

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

Post balance sheet events

There have been no significant events affecting the Group since the year end.

MODUTEC LIMITED



**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Auditors

The auditors, Anderson Anderson & Brown Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
I R MacGregor
Director

Date: 5/12/19

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019**



The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Opinion

We have audited the financial statements of Modutec Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2019, which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

MODUTEC LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MODUTEC LIMITED (CONTINUED)



We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 on page 5, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

MODUTEC LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MODUTEC LIMITED (CONTINUED)**



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 Auditors' 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.

Other Matters

In the previous accounting period the directors of the Company took advantage of audit exemption under 479A of the Companies Act. Therefore the prior period financial statements were not subject to audit.

Anderson Anderson & Brown Audit LLP

Derek Mair (Senior Statutory Auditor)

for and on behalf of

Anderson Anderson & Brown Audit LLP

Statutory Auditors

Kingshill View

Prime Four Business Park

Kingswells

Aberdeen

AB15 8PU

Date:

5 Dec 2019

MODUTEC LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019**



	Note	2019 £000	2018 £000
Turnover	4	66,738	54,549
Cost of sales		(52,523)	(45,903)
Gross profit		<u>14,215</u>	<u>8,646</u>
Administrative expenses		(9,297)	(6,283)
Operating profit		<u>4,918</u>	<u>2,363</u>
Interest payable and similar expenses	8	(22)	(16)
Profit before tax		<u>4,896</u>	<u>2,347</u>
Tax on profit	9	(1,152)	(614)
Profit for the financial year		<u>3,744</u>	<u>1,733</u>
Profit for the year attributable to:			
Owners of the parent		3,744	1,733
		<u>3,744</u>	<u>1,733</u>

The notes on pages 17 to 35 form part of these financial statements.

MODUTEC LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**



	2019 £000	2018 £000
Profit for the financial year	3,744	1,733
Total comprehensive income for the year	<u>3,744</u>	<u>1,733</u>
Profit for the year attributable to:		
Owners of the parent Company	3,744	1,733
	<u>3,744</u>	<u>1,733</u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated profit and loss account.

The notes on pages 17 to 35 form part of these financial statements.

MODUTEC LIMITED
REGISTERED NUMBER: SC486008

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2019




	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	11	17,028	12,764
Tangible assets	12	9,136	7,578
		<u>26,164</u>	<u>20,342</u>
Current assets			
Stocks	14	1,434	507
Debtors: amounts falling due within one year	15	27,211	11,814
Cash at bank and in hand	16	6,404	5,745
		<u>35,049</u>	<u>18,066</u>
Creditors: amounts falling due within one year	17	(45,175)	(16,334)
Net current (liabilities)/assets		<u>(10,126)</u>	<u>1,732</u>
Total assets less current liabilities		<u>16,038</u>	<u>22,074</u>
Creditors: amounts falling due after more than one year	18	(3,155)	(584)
Provisions for liabilities			
Deferred taxation	21	(377)	(312)
Other provisions	22	(51)	(66)
		<u>(428)</u>	<u>(378)</u>
Net assets		<u>12,455</u>	<u>21,112</u>
Capital and reserves			
Called up share capital	23	697	697
Share premium account		-	9,908
Profit and loss account		11,758	10,507
Equity attributable to owners of the parent Company		<u>12,455</u>	<u>21,112</u>
		<u>12,455</u>	<u>21,112</u>

MODUTEC LIMITED
REGISTERED NUMBER: SC486008



CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
I R MacGregor
Director

Date: 5/12/19

The notes on pages 17 to 35 form part of these financial statements.

MODUTEC LIMITED
REGISTERED NUMBER: SC486008

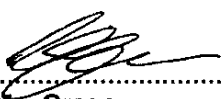
COMPANY BALANCE SHEET
AS AT 31 MARCH 2019



	Note	2019 £000	2018 £000
Fixed assets			
Investments	13	28,150	17,632
		<u>28,150</u>	<u>17,632</u>
Current assets			
Debtors: amounts falling due within one year	15	1,560	1,710
		<u>1,560</u>	<u>1,710</u>
Creditors: amounts falling due within one year	17	(26,042)	(6,322)
		<u>(24,482)</u>	<u>(4,612)</u>
Net current liabilities		<u>(24,482)</u>	<u>(4,612)</u>
Total assets less current liabilities		<u>3,668</u>	<u>13,020</u>
Creditors: amounts falling due after more than one year	18	(2,948)	(350)
		<u>(2,948)</u>	<u>(350)</u>
Net assets		<u><u>720</u></u>	<u><u>12,670</u></u>
Capital and reserves			
Called up share capital	23	697	697
Share premium account		-	9,908
Profit and loss account		23	2,065
		<u>720</u>	<u>12,670</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The profit after tax of the parent Company for the year was £350,000 (2018 - £NIL).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



I R MacGregor
 Director

Date: 5/12/19

The notes on pages 17 to 35 form part of these financial statements.

MODUTEC LIMITED



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2017	697	9,908	12,404	23,009
Profit for the year	-	-	1,733	1,733
Dividends	-	-	(3,630)	(3,630)
At 1 April 2018	697	9,908	10,507	21,112
Profit for the year	-	-	3,744	3,744
Dividends	-	-	(12,401)	(12,401)
Transfer to/from profit and loss account	-	(9,908)	9,908	-
At 31 March 2019	697	-	11,758	12,455

The notes on pages 17 to 35 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2017	697	9,908	5,695	16,300
Dividends	-	-	(3,630)	(3,630)
At 1 April 2018	697	9,908	2,065	12,670
Profit for the year	-	-	350	350
Dividends	-	-	(12,300)	(12,300)
Transfer to/from profit and loss account	-	(9,908)	9,908	-
At 31 March 2019	697	-	23	720

The notes on pages 17 to 35 form part of these financial statements.

MODUTEC LIMITED



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the financial year	3,744	1,733
Adjustments for:		
Amortisation of intangible assets	1,001	786
Depreciation of tangible assets	754	653
Loss on disposal of tangible assets	-	(16)
Interest paid	22	16
Taxation charge	1,152	614
(Increase) in stocks	(927)	(292)
(Increase)/decrease in debtors	(15,196)	1,273
Increase/(decrease) in creditors	8,050	(939)
Increase in amounts owed to groups	23,085	4,958
(Decrease) in provisions	(15)	(230)
Corporation tax (paid)	(1,102)	(1,007)
Net cash generated from operating activities	20,568	7,549
Cash flows from investing activities		
Purchase of intangible fixed assets	(5,264)	(34)
Purchase of tangible fixed assets	(2,484)	(1,077)
Sale of tangible fixed assets	172	21
HP interest paid	(22)	-
Other non cash movements - Remeasurement of goodwill on acquisition	-	669
Other non cash movements - Goodwill acquired in subsidiary undertakings	-	(891)
Net cash from investing activities	(7,598)	(1,312)
Cash flows from financing activities		
Repayment of/new finance leases	90	251
Dividends paid	(12,401)	(3,630)
Interest paid	-	(16)
Net cash used in financing activities	(12,311)	(3,395)

MODUTEC LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**



	2019 £000	2018 £000
Net increase in cash and cash equivalents	659	2,842
Cash and cash equivalents at beginning of year	5,745	2,903
Cash and cash equivalents at the end of year	6,404	5,745
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	6,404	5,745
	6,404	5,745

The notes on pages 17 to 35 form part of these financial statements.



1. General information

The company is a private company limited by shares and is incorporated in the United Kingdom. The address of the registered office is Aurora House, 8 Inverness Campus, Inverness, IV2 5NA. The principal activity of the group is to provide mechanical, electrical, instrumentation, controls and automation (MEICA) services to the UK utilities industry, in addition to fabrication, engineering and outfitting solutions to the International energy and chemical sectors. The principal activity of the company is as an intermediary holding company for part of the Envoy & Partners group trading portfolio.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The Group has net current liabilities of £10,126,000. Included within current liabilities is an amount of £24,927,000 due to the parent company. The parent company has confirmed this will not be repaid in advance of other creditors.

The directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the Group has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Profit and Loss Account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Profit and Loss Account in the same period as the related expenditure.

2.7 Finance costs

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

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

2.10 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Profit and Loss Account over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	-	10	years
Goodwill	-	20	years
Trademarks	-	10	years

2.11 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, either on the straight line method or reducing balance basis.

Depreciation is provided on the following basis:

Freehold property	-	2% Straight line
Short-term leasehold property	-	2% Straight line
Plant and machinery	-	10%-25% Reducing balance
Motor vehicles	-	20% Straight line or 25% reducing balance
Fixtures and fittings	-	10%-20% Straight line or 25% reducing balance
Computer equipment	-	25%-33% Straight line or 25%-33% reducing balance

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Profit and Loss Account.

2. Accounting policies (continued)

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Long term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer or there is a reasonable degree of certainty that they will be accepted. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. The excess of payments on accounts over the value of the work done on individual contracts is included in creditors.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Financial instruments

The Company and Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, and loans to and from related parties. These are measured at amortised cost and are assessed at the end of each

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**
2. Accounting policies (continued)
2.18 Financial instruments (continued)

reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102, requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the Group's key sources of estimation uncertainty:

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Revenues derived from variations on contracts are recognised only when they are first foreseen.

Carrying value of intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which goodwill is attributed, any legal or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

4. Turnover

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	66,430	53,602
Rest of the world	308	947
	<u>66,738</u>	<u>54,549</u>

MODUTEC LIMITED



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

5. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	754	653
Amortisation of intangible fixed assets	1,001	786
Operating lease rentals	102	198

6. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	44	-

In the prior year the group and subsidiaries claimed exemption from preparing audited financial statements under section 479A of the Companies Act.

MODUTEC LIMITED



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

7. Employees

Staff costs were as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Wages and salaries	20,644	15,909	-	-
Social security costs	2,143	1,701	-	-
Cost of defined contribution scheme	699	340	-	-
	<u>23,486</u>	<u>17,950</u>	<u>-</u>	<u>-</u>

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

	2019 No.	2018 No.
Management	24	9
Production	459	429
Administrative	47	39
Other	4	3
	<u>534</u>	<u>480</u>

As a result of the acquisition of Rigfit7Seas and its subsidiaries on 29th March 2019 246 additional employees were added into the Group.

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL)

8. Interest payable and similar expenses

	2019 £000	2018 £000
Finance leases and hire purchase contracts	<u>22</u>	<u>16</u>

MODUTEC LIMITED



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

9. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	1,104	521
Total current tax	<u>1,104</u>	<u>521</u>
Deferred tax		
Origination and reversal of timing differences	48	93
Total deferred tax	<u>48</u>	<u>93</u>
Taxation on profit on ordinary activities	<u><u>1,152</u></u>	<u><u>614</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	<u>4,896</u>	<u>2,347</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	930	446
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	10	8
Income not taxable	(12)	(6)
Other tax adjustments	(4)	7
Adjustments in respect of prior periods	(37)	(37)
Adjustments in respect of prior periods - deferred tax	25	29
Adjustments to deferred tax rate	(2)	(4)
Fixed asset differences	55	25
Goodwill amortisation not deductible for tax purposes	187	146
Total tax charge for the year	<u><u>1,152</u></u>	<u><u>614</u></u>

Factors that may affect future tax charges

MODUTEC LIMITED



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

9. Taxation (continued)

The UK corporation tax rate will reduce to 19% for financial years beginning 1 April 2017 and will reduce to 17% for financial years beginning 1 April 2020. Deferred tax balances have been calculated at a rate of 17% as this is the rate at which the majority of the timing differences are expected to reverse.

10. Dividends

	2019 £000	2018 £000
Dividend of £17.79 (2017 - £5.20) per share paid	12,401	3,630

11. Intangible assets

Group and Company

	Development expenditure £000	Trademarks £000	Goodwill £000	Total £000
Cost				
At 1 April 2018	51	147	16,177	16,375
Additions	-	-	5,264	5,264
At 31 March 2019	51	147	21,441	21,639
Amortisation				
At 1 April 2018	43	13	3,554	3,610
Charge for the year	5	15	981	1,001
At 31 March 2019	48	28	4,535	4,611
Net book value				
At 31 March 2019	3	119	16,906	17,028
At 31 March 2018	8	134	12,622	12,764

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

12. Tangible fixed assets

Group

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation							
At 1 April 2018	6,004	75	2,853	1,641	424	636	11,633
Additions	6	-	592	412	33	82	1,125
Acquisition of subsidiary	349	644	1,413	449	958	45	3,858
Disposals	-	-	(113)	(298)	(181)	-	(592)
At 31 March 2019	6,359	719	4,745	2,204	1,234	763	16,024
Depreciation							
At 1 April 2018	651	72	1,570	990	277	495	4,055
Charge for the year on owned assets	117	-	282	243	33	79	754
Disposals	-	-	(49)	(218)	(153)	-	(420)
Acquisition of subsidiary	-	165	1,079	376	847	32	2,499
At 31 March 2019	768	237	2,882	1,391	1,004	606	6,888
Net book value							
At 31 March 2019	5,591	482	1,863	813	230	157	9,136
At 31 March 2018	5,353	3	1,283	651	147	141	7,578

MODUTEC LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019****12. Tangible fixed assets (continued)**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £000	2018 £000
Plant and machinery	132	-
Motor vehicles	264	339
	<u>396</u>	<u>339</u>

13. Fixed asset investments**Company**

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2018	17,632
Additions	10,518
At 31 March 2019	<u>28,150</u>

13. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal place of business	Class of shares	Holding
Ross-Shire Engineering Limited	Muir of Ord Industrial Estate, Great North Road, Muir of Ord, Ross-shire, IV6 7UA	Ordinary	90%
Pipework Systems & Installation Limited (100% owned by Ross-Shire Engineering Limited)	Muir of Ord Industrial Estate, Great North Road, Muir of Ord, Ross-shire, IV6 7UA	Ordinary	90%
Prime Pumps Limited	Muir of Ord Industrial Estate, Great North Road, Muir of Ord, Ross-shire, IV6 7UA	Ordinary	75%
CPE Holdings Limited	Apollo Road, Lichfield Road Industrial Estate, Tamworth, Staffordshire, B79 7TA	Ordinary	80%
CPE Pressure Vessels Limited (100% owned by CPE Holdings Limited)	Apollo Road, Lichfield Road Industrial Estate, Tamworth, Staffordshire, B79 7TA	Ordinary	80%
CPE Pneumatics Limited (100% owned by CPE Holdings Limited)	Apollo Road, Lichfield Road Industrial Estate, Tamworth, Staffordshire, B79 7TA	Ordinary	80%
Langfields Limited	158 Liverpool Street, Salford, Manchester, M5 4LJ	Ordinary	85%
Rigfit7Seas Limited	Aurora House, 8 Inverness Campus, Inverness, IV2 5NA	Ordinary	90%
Rigfit Middle East Ship Maintenance LLC (100% owned by Rigfit 7 Seas Limited)	Shop 7, MW4, Plot 130, Musaffah, Abu Dhabi, United Arab Emirates	Ordinary	90%
Seven Sea Services LLC (100% owned by Rigfit 7 Seas Limited)	C/o Rigfit7Seas, 31 E02, IRise Towers, Al Thanya First, Barsha Heights, Dubai, PO 48271, United Arab Emirates	Ordinary	90%
Seven Seas Decor SPC (100% owned by Rigfit 7 Seas Limited)	Flat No. 285, Building No. 2648, Road No. 5720, Block No. 257, Amwaj, Kingdom of Bahrain	Ordinary	90%

MODUTEC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**



13. Fixed asset investments (continued)

Subsidiary undertakings (continued)

For the year ended 31 March 2019 the following subsidiaries are entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies: Pipework Systems & Installation Limited (SC181373); Prime Pumps Limited (SC305190); CPE Holdings Limited (11205131); CPE Pressure Vessels Limited (00455384); CPE Pneumatics Limited (00973574); Langfields Limited (01901403); Rigit 7Seas Limited (SC229316).

14. Stocks

	Group 2019 £000	Group 2018 £000
Finished goods and goods for resale	1,434	507

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

15. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade debtors	10,056	4,162	4	5
Amounts owed by other participating interests	-	-	826	975
Other debtors	1,865	751	730	730
Prepayments and accrued income	903	135	-	-
Amounts recoverable on long term contracts	14,186	6,766	-	-
Tax recoverable	201	-	-	-
	<u>27,211</u>	<u>11,814</u>	<u>1,560</u>	<u>1,710</u>

16. Cash and cash equivalents

	Group 2019 £000	Group 2018 £000
Cash at bank and in hand	6,404	5,745

MODUTEC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**



17. Creditors: Amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Payments received on account	2,985	-	-	-
Trade creditors	5,803	2,635	-	-
Amounts owed to other participating interests	26,381	3,275	24,927	2,025
Corporation tax	647	461	-	-
Other taxation and social security	1,869	1,659	-	-
Obligations under finance lease and hire purchase contracts	169	73	-	-
Other creditors	2,213	5,737	1,115	4,297
Accruals and deferred income	5,108	2,494	-	-
	<u>45,175</u>	<u>16,334</u>	<u>26,042</u>	<u>6,322</u>

As a result of the group reorganisation undertaken when Envoy & Partners Limited acquired Modutec Limited and its subsidiaries, intercompany loans of £24.9m were created. See Note 2.3 for further details.

18. Creditors: Amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Net obligations under finance leases and hire purchase contracts	207	213	-	-
Other creditors	2,948	371	2,948	350
	<u>3,155</u>	<u>584</u>	<u>2,948</u>	<u>350</u>

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 £000	Group 2018 £000
Within one year	169	113
Between 1-5 years	169	113
Over 5 years	38	61
	<u>376</u>	<u>287</u>

20. Financial instruments

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Financial assets				
Financial assets measured at fair value through profit or loss	6,404	5,745	-	-
Financial assets that are debt instruments measured at amortised cost	11,920	4,912	1,560	1,710
	<u>18,324</u>	<u>10,657</u>	<u>1,560</u>	<u>1,710</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(42,452)	(14,513)	(28,990)	(6,672)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by related parties, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to related parties, other creditors and accruals.

21. Deferred taxation**Group**

	2019 £000	2018 £000
At beginning of year	(312)	(219)
Charged to profit or loss	(48)	(93)
Arising on business combinations	(17)	-
At end of year	<u>(377)</u>	<u>(312)</u>
	Group 2019 £000	Group 2018 £000
Accelerated capital allowances	(377)	(312)
	<u>(377)</u>	<u>(312)</u>

MODUTEC LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019****22. Deferred government grants****Group**

	HIE Grant £000
At 1 April 2018	66
Charged to profit or loss	(15)
At 31 March 2019	51

The balance above relates to grants received for the construction of buildings and towards the purchase cost of some plant and machinery.

23. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
697,200 (2018 - 697,200) Ordinary shares of £1.00 each	697	697

24. Contingent liabilities

The company is party to a cross corporate guarantee with its ultimate parent undertaking Envoy & Partners and other companies within the Envoy & Partners group. The potential liability of the group under this guarantee at the balance sheet date totals £10,177,000.

25. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £428,000 (2018 - £191,000).

Contributions payable to the fund at the balance sheet date were £9,000 (2018 - £8,000).

MODUTEC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019



26. Commitments under operating leases

At 31 March 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £000	Group 2018 £000
Not later than 1 year	131	189
Later than 1 year and not later than 5 years	437	480
Later than 5 years	90	180
	<u>658</u>	<u>849</u>

27. Related party transactions

Modutec Limited is a wholly owned subsidiary of Envoy & Partners Limited.

During the year the Group entered into transactions, in the normal course of business, with other related parties. Transactions entered into, and the trading balances outstanding at 31 March 2019 are as follows:

	Debtors £000	Creditors £000	Sales £000	Purchases £000
Ross County Football Club (1998) Limited	-	-	-	13
MacGregor Industrial Supplies Limited	-	76	-	460
GEG (Holdings) Limited	1,519	78	-	301
Global Energy (Group) Limited	1,627	31	1,627	40
Ecopad (Scotland) Limited	-	-	54	-
	<u>3,146</u>	<u>185</u>	<u>1,681</u>	<u>814</u>

Ross County Football Club (1998) Limited is a related party as RJ MacGregor, a close family member of IR MacGregor and JA MacGregor is the ultimate controlling party.

MacGregor Industrial Supplies Limited is a related party as JW MacGregor, a close family member of IR MacGregor and JA MacGregor, has a shareholding in the company.

GEG (Holdings) Limited is a related party as both IR MacGregor and JA MacGregor have a shareholding in the company.

Global Energy (Group) Limited is a related party as RJ MacGregor, a close family member of IR MacGregor and JA MacGregor, is a director of the company.

Ecopad (Scotland) Limited is a related party as it is a company owned and controlled by IR MacGregor, also a director of Modutec Limited.

The company has taken advantage of the exemption in FRS 102 Section 33.1A from the requirement to disclose transactions with 100% owned subsidiaries.

Certain senior employees, who have responsibility for planning, directing and controlling activities of companies within the group, are considered to be key management personnel. Total remuneration in respect of these individuals is £312,000 (2018 - £228,000).

MODUTEC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**



28. Controlling party

The ultimate parent undertaking is Envoy & Partners Limited. The controlling party of Envoy & Partners Limited is IR MacGregor and JA MacGregor.