Claxton Engineering Services Limited

Annual report and financial statements

Registered number 01927530

31 December 2019

Contents

Strategic report

The directors present their Strategic report for the year ended 31 December 2019.

Principal activities

Claxton Engineering Services Limited (the "Company") is part of the Riser and Moorings business of the Acteon Group, which is a global subsea services organisation. The Group comprises a number of industry-leading brands, which are principally focused on those aspects of offshore oil and gas development and operations which link infrastructure on the seabed with facilities on the surface, but also has significant (and increasing) involvement in renewable energy, aquaculture and marine construction such as bridges and port installations.

Business model

Claxton Engineering Services Limited supplies equipment and services for well construction, workover, maintenance and abandonment operations. These focus particularly on pressure control and remediation, conductor tensioning and rigless tubular retrieval.

Claxton possesses leading engineering skills in many of the areas in which it operates. It employs approximately 170 people many with technical skills, from its bases in Great Yarmouth and Aberdeen, UK. The Company works both independently and in partnership with other Acteon companies to serve industry clients.

Business review and results

2019 saw lower price volatility in crude oil prices compared to recent years following a lengthy period of considerable weakness which started in the second half of 2014. While Brent Crude (spot) had averaged $109 per barrel across the first half of 2014, the average for 2015 was $52, $44 for 2016, $54 for 2017 and $71 for 2018. In 2019 the price averaged $64, with monthly averages ranging from $53 to $74.

As reported in previous years, this period of materially lower crude oil prices resulted in significant changes in the investment plans and activity levels of oil and gas companies in order to conserve cash and support profit margins, with a consequent impact on the Company's activity levels. Since 2018, the level of expenditure and activity across the global oil and gas arena had begun generally to recover and stabilise, although pricing pressures continue.

The Company's financial performance in 2019 reflects the acquisition of the UK Field Technology Services business from Proserv on 1 August 2019. The Company acquired the UK trade, tangibles fixed assets and inventory of this business

for a total consideration of £4,618,000. FTS UK provides various services including subsea cutting, friction stud welding and pipeline maintenance mainly for the oil and gas industry. The FTS business has been fully integrated with the company's existing operations and the principal objective for this acquisition was to add further specialist service offerings to the company's decommissioning capabilities and to provide access to additional markets. Further details of the acquisition are in note 26 to the financial statements.

Turnover in the year was £28,514,000 *(2018: £24,737,000)*. Operating profit for 2019 of £211,000 *(2018: restated £1,175,000)* includes a non-cash amortisation charge of £675,000 (*2018: £nil*) relating to acquired intangible assets. Profit before taxation was £349,000 *(2018: restated £940,000)*.

Key performance indicators

The Company adopted IFRS 16 *Leases* with effect from 1 January 2019 which has changed the way in which operating lease costs are accounted for from 2019. Operating lease costs are no longer included within administrative expenses in the profit and loss account but have been replaced with interest and depreciation charges. On the balance sheet, right-of-use assets and lease liabilities have been introduced. Key performance indicators pertinent to the Company are shown below. This demonstrates the underlying operational performance (gross margin and EBITDA) and the level of continued investment in the Company's underlying revenue generating resources (tangible fixed assets and average number of employees). The 2019 figures have been adjusted to eliminate the effect from the introduction of IFRS 16 to aid comparison.

Strategic report *(continued)*

Principal risks and uncertainties

The directors have taken steps to ensure that the day-to-day risks which face the Company such as, health and safety and commercial risks, are managed comprehensively by insurance covers which should mitigate the impact of risks turning into reality, and by the preparation and review of comprehensive monthly management financial reporting packages which can alert the board where appropriate to developments in trading performance and cash management.

Any business operates against a background of risks and uncertainties. The directors believe that the principal risks facing the Company are:

- A further reduction in the current activity levels in the offshore oil and gas exploration and production industry worldwide as a result of various factors including, but not limited to, a fall in oil prices;
- Lead times and availability of raw materials and components which are required in order for the Company to provide its products and services could deteriorate from their current levels;
- It could become more difficult to recruit and retain the highly qualified and experienced staff required in order to operate; and
- The considerable health and safety risks which are inherent to the offshore oil and gas industry.

The directors note a further risk associated with the coronavirus pandemic and there is an expectation that the current economic uncertainty created by the coronavirus will potentially result in a negative impact to the Company's performance in the immediate future. To safeguard the business, impact assessments on future trading, profitability and cash flow are being prepared and monitored on a weekly basis in conjunction with shareholders. Other key stakeholders are also being consulted with and provided with regular updates.

Future developments

Since the end of 2019, the Brent crude oil price has significantly reduced and continues to be low and volatile due to the economic impact of the coronavirus pandemic and the considerable short- to medium-term uncertainty it creates for businesses worldwide, and to the current global levels of supply and storage capacity. It is expected many oil exploration and production companies will delay a number of their investment programmes leading to a contraction in the Company's operations across that time horizon. Risk may also arise in the Company's ability to execute projects during the pandemic, depending on their nature and location.

In these unprecedented times the Company (and the wider Acteon group) is taking additional significant steps with respect of monitoring its trading and protecting and optimising its cash flow. Significant adverse impacts on 2020 and 2021 performance are expected but the Company will continue to undertake the necessary actions to optimise its trading performance, protect its margins, overall profitability and cash flow whilst seeking to retain its key capabilities and skills so that it may take advantage and capitalise on opportunities once demand and more normal levels of activities return.

The directors have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements but with note 1 disclosing a material uncertainty in respect of this.

Subsequent event

Subsequent to the year end, in October 2020, the Company purchased the trade and assets of a fellow Acteon group company, Conductor Installation Services Limited, as part of a group reorganisation. The principal activity of Conduction Installation Services Limited is the provision of full project management services in relation to high quality installations of well conductors and pile foundations for the international oil and gas extraction industry using a range of hydraulic hammers.

By order of the board

Dr B Bruggaier
Director

Ferryside
Ferry Road
Norwich
NR1 1SW

19 January 2021

Directors' report

The directors present their report for the year ended 31 December 2019.

Research and development

The Company undertakes little in the way of pure research, but development is an important part of its offering. Many of its products have been developed directly in response to client requirements.

Financial instruments

The Company sells to most of its clients on customary credit terms and is, as a result, exposed to the usual credit risk and cash flow risk associated with this form of trading. It manages this risk through its credit control procedures. The existence of these trade credit facilities does not expose the Company to price risk or liquidity risk.

The Company does not currently deploy interest rate or currency hedging since these risks are dealt with by, and at the level of, its parent company.

Proposed dividend

The directors paid no dividend *(2018: £292,000)* in the year.

Directors

The directors who held office during the year and up to the date of this report are as follows:

D M Claxton
L Claxton
Dr B Bruggaier
K Ovenden (appointed 4 July 2019, resigned 16 August 2019)
R Althen (appointed 4 July 2019, resigned 16 August 2019)

The directors benefited from qualifying third party indemnity provisions which were in place during the financial year and at the date of this report. These took the form of Directors and Officers liability insurance.

Disclosure of information to auditor

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

Auditor

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

By order of the board

Dr B Bruggaier
Director

Ferryside
Ferry Road
Norwich
NR1 1SW

19 January 2021

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 year. 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.

Independent auditor's report to the members of Claxton Engineering Services Limited

Opinion

We have audited the financial statements of Claxton Engineering Services Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

Material uncertainty relating to going concern

We draw attention to note 1 to the financial statements which explains that the Company is reliant on financial support from its parent company and that the Company is an obligor to the parent company's secured bank loan facility. As a result of the global economic uncertainty caused by the coronavirus pandemic and lower oil prices, the parent company is forecasting that it will not meet the financial covenants for its secured bank loan during 2021. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty for the Company that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

KPMG

Independent auditor's report to the members of Claxton Engineering Services Limited
(continued)

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

Auditor's responsibilities

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

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

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.

Michael Scrivener (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

19 January 2021

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2019

	Note	2019 £000	Restated (note 1) 2018 £000
Turnover	2	**28,514**	24,737
Cost of sales		**(24,396)**	(20,996)
Gross profit		**4,118**	3,741
Administrative expenses		**(3,907)**	(2,566)
Operating profit	3-5	**211**	1,175
Interest receivable and similar income	6	**352**	-
Interest payable and similar expenses	6	**(214)**	(235)
Profit before taxation		**349**	940
Tax on profit	7	**(2)**	(252)
Profit for the financial year		**347**	688
Other comprehensive income		-	-
Total comprehensive income for the year		**347**	688

All results relate to continuing activities.

Balance Sheet
at 31 December 2019

	Note	2019 £000	2019 £000	Restated (note 1) 2018 £000	Restated (note 1) 2018 £000
Fixed assets					
Intangible assets	*8*	**1,347**		-	
Tangible assets	*9*	**7,410**		6,543	
Right of use assets	*10*	**1,859**		-	
			10,616		6,543
Current assets					
Stock	*11*	**821**		450	
Contract costs	*12*	**523**		640	
Debtors	*13*	**9,792**		11,743	
Cash at bank and in hand		**1**		1	
		11,137		12,834	
Creditors: amounts falling due within one year	*14*	**(12,879)**		(12,529)	
Net current (liabilities)/assets			**(1,742)**		305
Total assets less current liabilities			**8,874**		6,848
Creditors: amounts falling due after more than one year	*17*		**(1,679)**		-
Net assets			**7,195**		6,848
Capital and reserves					
Called up share capital	*19*		**-**		-
Profit and loss account			**7,195**		6,848
Shareholder's funds			**7,195**		6,848

These financial statements were approved by the board of directors on 19 January 2021 and were signed on its behalf by:

Dr B Bruggaier
Director

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018 as previously reported	-	5,540	5,540
Prior year adjustment (note 1)	-	912	912
Balance at 1 January 2018 as restated	-	6,452	6,452
Total comprehensive income for the year			
Profit for the year (restated, note 1)	-	688	688
Transactions with owners, recorded directly in equity			
Dividends paid	-	(292)	(292)
Balance at 31 December 2018	**-**	**6,848**	**6,848**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	-	6,848	6,848
Total comprehensive income for the year			
Profit for the year	-	347	347
Balance at 31 December 2019	**-**	**7,195**	**7,195**

Notes
(forming part of the financial statements)

1 Accounting policies

Claxton Engineering Services Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 01927530 and the registered address is Ferryside, Ferry Road, Norwich, NR1 1SW.

These financial statements were prepared in accordance with Financial Reporting Standard *101 Reduced Disclosure Framework ("FRS101")*.

These financial statements are presented in Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest £1,000.

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), making amendments where necessary in order to comply with the Companies Act 2006. The Company has also taken advantage of the available FRS 101 disclosure exemptions in relation to the following:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, intangible and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The Company's parent undertaking, Acteon Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Acteon Group Limited are prepared in accordance with Adopted IFRS and are available to the public and may be obtained from Companies House, Cardiff, CF14 3UZ.

The consolidated financial statements of Acteon Group Limited include the disclosures required by IAS 36 *Impairment of assets,* IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurements*, both relating to financial instruments. As a consequence, the Company has also taken the exemptions under FRS 101 not to include the equivalent disclosures in respect of financial instruments, apart from those which are relevant for financial instruments held at fair value and are not either held as part of a trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors have not made any judgements, in the application of these accounting policies that have significant effect on the financial statements or in relation to estimates with a significant risk of material adjustment in the next year.

Unincorporated business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company, as follows:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed; with
- the remaining balance being recorded as goodwill.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Restatement of comparative financial information

At 31 December 2019, it was identified that certain project cost accruals were higher than the actual liabilities outstanding at the balance sheet date as a result of them not being reversed in the period the expenditure was incurred. The project costs had been accrued over a number of years.

Comparative financial information has been restated to reduce the value of project cost accruals held at 1 January 2018 and as 31 December 2018. This has resulted in an increase in profit before tax in the year ended 31 December 2018 of £431,000 (and a related additional tax charge of £82,000) and an increase in opening retained earnings and net assets at 1 January 2018 of £912,000 (net of tax), resulting in an increase in net assets at 31 December 2018 of £1,261,000. The restatement has affected the following financial statement captions previously reported:

	As previously reported 31-Dec-18 £000	Restatement £000	As restated 31-Dec-18 £000
Creditors - accruals	(5,329)	1,557	(3,772)
Creditors – amounts owed to group undertakings	(3,333)	(296)	(3,629)
Creditors - total	(13,790)	1,261	(12,529)
Net current (liabilities)/assets	(956)	1,261	305
Cost of sales	(21,427)	431	(20,996)
Operating profit	744	431	1,175
Profit before tax	509	431	940
Taxation expense	(170)	(82)	(252)
Profit after tax	339	349	688
Retained earnings and total equity at 31 December 2018	5,587	1,261	6,848

	As previously reported 1 January 2018 £000	Restatement £000	As restated 1 January 2018 £000
Creditors - accruals	(4,353)	1,126	(3,227)
Creditors – amounts owed to group undertakings	(2,636)	(214)	(2,850)
Creditors - total	(12,963)	912	(12,051)
Net current liabilities	(2,122)	912	(1,210)
Retained earnings and total equity at 1 January 2018	5,540	912	6,452

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Company's business activities and financial position, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report. These financial statements have been prepared on a going concern basis notwithstanding net current liabilities of £1,742,000 at 31 December 2019.

Subsequent to the 31 December 2019 year-end, the Brent crude oil price has significantly reduced from $68 per barrel at 31 December 2019 to $51 at 31 December 2020. The oil price continues to be lower and volatile due to the economic impact of the coronavirus pandemic and the considerable uncertainty it creates for businesses worldwide. There is difficulty in predicting the full impact and duration of the pandemic and future oil price levels and any resulting effects on the Company's order book, operations, financial position, liquidity and cash flows.

Notes *(continued)*

1.2 Going concern (continued)

Trading for 2020 has reflected lower industry activity compared with the Company's pre-pandemic budget, with lower than budgeted sales partly offset by cost saving measures. The Company is undertaking the necessary actions to optimise its trading performance, protect its margins, overall profitability and cash flow whilst seeking to retain its key capabilities and skills so that it may take advantage of and capitalise on opportunities once demand and more normal levels of activities return.

The directors have prepared cash flow forecasts for a period of twelve months from the date of approval of these financial statements which, taking account of reasonably possible severe but plausible downsides, indicates the Company will have sufficient cash through funding from its parent company, Acteon Group Limited, to meet its liabilities as they fall due during that period.

Reasonably possible severe but plausible downside scenarios include lower sales in addition to those already factored into the base forecast as a result of the pandemic. These have been partly offset by overhead cost savings.

The Company's cash flow forecasts are dependent on Acteon Group Limited ('the Group') providing additional financial support during that period including not seeking repayment of amounts currently owed by the Company to fellow subsidiaries. The Group has indicated its intention to continue to make available such funds as are needed by the Company and not to seek repayment of amounts due by the Company over 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.

The going concern of the Company is also dependent upon the financial performance of Acteon Group Limited ('the Group') because it participates in the Group's centralised treasury arrangements and is an obligor of the Group's banking facilities. At 31 December 2019 the Group had a fully drawn secured bank loan facility of £273 million with the first debt maturity in November 2022. As of 30 November 2020, the Group had £53 million in cash and £32 million undrawn on its revolving bank facility.

The Group has prepared forecast cash flows for 2021 which reflect the economic uncertainty described above. On the basis of the forecast cash flow information within the Group's projections, and taking into account severe but plausible downsides, the directors consider that the Group will continue to operate with sufficient liquidity. The severe but plausible downside cash flows modelled assumes further deferrals or reductions in the Group's customer revenues across the forecast period.

The Group's cash flow forecasts assume the secured bank loan remains available throughout the forecast period. The principal financial covenants with which the Group is required to comply are ratios relating to EBITDA to Net Interest Payable and Total Net Debt to EBITDA. Compliance is required to be tested at each quarter end.

The Group's financial covenants were amended in agreement with the lenders in July 2020 to reflect the Group's current trading forecasts for covenant testing dates through to and including 31 December 2020. It is forecast that further financial covenant amendments will be required for testing dates from 31 March 2021 and through the remainder of 2021 in order that both financial covenants can be met. Amendments are planned to be agreed by the Group with its lenders before 31 March 2021.

There is no certainty that further financial covenant amendments will be agreed, though the directors have no reason to expect that this will not be the case. If not agreed, repayment of the secured bank loan could be accelerated by the Group's lenders, meaning that amounts owed fall due immediately leading to alternative financing of the Group being required. As an obligor, the Company is liable for the secured bank loan and for this reason, as well as the Company's dependency on group financial support, the Company's going concern is reliant upon further financial covenant amendments being agreed.

Based on their forecasts and evaluation thereof, the directors believe that it is appropriate to prepare the Company's financial statements on a going concern basis and are confident the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements. However, the above circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

When an element of a tangible fixed asset item has a different useful life, it is accounted for as a separate tangible fixed asset item.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed asset. The estimated useful lives are as follows:

Plant and machinery	3-5 years
Fixtures and fittings	3-5 years
Leasehold improvements	Life of lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Depreciation is provided on assets in the course of construction from the date they are brought into use.

1.4 Intangible fixed assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and unincorporated trades/businesses is subject to an annual impairment review.

Goodwill arising on these acquisitions represents the difference between the fair value of the purchase consideration and the fair value of the Company's share of the identifiable net assets of the acquired entity. Directly attributable costs of executing the acquisitions are charged to the income statement in accordance with IFRS 3 *(revised)*, *Business Combinations.*

Goodwill is not subject to amortisation but is reviewed for impairment at the end of the first full financial year following the acquisition and annually thereafter. It is also reviewed at other points if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit in respect of which the goodwill arose. Impairment is determined by assessing the ability of the cash-generating units to generate future cash flows and comparison of the resulting values with the respective goodwill balances. Impairment losses in respect of goodwill are not reversed.

Order books and customer lists

Order books and customer lists are recognised as intangible assets at their fair value on acquisition. The fair value is determined by discounting the future cash flows expected to be generated from them at an appropriate market-related discount rate. Amortisation is provided in order to write off the cost over the expected economic lives of the assets in equal instalments. The residual values are assumed to be nil.

Economic lives for intangible assets have been established as:

Order books	Typically less than one year
Customer lists	10 years

All intangible assets are reviewed annually for possible impairment, or more regularly if conditions exist that indicate a review is required.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life, which is typically 3-5 years.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 *Determination of fair values*

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on management's knowledge of prices offered and accepted for comparable items.

(ii) Intangible assets

The fair value of order books and customer lists acquired in a business combination is established by applying the income approach to valuation. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use of those assets.

1.6 *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments, trade and other debtors, contract assets, cash and borrowings, lease liabilities and trade and other creditors.

Investments

Investments in subsidiaries are carried at cost less impairment.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any provision for expected credit losses.

The Company has applied the simplified approach to measuring the expected credit loss which uses a lifetime expected loss allowance. To measure the expected credit loss, trade debtors have been grouped together based on the number of days they are overdue.

Contract assets

Contract assets are recognised when the Company has satisfied its contractual performance obligations and has either not recognised a trade debtor to reflect its unconditional right to the corresponding consideration or where that consideration is not yet due. Contract assets are treated as financial assets for impairment purposes and therefore subject to impairment reviews on the same basis as trade and other debtors.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.7 *Classification of financial instruments issued by the company*

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent 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 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.9 Contract costs

Contract costs represent incremental costs of obtaining a contract and the costs incurred to fulfil it.

Costs of obtaining a contract

Incremental costs of obtaining a contract with a customer are capitalised when it is expected that those costs are recoverable. The costs are subsequently amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that are incurred regardless of whether or not the contract is obtained, or costs which are not otherwise recoverable from the customer, are expensed immediately in the profit and loss account. Incremental costs of obtaining a contract where the contract term is less than one year are also immediately expensed to the profit and loss account.

Costs to fulfil customer contracts

Customer contract fulfilment costs are capitalised when all of the following are met:

- The costs relate directly to the contract.
- The costs generate or enhance resources that will be used to satisfy the contract's future performance obligations.
- The costs are expected to be recovered.

Capitalised customer contract fulfilment costs are charged to the profit and loss account in line with the fulfilment of the specific performance obligation to which they relate.

1.10 Contract liabilities

Contract liabilities are recognised when a customer pays consideration or when the Company recognises a trade debtor to reflect its unconditional right to consideration (whichever is earlier), prior to the Company transferring the goods to, or performing the services for, that customer. The liability represents the Company's responsibility to fulfil the contractual performance obligations for which it has already been paid.

1.11 Turnover

Turnover is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company:

- Identifies the contract with the customer.
- Identifies the separable performance obligations in the contract.
- Determines the overall transaction (contract) price, allowing for estimates of variable consideration and the time value of money.
- Allocates the transaction price across the separable performance obligations on a pro-rata basis relative to the stand-alone selling prices of each distinct good or service to be delivered, applying any overall discounts across the entire contract (or to specific performance obligations if more appropriate).
- Recognise turnover when, or as, each performance obligation is satisfied in a manner that reflects the transfer of control of the goods or services promised to the customer.

Where variable consideration exists within the transaction price, it reflects any concessions provided to the customer such as discounts, rebates and refunds and other contingent events. Estimates of variable consideration are determined using the expected value method and are only recognised when their impacts on the transaction price are highly probable. If any uncertainty exists with respect to a potential refund of the variable consideration received this consideration is recognised as deferred income until the uncertainty is resolved.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Turnover (continued)

Sale of goods

How turnover is recognised from performance obligations for the sale of goods depends on whether or not those goods are customer-specific in nature. Where goods are customer-specific (for example, they are designed or manufactured for a particular project), there is no readily available alternative use for those goods and the Company has an enforceable right to payment for performance completed to date, turnover is recognised over time in accordance with the contract's progression (assessed on a cost input method) up to the point of delivery. Turnover in respect of the sale of non-customer-specific goods is recognised at the point in time when the customer obtains control of those goods, typically at the point of delivery.

Rendering of services

The Company recognises turnover for service performance obligations over time as those services are fulfilled. Turnover is based either on a fixed price or on an hourly/day rate. Where a fixed price is used the Company assesses the stage of fulfilment based on a cost input method. Where the rendering of services includes rental income which is not considered to be lease income, the rental income element is recognised on a straight-line basis over the contract period in accordance with quoted day rates. Where the contract for rental income meets the definition of a lease, turnover is also recognised on a straight-line basis over the contract period but is disclosed separately from turnover from contracts with customers.

Mobilisation and demobilisation services

Where contracts contain specific mobilisation and demobilisation services the Company evaluates whether these are separate performance obligations within the contract. Where these services are deemed to be separate performance obligations the corresponding turnover is accounted for separately and recognised at a point in time, normally when each service is fully completed. In other cases the associated turnover is considered to be an integral part of the contract and recognised in accordance with the performance of the contract as a whole.

Contracts with a significant financing component

Where contracts contain a significant financing component and where the customer pays more than twelve months in advance of receiving the goods or services, the time-value of money is incorporated into the transaction price and an implicit interest expense is subsequently recorded within interest payable at the rate embedded within the contract. This treatment recognises the effective borrowing period by the Company for any such advance receipts up to the point at which the performance obligation is fulfilled and the turnover recognised.

Where contracts have a significant financing component but the financing period is less than twelve months, the Company has elected to use the practical expedient permitted by paragraph 63 of IFRS 15 and not adjust the transaction price for this financing element.

1.12 Interest receivable and interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.14 Foreign currency

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

1.15 Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss.

1.16 Defined-contribution plan

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

1.17 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 Operating lease payment

Prior to the adoption in the current period of IFRS 16 *Leases*, the Company's operating lease payments policy was as detailed below and this policy has been applied for comparative periods to 31 December 2018. Details of the Company's revised policy, applied from 1 January 2019, is disclosed within the "New accounting Standards adopted in the year" section below.

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

1.19 New accounting standards adopted in the year

The Company has adopted all new or amended Accounting Standards issued by the International Accounting Standards Board that are mandatory for the current reporting period. The most relevant of these is:

IFRS 16 – Leases ("IFRS 16")

The Company has adopted IFRS 16 from 1 January 2019 using the modified retrospective approach on transition and is taking advantage of all available practical expedients. The standard has therefore only been applied to the most recent period presented in the financial statements with a cumulative effect adjustment reflected in retained earnings. The comparative figures have not been restated and are presented in accordance with IAS 17 *Leases* and the Company's previous leasing accounting policies as described above.

The new standard only affects the accounting for the Company's operating leases where it is the lessee and introduces right-of-use fixed assets (which are subsequently depreciated over the assets' lives) and lease liabilities (which are measured at amortised cost using the effective interest method) to the balance sheet. The profit and loss account no longer expenses operating lease rental costs under administrative expenses; those costs are replaced with depreciation included under administrative expenses or cost of sales, and interest which is included under finance costs.

Change in accounting policies

The introduction of IFRS 16 has impacted the Company's accounting policies from the date of transition (1 January 2019) in respect of operating leases where the Company is the lessee as detailed below; the Company recognises a right-of-use asset and a corresponding lease liability at the lease commencement date. The accounting for finance leases and hire purchase agreements has remained unaffected.

(i) Right-of-use assets

A right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any:

- lease payments made at or before the commencement date (or transition date if earlier);
- initial direct costs incurred;
- estimate of costs to dismantle, remove or restore the underlying asset or the site to which it is located; and
- lease incentives received.

A right-of-use asset is subsequently depreciated using the straight-line method from the commencement (or transition) date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those for property, plant and equipment.

A right-of-use asset's value may be reduced where an impairment is necessary and may also be adjusted where a remeasurement of the lease liability is appropriate.

The Company reports its right-of-use assets separately in the balance sheet.

Notes *(continued)*

1 Accounting policies *(continued)*

***1.19 New accounting standards adopted in the year** (continued)*

(ii) Lease liabilities

A lease liability is initially measured at the present value of future lease payments on the commencement date (or transition date if earlier) having been discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the Company, taking into account the risk profile of the asset and its location. Typically the Company uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability will comprise one or more of the following:

- fixed payments;
- variable lease payments that are dependent on an index or a rate, initially measured using the index or the rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- lease payments with an optional renewal period where the Company is reasonably certain it will exercise its option to renew; and
- penalties for early termination of the lease unless the Company is reasonably certain it will allow its lease to run its committed term.

The lease liability is measured at amortised cost using the effective interest method. Lease liabilities are remeasured when there is a change in the expected future lease payments arising from a change in the adopted index or rate, or if the Company changes its assessment of whether either extension or termination options will be exercised.

When the lease liability is remeasured in this way a corresponding adjustment is made to the carrying value of the right-of-use asset, or it is recorded in the profit and loss account if the carrying amount of the right-of-use asset has been reduced to zero.

The Company reports its lease liabilities within creditors in the balance sheet and disclosed separately within the corresponding notes.

(iii) Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense in the profit and loss account on a straight-line basis over the lease term.

On transition to IFRS 16

For leases which were classified as operating leases under IAS 17 on the transition date the Company has applied the available recognition exemptions to all short-term and low-value leases as described above. The Company has also elected to apply the practical expedient to grandfather the assessment that determines which transactions are leases and therefore it has only applied IFRS 16 to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 have not been reassessed.

On transition, lease liabilities were measured at the present value of the remaining lease payments discounted by the incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability adjusting for any prepaid or accrued lease payment amounts.

Notes *(continued)*

1 Accounting policies *(continued)*

1.19 New accounting standards adopted in the year (continued)

***On transition to IFRS 16** (continued)*

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of the lease term remaining;
- excluded initial direct costs when measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term where a contract contained options to extend or terminate the lease, and a decision on whether a lease would be extended, or terminated early, had been taken.

The impact of this standard on the current year's profit and loss account and balance sheet is disclosed in note 26. The impact on the Company's balance sheet on transition is disclosed in note 21.

2 Turnover

The following tables disaggregate the Company's turnover by its nature, geographical markets and timing of recognition.

	2019	2018
	£000	£000
Nature of turnover		
Sale of goods	**2,532**	909
Rendering of services	**25,982**	23,828
	28,514	24,737
Geographical markets		
Europe	**25,900**	24,036
Africa	**449**	284
North America	**764**	20
South America	**869**	72
Asia and Asia Pacific	**261**	177
Middle East/Caspian	**271**	148
	28,514	24,737
Timing of turnover recognition		
Products and services recognised at a point in time	**172**	77
Products and services recognised over time	**28,342**	24,660
	28,514	24,737

Where the Company rents equipment to customers without the provision of other associated services, the equipment rental contract with the customer may meet the definition of a lease and be outside of the scope of IFRS 15 *Revenue from Contracts with Customers*. Such turnover (to the extent the lease definition is met) has not been presented separately from the Company's IFRS 15 turnover disclosures on the basis that a combined disclosure reflects a more consistent and relevant presentation of the Company's principal trading activities with its customers.

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	2019 £000	2018 £000
Depreciation and other amounts written off tangible fixed assets - owned	**2,459**	2,546
Depreciation of right of use assets	**235**	-
Amortisation of intangible assets	**682**	-
Hire of other assets – operating leases*	**-**	285

Auditor's remuneration:		
Audit of these financial statements	**22**	19

* As a result of adopting IFRS 16 in 2019 only rentals from short-term leases and low value assets are now charged directly to the profit and loss account.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, 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 parent, Acteon Group Limited.

4 Staff numbers and costs

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

	Number of employees 2019	2018
Directors	**3**	3
Technical and administration	**168**	120
	171	123

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	**8,360**	6,027
Social security costs	**885**	664
Contributions to defined contribution plans *(note 20)*	**389**	238
	9,634	6,929

Notes *(continued)*

5 Directors' remuneration

	2019	2018
	£000	£000
Directors' remuneration	**353**	352
Company contributions to money purchase pension plans	**20**	20
	373	372

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under Money purchase schemes	**2**	2

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £175,000 *(2018: £176,000)*, and company pension contributions of £10,000 *(2018: £10,000)* were made to a money purchase scheme on their behalf.

No emoluments were paid to three directors who served during the year. The director also holds office in other group undertakings. Emoluments paid to the director for services to other group companies, are disclosed within those financial statements.

6 Interest

Interest receivable and similar income

	2019	2018
	£000	£000
Exchange gains	**352**	-

Interest payable and similar charges

	2019	2018
	£000	£000
Bank interest payable	**115**	135
Interest on lease liabilities under IFRS 16	**78**	-
Exchange losses	**-**	57
Interest payable on financing arrangements with customers under IFRS 15	**21**	43
Total interest payable and similar charges	**214**	235

Notes *(continued)*

7 Taxation

Recognised in the profit and loss account

	2019		Restated (note 1) 2018	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the year	**(35)**		114	
Adjustments in respect of prior years	**28**		(588)	
		(7)		(474)
Foreign tax				
Current tax on income for the year	**14**		106	
Adjustments in respect of prior years	**-**		58	
		14		164
Total current tax		**7**		(310)
Deferred tax (note 16)				
Origination and reversal of temporary differences	**51**		97	
Adjustment in respect of prior year	**(56)**		465	
Total deferred tax		**(5)**		562
Tax on profit		**2**		252

Reconciliation of effective tax rate

	2019	Restated (note 1) 2018
	£000	£000
Profit for the year	**347**	688
Total tax expense	**2**	252
Profit excluding taxation	**349**	940
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**66**	179
Non-deductible expenses/credits	**-**	2
Other permanent differences	**(47)**	30
Foreign tax charge	**11**	106
Adjustments in respect of prior years	**(28)**	(65)
Total tax expense	**2**	252

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge. If this rate had been substantively enacted at the current balance sheet date the impact on the Company's UK deferred taxation balance would not have been material.

Notes *(continued)*

8 Intangible fixed assets

	Goodwill £000	Customer relationships £000	Order book £000	Software £000	Total £000
Cost					
Balance at 1 January 2019	-	-	-	-	-
Additions	-	-	-	40	40
Acquired in the year (*note 27*)	102	1,265	622	-	1,989
At 31 December 2019	102	1,265	622	40	2,029
Amortisation					
Balance at 1 January 2019	-	-	-	-	-
Amortisation charge for the year	-	53	622	7	682
At 31 December 2019	-	53	622	7	682
Net book value					
At 1 January 2019	-	-	-	-	-
At 31 December 2019	**102**	**1,212**	**-**	**33**	**1,347**

9 Tangible fixed assets

	Leasehold improvements £000	Plant & machinery, fixtures & fittings £000	Assets under construction £000	Total £000
Cost				
Balance at 1 January 2019	1,697	27,136	1,314	30,147
Additions	13	238	631	882
Acquired in the year (*note 27*)	-	2,484	-	2,484
Disposals	-	(74)	-	(74)
At 31 December 2019	1,710	29,784	1,945	33,439
Depreciation				
Balance at 1 January 2019	583	23,021	-	23,604
Depreciation charge for the year	80	2,379	-	2,459
Disposals	-	(34)	-	(34)
At 31 December 2019	663	25,366	-	26,029
Net book value				
At 1 January 2019	1,114	4,115	1,314	6,543
At 31 December 2019	**1,047**	**4,418**	**1,945**	**7,410**

Notes *(continued)*

10 Right of use assets

	Short leasehold land and buildings £000
Cost	
Balance at 1 January 2019 (on transition)	2,094
Balance at 31 December 2019	2,094
Depreciation	
Balance at 1 January 2019 (on transition)	-
Depreciation for the year	235
Balance at 31 December 2019	235
Carrying amounts	
At 1 January 2019 (on transition)	2,094
At 31 December 2019	**1,859**

11 Stocks

	2019 £000	2018 £000
Work in progress	**6**	8
Finished goods	**815**	442
	821	450

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £666,000 *(2018: £517,000)*. The write-down of stocks to net realisable value amounted to £13,000 *(2018: £134,000)*.

12 Contract costs

	2019 £000	2018 £000
Costs to fulfil a contract	**523**	640

The charge in the year to cost of sales relating to contract costs totalled £640,000 *(2018: £616,000)*.

Notes *(continued)*

13 Debtors

	2019 £000	2018 £000
Trade debtors	**5,595**	4,848
Contract assets (*note 15*)	**1,456**	3,164
Amounts owed by group undertakings	**1,310**	24
Other debtors	**104**	2,051
Deferred tax assets *(note 16)*	**1,012**	1,365
Corporation tax receivable	**39**	37
Prepayments and accrued income	**276**	254
	9,792	11,743

The amounts due from group undertakings are non-interest bearing and payable on demand.

14 Creditors: amounts falling due within one year

	2019 £000	Restated (note 1) 2018 £000
Bank overdraft	**3,942**	120
Lease liabilities (note 18)	**211**	-
Trade creditors	**2,734**	3,977
Contract liabilities (*note 15*)	**446**	799
Amounts owed to group undertakings	**1,903**	3,629
Taxation and social security	**583**	135
Other creditors	**34**	97
Accruals and deferred income	**3,026**	3,772
	12,879	12,529

The amounts due to group undertakings are non-interest bearing and repayable on demand.

15 Contract balances and unsatisfied performance obligations

(a) Contract balances

	2019 £000	2018 £000
Receivables (Trade debtors) which are included in Debtors (*note 13*)	**5,595**	4,848
Contract assets	**1,456**	3,164
Contract liabilities	**(446)**	(799)

In some contracts the Company receives payments from customers based on explicit billing schedules. Contract assets primarily relate to the Company's conditional right to consideration for completed performance obligations under those contracts. These are transferred to receivables (trade debtors) once this right has become unconditional (typically on invoicing). Contract liabilities relate to payments received in advance of performing the obligations under a contract and exist where significant costs are expected to be incurred prior to the fulfilment of a performance obligation where turnover is to be recognised at a later point in time.

Notes *(continued)*

15 Contract balances and unsatisfied performance obligations *(continued)*

***(a) Contract balances** (continued)*

The changes in contract assets and contract liabilities during the year were as follows:

Contract assets

	2019 £000	2018 £000
Balance at 1 January	**3,164**	3,013
Brought forward balance transferred to trade debtors	**(3,164)**	(3,013)
Conditional right to consideration at the year-end (accrued income)	**1,456**	3,164
Balance at 31 December	**1,456**	3,164

Contract liabilities

	2019 £000	2018 £000
Balance at 1 January	**(799)**	(1,334)
Brought forward balance recognised in turnover	**410**	994
Payments received/invoices raised in advance of recognising turnover at the year-end	**(57)**	(459)
Balance at 31 December	**(446)**	(799)

(b) Unsatisfied performance obligations

The aggregate amount of the transaction price (contracted turnover value) allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2019 totals £8,350,000 *(2019: £9,954,000)*. The Company expects this will be satisfied in 2020 (*2018: £7,465,000 in 2019 and £2,489,000 in 2020*).

Notes *(continued)*

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and (liabilities) are attributable to the following:

	2019 £000	2018 £000
Tangible fixed assets	**1,184**	1,310
Intangible fixed assets	**(230)**	-
Other	**58**	55
Net deferred tax asset	**1,012**	1,365

Movement in deferred tax during the year

	1 January 2019 £000	Acquired (*note 27*) £000	Recognised in income £000	31 December 2019 £000
Tangible fixed assets	**1,310**	**-**	**(126)**	**1,184**
Intangible assets	**-**	**(358)**	**128**	**(230)**
Other	**55**	**-**	**3**	**58**
	1,365	**(358)**	**5**	**1,012**

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets	1,873	(563)	1,310
Other	54	1	55
	1,927	(562)	1,365

Notes *(continued)*

17 Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Lease liabilities (*note 18*)	**1,679**	-

18 Lease liabilities

The maturity of lease liabilities at the balance sheet date are as follows:

	2019	2018
	£000	£000
Within one year	**211**	-
Between one and two years	**208**	-
Between two and five years	**345**	-
After five years	**1,126**	-
	1,890	-

The Company's leases relate to land and buildings for office space, warehouse and yard facilities. The lease payments are fixed over their lease terms which range between November 2021 and December 2032.

19 Capital and reserves

Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
200 (*2018: 200*) Ordinary shares of £1 each	-	-

Profit and loss account

The profit and loss account comprises cumulative undistributed earnings of the Company.

Dividends

The following dividends were recognised during the prior year:

	2019	2018
	£000	£000
Dividend paid on ordinary shares	-	292

20 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £389,000 *(2018: £238,000)*.

Notes *(continued)*

21 Operating leases

Non-cancellable operating lease rentals payable were as follows at 31 December 2018:

	Land and Buildings
	2018
	£000
Less than one year	282
Between one and five years	892
More than five years	1,502
	2,676

On transition to IFRS 16 the Company recognised £2,094,000 of right-of-use assets, £2,094,000 of lease liabilities.

When measuring its lease liabilities on transition, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019 taking into account the level of borrowing required and the underlying quality of the leased asset as borrowing security. The weighted-average rate applied was 3.8%.

The reconciliation of the operating lease commitments as at 31 December 2018 as disclosed above to the lease liabilities on transition is as follows:

	1 January 2019
	£000
Total operating lease commitments at 31 December 2018 (above)	**2,676**
Discounted using the incremental borrowing rate at 1 January 2019	**(582)**
Lease liabilities recognised at 1 January 2019	**2,094**

22 Capital commitments

During the year ended 31 December 2019, the Company entered into a contract to purchase property, plant and equipment for £603,0000 *(2018: £278,000).*

23 Contingencies

The Company has a cross guarantee with other group companies in respect of group borrowings.

Notes *(continued)*

24 Related parties

During the year the Company traded with certain related parties in the ordinary course of business. The transactions with those related parties were as follows:

Related party	Relationship	Transactions	2019 £000	2018 £000
Probe Oil Tools Limited	Common control	Purchases	**1,291**	1,343

The amounts owed to and by related parties at the balance sheet date were as follows:

Related party	Relationship	Transactions	2019 £000	2018 £000
Probe Oil Tools Ltd	Common control	Creditor	**198**	138
UTEC NCS Survey AS	Common control	Creditor	**-**	392

25 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Acteon Group Limited, a company incorporated in the United Kingdom with its registered office at Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW.

The largest and smallest group in which the results of the Company are consolidated is that headed by Acteon Group Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Cardiff, CF14 3UZ.

The Company's ultimate parent undertaking is KKR Matterhorn Holdco Limited, a company incorporated in Jersey, and the ultimate controlling party is KKR & Co Inc, a company listed on the New York Stock Exchange.

The registered office address of KKR Matterhorn Holdco Limited is 47 Esplanade, St Helier, Jersey, JE1 0BD.

KKR & Co Inc's registered office address is Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA.

26 Impact on the financial statements arising from the adoption of IFS 16 Leases

As stated in note 1 the Company adopted IFRS 16 from 1 January 2019 using the modified retrospective approach on transition and is taking advantage of all available practical expedients. The standard has therefore been applied to the most recent period only presented in the financial statements with a cumulative effect adjustment (if any) reflected in the profit and loss account reserve on the balance sheet. The impact the adoption of this standard has had on the Company's financial statements for the year-ended 31 December 2019 can be summarised as follows.

Profit and loss account

As a result of operating lease costs no longer being included within administrative expenses in the profit and loss account and replaced with interest and depreciation charges, profit before taxation has decreased by £31,000. Administrative expenses have decreased by £47,000 and interest payable and similar charges has increased by £78,000.

Balance sheet

The current year balance sheet net assets total has decreased by £31,000. This is from recognising right-of-use assets of £1,859,000 and lease liabilities of £1,890,000.

Notes *(continued)*

27 Business combination

On 1 August 2019 the company acquired the UK trade, tangibles fixed assets and inventory of the Field Technology Services division (FTS) of Proserv (a group of companies in which the company's ultimate controlling party has an interest) for a total consideration of £4,618,000. FTS UK provides various services including subsea cutting, friction stud welding and pipeline maintenance mainly for the oil and gas industry. The FTS business has been fully integrated within the Company's existing operations and the principal objective for this acquisition was to add further specialist service offerings to the Company's decommissioning capabilities and to provide access to additional markets.

Between the acquisition date and 31 December 2019 the UK FTS division generated turnover of £2,794,000 and a loss after tax of £396,000. Had the acquisition occurred on 1 January 2019, management estimates that turnover would have been £8,100,000 and the loss after tax for the period would have been £1,300,000.

The acquisition had the following effect on the company's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Intangible assets (*note 8*)	-	1,887	1,887
Property, plant and equipment (*note 9*)	4,906	(2,422)	2,484
Stocks	503	-	503
Deferred tax (*note 16*)	-	(358)	(358)
Net identifiable assets and liabilities acquired	5,409	(893)	4,516
Goodwill on acquisition (*note 8*)			102
Total cash consideration			**4,618**
Cash acquired			-
Net cash outflow			**4,618**

Pre-acquisition carrying amounts were determined based on applicable IFRS accounting policies (consistent with FRS 101) immediately before the acquisition. The value of assets and liabilities recognised on acquisition were their estimated fair value (note 1 outlines the methods used in determining fair values). In determining the fair value of plant and equipment and intangible assets acquired (customer lists and order books), the company applied the income approach to ascertain the expected discounted cash flows to be derived from the use of the assets.

The marginal goodwill arising reflects how the FTS business directly complements the company's existing decommissioning capabilities with anticipated synergies in operations and expertise.

No acquisition-related legal and due diligence costs were borne by the Company.

28 Subsequent event

Subsequent to the year end, in October 2020, the Company purchased the trade and assets of a fellow Acteon group company, Conductor Installation Services Limited, as part of a group reorganisation. The principal activity of Conduction Installation Services Limited is the provision of full project management services in relation to high quality installations of well conductors and pile foundations for the international oil and gas extraction industry using a range of hydraulic hammers.