

Aquatic Engineering & Construction Limited

Annual report and financial statements

Registered number SC123734

31 December 2019



COMPANIES HOUSE

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Strategic Report

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

Principal activities

Aquatic Engineering & Construction Limited ("the Company") is part of the Projects Support Services 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

Aquatic Engineering & Construction Limited supplies a range of power reel systems which are developed by clients for flexible pipe and umbilical lay. The Company also possess leading engineering skills in many of the areas in which it operates.

It employs approximately 65 people, most with technical skills, from its base in Aberdeen, UK. The Company works both independently and in partnerships 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 fully reflects the continued recovery of crude oil prices and activity levels in the oil and gas sector. Turnover in the year was £10,218,000 (2018: £6,322,000) and the loss after taxation was £952,000 (2018: £3,575,000).

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 effects from the introduction of IFRS 16 to aid comparison.

	2019 £000	2018 £000
Gross Margin % of revenues	9%	(27.4%)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000)*	1,142	(1,714)
Net book value of tangible fixed assets (£000)	9,907	11,396
Average number of employees	64	61

* Prior to the impact from the adoption of IFRS 16 *Leases* in the current year of an operating profit increase of £8,000, impairments of £400,000 (2018: £750,000) and certain costs totalling £163,000 (2018: £151,000) of a non-operating nature.

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. Continual communication with its parent undertaking is also maintained throughout the year.

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.

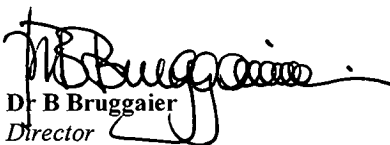
Future developments and going concern

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 performance are expected but detailed scenario-planning and sensitivity analyses thereon show the Company (and Acteon group) should have sufficient financial resources to endure this challenging trading environment for the foreseeable future.

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. In the meantime, for the foreseeable future the Company will continue to receive the necessary support from its parent undertaking to ensure it can meet its liabilities as they fall due. 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.

By order of the board


Dr B Bruggaier
Director

Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

20 November 2020

Directors' report

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

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 do not recommend the payment of a dividend (2018: £nil).

Directors

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

M Charles
Dr B Bruggaier

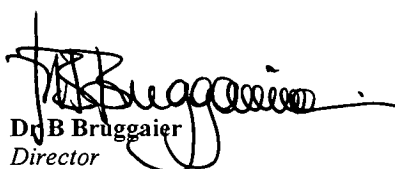
Disclosure of information to auditor

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

Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

20 November 2020

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;
- 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 Aquatic Engineering & Construction Limited

Opinion

We have audited the financial statements of Aquatic Engineering & Construction 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 loss 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.



Independent auditor's report to the members of Aquatic Engineering & Construction 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.

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

20 November 2020

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

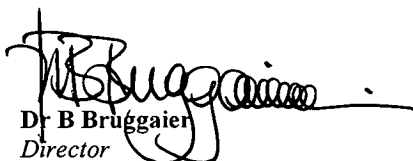
	<i>Note</i>	2019 £000	2018 £000
Turnover	2	10,218	6,322
Cost of sales		(9,316)	(8,060)
Gross profit/(loss)		902	(1,738)
Exceptional expenses	3	(400)	(750)
Administrative expenses		(1,460)	(1,695)
Total administrative expenses		(1,860)	(2,445)
Operating loss	3-5	(958)	(4,183)
Interest receivable and similar income	6	15	4
Interest payable and similar expenses	7	(235)	(151)
Loss before taxation		(1,178)	(4,330)
Tax credit on loss	8	226	755
Loss for the financial year		(952)	(3,575)
Other comprehensive income		-	-
Total comprehensive loss for the year		(952)	(3,575)

All results relate to continuing activities.

Balance sheet
at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	183	183
Tangible assets	10	9,907	11,396
Right-of-use assets	11	399	-
Investments	12	206	206
		10,695	11,785
Current assets			
Stocks	13	55	35
Debtors	14	5,008	3,477
Cash at bank and in hand		3	2
		5,066	3,514
Creditors: amounts falling due within one year	15	(7,317)	(6,182)
Net current liabilities		(2,251)	(2,668)
Total assets less current liabilities		8,444	9,117
Creditors: amounts falling due after more than one year	16	(281)	-
Provisions for liabilities			
Deferred tax liability	19	(181)	(183)
Net assets		7,982	8,934
Capital and reserves			
Called up share capital	20	152	152
Share premium account		3	3
Capital redemption reserve		210	210
Profit and loss account		7,617	8,569
Shareholder's funds		7,982	8,934

These financial statements were approved by the board of directors on ~~20 November~~ 2020 and were signed on its behalf by:


Dr. B Bruggaier
Director

Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	152	3	210	12,144	12,509
Total comprehensive loss for the year					
Loss for the year	-	-	-	(3,575)	(3,575)
Balance at 31 December 2018	152	3	210	8,569	8,934

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	152	3	210	8,569	8,934
Total comprehensive loss for the year					
Loss for the year	-	-	-	(952)	(952)
Balance at 31 December 2019	152	3	210	7,617	7,982

Notes

(forming part of the financial statements)

1 Accounting policies

Aquatic Engineering & Construction Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is SC123734 and the registered address is Union Plaza (6th floor), Union Wynd, Aberdeen, AB10 1DQ.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements have been 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, tangible and intangible 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 taken the exemption 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.

Judgments made by the director in the application of these accounting policies that have a significant effect on these financial statements, or in relation to estimates with a significant risk of material adjustment in the next year, are discussed in note 10 in relation to impairment of tangible assets. During the year, an impairment provision on assets of £400,000 (2018: £750,000) was expensed to the profit and loss account in relation to one specific asset where recoverability was considered at risk.

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 £2,251,000 at 31 December 2019 and a loss for the year then ended of £952,000 (including non-cash depreciation and impairment charges for tangible fixed assets of £1,545,000 and £400,000 respectively).

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 \$40 at 30 September 2020. The oil price continues to be low 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 Accounting policies (continued)

1.2 Going concern

Trading for the period to 30 September 2020 has reflected lower industry activity compared with the Company's pre-pandemic budget, with lower than budgeted sales fully offset however 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 immediate 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 and extended debtor days 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 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 September 2020, the Group had £68 million in cash and £10 million undrawn on its revolving bank facility.

The Group's forecast cash flows have also been prepared to 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 the forecast period 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 Intangible fixed assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete the development, future economic benefits are probable, and the Company can measure reliably the expenditure attributable to the intangible asset during development. Development activities involve a plan or design for the production of a new or substantially improved product or process. The expenditure capitalised includes the cost of material, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. These costs are amortised over their estimated useful life of 15 years.

Computer software

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

1.4 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 equipment	3-15 years straight line
Fixtures and Fittings	5 years straight line

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.

1.5 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.

Notes (continued)

1 Accounting policies (continued)

1.6 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.

1.7 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.

1.8 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.

1.9 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)

1.10 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.

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.

Notes (continued)

1 Accounting policies (continued)

1.11 Interest receivable and interest payable

Interest payable and similar expenses 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.

1.12 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.

1.13 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.

1.14 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.

1.15 Defined contribution

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.

Notes (continued)

1 Accounting policies (continued)

1.16 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.

1.17 Operating lease payments

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.

1.18 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)

1.18 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 note.

(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.

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

- applied a single discount rate to a portfolio of leases, each with similar characteristics;
- adjusted the right-of-use asset values by the amount of any existing onerous lease provisions immediately before the date of initial application as an alternative to conducting a full impairment review;
- 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.

Notes (continued)

1 Accounting policies (continued)

1.18 New accounting standards adopted in the year (continued)

On transition to IFRS 16 (continued)

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 22.

2 Turnover

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

	2019 £000	2018 £000
Nature of turnover		
Sale of goods	-	12
Rendering of services	10,218	6,310
	<u>10,218</u>	<u>6,322</u>
Geographical markets		
Europe	3,058	3,599
Africa	2,457	635
North America	629	34
South America	1,954	-
Asia and Asia Pacific	1,512	1,380
Middle East/Caspian	608	674
	<u>10,218</u>	<u>6,322</u>
Timing of turnover recognition		
Products and services recognised at a point in time	-	609
Products and services recognised over time	10,218	5,713
	<u>10,218</u>	<u>6,322</u>

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 loss are the following:

	2019 £000	2018 £000
Depreciation and other amounts written off tangible fixed assets – Owned	1,545	1,555
Depreciation charged on right-of-use fixed assets	130	-
Amortisation of intangible assets	-	13
Hire of plant and machinery – operating leases*	-	54
Hire of land and property – operating leases *	-	113
Operating lease rentals from short-term leases and low value assets*	2	-
Impairment of tangible assets – exceptional expense	400	750
	<u>11</u>	<u>11</u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	11	11
	<u>11</u>	<u>11</u>

* 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	2	2
Technical and administration	62	59
	<u>64</u>	<u>61</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	2,430	2,700
Social security costs	299	344
Contribution to defined contribution plans (note 21)	145	138
	<u>2,874</u>	<u>3,182</u>

Notes (continued)

5 Directors' remuneration

	2019 £000	2018 £000
Directors' remuneration	195	195
Company contributions to money purchase pension plans	9	9
	<u>204</u>	<u>204</u>

	Number of directors 2019	2018
Retirement benefits are accruing to the following number of directors under Money purchase schemes	1	1

One of the directors did not receive any fees or remuneration for services as a director of the Company during the current or prior 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. The element associated with this Company is not separately identifiable.

6 Interest receivable and similar income

	2019 £000	2018 £000
Net foreign exchange gains	9	4
Bank interest receivable	6	-
	<u>15</u>	<u>4</u>

7 Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on bank borrowings	222	151
Interest on lease liabilities under IFRS 16	13	-
	<u>235</u>	<u>151</u>

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account

	2019	2018
	£000	£000
<i>UK corporation tax</i>		
Current tax on expense for the year	(215)	(387)
Adjustments in respect of prior years	(7)	(32)
	<u>(222)</u>	<u>(419)</u>
<i>Foreign tax</i>		
Current tax on income for the year	(2)	27
	<u>(2)</u>	<u>27</u>
Total current tax	(224)	(392)
<i>Deferred tax (note 19)</i>		
Origination and reversal of temporary differences	(12)	(396)
Adjustments in respect of prior years	10	33
	<u>(2)</u>	<u>(363)</u>
Total deferred tax	(2)	(363)
Tax credit on loss	<u>(226)</u>	<u>(755)</u>

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Loss for the year	(952)	(3,575)
Total tax credit	(226)	(755)
Loss excluding taxation	<u>(1,178)</u>	<u>(4,330)</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	(223)	(823)
Non-deductible transactions	(4)	45
Adjustments in respect of prior years	3	1
Foreign taxation	(2)	22
Tax credit on loss	<u>(226)</u>	<u>(755)</u>

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 liability 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 change had been substantively enacted at the current balance sheet date the impact on the Company's UK deferred taxation balances would not have been material.

Notes (continued)

9 Intangible assets

	Development costs £000	Software £000	Total £000
Cost			
Balance at 1 January 2019	209	163	372
Balance at 31 December 2019	209	163	372
Amortisation and impairment			
Balance at 1 January 2019	26	163	189
Amortisation for the year	-	-	-
Balance at 31 December 2019	26	163	189
Net book value			
At 1 January 2019	183	-	183
At 31 December 2019	183	-	183

The amortisation charge of £nil (2018: £13,000) is recognised within administrative expenses in profit and loss account.

Notes (continued)

10 Tangible fixed assets

	Plant and equipment, fixtures & fittings £000	Assets under construction £000	Total £000
<i>Cost</i>			
Balance at 1 January 2019	25,782	36	25,818
Additions	334	122	456
Disposals	(33)	-	(33)
Transfer	100	(100)	-
Balance at 31 December 2019	26,183	58	26,241
<i>Depreciation and impairment</i>			
Balance at 1 January 2019	14,422	-	14,422
Depreciation charge for the year	1,545	-	1,545
Impairment loss for the year	400	-	400
Disposals	(33)	-	(33)
Balance at 31 December 2019	16,334	-	16,334
<i>Net book value</i>			
At 1 January 2019	11,360	36	11,396
At 31 December 2019	9,849	58	9,907

During the year, an impairment of £400,000 (2018: £750,000) was recognised against a specific asset as a result of a period of weakness in the Oil and Gas sector. The recoverable amount of the asset, calculated as its value in use, is £1,347,000 (2018: £2,021,000). A discount rate of 12% was used in this assessment.

Notes (continued)

11 Right-of-use assets

	Short leasehold land and buildings £000	Plant, equipment and fixtures and fittings £000	Total £000
<i>Cost or deemed cost</i>			
Balance at 1 January 2019 (on transition)	495	6	501
Additions	-	28	28
Balance at 31 December 2019	495	34	529
<i>Depreciation and impairment</i>			
Balance at 1 January 2019 (on transition)	-	-	-
Depreciation for the year	123	7	130
Balance at 31 December 2019	123	7	130
<i>Carrying amounts</i>			
At 1 January 2019 (on transition)	495	6	501
At 31 December 2019	372	27	399

12 Fixed asset investments

	Shares in group undertakings £000
<i>Cost and net book value</i>	
At beginning and end of year	206

The Company has the following investments in subsidiaries:

	Class of Shares held	Registered Address	Ownership	
			2019	2018
Aquatic Asia Pacific Pte Ltd	Ordinary share capital	4 Robinson Road, #05-01 The House of Eden, Singapore, 048543	100%	100%

Notes (continued)

13 Stocks

	2019 £000	2018 £000
Raw materials and consumables	55	35

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £nil (2018: £30,000).

14 Debtors

	2019 £000	2018 £000
Trade debtors	3,016	504
Contract assets (note 17)	339	825
Amounts owed by group undertakings	1,406	1,765
Other debtors	57	155
Prepayments and accrued income	163	210
Corporation tax	27	18
	<u>5,008</u>	<u>3,477</u>

The amounts owed by group undertakings are non-interest bearing and payable on demand.

15 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Lease liabilities (note 18)	123	-
Bank overdraft	5,493	4,065
Trade creditors	165	310
Contract liabilities (note 17)	152	152
Amounts owed to group undertakings	89	113
Taxation and social security	88	96
Other creditors	102	88
Accruals and deferred income	1,105	1,358
	<u>7,317</u>	<u>6,182</u>

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

Notes (continued)

16 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Lease liabilities (note 18)	281	-

17 Contract balances and unsatisfied performance obligations

(a) Contract balances

	2019 £000	2018 £000
Receivables (Trade debtors) which are included in Debtors (note 14)	3,016	504
Contract assets	339	825
Contract liabilities	(152)	(152)

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.

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

Contract assets

	2019 £000	2018 £000
Balance at 1 January	825	460
Brought forward balance transferred to trade debtors	(825)	(460)
Conditional right to consideration at the year-end (accrued income)	339	825
Balance at 31 December	339	825

Contract liabilities

	2019 £000	2018 £000
Balance at 1 January	152	-
Payments received/invoices raised in advance of recognising turnover at the year-end	-	152
Balance at 31 December	152	152

(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 £534,000 (2018: £591,000). The Company expects these to be satisfied in 2020 (2018: 2019).

Notes *(continued)*

18 Lease liabilities

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

	2019 £000	2018 £000
Within one year	123	-
Between one and two years	87	-
Between two and five years	194	-
	<u>404</u>	<u>-</u>

The majority of the Company's leases relate to land and buildings for office space, warehouse and yard facilities. Its main property lease expires in April 2024 and rental charges are fixed over the lease term.

19 Deferred tax assets and liabilities

	Assets		Liabilities	
	2019 £000	2018 £000	2019 £000	2018 £000
Tangible fixed assets	-	-	198	197
Losses carried forward	(10)	(10)	-	-
Other	(7)	(4)	-	-
	<u>(17)</u>	<u>(14)</u>	<u>198</u>	<u>197</u>
Tax (assets)/liabilities				
	<u>(17)</u>	<u>(14)</u>	<u>198</u>	<u>197</u>
Net deferred tax liabilities			<u>181</u>	<u>183</u>

Movement in deferred tax during the year

	1 January 2019 £000	Recognised in income £000	31 December 2019 £000
Tangible fixed assets	197	1	198
Losses carried forward	(10)	-	(10)
Other	(4)	(3)	(7)
	<u>183</u>	<u>(2)</u>	<u>181</u>

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets	561	(364)	197
Losses carried forward	(11)	1	(10)
Other	(4)	-	(4)
	<u>546</u>	<u>(363)</u>	<u>183</u>

Notes (continued)

20 Capital and reserves

Share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
106,500 (2018: 106,500) Ordinary shares of £1 each	107	107
45,000 (2018: 45,000) "A" Ordinary shares of £1 each	45	45
	152	152

The specific rights attaching to the 'A' ordinary shares are as follows:

The 'A' ordinary shares are entitled to a participating dividend based on adjusted profit on ordinary activities before taxation and amounts payable to ordinary shareholders.

The 'A' ordinary shares may be converted to a like number of ordinary shares at any time.

The holders of these shares are entitled to attend and vote at general meetings and are entitled to the same voting rights as the ordinary shareholders.

The 'A' ordinary shareholders would rank before the ordinary shareholders on a winding up of the Company. In such circumstances they are entitled to the subscription price paid for the shares plus all dividend arrears. Any capital surplus remaining after distribution to ordinary shareholders is payable to both 'A' ordinary and ordinary classes of shares as if all shares were of the same class.

Share premium

Share premium represents the excess of the proceeds received from the issue of shares over the nominal value of those shares.

Capital and redemption reserve

The capital redemption reserve arose on the repurchase of own shares by the Company.

Profit and loss account

Profit and loss account comprises cumulative undistributed earnings of the Company.

21 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £145,000 (2018: £138,000).

22 Operating leases

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

	Land and buildings 2018 £000	Other 2018 £000
Less than one year	104	12
Between one and five years	379	3
	483	15

On transition to IFRS 16 the Company recognised £501,000 of right-of-use assets and £501,000 of lease liabilities.

Notes (continued)

22 Operating leases (continued)

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 2.5%.

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)	498
Other lease commitments not previously disclosed	40
	538
Discounted using the incremental borrowing rate at 1 January 2019	(37)
Lease liabilities recognised at 1 January 2019	501

23 Contingencies

As set out in note 1, the Company has a cross guarantee with other group companies in respect of group borrowings.

24 Related parties

During the year, the Company traded with certain related parties in the ordinary course of business as follows:

Related party	Relationship	Transactions	2019 £000	2018 £000
TecAfrica Offshore Limited	Common control	Sales	84	93
		Purchases	5	-

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

Related party	Relationship	Balances	2019 £000	2018 £000
TecAfrica Offshore Limited	Common control	Debtor	-	86

Notes (continued)

25 Parent and ultimate controlling party

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 IFRS 16

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 £5,000. Administrative expenses have decreased by £8,000 and interest payable and similar charges has increased by £13,000.

Balance sheet

The current year balance sheet net assets total has reduced by £5,000. This is from recognising right-of-use assets of £399,000 and lease liabilities of £404,000.