Acteon Group Limited

Annual report and financial statements

Registered number 4231212

31 December 2019

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Contents

Strategic Report

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

Principal activities

Acteon Group Ltd is a global subsea services organisation comprising several industry-leading brands. The Group's principal area of focus is on those aspects of offshore oil and gas development and operations which link infrastructure on the seabed with facilities on the surface, but it also has significant (and increasing) involvement in renewable energy, aquaculture and marine construction such as bridges and port installations.

Acteon enables its clients to reduce the total cost of ownership of their subsea assets through an integrated services approach. The Group leverages the combined strengths, skills and experience of over 2,000 people from its facilities in most of the world's prime exploration and production areas. This integrated model enables Acteon to promote collaboration and connect skills, technologies, products and services wherever they exist, to solve its clients' highly complex or long-term life-of-field challenges, from exploration through to development, operations, maintenance and decommissioning. With outstanding engineering skills in the areas in which it operates, Acteon regularly achieves industry "firsts".

Acteon and its operating companies can offer infrastructure products and services – for physical assets – and equipment and data services – to deliver knowledge-based outcomes. Its services are used to create, sustain or decommission subsea infrastructure and to gather or use information or data to extract value for clients.

- The infrastructure products and services include subsea engineering, maintenance, repair and sustaining of subsea assets, the rental and storage of subsea tools, equipment and assets, and the support and provision of personnel for work on physical assets.
- The data services involve the acquisition, use or sharing of data and information about subsea assets. They include engineering design and consultancy services that apply the Group's expertise, the monitoring, inspection and surveying of subsea assets including the processing of the resulting data, geotechnical consultancy, geographic information system services, vessel positioning, modelling, software development, data management, reporting and training services.

Business model

Acteon is a leading provider of subsea services to the worldwide oil and gas, renewables, aquaculture and marine construction industries. Its aim is to redefine, shape and lead the subsea services market. To do this, Acteon has brought together its operating companies, all of which are leading brands with complementary capabilities, through a combination of organic growth initiatives and targeted acquisitions.

Acteon's integrated services approach leverages the combined strengths, skills and experience of its operating companies and tailors them to meet clients' challenges. This enables the Group to support clients using value-adding skills and technologies across the entire life of a field, from exploration through to decommissioning by deploying integrated operations, strategic technical innovation and service excellence.

The Group's principal clients are international, national and independent oil and gas companies and contractors operating in most of the major provinces in the world. As a trusted global partner, Acteon supports its clients by delivering the highest levels of international compliance, outstanding quality, health, safety and environmental performance, a flexible, local workforce to support projects worldwide and market leadership in each area of activity. Acteon also develops pricing and commercial models that align with customers' subsea asset management processes.

Strategic Report *(continued)*

The principal structures, skills and technologies within the Group are listed below:

Risers and Moorings

Acteon has world-leading riser capability and is also a leader in temporary and permanent moorings. It has the largest global inventory of offshore mooring and specialist rental equipment. The Group offers innovative design, supply, installation, relocation and decommissioning solutions for risers and moorings, and employs the world's largest pool of experienced engineers and analysts to support multiple shallow and deep water projects, globally.

> **InterMoor** specialises in mooring systems for floating drilling and production facilities. It offers sale, rental and management of mooring equipment. The company also provides relocation services for mobile offshore drilling rigs and FPSOs, and subsea well abandonment services.
>
> **2H Offshore** focuses on shallow and deep water riser projects with a full complement of design, supply, monitoring and integrity management capabilities.
>
> **Claxton** supplies structural equipment and services for well construction, workover, maintenance and abandonment operations. These include pressure control and remediation, conductor tensioning and rigless tubular retrieval.
>
> **Probe Oil Tools** provides bespoke high-specification pressure control equipment including wellheads, flanges, tension rings and surface risers.
>
> **Subsea Riser Products** designs and supplies specialist components for subsea riser systems.

Seabed Foundation Technologies

Acteon has outstanding expertise in drilling, hammering, piling and grouting, offering a full range of solutions, from design to installation. It can provide temporary and permanent seabed support structures. In addition to its capability in pile and conductor solutions, the Group offers a wide range of hammers for sale or rental, specialist fabrication in multiple regions and highly experienced operational personnel.

> **MENCK** manages all aspects of complex piling projects for customers, not only in the oil and gas sector but also in the civil engineering and renewables sectors. The company designs, manufactures and rents out some of the world's most sophisticated pile-driving hammers.
>
> **Large Diameter Drilling** is an offshore drilling and specialist marine construction contractor. It designs, engineers, builds and operates pile-installation equipment to establish tubular foundations.
>
> **LM Handling** provides comprehensive lifting and handling services for offshore piling and subsea construction projects, both by utilising its existing equipment pool and by developing bespoke equipment, where necessary, to suit specific project needs.
>
> **Conductor Installation Services** provides complete project services for conductor installations.

Survey, Monitoring and Data

Acteon is a leading provider of subsea electronics and remotely operated vehicle (ROV) tooling, offering asset integrity management and comprehensive survey capabilities. The Group also supports its clients with data hosting, data management and information interpretation.

> **UTEC Survey** provides marine and facilities survey and data management services.
>
> **Seatronics** specialises in the rental of subsea electronic equipment and ancillary services.
>
> **J2 Subsea** provides rental and servicing of tooling for subsea ROVs.
>
> **Pulse Structural Monitoring** designs, supplies and installs monitoring systems (both instrumentation and software), and provides data processing and recorded data management services.
>
> **Clarus Subsea Integrity** utilises efficient integrity management processes in order to provide operators with clear information about the condition and performance capabilities of offshore assets.

Strategic Report *(continued)*

Survey, Monitoring and Data *(continued)*

Deepwater Corrosion Services provides subsea corrosion products for a range of structures including subsea assets within the oil, gas and offshore renewables sectors.

Benthic provides sub-seabed data gathering, geoscience and survey services.

TerraSond specialises in survey services including geosciences, marine positioning, offshore pipeline and cable inspection and hydrographic mapping.

Project Support Services

From specialist equipment to manpower provision, Acteon's project support services businesses successfully deliver advanced, innovative solutions around the world. The Group provides flexible pipe lay solutions, in addition to specialist installation and decommissioning services.

Aquatic supplies a range of powered reel systems which are deployed by clients for flexible pipe and umbilical lay.

Team is an international provider of specialist personnel and recruitment consultancy services.

InterAct provides project management engineering and permitting services to oil industry clients.

Additionally, **Acteon Field Life Service**, brings together the specialist skills and technologies of Acteon's individual branded service companies in order to address larger and more complex client projects and lead them at a group level, with a particular focus on participating in increased shares of risk and reward by offering new business models and a partnership approach.

Directors' duties under section 172 of the UK Companies Act 2006

The directors recognise their duty to act in a way which they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole in accordance with section 172 of the UK Companies Act 2006 and in doing so have regard (amongst other matters) to the:

- likely consequences of any decisions taken in the long-term;
- interests of the Group's employees;
- need to foster the Group's business relationships with suppliers, customers and others;
- impact of the Group's operations on the community and environment;
- desirability of the Group maintaining a reputation for high standards of business conduct; and
- need to act fairly between its members.

The directors' section 172 duties form part of Board discussions. The directors continue to have regard to the interest of the Group's key stakeholders and throughout the year its Board and senior management engage with key stakeholders on items relevant to them. We set out below our key stakeholder groups, their material issues and how the Group engages with and considers the interest of each stakeholder group.

Members and lenders

The key issue for the Group's members and lenders is its financial performance and strategy and the Board strives to ensure all members and lenders are fully informed of recent developments and future prospects. This is achieved through:

- regular conference calls to discuss financial performance, strategy and potential investment opportunities;
- the supply of monthly and quarterly financial performance information, including forecast information;
- the Group's investment relations team being available to respond to questions raised during the year;
- holding an annual general meeting of shareholders (where shareholders are given the opportunity to attend in person) such that all shareholders can engage with and ask questions of the Board; and
- an annual presentation to the Group's lending syndicate (where each participating bank can attend) such that lenders can engage with and ask questions of the Board.

Strategic Report *(continued)*

Directors' duties under section 172 of the UK Companies Act 2006 *(continued)*

Employees

Employees are central to the long-term success of the Group. Acteon has a diverse employee base which is reflected in its global footprint and its wide-ranging and varied skillset. The directors consider it important to engage with staff and consider their interests, understand their views, support their career development and provide appropriate remuneration packages. The health and safety and wellbeing of staff are also of paramount importance. To achieve these objectives the Group:

- operates a formal staff appraisal scheme where employees' individual goals and any identified training requirements, are mutually considered and agreed with regular reviews held throughout the year;
- manages a reward scheme in place to recognise exceptional performance by employees;
- operates a system for pay reviews that rewards personnel based on a grading structure and corresponding market rates, and merit;
- creates developmental opportunities based on individual performance and identified potential;
- fosters a safety culture focus and uses risk-based safety management and reporting systems to drive its "zero-harm" ethos; and
- provides free access to an Employee Assistance Programme, which includes a fully independent and confidential external support helpline, for employees to use in relation to both work-related and personal issues.

Customers and suppliers

The Group recognises that fostering strong and trusting business relationships with customers and suppliers is key to business success, which is why the Group and its operating companies strive to ensure:

- customer contracts are performed to the highest standard;
- business is conducted in a fair, transparent and competitive manner, seeking to always comply with the letter, and spirit, of all local competition laws;
- excellent customer service is delivered through innovation and expertise;
- suppliers are carefully selected through a due-diligence process;
- supplier contracts as agreed are fully complied with; and
- there is frequent and sufficient dialogue with customers and suppliers.

Operating in this way helps to develop and maintain credibility and trust across the Group's large and diverse customer and supplier base, which in turn helps ensure longevity of business relationships and assists with enhancing any potential cross-selling and up-selling opportunities.

Acteon's investment into a well-resourced compliance team, which manages a well-developed and comprehensive compliance programme, ensures the group is able to monitor and guide further progress in this area.

Local communities and the environment

Acteon is committed to making a positive impact in the communities where we live and work. The Group supports local economies by:

- creating jobs and ensuring local labour laws are followed;
- ensuring local content requirements of projects its operating companies undertake are adhered to and that they actively engage with local advisers on these matters;
- working with local supply chains wherever possible; and
- identifying areas of community involvement where our voluntary efforts can make a difference.

Strategic Report *(continued)*

Directors' duties under section 172 of the UK Companies Act 2006 *(continued)*

Local communities and the environment *(continued)*

The Group's businesses operate in many different energy sectors, principally in the oil and gas sector but with an increasing emphasis on the renewables sector, and in a varying range of geographical and operating environments. As such, the Group is continually seeking ways in which it can capitalise on the benefits which arise from taking a positive approach to environmental governance. These might include:

- compliance with all relevant legislation;
- improved environmental performance contributing to sustainability; and
- innovative methods and operating protocols to manage the impact of the Group's activities on the environment as far as possible.

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, $54k 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 Group'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 Group's financial performance in 2019 reflected that continued improvement and stabilisation in the market. Revenue increased by 30.9% to £461.7m, 12.6% of which came from organic growth and 18.3% as a result of in-year acquisitions. With pricing pressures on margins continuing however, along with the Group adjusting its capacity for future anticipated growth, adjusted earnings before interest, tax, depreciation and amortisation (as reported in the financial performance section of this report) remained flat at £42.4m compared to £43.1m in 2018.

Acquisitions in the year

The Group continues to seek opportunities to expand its services. In June 2019 it strengthened its survey and monitoring services by acquiring a 100% shareholding in Benthic Geotech Pty Ltd, the parent of a group of companies providing sub-seabed data gathering services for engineering, geotechnical and scientific studies as well as geoscience and survey services. An 80% shareholding in TerraSond Limited was also acquired in June 2019. This company provides hydrographic, marine geophysical and land survey services, mapping and charting services and cable and pipeline support surveys.

To enhance the Group's riser and mooring service offerings the trade, tangible fixed assets and inventory of the Field Technology Services (FTS) division of Proserv which specialises in subsea cutting, friction stud welding and pipeline maintenance was acquired in August 2019. This has been fully integrated with Claxton, one of the Group's existing operations.

Strategic Report *(continued)*

Financial performance

The Group has 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 income statement but have been replaced with interest and depreciation charges. On the statement of financial position, right-of-use assets and lease liabilities have been introduced. The financial performance of the Group's operations for 2019 compared with 2018, adjusted for the effects from the introduction of IFRS 16 and reconciled to statutory measures of financial performance, can be summarised as follows:

	2019	2018	**Increase/ (Decrease)**
	£000	£000	**%**
Group revenue	**461,740**	352,855	30.9%
Adjusted earnings before interest, tax, depreciation and amortisation	**42,442**	43,129	(1.6%)
Depreciation and amortisation (excluding IFRS 16 impact)	**(43,595)**	(36,819)	
Adjusted (Loss)/profit from operating activities before impairment losses	**(1,153)**	6,310	(118.3%)
Effect from the introduction of IFRS 16 *Leases* in 2019	**712**	-	
Impairment losses	**(50,379)**	(2,314)	
(Loss)/profit from operating activities	**(50,820)**	3,996	

			Increase/ (Decrease)
	£000	£000	**%**
Adjusted loss before exceptional items, impairment losses and income tax	**(14,971)**	(12,992)	15.2%
Impairment losses	**(50,379)**	(2,314)	
Exceptional subsidiary acquisition credits	**169**	-	
Effect from the introduction of IFRS 16 *Leases* in 2019	**(1,628)**	-	
Loss before income tax	**(66,809)**	(15,306)	

Key performance indicators

Further key performance indicators pertinent to the Group's continuing operations are shown below. These demonstrate the underlying operational performance (gross margin and EBITDA), along with the level of sustained investment in the Group's underlying revenue-generating resources (fixed assets and number of employees).

	2019	2018
Financial		
Gross margin % of revenues	**26.0%**	26.2%
Adjusted earnings before interest, tax, depreciation and amortisation (£000s)*	**48,037**	47,166
Net book value of property, plant and equipment (£000s)	**142,411**	144,140

* prior to IFRS16 impacts, impairments of goodwill, other intangibles and tangible assets and certain costs totalling £5,595,000 *(2018: £4,037,000)* of a non-operating nature.

Strategic Report *(continued)*

Key performance indicators *(continued)*

	2019	2018
Non-financial		
Average number of employees	**1,904**	1,551
Number of employees at the year-end	**2,042**	1,662

Principal risks and uncertainties

The Group's multinational operations and debt financing expose it to a variety of risks, including financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The Board of Directors has overall responsibility for the creation and oversight of the Group's risk management framework. The Group's approach to financial risk management is disclosed in note 4.

The directors have taken steps to ensure that the day-to-day risks which face the Group, such as health and safety and commercial risks, are managed comprehensively by the management teams of its operating companies (with appropriate central oversight), by insurance covers which should mitigate the impact of risks turning into reality, and by the preparation and careful review of comprehensive monthly management financial reporting packages which can alert the board to developments in trading performance and cash position.

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

- A further reduction in 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 Group 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 for the Group to carry on its business.
- The considerable health and safety risks which are inherent to the offshore oil and gas industry.
- Contracts and projects in the oil and gas sector are frequently complex, and there are risks associated with their execution.

The directors note further risks exist associated with the coronavirus pandemic and the potential impact of the UK's pending departure from the European Union. Whilst the directors do not anticipate a material disruption to its business in relation to the departure from the European Union there is an expectation that the current economic uncertainty created by the coronavirus will result in a negative impact to the Group'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, including the Group's lenders, are being consulted with and provided with regular updates.

Future developments

Since the end of 2019, the Brent crude oil price has significantly reduced with the April 2020 average at $27 per barrel following a low of $19 seen earlier in the month. The oil price continues to be lower 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 Acteon's overall operations across that time horizon. Risk may also arise in the Group's ability to execute projects during the pandemic, depending on their nature and location.

Strategic Report *(continued)*

Future developments *(continued)*

In these unprecedented times the Group is taking additional significant steps with respect to monitoring its trading and protecting and optimising its cash flow. Significant adverse impacts on the Group's 2020 performance are expected but detailed scenario-planning and sensitivity analyses thereon show that the Group should have sufficient financial resources to endure this challenging trading environment for the foreseeable future; Acteon is well positioned to manage its business and financial risks and with support from its current lenders to maintain its financing facilities. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements in the context of the current general underlying uncertainty across the worldwide economy.

The Group 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.

By order of the board

R C Higham
Director

28 April 2020

Directors' Report

The directors note that, as a result of the Strategic Report and Directors' Report regulations of 2013 (which are amendments to the Companies Act 2006), some of the matters which would previously have been contained within the Directors' Report must (along with certain other reporting) appear within the separate Strategic Report. This Directors' Report therefore contains the remaining information required by statute to be disclosed.

Research and development

The Group continues to believe in the importance of investing in innovation and in the development of its products and services, in order to achieve technical success and to improve project economics for clients. During the year Acteon has continued to invest in several research and development areas.

Proposed dividend

No dividend is to be recommended in respect of 2019 *(2018: £nil)*.

Directors

The directors who served during the year were:

R C Higham
K F Ovenden

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.

Employees

The Group is committed to involving employees in the business through appropriate communication and consultation and does so through circulating internal newsletters and periodic briefing meetings.

Applications for employment by disabled persons are always fully considered, having regard to the aptitude and abilities of applicants. If employees become disabled every effort is made to ensure the continuation of their employment with the Group, including the provision of appropriate training. The Group intends that, as far as possible, the training, career development and promotion of a disabled person should be identical to that of a person who does not suffer from a disability.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year *(2018: £nil)*.

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. Each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the board

R C Higham
Director

28 April 2020

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company 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 Group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent 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 Group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine are 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 Group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Acteon Group Limited

Opinion

We have audited the financial statements of Acteon Group Limited ("the company") for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position (Balance Sheet), Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow, Company balance sheet and related notes, including the accounting policies in notes 3 and 37.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements 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 Group 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 2(e) to the financial statements which explains that as a result of the current global economic uncertainty caused from the coronavirus pandemic and lower oil prices, there is estimation and interpretation included in the Group's forecast financial covenant calculations which will require agreement with the Group's lenders and as a result there is a risk the forecast financial covenants may not be passed. These events and conditions, along with the other matters explained in note 2(e), constitute a material uncertainty that may cast significant doubt on the Group's and the parent 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.

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

We have nothing to report in these respects.

KPMG

Independent auditor's report to the members of Acteon Group Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 10, 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 Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent 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.

David Derbyshire

David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen, AB10 1JB

29 April 2020

Consolidated Income Statement
for year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	6	**461,740**	352,855
Cost of sales		**(341,867)**	(260,263)
Gross profit		**119,873**	92,592
Other income	7	**563**	11
Impairment charges	17	**(50,379)**	(2,314)
Other administrative expenses		**(120,877)**	(86,293)
Total administrative expenses		**(171,256)**	(88,607)
(Loss)/profit from operating activities		**(50,820)**	3,996
Negative goodwill on acquisitions	5	**169**	-
Finance income		**7,030**	2,623
Finance expense		**(23,188)**	(21,925)
Net finance expense	11	**(16,158)**	(19,302)
Loss before income tax		**(66,809)**	(15,306)
Income tax expense	12	**(5,094)**	(3,150)
Loss for the year		**(71,903)**	(18,456)
Attributable to:			
Equity holders of the parent		**(70,714)**	(18,322)
Non-controlling interests		**(1,189)**	(134)
Loss for the year		**(71,903)**	(18,456)

The notes on pages 18 to 73 are an integral part of these consolidated financial statements.

Movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 16.

Consolidated Statement of Comprehensive Income

for year ended 31 December 2019

	Note	**2019**	2018
		£000	£000
Loss for the year		**(71,903)**	(18,456)
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial losses	*28*	**(340)**	(118)
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign currency net investments		**(11,869)**	5,415
Other comprehensive (loss)/income recognised directly in equity		**(12,209)**	5,297
Total comprehensive loss for the year		**(84,112)**	(13,159)
Attributable to:			
Equity holders of the Company		**(82,923)**	(13,025)
Non-controlling interests		**(1,189)**	(134)
Total comprehensive loss for the year		**(84,112)**	(13,159)

The notes on pages 18 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Balance Sheet)

at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	*15*	**142,411**	144,140
Right-of-use assets	*16*	**53,216**	-
Intangible assets	*17*	**212,729**	218,619
Deferred income tax assets	*18*	**5,588**	5,232
Total non-current assets		**413,944**	367,991
Current assets			
Inventories	*19*	**26,850**	17,268
Contract costs	*20*	**11,625**	6,997
Trade and other receivables	*21*	**100,187**	85,011
Contract assets	*22*	**39,089**	21,617
Cash and cash equivalents		**58,928**	77,857
Total current assets		**236,679**	208,750
Total assets		**650,623**	576,741
Equity			
Share capital	*23*	**46,659**	11,659
Share premium	*24*	**16,437**	16,437
Foreign currency translation reserve	*24*	**15,603**	27,472
Other reserves	*24*	**(4,991)**	(4,991)
Retained earnings	*24*	**98,425**	169,567
Total equity attributable to equity holders of the Company		**172,133**	220,144
Non-controlling interests	*25*	**13,124**	13,071
Total equity		**185,257**	233,215
Non-current liabilities			
Loans and borrowings	*26*	**273,176**	235,455
Lease liabilities	*27*	**47,601**	-
Other creditors		**167**	448
Employee benefits	*28*	**2,529**	2,447
Deferred income tax liabilities	*18*	**19,090**	12,737
Total non-current liabilities		**342,563**	251,087
Current liabilities			
Loans and borrowings	*26*	**-**	17,682
Lease liabilities	*27*	**6,728**	-
Trade and other payables	*29*	**95,197**	68,429
Contract liabilities	*22*	**17,050**	5,463
Current income tax liabilities		**3,828**	865
Total current liabilities		**122,803**	92,439
Total liabilities		**465,366**	343,526
Total equity and liabilities		**650,623**	576,741

These financial statements were approved by the Board of Directors on 28 April 2020 and were signed on its behalf by:

R C Higham - Director *K F Ovenden - Director*

The notes on pages 18 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for year ended 31 December 2019

	Share capital £000	Share premium £000	Foreign currency translation reserve (FCTR) £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2018	11,659	16,437	22,057	(4,991)	188,007	233,169	11,817	244,986
Loss for the year	-	-	-	-	(18,322)	(18,322)	(134)	(18,456)
Income and expense recognised directly in equity								
Defined benefit plan actuarial losses	-	-	-	-	(118)	(118)	-	(118)
Foreign currency translation difference	-	-	5,415	-	-	5,415	-	5,415
Total income and expense recognised directly in equity	-	-	5,415	-	(118)	5,297	-	5,297
Acquisitions in year (note 5)	-	-	-	-	-	-	1,401	1,401
Capital contribution by non-controlling interests (note 25)	-	-	-	-	-	-	11	11
Net dividends paid (note 14)	-	-	-	-	-	-	(24)	(24)
Balance at 31 December 2018	11,659	16,437	27,472	(4,991)	169,567	220,144	13,071	233,215
IFRS 16 transition adjustment on adoption (note 3)	-	-	-	-	(88)	(88)	-	(88)
Restated balance at 1 January 2019	11,659	16,437	27,472	(4,991)	169,479	220,056	13,071	233,127
Loss for the year	-	-	-	-	(70,714)	(70,714)	(1,189)	(71,903)
Income and expense recognised directly in equity								
Defined benefit plan actuarial losses	-	-	-	-	(340)	(340)	-	(340)
Foreign currency translation difference	-	-	(11,869)	-	-	(11,869)	-	(11,869)
Total income and expense recognised directly in equity	-	-	(11,869)	-	(340)	(12,209)	-	(12,209)
Acquisitions in year (note 5)	-	-	-	-	-	-	1,242	1,242
Share issue in year (note 23)	35,000	-	-	-	-	35,000	-	35,000
Balance at 31 December 2019	**46,659**	**16,437**	**15,603**	**(4,991)**	**98,425**	**172,133**	**13,124**	**185,257**

The notes on pages 18 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow
for year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flow from operating activities			
Loss for the year		**(71,903)**	(18,456)
Adjustments for:			
Negative goodwill on acquisitions	5	**(169)**	-
Gain on non-payment of deferred consideration from acquisitions		**(534)**	-
Gain on sale of rental/non-rental property, plant and equipment		**(1,364)**	(1,659)
Depreciation and impairment of property, plant and equipment	15	**28,270**	28,416
Depreciation and impairment of right-of-use assets	16	**7,496**	-
Amortisation and impairment of intangible assets	17	**65,704**	10,717
Net finance expense	11	**16,158**	19,302
Total income tax expense	12	**5,094**	3,150
		48,752	41,470
Change in inventories		**(4,973)**	8,434
Change in contract costs		**(3,524)**	(6,546)
Change in trade and other receivables		**(5,180)**	8,224
Change in contract assets		**(18,549)**	(20,808)
Change in trade and other payables		**2,186**	(919)
Change in contract liabilities		**11,484**	4,704
Change in provisions and employee benefits		**256**	259
Cash generated from operating activities		**30,452**	34,818
Interest paid		**(19,078)**	(16,995)
Interest paid on lease liabilities		**(2,340)**	-
Income tax paid		**(7,766)**	(5,810)
Net cash from operating activities		**1,268**	12,013
Cash flows from investing activities			
Interest received		**2,973**	2,623
Proceeds from sale of property, plant and equipment		**1,522**	2,958
Acquisition of trades/subsidiaries, net of cash acquired	5,25	**(57,400)**	(10,395)
Purchase of property, plant and equipment	15	**(15,303)**	(14,569)
Purchase of intangible assets	17	**(1,501)**	(1,253)
Net cash used in investing activities		**(69,709)**	(20,636)
Cash flow from financing activities			
Receipt from share issue	23	**35,000**	-
Receipt of borrowings	26	**52,410**	28,000
Expenses paid in relation to borrowings	26	**(5,092)**	(87)
Repayment of borrowings	26	**(25,000)**	(15,714)
Repayment of lease liabilities		**(5,948)**	-
Net dividends paid to non-controlling interests	14	**-**	(24)
Net cash generated in financing activities		**51,370**	12,175
Net (decrease)/increase in cash and cash equivalents		**(17,071)**	3,552
Cash and cash equivalents at 1 January		**77,857**	72,706
Effect of exchange rate fluctuations on cash held		**(1,858)**	1,599
Cash and cash equivalents at 31 December		**58,928**	77,857

The notes on pages 18 to 73 are an integral part of these consolidated financial statements.

Notes

(forming part of the financial statements)

1 Group and company accounts

Acteon Group Ltd is a company incorporated in England. The address of its registered office is Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW. The consolidated financial statements of the Group as at and for the year ended 31 December 2019 comprise the parent company and its subsidiaries (together referred to as "the Group"). The Group is primarily involved in the provision of specialist subsea products and services to the offshore oil and gas industry. The financial statements of the parent company are set out on pages 74 to 93.

2 Basis of preparation of financial statements

The consolidated financial statements consolidate those of the parent company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, including FRS 101 *Reduced Disclosure Framework.*

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

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Adopted IFRS and were approved by the Board of Directors on 28 April 2020.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and available-for-sale financial assets, which are stated at fair value. Any changes in fair value are reflected in the income statement.

The methods used to measure fair values are discussed further below.

(c) Functional and presentation currency

These consolidated 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.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are reflected in the period in which the estimates are revised and in any future periods which are affected by those revisions.

Information relating to areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 5 – business combinations

Note 17 – measurement of the recoverable amounts relating to cash-generating units containing goodwill

Note 30 – valuation of financial instruments including the allowance for expected credit loss on trade receivables

Notes *(continued)*

2 Basis of preparation of financial statements *(continued)*

(e) Going concern

The Group'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 on pages 1 to 8.

Subsequent to the 31 December 2019 year-end, the Brent crude oil price has significantly reduced with the April 2020 average to date at $27 per barrel following a low of $19 seen earlier in the month. The oil price continues to be lower 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 Acteon's overall operations across that time horizon. Risk may also arise in the Group's ability to execute projects during the pandemic, depending on their nature and location.

There is uncertainty in predicting the full impact and duration of the pandemic and the decline in oil prices and the affect it will have on the Group's operations, financial position, liquidity and cash flows. The Group 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 and capitalise on opportunities once demand and more normal levels of activities return.

As of 1 April 2020, the Group had £60.4 million in cash. The Group's principal secured bank loan as disclosed in note 26 extends with the first debt maturity in November 2022 and is fully drawn as at the date of these financial statements.

The directors have prepared financial projections for the twelve months from the date of approval of these financial statements to reflect the current economic outlook. On the basis of the forecast cash flow information within these 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 assume further deferrals or reductions in customer revenues across the forecast period.

The 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 covenant forecast includes adjustments for profit forgone as a result of the exceptional incidence of the coronavirus pandemic and the related decline in oil prices. The directors have estimated the value of the revenue and profit forgone in the forecast period based on comparison with the Group's 2020 budget. The expected savings from cost reduction initiatives that are being taken to respond to the current exceptional economic environment are also reflected. These adjustments are included in forecast financial covenant calculations for each quarterly test date to 31 March 2021. With the benefit of including these adjustments, the Group forecasts compliance with its financial covenant requirements at each quarterly test date during the next twelve months.

The directors will present their financial covenant calculations including this methodology to the Group's lenders as at the next financial covenant testing date of 30 June 2020. The directors recognise that any profit forgone attributed to a specific event or factor is an estimate and that the inclusion of such an adjustment in the financial covenant calculations reflects the directors' interpretation of the definitions included in the secured bank loan agreement.

There is therefore no certainty that all or part of the forecast financial covenant adjustments made for profit forgone due to the exceptional incidence of the coronavirus pandemic and the related decline in oil prices will be agreed by the Group's lenders and there is a risk that the financial covenants are not passed. If not passed, the Group would consider corrective measures which may include negotiating new financial covenant terms or an alternative refinancing of the Group. There can be no certainty over the occurrence or outcome of such negotiations and if not successful, repayment of the secured bank loan could be accelerated by the Group's lenders meaning that any amounts owed fall due immediately.

Notes *(continued)*

2 Basis of preparation of financial statements *(continued)*

(e) Going concern *(continued)*

Based on their forecasts, the directors believe that it is appropriate to prepare the financial statements on a going concern basis. However, the above circumstances represent a material uncertainty that may cast significant doubt on the Group'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 the basis of preparation being inappropriate.

3 Significant accounting policies

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

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been aligned, where necessary, with the policies adopted by the Group.

(ii) Transactions and balances eliminated on consolidation

Intra-Group transactions and balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Revenue recognition

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

- 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 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).
- Recognises revenue 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 revenue until the uncertainty is resolved.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Revenue recognition *(continued)*

(i) Sale of goods

How revenue 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 Group has an enforceable right to payment for performance completed to date, revenue is recognised over time in accordance with the contract's progression (assessed on a cost input method) up to the point of delivery. Revenue 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.

(ii) Rendering of services

The Group recognises revenue for service performance obligations over time as those services are fulfilled. Revenue is based either on a fixed price or on an hourly/day rate. Where a fixed price is used the Group 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 revenue is also recognised on a straight-line basis over the contract period but is disclosed separately from revenue from contracts with customers.

(iii) Mobilisation and demobilisation services

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

(iv) 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 finance costs at the rate embedded within the contract. This treatment recognises the effective borrowing period by the Group for any such advance receipts up to the point at which the performance obligation is fulfilled and the revenue is recognised.

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

Intangible fixed assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and 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 Group'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.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Intangible fixed assets *(continued)*

Goodwill *(continued)*

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.

Negative goodwill on acquisitions is immediately recognised in the income statement.

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.

Research and development

Expenditure on research activities is recognised in the income statement as the costs are incurred.

Expenditure on development activities is capitalised where: the process or final product is considered to be technically and commercially feasible; and, the Group intends, (and has the technical ability and sufficient resources) to complete the development; and, future economic benefits are probable; and, the expenditure attributable to the asset during its development can be measured reliably. Development activities involve a plan or design of the production of new or substantially improved products or processes.

Expenditure which is capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over estimated useful lives, typically ranging between 5-10 years.

Other development expenditure is recognised in the income statement as the costs are incurred.

Tangible fixed assets

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at the Group's IFRS transition date was determined by reference to its depreciated cost as at that date.

Cost comprises the purchase price or construction cost and any costs directly attributable to making the asset capable of operating as intended, in the intended location. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given in order to acquire the asset.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Tangible fixed assets *(continued)*

(i) Recognition and measurement *(continued)*

When elements of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Gains and losses on disposals of property, plant and equipment, other than those held for rental to clients, are determined by comparing the proceeds from disposal with the corresponding carrying amounts and are recognised net within other income in the income statement. Where items are sold from the rental fleet, the sale proceeds are reflected in revenue and the remaining net book value is charged to cost of sales.

(ii) Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost less residual values to the income statement over the estimated useful lives of each asset. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	30-50 years
Fixtures, fittings and computer equipment	2-10 years
Motor vehicles	2-4 years
Plant and equipment	3-15 years

Improvements to leasehold premises are depreciated over the primary period of the leases to which the improvements relate.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price less all further costs of completion and disposal.

The Group makes provisions for impairment, where appropriate, based on an assessment of excess and obsolete inventories.

Costs in relation to partially complete projects are treated as contract costs to the extent that the revenue relating to those projects is unrecognised at the balance sheet date.

Contract costs

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

(i) 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 to the income statement. Incremental costs of obtaining a contract where the contract term is less than one year are also immediately expensed to the income statement.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Contract costs *(continued)*

(ii) 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 income statement in line with the fulfilment of the specific performance obligation to which they relate

Foreign currencies

(i) Transactions and balances

Transactions denominated in foreign currencies are translated and recorded at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at each balance sheet date. Gains and losses on retranslation are recognised in the income statement for the year.

(ii) Subsidiaries

The results and financial position of all subsidiaries that have a functional currency other than Sterling are translated into Sterling as follows:

- assets and liabilities for each balance sheet presented are translated at rates ruling at the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates; and
- resulting exchange differences are recognised directly in equity in a separate foreign currency translation reserve (FCTR) in the consolidated balance sheet.

When a foreign subsidiary is disposed of, the portion of the FCTR relating to that subsidiary is required to be included as part of the calculation of profit or loss on the sale.

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity 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 employee benefit expense in the income statement when they are due. The overwhelming majority of the Group's employees participate in plans of this nature.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group operates three defined benefit schemes as follows:

Two defined benefit schemes exist in respect of employees of its German subsidiary, MENCK GmbH, in which there are 184 participants. Of these, 5 participate in a final salary scheme and the remaining 179 participate in a scheme which provides very modest benefits: these are determined by length of service rather than being linked to salary.

A further defined benefit scheme, in respect of employees of its Norwegian subsidiary, InterMoor AS, in which there are 21 participants. Benefits are determined by salary levels and length of service.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Employee benefits *(continued)*

(ii) Defined benefit plans *(continued)*

Amounts charged to operating profit in relation to the schemes are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised in the income statement at the earlier of the recognition of related restructuring costs and termination benefits and when the plan amendment occurs. The net interest on the net defined benefit liability is shown in the income statement under finance expense.

Pension scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Plan assets are valued at fair value and deducted from the pension scheme liabilities. Actuarial valuations are obtained at least triennially, with updates at intervening balance sheet dates. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity.

(iii) Short-term benefits

Short-term employee benefit obligations such as annual performance bonuses are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as a short-term benefit if the Group has a present legal or constructive obligation to pay this benefit as a result of past service provided by the employee and the amount of the obligation can be measured reliably.

Leasing

Prior to the adoption in the current period of IFRS 16 *Leases*, the Group's leasing policy was as detailed below and this policy has been applied for comparative periods to 31 December 2018. Details of the Group's revised policy, applied from 1 January 2019, is disclosed within the "New accounting standards adopted in the year" section starting on page 29.

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the lower of fair value and the present value of the minimum future lease payments. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired under hire purchase agreements are depreciated over their useful lives. Obligations under such agreements are included in liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable in respect of operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, contract assets, cash and cash equivalents, loans and borrowings, lease liabilities and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

3 **Significant accounting policies** *(continued)*

Financing Instruments *(continued)*

(ii) Derivative financial instruments

Derivative financial instruments are recognised at fair value. Any gain or loss arising in arriving at fair value is recognised immediately in the income statement.

(iii) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it may be impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated discounted future cash flows. All impairment losses on financial assets measured at amortised cost are recognised in the income statement.

An impairment loss is only reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract costs and deferred tax 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. Goodwill has an indefinite life and the recoverable amount is estimated at each reporting date.

The Group's approach to impairment testing in relation to goodwill and intangible assets is discussed in the Goodwill section above.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to, or recovered from, the taxation authorities. Taxable profit or loss differs from that reported in the income statement because it excludes items of income or expense that are taxable or deductible in later years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Income tax *(continued)*

Deferred income tax is recognised on all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured on an undiscounted basis at the tax rates that are expected to apply when the liability is settled or the asset is realised, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that their carrying value will be realised primarily through sale rather than through continuing use.

Such assets are measured at the lower of their carrying amount and fair value less cost of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the income statement. Once classified as held for sale, intangible assets and tangible fixed assets are not amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Notes *(continued)*

3 Significant accounting policies *(continued)*

Determination of fair values *(continued)*

(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.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on historic cost adjusted to fair value, if applicable. However where its estimated selling price in the ordinary course of business less the estimated costs of completion and sale is lower than cost, that lower value is adopted.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of their expected future cash flows, discounted where appropriate.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For leases, the market rate of interest is determined by reference to the imbedded rate within the lease agreement or an entity's incremental borrowing rate.

Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs.

Net financing costs comprise interest payable on borrowings, interest receivable on cash and cash equivalents and amortisation of debt finance costs that are recognised in the income statement.

Interest income and expense is recognised in the income statement as it accrues, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and any other short-term highly liquid investments, less bank overdrafts.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less any provision for expected credit losses.

The Group 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 receivables have been grouped together based on the number of days they are overdue.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Contract assets

Contract assets are recognised when the Group has satisfied its contractual performance obligations and has either not recognised a receivable 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 receivables.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

Contract liabilities

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

New accounting standards adopted in the year

The Group 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:

(i) IFRS 16 – Leases ("IFRS 16")

The Group 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 Group's previous leasing accounting policies as described above (page 25).

The new standard only affects the accounting for the Group'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 statement of financial position. The income statement 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.

The impact on the financial performance and position of the Group from adopting IFRS 16 in the year is detailed in note 36.

Change in accounting policies

The introduction of IFRS 16 has impacted the Group's accounting policies from the date of transition (1 January 2019) in respect of operating leases where the Group is the lessee as detailed below; the Group 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.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Changes in accounting policies *(continued)*

(i) Right-of-use assets *(continued)*

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 Group reports its right-of-use assets separately in the statement of financial position.

(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 entity the lease is with, taking into account the risk profile of the asset and its location. Typically the Group 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 Group is reasonably certain it will exercise its option to renew; and
- penalties for early termination of the lease unless the Group 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 Group 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 income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group reports its lease liabilities separately in the statement of financial position.

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

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense in the income statement 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 Group has applied the available recognition exemptions to all short-term and low-value leases as described above. The Group 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)*

3 Significant accounting policies *(continued)*

On transition to IFRS 16 *(continued)*

The Group 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.

4 Financial risk management

The Group's international operations and debt financing expose it to a variety of financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of individual Group entities (which are principally Sterling, US Dollars, Euros, Singapore Dollars and Norwegian Kroner). As the Group's presentation currency is Sterling, it is also subject to foreign exchange translation risk in respect of the results and underlying net assets of foreign operations. The Group mitigates its foreign currency risk to a large extent by operating a natural hedge against its major foreign currency risk which is the US Dollar. The impact on earnings of a weakening Dollar is mitigated by a reduction in the Sterling value of borrowings denominated in US Dollars, and vice versa.

Details of significant balances in foreign currencies and the exchange rates used to translate them into Sterling are shown in note 30.

There were no changes in the Group's approach to foreign exchange risk during the year.

(ii) Cash flow and fair value interest rate risk

The Group has interest rate risk arising from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk.

The Group has no significant interest-bearing assets other than cash and cash equivalents of a working capital nature. Therefore the Group's income and operating cash flows arising from such assets are substantially independent of changes in market interest rates.

The Group monitors its exposure to interest rate risk as part of its overall financial risk management. The Board of Directors regularly considers its policy in relation to interest rate hedging and takes action where appropriate to manage its cash flow interest rate risks (see note 30).

There were no changes in the Group's approach to cash flow and fair value interest rate risk during the year.

Notes *(continued)*

4 Financial risk management *(continued)*

(iii) Credit risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents, primarily comprising of current account balances, are maintained with major financial institutions in each of the territories in which the Group operates. Cash balances held by non-UK operating companies in excess of those required for short-term funding needs are regularly remitted to UK bank accounts.

Sales are made on credit and result in short-term credit exposure on trade receivables. The Group's customers are principally major companies in the oil and gas exploration and production sector that have several years' transaction history with the Group. Credit risk from the ordinary course of trade activities is managed by the Group's subsidiaries on a customer and/or project basis.

The Group establishes an allowance for impairment that represents its estimated lifetime expected credit loss in respect of trade and other receivables. This includes allowances for specific loss elements that relate to individually significant exposures. The ageing of receivables is shown in note 30.

There were no changes in the Group's approach to credit risk during the year.

(iv) Liquidity risk

The Group maintains a blend of long-term and short-term committed facilities that are designed to ensure that it has sufficient available funds for operations and planned expansion and to meet its financial obligations as they fall due. At 31 December 2019 the Group had access to variable rate borrowings in the form of a £298m committed credit facility, of which £251m takes the form of term loans and £47m is a revolving credit facility. The Group is able to draw down on the revolving facility as needed. Interest rates are determined by reference to LIBOR.

There were no changes in the Group's approach to liquidity risk during the year.

(v) Capital risk management

The objectives when managing capital (equity and bank borrowings) are to safeguard the Group's ability to continue as a going concern and:

- provide returns for shareholders;
- provide benefits for other stakeholders; and
- maintain an optimal capital structure to minimise the cost of capital.

The Group monitors its bank borrowings and conducts regular reviews of actual and projected performance against a suite of bank covenants.

There were no changes to the Group's approach to capital management in the year.

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries and trades

Acquisitions 2019

(i) Benthic Geotech Pty Ltd

On 11 June 2019 the Group acquired a 100% shareholding in Benthic Geotech Pty Ltd for a total consideration of £44,336,000. Benthic Geotech Pty Ltd is the parent of a group of companies which provide sub-seabed data gathering services for engineering, geotechnical and scientific studies as well as geoscience and survey services worldwide. The principal rationale for this acquisition was to strengthen the Group's survey and monitoring service offerings within this specialist sector. Augmenting the Group's expertise in this area is also expected to lead to improved and extended integrated service offerings to clients, with group companies benefiting from an anticipated increase in the number of resulting new project opportunities and cross-selling activities for complementary services.

Between the acquisition date and 31 December 2019 Benthic generated revenues of £39,105,000 and a profit after tax of £1,453,000. Had the acquisition occurred on 1 January 2019 management estimates that revenues would have been £74,500,000 and the profit after tax for the period would have been £3,800,000.

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

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	7,261	-	7,261
Right-of-use assets	1,699	-	1,699
Intangible assets	-	34,506	34,506
Inventories	3,600	-	3,600
Contract costs	1,647	-	1,647
Trade and other receivables	9,397	-	9,397
Cash in hand and at bank	8,331	-	8,331
Trade and other payables	(21,053)	-	(21,053)
Lease liabilities	(1,717)	-	(1,717)
Current and deferred income tax assets/(liabilities)	493	(8,971)	(8,478)
Net identifiable assets and liabilities acquired	9,658	25,535	35,193
Goodwill on acquisition (non-taxable)			9,143
Total cash consideration			44,336
Cash acquired			(8,331)
Net cash outflow			36,005

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition were their estimated fair value (note 3 outlines the methods used in determining fair values). In determining the fair value of the intangible assets acquired (customer lists, research and development and order books), the Group applied the income approach to ascertain the expected discounted cash flows to be derived from the use of the assets.

Goodwill arose on the acquisition as a result of several factors, including market access, the cross-selling opportunities created from it being part of the Group, the complementary nature and fit with the Group's existing services and the value associated with the technical expertise of its employees.

The Group incurred acquisition-related legal and due diligence costs totalling £849,000. These costs were included in other administrative expenses within the consolidated income statement.

Notes *(continued)*

5 **Acquisitions and disposals of subsidiaries and trades** *(continued)*

Acquisitions 2019 *(continued)*

(ii) TerraSond Limited

On 19 June 2019 the Group acquired an 80% shareholding in TerraSond Limited for a total consideration of £7,886,000. TerraSond Ltd is a company based in the US which provides hydrographic, marine geophysical and land survey services, mapping and charting services and cable and pipeline support surveys. The principal rationale for this acquisition, consistent with that for the Benthic acquisition, was to strengthen the Group's survey and monitoring service offerings within this specialist sector and enhance the Group's integrated service offerings and cross-selling capabilities for complementary services.

Between the acquisition date and 31 December 2019 the company generated revenues of £17,529,000 and a loss after tax of £860,000. Had the acquisition occurred on 1 January 2019, management estimates that revenues would have been £26,950,000 and the loss after tax for the period would have been £2,250,000.

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

	Pre-acquisition carrying amounts £000	**Fair value adjustments £000**	**Recognised values on acquisition £000**
Property, plant and equipment	3,064	-	3,064
Right-of-use assets	2,336	-	2,336
Intangible assets	727	8,666	9,393
Trade and other receivables	3,326	-	3,326
Contract assets	1,143	-	1,143
Cash in hand and bank overdraft	(3,271)	-	(3,271)
Trade and other payables	(5,424)	-	(5,424)
Lease liabilities	(2,361)	-	(2,361)
Current and deferred income tax liabilities	(174)	(1,820)	(1,994)
Net identifiable assets and liabilities acquired	(634)	6,846	6,212
Less non-controlling interest			(1,242)
Net assets acquired			4,970
Goodwill on acquisition (non-taxable)			2,916
Total cash consideration			7,886
Net bank overdraft acquired			3,271
Net cash outflow			11,157

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition were their estimated fair value (note 3 outlines the methods used in determining fair values). In determining the fair value of the intangible assets acquired (customer lists and order books), the Group applied the income approach to ascertain the expected discounted cash flows to be derived from the use of the assets.

Goodwill arose on the acquisition as a result of several factors, including market access and increasing the Group's global footprint in the survey sector, the cross-selling opportunities created from it being part of the Group, the complementary nature and fit with the Group's existing services and the value associated with the technical expertise of its employees.

The Group incurred acquisition-related legal and due diligence costs totalling £769,000. These costs were included in other administrative expenses within the consolidated income statement.

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries and trades *(continued)*

Acquisitions 2019 *(continued)*

(iii) Field Technology Services division (FTS) of Proserv

On 1 August 2019 the Group acquired the trade, tangibles fixed assets and inventory of the Field Technology Services division (FTS) of Proserv (a group of companies in which the Group's ultimate controlling party has an interest) for a total consideration of £9,494,000. FTS is based in the UK, US, Norway, Middle East and Singapore and 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 one of the Group's existing operations, Claxton, and the principal objective for this acquisition was to add further specialist service offerings to the Group's decommissioning capabilities and to provide access to additional markets.

Between the acquisition date and 31 December 2019 the FTS division generated revenues of £7,900,000 and a loss after tax of £800,000. Had the acquisition occurred on 1 January 2019, management estimates that revenues would have been £19,200,000 and the loss after tax for the period would have been £2,350,000.

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

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	9,267	(4,705)	4,562
Right-of-use assets	3,428	-	3,428
Intangible assets	-	3,862	3,862
Inventories	2,073	-	2,073
Trade and other payables	(85)	-	(85)
Lease liabilities	(3,428)	-	(3,428)
Current and deferred income tax liabilities	-	(749)	(749)
Net identifiable assets and liabilities acquired	11,255	(1,592)	9,663
Negative goodwill on acquisition (non-taxable)			(169)
Total cash consideration			9,494
Cash acquired			-
Net cash outflow			9,494

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition were their estimated fair value (note 3 outlines the methods used in determining fair values). In determining the fair value of the property, plant and equipment and intangible assets acquired (customer lists and order books), the Group applied the income approach to ascertain the expected discounted cash flows to be derived from the use of the assets.

The negative goodwill, which was immediately credited to the income statement, arose as a result of the fair value of assets acquired being greater than the consideration paid for them. The FTS business directly complements the Group's existing decommissioning capabilities and anticipated synergies in operations and expertise is expected to not only significantly improve the future performance of the business unit acquired but also the Group's decommissioning business as a whole. Increased project opportunities are expected to be derived by the Group as a result of having access to wider geographical markets.

The Group incurred acquisition-related legal and due diligence costs totalling £998,000. These costs were included in other administrative expenses within the consolidated income statement.

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries and trades *(continued)*

Acquisition 2019 *(continued)*

(iv) Deepwater Corrosion Services Inc

In respect of the acquisition of Deepwater Corrosion Services Inc in 2018, the Group settled £744,000 of the total deferred consideration of £1,187,000 during the current year. The remaining balance, due to a change in circumstance post acquisition, will no longer be payable and therefore has been credited to the income statement.

Acquisitions 2018

On 7 December 2018 the Group acquired a 90% shareholding in Deepwater Corrosion Services Inc for a total consideration of £14,566,000 including a contingent element based on probable future earnings of £1,187,000 ($1,519,000 converted into sterling using the exchange rate prevailing at the time of acquisition). Deepwater Corrosion Services Inc is the parent of a group of companies which provide subsea corrosion control products worldwide for all types of assets mainly within the oil, gas and renewables sectors, for example oil and gas platforms and wind turbines. The main rationale for this acquisition was to strengthen the Group's integrity management service offering by enhancing its ability to assist its customers in managing their subsea infrastructure.

Between the acquisition date and 31 December 2018 these companies generated revenues of £2,184,000 and a loss after tax of £43,000. Had the acquisition occurred on 1 January 2018, management estimates that revenues would have been £22,750,000 and the profit after tax for the period would have been £1,600,000.

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

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	979	-	979
Intangible assets	-	5,483	5,483
Inventories	3,015	-	3,015
Contract costs	595	-	595
Trade and other receivables	4,321	-	4,321
Contract assets	59	-	59
Cash in hand and at bank	2,973	-	2,973
Trade and other payables	(2,369)	-	(2,369)
Contract liabilities	(187)	-	(187)
Current and deferred income tax liabilities	(200)	(658)	(858)
Net identifiable assets and liabilities acquired	9,186	4,825	14,011
Less non-controlling interest			(1,401)
Net assets acquired			12,610
Goodwill on acquisition (non-taxable)			1,956
Total consideration			14,566
Less contracted contingent consideration based on probable future earnings			(1,187)
Total cash consideration			13,379
Cash acquired			(2,973)
Net cash outflow			10,406

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries and trades *(continued)*

Acquisitions 2018 *(continued)*

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition were their estimated fair value (note 3 outlines the methods used in determining fair values). In determining the fair value of the intangible assets acquired (customer lists and order books), the Group applied the income approach to ascertain the expected discounted cash flows to be derived from the use of the assets.

Goodwill arose on the acquisition as a result of several factors, including market access, the cross-selling opportunities created from it being part of the Group, the complementary nature and fit with the Group's existing products and services and the value associated with the technical expertise of its employees.

The Group incurred acquisition-related legal and due diligence costs totalling £698,000. These costs were included in other administrative expenses within the consolidated income statement.

6 Revenue

The following tables disaggregate the Group's revenue by its nature, geographical markets, major market segments and timing of recognition.

	2019 £000	2018 £000
Nature of revenue		
Sale of goods	**61,139**	62,884
Rendering of services	**400,601**	289,971
	461,740	352,855
Geographical markets		
Europe	**154,684**	136,071
Africa	**52,112**	34,492
North America	**101,166**	48,635
South America	**46,134**	12,191
Asia and Asia Pacific	**75,054**	79,502
Middle East/Caspian	**32,590**	41,964
	461,740	352,855
Major market segments		
Risers and moorings	**178,258**	142,981
Seabed foundation technologies	**73,735**	87,759
Survey, monitoring and data	**152,862**	79,579
Project support services	**55,583**	42,536
Integrated service offerings	**1,302**	-
	461,740	352,855
Timing of revenue recognition		
Products and services transferred at a point in time	**103,997**	85,526
Products and services transferred over time	**357,743**	267,329
	461,740	352,855

Notes *(continued)*

6 Revenue *(continued)*

Where the Group 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 revenue (to the extent the lease definition is met) has not been presented separately from the Group's IFRS 15 revenue disclosures on the basis that a combined disclosure reflects a more consistent and relevant presentation of the Group's principal trading activities with its customers.

7 Other income

	2019 £000	2018 £000
Net gain on sale of non-rental property, plant and equipment	**563**	11

8 Expenses and auditor's remuneration

	2019 £000	2018 £000
Loss before taxation is stated after charging:		
Depreciation and other amounts written off owned tangible fixed assets	**28,270**	28,416
Depreciation and other amounts written off right-of-use assets under IFRS 16	**7,496**	-
Amortisation of intangibles	**15,325**	8,403
Impairment relating to intangible fixed assets	**50,379**	2,314
Hire of plant and machinery - rentals payable under operating leases*	**-**	1,164
Hire of other assets – rentals payable under operating leases*	**-**	8,189
Operating lease rentals from short-term leases and low value assets*	**1,007**	-
Research and development expenditure	**1,186**	1,125
Significant bad debt provisions in the year	**3,703**	-

* 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 income statement.

	2019 £000	2018 £000
Auditor's remuneration:		
Audit of these financial statements	**125**	100
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**841**	600
Taxation compliance services	**701**	635
Other tax advisory services	**252**	147
Corporate finance services	**384**	360
All other services	**57**	15

Notes *(continued)*

9 Remuneration of directors

	2019 £000	2018 £000
Directors' emoluments	**661**	654
Company contributions to money purchase pension schemes	**14**	14

The aggregate of emoluments of the highest paid director was £367,000 *(2018: £364,000).* Company pension contributions of £nil *(2018: £1,000)* were made to a money purchase scheme on his behalf.

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

10 Personnel expenses and employee numbers

The average number of employees during each year was as follows:

	Number of employees 2019	2018
Directors of Acteon Group Limited	**2**	2
Technical and administration	**1,902**	1,549
	1,904	1,551

The aggregate payroll costs of the average number of employees were as follows:

	2019 £000	2018 £000
Wages and salaries	**118,588**	92,023
Social security costs	**10,528**	8,835
Contributions to defined contribution plans	**4,087**	3,120
Expenses related to defined benefit plans	**256**	259
	133,459	104,237

Notes *(continued)*

11 Finance income and expense

Recognised in profit or loss

	2019	2018
	£000	£000
Interest income on bank deposits	**2,907**	2,542
Foreign exchange gains	**4,057**	-
Other interest receivable	**66**	81
Finance income	**7,030**	2,623
Interest payable on bank borrowings	**(19,634)**	(16,486)
Foreign exchange losses	**-**	(4,495)
Amortisation of finance raising costs	**(1,016)**	(703)
Interest on net employee benefit obligations	**(51)**	(49)
Interest on lease liabilities under IFRS 16	**(2,340)**	-
Interest on financing arrangements with customers under IFRS 15	**(38)**	(128)
Other interest payable	**(109)**	(64)
Finance expense	**(23,188)**	(21,925)
Net finance expense recognised in profit or loss	**(16,158)**	(19,302)

	2019	2018
	£000	£000
Recognised directly in equity		
Translation of foreign currency net investments	**(11,869)**	5,415
Finance (expense)/income recognised directly in equity, net of tax	**(11,869)**	5,415

All finance (expense)/income recognised directly in equity is attributable to holders of equity in the company. Translation gains and losses in respect of foreign currency net investments are recognised in the foreign currency translation reserve.

Notes *(continued)*

12 Income tax

	2019 £000	2018 £000
Current tax expense		
Corporation tax on UK profits for year	**2,297**	644
Adjustment for prior periods	**416**	4
Foreign tax – current	**7,946**	5,337
Foreign tax – adjustments in respect of prior periods	**218**	(140)
	10,877	5,845
Deferred tax credit		
Reversal of temporary differences	**(2,490)**	(2,778)
Adjustments for prior periods	**(3,293)**	83
	(5,783)	(2,695)
Total income tax expense	**5,094**	3,150

Reconciliation of effective tax rate

	2019 £000	2018 £000
Loss for the year	**(71,903)**	(18,456)
Total income tax expense	**5,094**	3,150
Loss excluding income tax	**(66,809)**	(15,306)
Income tax using the Group's domestic tax rate 19%, *(2018: 19%)*	**(12,694)**	(2,908)
Non-deductible expenses	**11,886**	2,425
Non-taxable income relating to subsidiary disposal and negative goodwill recognition	**(32)**	-
Unrelieved foreign taxes and franchise taxes paid in the USA	**1,977**	912
Differences between local tax rates and UK standard rate	**(993)**	(834)
Adjustments relating to intra-group financing	**211**	(1,809)
Deferred tax assets relating to losses not recognised	**7,398**	5,443
Adjustment for prior periods	**(2,659)**	(53)
Effect of reduction in tax rate on deferred tax balances	**-**	(26)
Total income tax expense	**5,094**	3,150

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 UK deferred tax asset/(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 Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the impact on the Group's UK deferred taxation balances would not have been material.

Notes *(continued)*

13 Loss for the financial year

The loss dealt with in the accounts of the parent company was £67,346,000 *(2018: £50,657,000)*. The balance sheet of the parent company can be found on page 75.

14 Dividends

Ordinary dividend declared and paid to non-controlling interests in the year amounted to £nil *(2018: £24,000)*.

15 Property, plant and equipment

	Land, buildings and leasehold improvements £000	Plant, equipment and fixtures and fittings £000	Assets under construction £000	Total £000
Cost or deemed cost				
Balance at 1 January 2018	38,414	332,699	1,249	372,362
Additions	346	11,379	2,689	14,414
Arising on acquisition	539	287	153	979
Transfer on completion	-	1,505	(1,505)	-
Disposals	(106)	(6,629)	-	(6,735)
Transferred to intangible assets	-	(130)	-	(130)
Exchange movements	840	4,474	1	5,315
Balance at 31 December 2018	40,033	343,585	2,587	386,205
Additions	97	13,839	2,253	16,189
Arising on acquisition	2,165	12,722	-	14,887
Transfer on completion	67	946	(1,013)	-
Disposals	(50)	(12,974)	-	(13,024)
Exchange movements	(651)	(12,273)	(2)	(12,926)
Balance at 31 December 2019	**41,661**	**345,845**	**3,825**	**391,331**
Depreciation and impairment losses				
Balance at 1 January 2018	10,795	204,668	-	215,463
Depreciation for the year	1,081	27,335	-	28,416
Disposals	(67)	(5,417)	-	(5,484)
Transferred to intangible assets	-	(130)		(130)
Exchange movements	232	3,568	-	3,800
Balance at 31 December 2018	12,041	230,024	-	242,065
Depreciation for the year	1,045	27,225	-	28,270
Disposals	(50)	(12,040)	-	(12,090)
Exchange movements	(185)	(9,140)	-	(9,325)
Balance at 31 December 2019	**12,851**	**236,069**	**-**	**248,920**
Carrying amounts				
At 31 December 2018	27,992	113,561	2,587	144,140
At 31 December 2019	**28,810**	**109,776**	**3,825**	**142,411**

Notes *(continued)*

15 Property, plant and equipment *(continued)*

The Group performed an impairment review of its asset values at both the current and prior year-ends. As a result of limited earnings continuing to be generated from assets within a Brazil-based subsidiary, it was deemed appropriate to maintain a full impairment of these assets. No further impairment losses have been identified in the current year.

The cumulative fixed asset impairment losses carried forward as at 31 December 2019 amounted to £3,427,000 *(2018: £3,569,000)*. The movement in the year arose as a result of changes in foreign exchange rates reducing the value of the underlying impaired assets.

The net carrying amount of land, buildings and leasehold improvements comprises:

	2019	2018
	£000	£000
Freehold land and buildings	**13,045**	13,308
Short leaseholds	**13,019**	11,919
Leasehold improvements	**2,746**	2,765
	28,810	27,992

Security

At each balance sheet date the majority of properties were subject to a fixed or floating charge as security for bank loans.

Cash flow

The gross additions (excluding those arising on acquisition) to property, plant and equipment of £16,189,000 *(2018: £14,414,000)* have been adjusted in relation to the value of capital creditors outstanding at 31 December to derive the amount for inclusion in the Statement of Cash Flow for the purchase of property, plant and equipment.

16 Right-of-use assets

	Short leasehold land and buildings £000	**Plant, equipment and fixtures and fittings £000**	**Total £000**
Cost or deemed cost			
Balance at 1 January 2019 (on transition)	40,845	1,263	42,108
Additions	11,925	1,074	12,999
Arising on acquisition	6,915	548	7,463
Disposals	-	(15)	(15)
Exchange movements	(1,824)	(50)	(1,874)
Balance at 31 December 2019	**57,861**	**2,820**	**60,681**

Notes *(continued)*

16 Right-of-use assets *(continued)*

	Short leasehold land and buildings £000	Plant, equipment and fixtures and fittings £000	Total £000
Depreciation and impairment losses			
Balance at 1 January 2019 (on transition)	-	-	-
Depreciation for the year	6,893	448	7,341
Impairment for the year	155	-	155
Disposals	-	(15)	(15)
Exchange movements	(12)	(4)	(16)
Balance at 31 December 2019	**7,036**	**429**	**7,465**
Carrying amounts			
At 1 January 2019 (on transition)	40,845	1,263	42,108
At 31 December 2019	**50,825**	**2,391**	**53,216**

The impairment during the year of £155,000 resulted from an expectation that a leased property would be vacated prior to the end of its lease term with the business moving to more suitable premises.

17 Intangible assets

	Goodwill £000	Customer lists £000	Order books £000	Software £000	Development costs £000	Total £000
Cost						
Balance at 1 January 2018	188,845	104,953	10,303	8,496	4,958	317,555
Additions	-	-	-	1,062	281	1,343
Additions arising on acquisition	1,956	4,664	819	-	-	7,439
Disposals	-	-	-	(32)	-	(32)
Reclassified from tangible assets	-	-	-	130	-	130
Exchange movements	-	-	-	77	44	121
Balance at 31 December 2018	190,801	109,617	11,122	9,733	5,283	326,556
Additions	-	-	-	1,087	324	1,411
Additions arising on acquisition	12,059	37,719	5,360	727	3,955	59,820
Exchange movements	(1,322)	-	-	(196)	(74)	(1,592)
Balance at 31 December 2019	**201,538**	**147,336**	**16,482**	**11,351**	**9,488**	**386,195**

Notes *(continued)*

17 Intangible assets *(continued)*

	Goodwill £000	Customer lists £000	Order books £000	Software £000	Development costs £000	Total £000
Amortisation and impairment						
Balance at 1 January 2018	10,957	68,600	9,771	6,597	1,119	97,044
Amortisation for the year	-	6,384	600	783	636	8,403
Impairment for the year	1,158	1,156	-	-	-	2,314
Disposals	-	-	-	(31)	-	(31)
Reclassified from tangible assets	-	-	-	130	-	130
Exchange movements	-	-	-	72	5	77
Balance at 31 December 2018	12,115	76,140	10,371	7,551	1,760	107,937
Amortisation for the year	-	8,688	4,469	1,326	842	15,325
Impairment for the year	50,379	-	-	-	-	50,379
Exchange movements	-	-	-	(146)	(29)	(175)
Balance at 31 December 2019	**62,494**	**84,828**	**14,840**	**8,731**	**2,573**	**173,466**
Carrying amounts						
At 31 December 2018	178,686	33,477	751	2,182	3,523	218,619
At 31 December 2019	**139,044**	**62,508**	**1,642**	**2,620**	**6,915**	**212,729**

Amortisation and impairment charge

Amortisation and impairment of intangible assets is included within administrative expenses in the income statement.

Customer lists represent the value associated with the customer base of subsidiaries acquired since 1 January 2006.

The principal carrying amount of customer lists at 31 December 2019 includes:

	2019 £000	2018 £000
InterMoor AS – Amortisation period remaining of 6 months	**529**	1,588
UTEC NCS Survey Ltd – Amortisation period remaining of 1 year 5 months	**527**	899
Probe Oil Tools Ltd – Amortisation period remaining of 3 years 8 months	**6,737**	8,575
UTEC Group – Amortisation period remaining of 4 years 11 months	**13,773**	16,581
Viking companies – Amortisation period remaining of 7 years 11 months	**1,004**	1,132
Deepwater Group – Amortisation period remaining of 8 years 11 months	**4,159**	4,625
Benthic Group – Amortisation period remaining of 9 years 5 months	**25,507**	-
TerraSond Ltd – Amortisation period remaining of 9 years 5 months	**7,465**	-
Claxton FTS division – Amortisation period remaining of 9 years 7 months	**2,740**	-

Order books represent the value associated with incomplete customer orders at the date of acquisition in subsidiaries. The carrying amount at the year-end relates to the Benthic Group (*2018: Deepwater Group*) and has a remaining amortisation period of 5 months (*2018: 11 months*).

Notes *(continued)*

17 Intangible assets *(continued)*

Impairment testing for cash-generating units (CGUs) containing goodwill

Goodwill is allocated to operating units for the purpose of impairment testing and this represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2019	2018
	£000	£000
High capital intensity units		
Seatronics Group	**43,380**	43,380
InterMoor Ltd	**20,319**	20,319
InterMoor AS	**29,863**	29,863
Probe Oil Tools Ltd	**15,199**	15,199
UTEC Group including UTEC NCS Survey Ltd ("UTEC")	**-**	50,379
Aquatic Engineering & Construction Ltd ("Aquatic")	**3,364**	3,364
Benthic Group ("Benthic")	**8,058**	-
Other capital-intensive units	**1,714**	1,714
	121,897	164,218
Low capital intensity units		
Claxton Engineering Services Ltd	**5,947**	5,947
2H Group	**5,804**	5,804
TerraSond Ltd	**2,679**	-
Other low capital intensity units	**2,717**	2,717
	17,147	14,468
Total goodwill	**139,044**	178,686

Recoverable amounts for CGUs are based on value-in-use calculations. These calculations use pre-tax cash flow projections for a five/seven-year period, including financial budgets approved by the board covering a one-year period. Cash flows beyond the one-year period are extrapolated based on estimated long-term average growth rates (typically 3 to 6 per cent). Goodwill is considered to have an infinite life and the cash flows in year five/seven are used as a basis for calculating a terminal value. The terminal value is added to the value-in-use calculated for years one to five/seven. The growth rate in years two to five/seven does not exceed the anticipated long-term average growth rate for the market in which the CGU operates after taking account of the recovery from the recent cyclical decline in the oil and gas sector and the effect on current profitability levels. In all cases, a terminal growth value of 2% (*2018*: *2%*) has been assumed. The key inputs to this calculation are shown below:

	As at 31 December 2019	As at 31 December 2018
Period on which management approved forecasts are based	**1 Year**	1 Year
Average growth rate applied for years two to five – Aquatic	**52.5%**	*
Average growth rate applied for years two to seven – UTEC	**24.5%**	5.0%
Average growth rate applied for years two to five – other entities	**5.0%**	5.0%
Growth rate applied to terminal value calculation	**2.0%**	2.0%
Pre-tax discount rate	**12.0%**	12.0%

* For Aquatic, in 2018 the short-term loss-making position was forecast to improve over the five-year assessment period to a prudent maintainable earnings level at the end of year five of £3,000,000. For 2019 the maintainable earnings level after five years has now been assessed at £2,625,000.

Notes *(continued)*

17 Intangible assets *(continued)*

Impairment testing for CGUs containing goodwill *(continued)*

Whilst current market conditions do not support the average growth rates presented above for Aquatic and UTEC in the very short term, it is anticipated that over the medium- to longer-term these rates are appropriate, reflecting the expected recovery in the subsea oil and gas sector over the period covered by the projections.

The pre-tax discount rate applied to the cash flow projections has been derived by estimating the Group's tax-adjusted weighted average cost of capital. The rate adopted is broadly consistent with that of other market participants taken together.

Impairment reviews were performed at 31 December 2018 and 31 December 2019 by comparing the carrying value of goodwill and other intangible and tangible fixed assets with the estimated recoverable amount of each CGU. As part of the impairment reviews a sensitivity analysis was performed. On the basis of this review the directors concluded that an impairment in relation to UTEC, a group of companies operating worldwide, was necessary. UTEC's short- and medium-term trading expectations are below the level required to generate cash flows which would justify the carrying value of its goodwill. As a result, the goodwill value of £50,379,000 has been fully impaired with this loss being recognised in the consolidated income statement.

The directors note that although the 12% pre-tax discount rate used is appropriate, an increase of 1% to 13% would have resulted in a further impairment loss on intangibles being recognised in the year all relating to UTEC of £1,315,000.

The cumulative impairment provisions within intangible assets are as follows:

	2019	2018
	£000	£000
Goodwill	**62,494**	12,115
Customer lists	**4,304**	4,304
	66,798	16,419

There are no intangible assets, other than goodwill, with indefinite useful lives.

Notes *(continued)*

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Property, plant and equipment	**-**	-	**2,911**	5,035
Intangible assets	**-**	-	**16,179**	7,702
Retirement benefit obligations	**(190)**	(186)	**-**	-
Provisions/accruals	**(341)**	(206)	**-**	-
Tax losses carried forward	**(4,579)**	(4,092)	**-**	-
Other items	**(478)**	(748)	**-**	-
Deferred tax (assets)/liabilities	**(5,588)**	(5,232)	**19,090**	12,737
Net deferred tax liabilities			**13,502**	7,505

The Group has recognised deferred tax assets in respect of losses carried forward on the basis that they will be used to offset future taxable profits.

At 31 December 2019 deferred tax assets totalling £21,365,000 *(2018: £16,605,000)* relating to trading losses (including the restriction of corporate interest deductions) have not been recognised because the relevant entities are forecasting insufficient profits for them to be utilised.

Deferred tax impact of movements in temporary differences during the year – 2019

	Balance 1 January 2019 £000	Foreign exchange movement £000	Recognised in income statement £000	Adjustments for prior year £000	Acquired in business combinations £000	Balance 31 December 2019 £000
Property, plant and equipment	5,035	(765)	1,930	(3,469)	180	**2,911**
Intangible assets	7,702	-	(3,063)	-	11,540	**16,179**
Retirement benefit obligations	(186)	57	(61)	-	-	**(190)**
Provisions/accruals	(206)	31	(166)	-	-	**(341)**
Tax losses carried forward	(4,092)	623	(1,286)	176	-	**(4,579)**
Other items	(748)	114	156	-	-	**(478)**
	7,505	60	(2,490)	(3,293)	11,720	**13,502**

Notes *(continued)*

18 Deferred tax assets and liabilities *(continued)*

Deferred tax impact of movements in temporary differences during the year – 2018

	Balance 1 January 2018 £000	Foreign exchange movement £000	Recognised in income statement £000	Adjustments for prior year £000	Acquired/ divested in business combinations £000	Balance 31 December 2018 £000
Property, plant and equipment	5,513	(269)	(200)	(59)	50	5,035
Intangible assets	8,867	-	(1,823)	-	658	7,702
Retirement benefit obligations	(188)	15	(13)	-	-	(186)
Provisions/accruals	(12)	-	(124)	45	(115)	(206)
Tax losses carried forward	(3,897)	155	(285)	97	(162)	(4,092)
Other items	(345)	14	(333)	-	(84)	(748)
	9,938	(85)	(2,778)	83	347	7,505

19 Inventories

	2019 £000	2018 £000
Raw materials and consumables	**2,520**	1,418
Work in progress	**1,329**	939
Finished goods	**23,001**	14,911
	26,850	17,268

In 2019 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £10,455,000 *(2018: £9,634,000).*

20 Contract costs

	2019 £000	**2018 £000**
Costs to fulfil a contract	**11,625**	6,997

The charge in the year to cost of sales relating to contract costs totalled £41,311,000 (*2018: £67,464,000*).

Notes *(continued)*

21 Trade and other receivables

	2019	2018
	£000	£000
Trade receivables	**79,462**	62,792
Other debtors	**11,992**	12,761
Income tax receivables	**2,579**	2,110
Prepayments	**6,154**	7,348
	100,187	85,011

The Group's exposures to credit and currency risks and allowances for expected losses related to trade and other receivables are disclosed in note 30.

22 Contract balances and unsatisfied performance obligations

(a) Contract balances

	2019	2018
	£000	£000
Receivables which are included in Trade and other receivables (note 21)	**79,462**	62,792
Contract assets	**39,089**	21,617
Contract liabilities	**(17,050)**	(5,463)

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

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

	2019
	£000
Contract assets	
Balance at 1 January 2019	**21,617**
On acquisition in the year	**1,143**
Brought forward and acquired balances transferred to trade receivables	**(22,677)**
Conditional right to consideration outstanding at year-end (accrued income)	**39,595**
Exchange movements	**(589)**
Balance at 31 December 2019	**39,089**

Notes *(continued)*

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

(a) Contract balances *(continued)*

	2019
	£000
Contract liabilities	
Balance at 1 January 2019	**5,463**
Revenue recognised on amounts included in the balance at the beginning of the year	**(4,814)**
Payments received/invoices raised in advance of recognising revenue at the year-end	**16,745**
Exchange movements	**(344)**
Balance at 31 December 2019	**17,050**

(b) Unsatisfied performance obligations

The aggregate amount of the transaction price (contracted revenue value) allocated to performance obligations (POs) that are unsatisfied (or partially unsatisfied) as at 31 December 2019 totals £179,991,000 (*2018: £98,048,000*). The Group expects these to be satisfied in:

31 December 2019	**2020**	**2021**	**After 2021**	**Total**
	£000	**£000**	**£000**	**£000**
Expected recognition of unsatisfied POs at the year-end	**159,418**	**19,640**	**933**	**179,991**

31 December 2018	2019	2020	After 2020	Total
	£000	£000	£000	£000
Expected recognition of unsatisfied POs at the year-end	86,503	9,322	2,223	98,048

23 Share capital

	Allotted, called up and fully paid	
	2019	2018
	£000	£000
At 31 December 2018 and 31 December 2019		
4,665,929,237 (*2018: 1,165,929,237*) Ordinary shares of £0.01 each	**46,659**	11,659

During the year Acteon Group Limited issued 3,500,000,000 Ordinary shares of £0.01 each for cash at par value.

24 Capital and reserves

Share premium

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

Notes *(continued)*

24 Capital and reserves *(continued)*

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserves

Other reserves represent a capital redemption reserve credit balance of £1,154,000 *(2018: £1,154,000)* and ownership change reserve debit balance of £6,145,000 *(2018: debit balance of £6,145,000)*.

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

The ownership change reserve arose from the Group acquiring and disposing of shareholdings in existing group companies which did not result in a change in overall control. In accordance with IAS 27, *Consolidated and Separate Financial Statements*, any goodwill changes are posted to this reserve, rather than adjusting goodwill on initial acquisition by the Group.

Retained earnings

Retained earnings comprise cumulative undistributed earnings of the Group.

25 Non-controlling interests

	UTEC Group £000	Seatronics Group £000	Probe Oil Tools Limited £000	Other £000	Total £000
Balance at 1 January 2018	2,952	1,135	7,293	437	11,817
(Loss)/profit allocated to non-controlling interests in the year	(447)	84	166	63	(134)
Dividend received/(paid) in the year (note 14)	12	(36)	-	-	(24)
On acquisition in the year (note 5)	-	-	-	1,401	1,401
On additional capital contributions from non-controlling interests	1	-	-	10	11
Balance at 31 December 2018	2,518	1,183	7,459	1,911	13,071
(Loss)/profit allocated to non-controlling interests in the year	(542)	70	259	(976)	(1,189)
On acquisition in the year (note 5)	-	-	-	1,242	1,242
Balance at 31 December 2019	**1,976**	**1,253**	**7,718**	**2,177**	**13,124**

Notes *(continued)*

26 Loans and borrowings

This note provides information relating to the contractual terms of the Group's interest-bearing loans and borrowings (excluding lease liabilities which are disclosed separately), which are measured at amortised cost. Further information relating to the Group's exposure to interest rate, foreign currency and liquidity risk is contained in note 30.

	1 January 2019 £000	Cash flows (*) £000	Non-cash changes Foreign exchange £000	Debt issue cost amortisation / accrual change £000	Repayment profile £000	**31 December 2019 £000**
Non-current liabilities						
Secured bank loans	235,455	22,318	(3,295)	1,016	17,682	**273,176**
Current liabilities						
Secured bank loans	17,682	-	-	-	(17,682)	-
Total loans and borrowings	253,137	22,318	(3,295)	1,016	-	**273,176**

* Includes expenses paid of £5,092,000 in relation to borrowings and a net cash inflow movement from the Group's revolving credit facility in the year of £280,000 (a drawdown of £25,280,000 less a repayment of £25,000,000). The statement of cash flow discloses these amounts separately.

There was no repayment of the brought forward current liability in the year following a refinancing exercise which resulted in changes to the terms of the facilities in place. This is detailed in the terms and debt repayment schedule section below.

	1 January 2018 £000	Cash flows (*) £000	Non-cash changes Foreign exchange £000	Debt issue cost amortisation / accrual change £000	Repayment profile £000	31 December 2018 £000
Non-current liabilities						
Secured bank loans	222,416	28,000	2,721	-	(17,682)	**235,455**
Current liabilities						
Secured bank loans	14,892	(15,801)	148	761	17,682	**17,682**
Total loans and borrowings	237,308	12,199	2,869	761	-	**253,137**

* Includes expenses paid of £87,000 in relation to borrowings.

Notes *(continued)*

26 Loans and borrowings *(continued)*

Terms and debt repayment schedule

The principal terms relating to outstanding borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value 2019 £000	Carrying amount* 2019 £000	Face value 2018 £000	Carrying amount* 2018 £000
Secured bank loan	Sterling	Libor + Margin**	2019	-	-	17,682	17,682
			2020	-	-	185,728	185,837
			2022	**102,360**	**100,904**	-	-
			2023	**97,500**	**96,113**	-	-
Secured bank loan	US Dollar	Libor + Margin**	2019	-	-	-	-
			2020	-	-	49,592	49,618
			2022	**24,683**	**24,332**	-	-
			2023	**52,575**	**51,827**	-	-
Total interest-bearing liabilities				**277,118**	**273,176**	253,002	253,137

* The carrying amount of each loan is the face value less its unamortised debt issue costs.

** Margin is in the range of 4.0% to 5.75% depending on the Group's financial performance.

The bank loans are secured via fixed or floating charges over the majority of the Group's properties and other assets.

During 2019 the Group restructured its secured bank borrowings resulting in an Amendment to the terms and an increase in loan capital. This had the effect of extending the maturities, removing one covenant and easing two others, as well as slightly increasing interest margins. The table above reflects the revised terms. Prior to the Amendment, the loans were due for repayment by 2020 and interest margins on the individual tranches were in the 3.5% to 4.75% range.

The directors considered both the quantitative and qualitative aspects of the Amendment and concluded that the resulting changes in the underlying borrowing tranches, ancillary facilities and key covenant definitions did not constitute a substantial modification to the financing arrangements. In accordance with IFRS 9 *Financial instruments* the costs and fees relating to the Amendment have been offset against the carrying value of the loan liability and will be amortised over the remaining extended borrowing term.

Notes *(continued)*

27 Lease liabilities

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

	2019 £000
Within one year	6,728
Between one and two years	7,664
Between two and five years	13,366
After five years	26,571
	54,329

The majority of the Group's leases relate to land and buildings for office space, warehouse and yard facilities. These leases typically run on average for a period of 5 to 10 years although a small number exist where the term is significantly longer and some include options, exercisable by the Group and not by the lessor, to further extend. This is to ensure the Group has sufficient operational flexibility and security over its occupied business premises.

The Group also leases office equipment and vehicles all of which have fixed lease terms of between 2 and 5 years.

When assessing a lease liability's value (and its corresponding right-of-use asset) the Group considers at the lease commencement date (or on transition) whether it will with reasonable certainty exercise any extension options embedded in the lease. A reassessment is performed if there are significant events or changes in circumstances within the Group's control that suggests previous assumptions have changed. For those options that are deemed likely to be exercised they are included in the lease liability values as described in note 3.

As at 31 December 2019 the potential future lease payments relating to extension options which are considered likely to lapse with reasonable certainty, and therefore not included in the lease liabilities value, amounted to £43,656,000 (undiscounted). The main leases this relates to are:

Facility and extension periods after initial lease term	2019 £000
Port facility, Brazil – 20-year extension from November 2031	17,224
Facilities in Fourchon and Morgan City, USA – 5/25 year extensions from May 2037/December 2024	14,160
Facility in Houston, USA – two 5-year extensions from August 2026	4,515
Facility in Kristiansund and Sløvågen, Norway – 10/5 year extensions from June 2024/September 2027	4,009
	39,908

The Group also had potential early termination fees totalling £1,579,000 at the year-end. These have not been included in the lease liabilities value as there is no expectation of the related leases being terminated before the end of the lease term.

Notes *(continued)*

28 Employee benefits

Defined contribution schemes

The Group operates various defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds.

Defined benefit schemes

MENCK GmbH, a subsidiary of Acteon Group Ltd incorporated in Germany, operates two defined benefit pension schemes as described in note 3. Unlike UK pension schemes the pension obligations of the scheme are met via the assets of the company. There are no assets held separately by the scheme itself.

InterMoor AS, an indirectly owned subsidiary of Acteon Group Ltd incorporated in Norway, also operates a defined benefit scheme. The scheme's pension obligations are met via plan assets held separately in the form of an insurance policy. The company contributes annually into the policy, with the premiums being invested to provide assets sufficient to fund employees' accrued benefit entitlements on retirement.

Charges to the income statement

Total charges to operating (loss)/profit in the income statement in respect of the schemes operated by the Group were as follows:

		2019	2018
		£000	£000
(i)	In respect of the Group's defined contribution schemes		
	- UK	**2,415**	1,939
	- Overseas	**1,672**	1,181
		4,087	3,120
(ii)	In respect of the Group's defined benefit schemes	**256**	259

Disclosure relating to the Group's defined benefit obligations

	2019	2018
	£000	£000
Total present value of unfunded obligations recognised as a liability - Menck GmbH	**2,149**	1,973
Total present value of funded obligations net of pension plan assets - InterMoor AS	**380**	474
Net liability for defined benefit obligations at 31 December	**2,529**	2,447

Notes *(continued)*

28 Employee benefits *(continued)*

Movement in the present value of the defined benefit obligations

	InterMoor AS		Menck GmbH	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Defined benefit obligations at 1 January	**(2,539)**	(2,293)	**(1,973)**	(1,912)
Benefits paid by the plan	**30**	34	**82**	85
Current service costs	**(202)**	(204)	**(54)**	(55)
Interest cost	**(63)**	(55)	**(35)**	(36)
Actuarial loss recognised in equity (see below)	**(61)**	(31)	**(275)**	(31)
Payment of payroll taxes on pension obligations	**44**	26	**-**	-
Exchange rate movements on retranslation	**129**	(16)	**106**	(24)
Defined benefit obligations at 31 December	**(2,662)**	(2,539)	**(2,149)**	(1,973)

Movement in fair value of plan assets

	InterMoor AS 2019 £000	InterMoor AS 2018 £000	Menck GmbH 2019 £000	Menck GmbH 2018 £000
Fair value of plan assets at 1 January	**2,065**	1,910	**-**	-
Interest income	**47**	42	**-**	-
Actuarial loss on plan assets recognised in equity (see below)	**(4)**	(56)	**-**	-
Employer contributions	**309**	189	**-**	-
Benefits paid from the plan	**(30)**	(34)	**-**	-
Exchange rate movements on retranslation	**(105)**	14	**-**	-
Fair value of plan assets at 31 December	**2,282**	2,065	**-**	-
Deficit recognised at 31 December	**(380)**	(474)	**(2,149)**	(1,973)

Notes *(continued)*

28 Employee benefits *(continued)*

Expense recognised in profit or loss

	InterMoor AS		Menck GmbH	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Current service costs included in other administrative expenses	**(202)**	(204)	**(54)**	(55)
Interest on net obligation included in finance expense	**(16)**	(13)	**(35)**	(36)
Total	**(218)**	(217)	**(89)**	(91)

Actual return/(loss) on plan assets

	InterMoor AS	
	2019	2018
	£000	£000
Total	**43**	(14)

Actuarial gains and losses recognised directly in equity in the statement of recognised income and expense

	InterMoor AS		Menck GmbH	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Cumulative loss at 1 January	**(910)**	(823)	**(607)**	(576)
Recognised during the period:				
Actuarial loss arising from demographic assumptions	**-**	-	**-**	(22)
Actuarial loss arising from financial assumptions	**(65)**	(87)	**(275)**	(9)
Cumulative loss at 31 December	**(975)**	(910)	**(882)**	(607)

Fair value of plan assets

The approximate breakdown of the fair value of plan assets (expressed as percentages) was as follows:

	InterMoor AS	
	2019	2018
	%	%
Equities	**9**	8
Corporate bonds	**79**	78
Property	**10**	11
Money market deposits	**2**	3
	100	100

Notes *(continued)*

28 Employee benefits *(continued)*

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	InterMoor AS		Menck GmbH	
	2019	2018	**2019**	2018
	%	%	**%**	%
Discount rate	**2.30**	2.60	**1.20**	1.90
Interest rate on assets	**2.30**	2.60	**-**	-
Future salary increases	**2.25**	2.75	**-**	-
Staff turnover	**-**	-	**6.00**	6.00
Norwegian national insurance increases	**2.00**	2.50	**-**	-
Future pension increases	**0.50**	0.80	**1.00**	1.00

Sensitivity analysis

A 0.5 percent change in the principal actuarial assumptions above at the reporting date would have (increased)/decreased the defined benefit obligation at 31 December by the amounts shown below. This analysis assumes that all other assumptions remain constant.

	InterMoor AS		Menck GmbH	
2019	**£000**	**£000**	**£000**	**£000**
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Discount rate	**301**	**(349)**	**179**	**(208)**
Future salary increases	**(171)**	**171**	**-**	**-**
Staff turnover	**-**	**-**	**1**	**(1)**
Norwegian national insurance increases	**43**	**(31)**	**-**	**-**
Future pension increases	**(203)**	**184**	**(132)**	**120**

	InterMoor AS		Menck GmbH	
2018	£000	£000	£000	£000
	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	289	(334)	149	(172)
Future salary increases	(171)	171	-	-
Staff turnover	-	-	1	(1)
Norwegian national insurance increases	49	(36)	-	-
Future pension increases	(192)	176	(113)	103

Notes *(continued)*

28 Employee benefits *(continued)*

Historical information – InterMoor AS funded pension scheme

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Present value of the defined benefit obligation	**(2,662)**	(2,539)	(2,293)	(1,979)	(2,215)
Fair value of the planned assets	**2,282**	2,065	1,910	1,851	1,789
Deficit in the plan	**(380)**	(474)	(383)	(128)	(426)
Experience (loss)gain adjustments on plan liabilities	**(116)**	19	1	267	53
Experience gain/(loss) adjustments on plan assets	**25**	(28)	36	(27)	(7)

The plan obligations have a weighted average duration at the year-end of 21 years (*2018: 21 years*), and in 2020 the Group expects to pay contributions totalling £259,000 into the plan.

Historical information – Menck GmbH unfunded pension scheme

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Present value of the defined benefit obligation	**(2,149)**	(1,973)	(1,912)	(1,814)	(1,442)
Deficit in the plan	**(2,149)**	(1,973)	(1,912)	(1,814)	(1,442)
Experience loss adjustments on plan liabilities	**(31)**	(9)	(21)	(14)	(7)

The plan obligations have a weighted average duration at the year-end of 18 years (*2018: 17 years*). The scheme is an unfunded scheme and the Group expects to pay £83,000 in plan benefits during 2020. This will settle the liabilities to pensioners as they fall due.

29 Trade and other payables

	2019 £000	2018 £000
Trade payables	**41,613**	27,445
Other tax and social security	**4,019**	2,631
Other creditors	**5,920**	4,825
Accruals and deferred income	**43,645**	33,528
	95,197	68,429

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

Notes *(continued)*

30 Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's approach to financial risk management is described in note 4.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2019	2018
	£000	£000
Trade and other receivables (excluding prepayments)	**94,033**	77,663
Contract assets	**39,089**	21,617
Cash and cash equivalents	**58,928**	77,857
	192,050	177,137

The carrying amounts of the Group's net trade receivables were denominated in the following principal currencies:

	Carrying amount	
	2019	2018
	000	000
Sterling	**23,506**	24,453
US Dollars	**38,208**	21,598
Euros	**8,591**	8,716
Norwegian Kroner	**50,016**	23,782
Singapore Dollars	**17,486**	4,116

Notes *(continued)*

30 Financial instruments *(continued)*

Allowance for expected credit losses

The Group contracts with customers under different credit terms.

The ageing of trade receivables and allowances for expected credit losses at the reporting date was:

	Expected credit loss rates 2019 %	Expected credit loss rates 2018 %	Gross 2019 £000	Gross 2018 £000	Allowance for expected credit losses 2019 £000	Allowance for expected credit losses 2018 £000
0-30 days	**0.2**	0.2	**40,803**	28,324	**(82)**	(57)
31-60 days	**0.2**	0.2	**22,369**	22,280	**(45)**	(45)
61-90 days	**4.0**	4.0	**11,339**	7,029	**(453)**	(281)
91-120 days	**55.0**	40.0	**6,006**	1,980	**(3,303)**	(792)
Over 121 days	**73.0**	56.6	**10,456**	10,028	**(7,628)**	(5,674)
			90,973	69,641	**(11,511)**	(6,849)
Trade receivables net of allowance for expected credit losses					**79,462**	62,792

The expected credit loss rates are assessed at each year-end and adjusted to reflect the expected future market conditions in which the Group operates.

The directors are of the opinion that despite continuing improvements in market conditions compared to 2018 there is increased recoverability risk in terms of the Group's legacy receivables which remain outstanding from prior years. As a result of a current contractual dispute with a customer there is also additional risk this year within the 91-120 days period. The expected credit loss percentage rates for both of these periods have been adjusted to reflect these factors.

The movement in the allowance for expected credit losses in respect of trade receivables during the year was as follows:

	2019 £000	2018 £000
Balance at 1 January	**6,849**	8,215
Expected credit loss allowance charged/(utilised and/or reversed)	**4,662**	(1,366)
Balance at 31 December	**11,511**	6,849

The expected credit loss allowance at 31 December 2019 that covers amounts on contracts known to have specific recoverability risk amounts to £8,777,000 *(2018: £4,738,000)*.

Notes *(continued)*

30 Financial instruments *(continued)*

Liquidity risk

The Group's policy on liquidity risk management is discussed in note 4.

The following are the contractual maturities of financial liabilities, including estimated interest payments and including the impact of netting agreements:

Non-derivative financial liabilities

2019	**Carrying amount £000**	**Contractual cash flows £000**	**6 months or less £000**	**6-12 months £000**	**1-2 years £000**	**2-5 years £000**	**More than 5 years £000**
Secured bank loans	**273,176**	**334,518**	**9,114**	**9,114**	**18,228**	**298,062**	**-**
Lease liabilities	**54,329**	**69,937**	**4,506**	**4,506**	**9,740**	**17,498**	**33,687**
Trade and other payables	**95,364**	**95,364**	**95,197**	**-**	**25**	**142**	**-**
	422,869	**499,819**	**108,817**	**13,620**	**27,993**	**315,702**	**33,687**

2018	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Secured bank loans	253,137	281,324	16,683	16,387	248,254	-	-
Trade and other payables	68,877	68,877	67,690	739	448	-	-
	322,014	350,201	84,373	17,126	248,702	-	-

Notes *(continued)*

30 Financial instruments *(continued)*

Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

31 December 2019 Impact in 000s	**USD**	**Euro**	**SGD**	**NOK**
Trade receivables	**38,208**	**8,591**	**17,486**	**50,016**
Cash and cash equivalents	**33,096**	**8,620**	**11,504**	**44,101**
Secured bank loans	**(101,826)**	**-**	**-**	**-**
Trade payables	**(21,517)**	**(5,721)**	**(6,157)**	**(28,579)**
Gross balance sheet financial instrument exposure	**(52,039)**	**11,490**	**22,833**	**65,538**

31 December 2018 Impact in 000s	USD	Euro	SGD	NOK
Trade receivables	21,598	8,716	4,116	23,782
Cash and cash equivalents	33,597	8,815	10,528	55,973
Secured bank loans	(63,229)	-	-	-
Trade payables	(6,151)	(5,693)	(3,325)	(10,832)
Gross balance sheet financial instrument exposure	(14,185)	11,838	11,319	68,923

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2019	2018	**2019**	2018
	£	£	**£**	£
USD	**1.2779**	1.3322	**1.3180**	1.2750
Euro	**1.1423**	1.1286	**1.1750**	1.1120
SGD	**1.7421**	1.7954	**1.7740**	1.7370
NOK	**11.2467**	10.8543	**11.5900**	10.9990

Notes *(continued)*

30 Financial instruments *(continued)*

Sensitivity analysis

A 5 percent strengthening of Sterling against the following currencies at 31 December would have increased/(decreased) equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

Impact in £000	**Balance sheet (Equity)**	**Income Statement (Profit after tax)**
31 December 2019		
USD	**769**	**189**
Euro	**(1,561)**	**(243)**
SGD	**(931)**	**(32)**
NOK	**205**	**43**
31 December 2018		
USD	235	62
Euro	(1,438)	(462)
SGD	(930)	(80)
NOK	292	142

A 5 percent weakening of Sterling against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

Profile

	Carrying amount	
	2019	2018
	£000	£000
Variable rate instruments		
Financial liabilities at 31 December	**273,176**	253,137

During 2017 the Group entered into a hedging arrangement until 2020 in which a proportion of its US Dollar borrowings would be protected against US Dollar Libor increasing above a certain level. The fair value of this instrument at 31 December 2019 and 31 December 2018 is deemed to be £nil.

Notes *(continued)*

30 Financial instruments *(continued)*

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates during the reporting period and at the reporting date would have decreased equity and profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Tax effects have been ignored. The analysis is performed on the same basis for 2018.

Impact in £000	Balance sheet (Equity)	Income Statement (Profit before tax)
31 December 2019		
Variable rate instruments	**2,632**	**2,632**
Cash flow sensitivity	**2,632**	**2,632**
31 December 2018		
Variable rate instruments	2,452	2,452
Cash flow sensitivity	2,452	2,452

A decrease of 100 basis points in interest rates during the reporting period and at the reporting date would have had an equal but opposite effect on the above amounts shown above, on the basis that all other variables remained constant.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2019		2018	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000
Trade and other receivables	**100,187**	**100,187**	85,011	85,011
Contract assets	**39,089**	**39,089**	21,617	21,617
Cash and cash equivalents	**58,928**	**58,928**	77,857	77,857
Secured bank loans	**(273,176)**	**(275,927)**	(253,137)	(251,255)
Lease liabilities	**(54,329)**	**(54,329)**	-	-
Trade and other payables	**(91,345)**	**(91,345)**	(66,246)	(66,246)
	(220,646)	**(223,397)**	(134,898)	(133,016)

The fair values of bank borrowings have been calculated by discounting expected future cash flows at prevailing interest rates.

Notes *(continued)*

30 Financial instruments *(continued)*

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the rates applicable to the bank borrowings at the relevant balance sheet date, and were as follows:

	2019	2018
Bank loans and borrowings	**6.6%**	6.2%

31 Operating lease commitments

Total amounts payable in relation to non-cancellable operating lease arrangements are, for the unexpired periods of such leases, as follows as at 31 December 2018:

	Land and buildings 2018 £000	Other 2018 £000
Unexpired period of the lease		
Less than one year	7,379	560
Between one and five years	20,186	682
More than five years	21,965	3
	49,530	1,245

Operating leases at 31 December 2018 consist mainly of property leases for buildings and storage sites occupied by the Group.

On transition to IFRS 16, the Group recognised £42,108,000 of right-of-use assets, £41,538,000 of lease liabilities and a total net credit adjustment within other debtors and other creditors of £658,000, the purpose of which was to eliminate the smoothing of rental costs as required under IAS 17 and to reflect contractual dilapidation provisions. The remaining £88,000 was recognised in retained earnings.

When measuring its lease liabilities on transition the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied was 5.6%.

The reconciliation of operating lease commitments 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	**50,775**
Amendment to operating lease commitments at 31 December 2018 above	**243**
Recognition exemption for:	
Short-term leases	**(933)**
Low-value leases	**(17)**
Extension options to be exercised with reasonable certainty	**11,930**
Reassessment of variable lease payments on transition based on current inflation predictions	**(2,634)**
	59,364
Discounted using the incremental borrowing rate at 1 January 2019	**(17,826)**
Lease liabilities recognised at 1 January 2019	**41,538**

Notes *(continued)*

32 Capital commitments

At 31 December 2019 the Group had entered into contracts to purchase property, plant and equipment totalling £5,749,000 *(2018: £2,060,000)* in respect of which delivery and settlement was expected to take place in the following financial year.

33 Contingent liabilities

On 24 November 2017, the European Commission ('EC') published its preliminary decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation, finding that the legislation is in breach of EU State Aid rules. On 2 April 2019, the EC published its conclusion that the UK legislation had unduly exempted certain multinational groups from the UK Controlled Foreign Company rules and that this was illegal state aid. This conclusion is being contested by the UK government as to whether the technical basis for the decision is correct. The application of the decision is also deemed to be judgemental and there is no consensus regarding how it should be applied. The Group's estimated maximum potential liability as at 31 December 2019 relating to this is £6.4 million. The Group had received a payment demand for £489,000 before the year-end in relation to this matter and it is this value which has been provided for. Further provisions for additional amounts have not been made in view of the Group's current assessment of the matter and the underlying uncertainty surrounding the final conclusion.

The Group may, from time to time, be subject to other claims or proceedings in the normal course of business. The directors believe, based on the information currently available to them, that the likelihood of a material outflow of economic benefit arising in relation to such matters is remote.

34 Parent and ultimate controlling party

The Company's immediate parent undertaking is KKR Matterhorn Bidco Ltd, a company incorporated in Jersey.

The Company's ultimate parent undertaking is KKR Matterhorn Holdco Ltd, 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 for both Jersey incorporated entities 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.

Notes *(continued)*

35 Related parties

(a) Transactions with key management personnel

(i) Key management personnel compensation

Key management comprises executive directors and members of the executive management team. In addition to their salaries, the Group also provides non-cash benefits and contributes to post-employment defined contribution plans on their behalf.

Key management personnel compensation comprised:

	2019	2018
	£000	£000
Short-term employee benefits	**1,358**	1,354
Post-employment benefits	**29**	27
Total	**1,387**	1,381
Of which outstanding at the year-end:	**2**	2

(ii) Key management personnel and director transactions

BHHM pension scheme

The Group had transactions with BHHM Pension Scheme, an entity associated by common directors/trustees as follows:

Rent charged by BHHM Pension Scheme amounted to £297,000 *(2018: £297,000)*. The amount owing to BHHM Pension Scheme at 31 December 2019 was £112,000 *(2018: £112,000)*.

Balanus Assets Ltd

The Group had transactions with Balanus Assets Ltd, an entity associated by common directors as follows:

Rent charged by Balanus Assets Ltd amounted to £154,000 *(2018: £154,000)*. The amount owing to Balanus Assets Ltd at 31 December 2019 was £46,000 *(2018: £46,000)*.

Directors' interests

Directors of the Company have an equity interest in the Company of 14.6% *(2018: 14.6%)*.

(b) Post-employment benefit plans

The Group operates a post-employment benefit plan as detailed in note 28.

The Group contributed the following amounts to defined contribution plans and had amounts outstanding at 31 December each year as follows:

	Employer contributions		**Outstanding at 31 December**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Defined contribution schemes	**4,087**	3,120	**434**	417

Notes *(continued)*

35 Related parties *(continued)*

(c) Other related party transactions

	Transaction value 2019 £000	Transaction value 2018 £000	Balance outstanding 2019 £000	Balance outstanding 2018 £000
Sales of goods and services				
Products and services provided to companies on a commercial arm's length basis where the ultimate controlling party has an interest.	**280**	-	**66**	-
Products and services provided to the Group's joint venture partner on a commercial arm's length basis.	**2,665**	1,962	**1,368**	1,009
Purchase of goods and services				
Products and services provided by companies on a commercial arm's length basis where the ultimate controlling party has an interest.	**303**	-	-	-
Products and services provided by the Group's joint venture partner on a commercial arm's length basis.	**5**	981	-	-

(d) Financial information relating to significant subsidiaries/entities with non-controlling interests

	UTEC Group 2019 £000	UTEC Group 2018 £000	Seatronics Group 2019 £000	Seatronics Group 2018 £000	Probe Oil Tools Ltd 2019 £000	Probe Oil Tools Ltd 2018 £000
Statement of Financial Position*						
Non-current assets	**9,295**	9,606	**16,193**	10,910	**6,927**	1,738
Current assets	**35,427**	41,774	**42,896**	38,625	**33,667**	31,079
Current liabilities	**(7,796)**	(7,471)	**(6,099)**	(5,742)	**(2,750)**	(2,575)
Non-current liabilities	**(531)**	-	**(4,813)**	-	**(4,849)**	-
Income Statement*						
Revenue	**40,896**	46,924	**35,257**	32,265	**10,832**	8,614
(Loss)/profit for the year	**(6,230)**	(1,932)	**4,593**	1,865	**2,753**	2,421

* In accordance with IFRS 12, *Disclosure of Interests in Other Entities*, all amounts disclosed are before any inter-company/group eliminations.

Notes *(continued)*

36 Impact on the financial statements arising from the adoption of IFRS 16

As stated in note 3 the Group adopted IFRS 16 from 1 January 2019 using the modified retrospective approach on transition. The standard has therefore been applied to the most recent period only presented in the financial statements with a cumulative effect adjustment reflected in retained earnings. The following tables summarises the impact the adoption of this standard has had on the Group's consolidated financial statements for the year-ended 31 December 2019.

(i) Consolidated income statement

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 16 £000
Revenue	461,740	-	461,740
Cost of sales	(341,867)	(282)	(342,149)
Gross profit	119,873	(282)	119,591
Other income	563	-	563
Administrative expenses	(171,256)	(430)	(171,686)
Loss from operating activities	(50,820)	(712)	(51,532)
Negative goodwill on acquisitions	169	-	169
Finance income	7,030	-	7,030
Finance expenses	(23,188)	2,340	(20,848)
Loss before income tax	(66,809)	1,628	(65,181)
Income tax expense	(5,094)	-	(5,094)
Loss for the year	(71,903)	1,628	(70,275)
Attributable to:			
Equity holders of parent company	(70,714)	1,597	(69,117)
Non-controlling interests	(1,189)	31	(1,158)
Loss for the year	(71,903)	1,628	(70,275)

Notes *(continued)*

36 Impact on the financial statements arising from the adoption of IFRS 16 *(continued)*

(ii) Consolidated statement of financial position (Balance sheet)

	As reported £000	Adjustments £000	Balances without adoption of IFRS 16 £000
Non-current assets			
Right-of-use assets	53,216	(53,216)	-
Intangible assets	212,729	(37)	212,692
Other non-current assets	147,999	-	147,999
Total non-current assets	413,944	(53,253)	360,691
Current assets			
Trade and other receivables	100,187	1,219	101,406
Other current assets	136,492	-	136,492
Total current assets	236,679	1,219	237,898
Total assets	650,623	(52,034)	598,589
Equity			
Retained earnings	98,425	1,685	100,110
Other equity balances	73,708	-	73,708
Total equity attributable to the Company equity holders	172,133	1,685	173,818
Non-controlling interests	13,124	36	13,160
Total equity	185,257	1,721	186,978
Non-current liabilities			
Lease liabilities	47,601	(47,601)	-
Other creditors	167	(167)	-
Other non-current liabilities	294,795	-	294,795
Total non-current liabilities	342,563	(47,768)	294,795
Current liabilities			
Trade and other payables	95,197	741	95,938
Lease liabilities	6,728	(6,728)	-
Other current liabilities	20,878	-	20,878
Total current liabilities	122,803	(5,987)	116,816
Total liabilities	465,366	(53,755)	411,611
Total equity and liabilities	650,623	(52,034)	598,589

Notes *(continued)*

36 Impact on the financial statements arising from the adoption of IFRS 16 *(continued)*

(iii) Consolidated statement of Cash flows

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 16 £000
Cash flow from operating activities			
Loss for the year	(71,903)	1,628	(70,275)
Adjustments for:			
Net finance expense	16,158	(2,340)	13,818
Depreciation and impairment on right-of-use assets	7,496	(7,496)	-
Other adjustments	97,001	-	97,001
	48,752	(8,208)	40,544
Change in trade and other receivables	(5,180)	(149)	(5,329)
Change in trade and other payables	2,186	69	2,255
Change in other balances	(15,306)	-	(15,306)
Cash generated from operating activities	30,452	(8,288)	22,164
Interest paid	(19,078)	-	(19,078)
Interest paid on lease liabilities	(2,340)	2,340	-
Income tax paid	(7,766)	-	(7,766)
Net cash from/(used in) operating activities	1,268	(5,948)	(4,680)
Net cash used in investing activities	(69,709)	-	(69,709)
Cash flow from financing activities			
Payment of lease liabilities	(5,948)	5,948	-
Net receipt from other financing activities	57,318	-	57,318
Net cash generated from financing activities	51,370	5,948	57,318
Net decrease in cash and cash equivalents	(17,071)	-	(17,071)
Cash and cash equivalents at 1 January 2019	77,857	-	77,857
Effect of exchange rate fluctuations on cash held	(1,858)	-	(1,858)
Cash and cash equivalents at 31 December 2019	58,928	-	58,928

Company balance sheet and notes prepared under FRS 101

Balance Sheet
at 31 December 2019

	Note	2019		2018	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*38*		**53**		43
Right-of-use assets	*39*		**317**		-
Intangible assets	*40*		**1,146**		1,239
Investments	*41*		**557,626**		551,423
			559,142		552,705
Current assets					
Debtors	*42*	**25,144**		26,767	
Cash at bank and in hand		**19,392**		1,610	
		44,536		28,377	
Creditors: amounts falling due within one year	*43*	**(118,909)**		(101,274)	
Net current liabilities			**(74,373)**		(72,897)
Total assets less current liabilities			**484,769**		479,808
Creditors: amounts falling due after more than one year	*44*		**(273,209)**		(235,902)
Net assets			**211,560**		243,906
Capital and reserves					
Called up share capital	*48*		**46,659**		11,659
Share premium account			**16,437**		16,437
Capital redemption reserve			**1,154**		1,154
Other reserves			**-**		89,248
Profit and loss account			**147,310**		125,408
Shareholders' funds			**211,560**		243,906

These financial statements were approved by the board of directors on 28 April 2020 and were signed on its behalf by:

R C Higham
Director

K F Ovenden
Director

Statement of Changes in Equity
for year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	*Other reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	11,659	16,437	1,154	89,248	176,065	294,563
Loss for the year	-	-	-	-	(50,657)	(50,657)
Balance at 31 December 2018	11,659	16,437	1,154	89,248	125,408	243,906
Share issue in the year (see note 48)	35,000	-	-	-	-	35,000
Loss for the year	-	-	-	-	(67,346)	(67,346)
Transfer to other reserves	-	-	-	(89,248)	89,248	-
Balance at 31 December 2019	**46,659**	**16,437**	**1,154**	**-**	**147,310**	**211,560**

* The Other reserve amount brought forward of £89,248,000 arose as a result of dividends received and the revaluation (net of impairments) of certain investments in subsidiaries carried at fair value following a legal entity restructuring project prior to 1 January 2016, the Company's transition date to FRS 101.

Subsequently the investment held by the Company relating to this restructure has been fully impaired; the transfer to the Other reserve during the year represents the allocation of this cumulative impairment provision.

The amounts in the Other reserve are not distributable.

Notes
(forming part of the financial statements)

37 Accounting policies

Acton Group Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual profit and loss account and related notes that form part of these approved financial statements.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

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 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;
- Disclosures in respect of the compensation of Key Management Personnel.

The consolidated financial statements of Acteon Group Limited include the disclosures as required under 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 exemption under FRS 101 not to include the equivalent disclosures, 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.

Judgements made by the directors 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 41 in relation to impairment of investment values.

Measurement convention

The financial statements have been prepared under the historical cost convention.

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 element of an item of tangible fixed asset.

The estimated useful lives are as follows:

Fixtures, fittings and computer equipment	3-5 years straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes *(continued)*

37 Accounting policies *(continued)*

Right-of-use assets

Right-of-use assets have arisen as a result of the adoption of IFRS 16 *Leases* from 1 January 2019 as described in the Group's accounting policies in note 3.

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 when 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.

Intangible fixed assets

Intangible fixed assets represents software and is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each intangible asset from the date they are available for use. This is currently assessed as 3 years.

Non-derivative financial instruments

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

(i) Investments

Investments in subsidiaries are carried at deemed cost less impairment.

(ii) 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 impairment provision for expected credit losses.

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

(iii) 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)*

37 Accounting policies *(continued)*

Non-derivative financial instruments *(continued)*

(iv) Lease liabilities

Lease liabilities have arisen as a result of the adoption of IFRS 16 *Leases* from 1 January 2019 as described in the Group's accounting policies in note 3.

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 income statement 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 accompanying notes.

(v) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, *Financial Instruments: Presentation*, 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)*

37 Accounting policies *(continued)*

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, adjusted for any tax payable or receivable 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 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.

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.

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 in the profit and loss account whenever the carrying amount of an asset exceeds its estimated recoverable amount.

Defined contribution pension plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has 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.

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)*

37 Accounting policies *(continued)*

Operating lease payments

Prior to the adoption in the current period of IFRS 16 *Leases*, the Company's leasing policy was as detailed below and this policy has been applied for comparative periods to 31 December 2018. Details of the revised policy, applied from 1 January 2019, is disclosed within the Group's accounting policies note.

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.

New accounting standards adopted in the year

As stated in note 3, the Group (including the Company) has adopted IFRS 16 in the year and applied all practical expedients on transition and exemptions for short-term and low-value leases. The implementation of this standard had no material impact on the Company's income statement in the year. The impact on the Company's balance sheet position on transition is disclosed in note 49.

38 Tangible fixed assets

	Fixtures, fittings and computer equipment £000
Cost	
Balance at 1 January 2019	362
Additions	28
Disposals	(24)
Balance at 31 December 2019	366
Depreciation and impairment	
Balance at 1 January 2019	319
Depreciation charge for the year	18
Disposals	(24)
Balance at 31 December 2019	313
Net book value	
At 31 December 2019	**53**
At 31 December 2018	43

Notes *(continued)*

39 Right-of-use assets

	Short leasehold buildings £000
Cost	
Balance at 1 January 2019 (on transition)	710
Balance at 31 December 2019	710
Depreciation and impairment	
Balance at 1 January 2019 (on transition)	-
Depreciation charge for the year	393
Balance at 31 December 2019	393
Net book value	
At 31 December 2019	**317**
At 1 January 2019 (on transition)	710

40 Intangible fixed assets

	Software £000
Cost	
Balance at 1 January 2019	2,236
Additions	502
Balance at 31 December 2019	2,738
Depreciation and impairment	
Balance at 1 January 2019	997
Depreciation charge for the year	595
Balance at 31 December 2019	1,592
Net book value	
At 31 December 2019	**1,146**
At 31 December 2018	1,239

Included in the cost as at 31 December 2019 is £527,000 *(2018: £216,000)* relating to software currently under development. Amortisation will not commence until the development is complete.

Notes *(continued)*

41 Fixed asset investments

	Shares in Subsidiary undertakings £000
Cost	
At 1 January 2019	723,991
Additions	346,687
At 31 December 2019	1,070,678
Impairment	
At 1 January 2019	172,568
Impairment in the year	340,484
At 31 December 2019	513,052
Net book value	
At 31 December 2019	**557,626**
At 31 December 2018	551,423

The additions in the year arose from a restructuring of existing Company investments in the group (£242,876,000), the incorporation of two new companies, Churchill Acquisition Pty Ltd and Acteon UK Financing IV (AUD) Limited (totalling £99,540,000) and increases in the share capital of various existing subsidiaries (£4,271,000).

The increase in the impairment provision in the year resulted from reductions in the value of the Company's direct and indirect investments in certain subsidiaries where their respective underlying net asset values or anticipated future trading prospects (based on value-in-use calculations) did not support the investment value. This value is significantly higher than in prior years following the in-year investment restructuring exercise described above where certain subsidiary companies divested their earnings and net asset values to the Company via dividend distributions. This resulted in additional impairments totalling £249,824,000 being recognised in the year.

In assessing value-in-use, pre-tax cash flow projections for a five/seven-year period, including financial budgets approved by the board covering a one-year period, have been used. Cash flows beyond the one-year period have been extrapolated based on estimated long-term average growth rates (typically 5 per cent) up to its level of maintainable earnings. The terminal value was then added to the value-in-use calculated. The growth rate in years two to five/seven does not exceed the anticipated long-term average growth rate for the market in which each company operates after taking account of the recovery from the recent cyclical decline in the oil and gas sector and the effect on current profitability levels.

The key inputs to these calculations are shown below:

Period on which management approved forecasts are based	1 Year
Average growth rate applied for years two to five/seven (excluding certain subsidiaries*)	5% to 25%
Growth rate applied to terminal value calculation	2%
Pre-tax discount rate	12%

* Certain subsidiaries are only forecast to make a small profit of £523,000 in aggregate in 2020 as a result of short-term weak performance. Improvements over the projected five-year period are expected to be achieved and their combined maintainable earnings levels at the end of year five is assessed at £3,885,000.

Notes *(continued)*

41 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries:

	Country of incorporation		Ownership interest % in ordinary shares 2019	2018
2H Offshore (Asia Pacific) Sdn Bhd	Malaysia	*	**100**	100
2H Offshore Engineering Limited	England		**100**	100
2H Offshore Engineering Pty Limited	Australia	*	**100**	100
2H Offshore Engineering Sdn Bhd (1)	Malaysia	*	**30**	30
2H Offshore Inc	USA	*	**100**	100
2H Offshore Projetos Limitada	Brazil	*	**100**	100
Acteon A1 Limited	England		**100**	-
Acteon Angola Limitada	Angola		**100**	100
Acteon Field Life Service Limited	England		**100**	100
Acteon Financing I Limited	Republic of Ireland		**100**	100
Acteon Financing II (NOK) Limited	Republic of Ireland		**100**	100
Acteon Financing III (EUR) Limited	Republic of Ireland		**100**	100
Acteon Group Properties Limited	England		**100**	100
Acteon Guyana Holding Limited	England		**100**	100
Acteon Guyana Inc	Guyana	*	**100**	100
Acteon Malaysia Holding Limited	England		**100**	-
Acteon Malaysia Operations Holding Sdn Bhd	Malaysia	*	**100**	-
Acteon Malaysia Operations Sdn Bhd	Malaysia	*	**100**	-
Acteon Middle East and Far East Investments Limited	England		**100**	100
Acteon Middle East FZE	UAE		**100**	100
Acteon Mozambique Holding Limited	England		**100**	100
Acteon Singapore Holdings Pte Limited	Singapore		**100**	100
Acteon Singapore Operations Pte Limited	Singapore		**100**	100
Acteon South American Investments Limited	England		**100**	100
Acteon UK Financing Limited	England		**100**	100
Acteon UK Financing II (NOK) Limited	England		**100**	100
Acteon UK Financing III (EUR) Limited	England		**100**	100
Acteon UK Financing IV (AUD) Limited	England		**100**	100
Acteon US Financing Limited	England	*	**100**	100
Acteon US Holdings Inc	USA		**100**	100
Acteon US Holdings Limited	England		**100**	100
Aquatic Asia Pacific Pte Limited	Singapore	*	**100**	100
Aquatic Engineering & Construction Limited	Scotland		**100**	100
Benthic Admin Services (Cayman)	Cayman Island	*	**100**	-
Benthic Australasia Pty Limited	Australia	*	**100**	-
Benthic do Brasil Limitada	Brazil	*	**100**	-
Benthic Geoscience International Limited	Republic of Ireland	*	**100**	-
Benthic Geotech Pty Limited	Australia	*	**100**	-
Benthic Investments International Limited	Republic of Ireland	*	**100**	-
Benthic Limited	England	*	**100**	-
Benthic (Singapore) Pte Limited	Singapore	*	**100**	-
Benthic USA LLC	USA	*	**100**	-
Bruce Anchor Limited	Scotland		**85**	85
Century InterMoor Holdings Limited (1)	England		**48**	48
Century InterMoor Limited (1)	Nigeria	*	**49**	49

* Denotes indirect ownership

(1) The Company has full control of these entities as a result of the underlying constitutional documents in place.

Notes *(continued)*

41 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries *(continued)*:

	Country of incorporation		Ownership interest % in ordinary shares 2019	2018
Churchill Acquisition Pty Limited	Australia		**100**	-
Clarus Subsea Integrity Inc	USA	*	**100**	100
Claxton Engineering Services AS	Norway	*	**100**	-
Claxton Engineering Services Limited	England		**100**	100
Claxton Engineering Services Pte Limited (formerly Cape Group Pte Limited)	Singapore		**100**	100
Claxton Services Inc	USA	*	**100**	-
Conductor Installation Services Inc	USA	*	**100**	100
Conductor Installation Services Limited	England		**100**	100
Conductor Installation Services Pte Limited	Singapore	*	**100**	100
Core Grouting Services Limited	England		**100**	100
Deepwater Australasia Pty Limited	Australia	*	**90**	90
Deepwater do Brasil Engenharia Limitada	Brazil	*	**90**	90
Deepwater BV	Netherlands	*	**90**	90
Deepwater Cooperatief AU	Netherlands	*	**90**	90
Deepwater Corrosion Services Inc	USA		**90**	90
Deepwater Norway AS	Norway	*	**90**	90
Deepwater EU Limited	England	*	**90**	90
Deepwater Manufacturing (USA) Inc	USA	*	**90**	90
EURWA Survey Limited	Scotland	*	**94**	94
Geoscan Group Limited	Scotland	*	**97**	97
InterAct PMTI Inc	USA	*	**100**	100
InterMoor do Brasil Servicos Onshore e Offshore Limitada	Brazil	*	**100**	100
InterMoor EG, Sociedad Limitada	Equatorial Guinea	*	**65**	65
InterMoor Inc	USA	*	**100**	100
InterMoor Limited	Scotland		**100**	100
InterMoor Mediterranean for Petroleum Services SAE	Egypt		**100**	100
InterMoor Mexico S de RL de CV	Mexico		**100**	100
InterMoor Nigeria FZE	Nigeria	*	**100**	100
InterMoor AS	Norway	*	**100**	100
InterMoor Personnel Servicios S de RL de CV	Mexico		**100**	100
InterMoor Pte Limited	Singapore	*	**100**	100
InterMoor Pty Ltd	Australia		**100**	100
Inter Resources Inc	USA	*	**90**	90
IOS Offshore Holding AS	Norway		**100**	100
J2 Subsea Inc	USA	*	**100**	100
J2 Subsea Limited	Scotland		**80**	80
Large Diameter Drilling Limited	England		**100**	100
LDD Australia Pty Limited	Australia	*	**100**	100
LM Handling Limited	England		**100**	100
LM Handling Pte Limited	Singapore	*	**100**	100
Menck GmbH	Germany		**100**	100
Menck Pte Limited	Singapore	*	**100**	100
Probe Oil Tools Limited	England		**80**	80
PT Cape Resource Indonesia	Indonesia	*	**85**	85
PT UTEC Survey Indonesia	Indonesia	*	**89**	89

* Denotes indirect ownership

Notes *(continued)*

41 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries *(continued)*:

	Country of incorporation		Ownership interest % in ordinary shares 2019	2018
PT Viking Seatech Indonesia	Indonesia		**100**	100
Pulse Monitoramento Estrutural Limitada	Brazil	*	**100**	100
Pulse Structural Monitoring Inc	USA	*	**100**	100
Pulse Structural Monitoring Limited	England		**100**	100
Seascan Limited	Scotland		**97**	97
Seatronics do Brasil Equipamentos Eletronicos Limitada	Brazil	*	**97**	97
Seatronics Inc	USA	*	**97**	97
Seatronics Limited	Scotland	*	**97**	97
Seatronics Pte Limited	Singapore	*	**97**	97
Subsea Riser Products Limited	England		**100**	100
Team Drill Limited	England		**100**	100
Team Energy Resources Limited	England		**100**	100
Team Energy Resources Middle East LLC [(1)]	Qatar	*	**49**	49
TecAfrica Offshore Limited	Ghana	*	**85**	85
TerraSond Limited	USA	*	**80**	-
UTEC Geomarine Limited	England	*	**94**	94
UTEC International Limited	Scotland		**94**	94
UTEC NCS Survey AS	Norway	*	**94**	94
UTEC NCS Survey Limited	Scotland	*	**94**	94
UTEC Star Net Geomatics Limited	Scotland	*	**94**	94
UTEC Survey Asia Pte Limited	Singapore	*	**94**	94
UTEC Survey Australia Pty Limited	Australia	*	**94**	94
UTEC Survey Canada Limited	Canada	*	**94**	94
UTEC Survey Inc	USA	*	**94**	94
UTEC Survey South Africa Proprietary Limited	South Africa	*	**94**	94
UTEC Survey West Africa Limited	England	*	**94**	94
UWG Limited	England		**100**	100

* Denotes indirect ownership

(1) The Company has full control of these entities as a result of the underlying constitutional documents in place.

The registered office addresses for these subsidiaries are as follows:

		Registered office address
2H Offshore (Asia Pacific) Sdn Bhd	-	Lot 6.01, 6th Floor Imbi Plaza, 28 Jalan Imbi, 55100 Kuala Lumpur
2H Offshore Engineering Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
2H Offshore Engineering Pty Limited	-	Level 8, 1008 Hay Street, Perth, WA6000, Australia
2H Offshore Engineering Sdn Bhd	-	Lot 6.01, 6th Floor Imbi Plaza, 28 Jalan Imbi, 55100 Kuala Lumpur
2H Offshore Inc	-	Corporation Service Company, 2711 Centerville Rd, Suite 400, Wilmington, New Castle, DE, 19808, USA
2H Offshore Projetos Limitada	-	Praça Floriano, number 19, 22nd floor, Centro, Rio de Janeiro/RJ, 20031-050, Brazil
Acteon A1 Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Angola Limitada	-	Rua Américo Júlio de Carvalho, No. 182, 1st and 2nd Floor, Zone 2, Bairro Azul, Municipality of Ingombota, Luanda, Angola
Acteon Field Life Service Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK

Notes *(continued)*

41 Fixed asset investments *(continued)*

The registered office addresses for these subsidiaries are as follows *(continued)*:

		Registered office address
Acteon Financing I Limited	-	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland
Acteon Financing II (NOK) Limited	-	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland
Acteon Financing III (EUR) Limited	-	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland
Acteon Group Properties Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Guyana Holding Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Guyana Inc	-	158 D Waterloo Street, North Cummingsburg, Geirgetown, Guyana
Acteon Malaysia Holding Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Malaysia Operations Holding Sdn Bhd	-	Level 22, Axiata Tower, No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia
Acteon Malaysia Operations Sdn Bhd	-	Level 22, Axiata Tower, No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia
Acteon Middle East and Far East Investments Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Middle East FZE	-	PO Box 262490, Jebel Ali Freezone, Gate 5, South Side, FZS1 AL05, Dubai, United Arab Emirates
Acteon Mozambique Holding Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Singapore Holdings Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Acteon Singapore Operations Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Acteon South American Investments Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon UK Financing Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon UK Financing II (NOK) Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon UK Financing III (EUR) Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon UK Financing IV (AUD) Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon US Financing Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon US Holdings Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Acteon US Holdings Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Aquatic Asia Pacific Pte Limited	-	4 Robinson Road, #05-01 The House of Eden, Singapore, 048543
Aquatic Engineering & Construction Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Benthic Admin Services (Cayman)	-	Maple Corporate Services Limited, Ugland House, South Church Street, Georgetown, Grand Cayman, KY1-1104, Cayman Islands
Benthic Australasia Pty Limited	-	Brookfield Place, Level 11, 125 St Georges Terrace, Perth, Western Australia, 6000
Benthic do Brasil Limitada	-	Rua Conselheiro Saraiva, No 28 11 andar-sala 1101 – Centro, Rio de Janeiro, 20091-030, Brazil.
Benthic Geoscience International Limited	-	12 Merrion Square, Dublin 2 DO2H798, Republic of Ireland
Benthic Geotech Pty Limited	-	Brookfield Place, Level 11, 125 St Georges Terrace, Perth, Western Australia, 6000
Benthic Investments International Limited	-	12 Merrion Square, Dublin 2 DO2H798, Republic of Ireland
Benthic Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Benthic (Singapore) Pte Limited	-	190 Middle Road, #19-05, Fortune Centre Singapore, 188979
Benthic USA LLC	-	8 The Green, STE A Dover, DE 19901, USA
Bruce Anchor Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK

Notes *(continued)*

41 Fixed asset investments *(continued)*

The registered office addresses for these subsidiaries are as follows *(continued)*:

	Registered office address
Century InterMoor Holding Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Century InterMoor Limited	- Plot 21, Prince Adelowo Adedeji Str. (Off Admirality Way) Lekki Phase 1, Lagos State, Nigeria
Churchill Acquisition Pty Limited	- C/o Company Matters Pty Ltd, Level 12, 680 George Street, Sydney, NSW 2000, Australia
Clarus Subsea Integrity Inc	- The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Claxton Engineering Services AS	- Finnestadgeilen 11, 4029 Stavanger, Norway
Claxton Engineering Services Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Claxton Engineering Services Pte Limited	- 107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Claxton Services Inc	- The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Conductor Installation Services Inc	- The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Conductor Installation Services Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Conductor Installation Services Pte Limited	- 107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Core Grouting Services Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Deepwater Australasia Pty Limited	- Ground Floor, 1 Alvan Street, Subiaco WA 6008, Australia
Deepwater do Brasil Engenharia Limitada	- Avenida Presidente Vargas, 633, Sala 2021, Centro, Rio de Janeiro, CEP 20,071-905 JR, Brazil
Deepwater BV	- Prins Hendriklaan 26, 1075 BD, Amsterdam
Deepwater Cooperatief AU	- Prins Hendriklaan 26, 1075 BD, Amsterdam
Deepwater Corrosion Services Inc	- 13813 FM 529, Houston, TX 77041, USA
Deepwater Norway AS	- Neptunveien 6-7652, Verdal, Norway
Deepwater EU Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Deepwater Manufacturing (USA) Inc	- 13813 FM 529, Houston, TX 77041, USA
EURWA Survey Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Geoscan Group Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
InterAct PMTI Inc	- C T Corporation System, 818 W 7th St Suite 390 Los Angeles, CA 90017, USA
InterMoor do Brasil Servicos Onshore e Offshore Limitada	- Praça Floriano, number 19, 22nd floor, Centro, Rio de Janeiro/RJ, 20031-050, Brazil
InterMoor EG, Sociedad Limitada	- Malabo, Republic of Equatorial Guinea
InterMoor Inc	- The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
InterMoor Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
InterMoor Mediterranean for Petroleum Services SAE	- Area (B) - Dry Basin Area, South Raswa, Port Said Free Zone Area, Egypt
InterMoor Mexico S de RL de CV	- Florencia 57, 3rd floor, Colonia Juárez, Mexico City, Mexico
InterMoor Nigeria FZE	- 27A Olawale Cole Onitiri, Off Admiralty Road, Lekki Phase 1, Lagos State, Nigeria
InterMoor AS	- Finnestadgeilen 11, 4029 Stavenger, Norway
InterMoor Personnel Servicios S de RL de CV	- Florencia 57, 3rd floor, Colonia Juárez, Mexico City, Mexico

Notes *(continued)*

41 Fixed asset investments *(continued)*

The registered office addresses for these subsidiaries are as follows *(continued)*:

		Registered office address
InterMoor Pte Limited	-	25 Loyang Crescent, Block 103, TOPS Avenue 1, #06-02 Loyang Offshore Supply Base, Singapore, 508988
InterMoor Pty Ltd	-	Level 3, 140 St Georges Terrace, Perth, WA 6000, Australia
Inter Resources Inc	-	13813 FM 529 Houston, Texas 77041, USA
IOS Offshore Holding AS	-	Finnestadgeilen 11, 4029 Stavenger, Norway
J2 Subsea Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
J2 Subsea Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Large Diameter Drilling Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
LDD Australia Pty Limited	-	Level 8, 1008 Hay Street, Perth, WA 6000, Australia
LM Handling Limited	-	Ferryside, Ferryside Road, Norwich, Norfolk, NR1 1SW, UK
LM Handling Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Menck GmbH	-	Industrial Area Moorkaten, Am Springmoor 5a, DE24568 Kaltenkirchen, Germany
Menck Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Probe Oil Tools Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
PT Cape Resource Indonesia	-	Indonesia Stock Exchange Building Tower 1, 27th Floor, Suite 2703, Jl. Jendral Sudirman Kav 52-53, Jakarta 12190, Indonesia
PT UTEC Survey Indonesia	-	Menara Rajawali Lt. 7-1, Jl. Dr. Ide Anak Agung Gde Agung Lot. #5.1, Kawasan Mega Kuningan, Setiabudi, Jakarta Selatan – 12950, Indonesia
PT Viking Seatech Indonesia	-	Sovereign Plaza 21st Floor, J1 T.B. Simatupang Kav. 36, Jakarta, 12430, Indonesia
Pulse Monitoramento Estrutural Limitada	-	Praça Floriano, number 19, 22nd floor, Centro, Rio de Janeiro, RJ, 20031-050, Brazil
Pulse Structural Monitoring Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Pulse Structural Monitoring Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Seascan Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Seatronics do Brasil Equipamentos Eletronicos Limitada	-	Praça Floriano, number 19, 22nd floor, Centro, Rio de Janeiro/RJ, 20031-050, Brazil
Seatronics Inc	-	Gary W Miller, 2925 Richmond Ave. 14th Floor, Houston Texas 77098, USA
Seatronics Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Seatronics Pte Limited	-	4 Robinson Road, #05-01 The House of Eden, Singapore, 048543
Subsea Riser Products Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Team Drill Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Team Energy Resources Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Team Energy Resources Middle East LLC	-	PO Box 23890, Souq Al Thuraiya, Office No 10, Salwa Road, Doha, Qatar

Notes *(continued)*

41 Fixed asset investments *(continued)*

The registered office addresses for these subsidiaries are as follows *(continued)*:

		Registered office address
TecAfrica Offshore Limited	-	NO.J.489/7, Cassia Street Teshie Nungua Estates, Accra, Greater Accra, Ghana
TerraSond Limited	-	1617S Industrial Way, Palmer, AK, 99465, USA
UTEC Geomarine Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
UTEC International Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
UTEC NCS Survey AS	-	Tangen 14, 4072, Randaberg, Norway
UTEC NCS Survey Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
UTEC Star Net Geomatics Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
UTEC Survey Asia Pte Limited	-	25 Loyang Crescent, Block 103, TOPS Avenue 1, #04-03, Loyang Offshore Supply Base, Singapore 508988
UTEC Survey Australia Pty Limited	-	C/O Fortuna Advisory Group, Suite 102, 110 Erindale Road, Balcatta, WA 6021, Australia
UTEC Survey Canada Limited	-	Suite 600, 815 - 8th Avenue SW, Calgary, Alberta, TP2 3P2, Canada
UTEC Survey Inc	-	Gary W Miller, 2925 Richmond Ave. 14th Floor, Houston Texas 77098, USA
UTEC Survey South Africa Proprietary Limited	-	11 Buitengracht Street, Cape Town, 8001 / PO Box 695, Cape Town, 8000, South Africa
UTEC Survey West Africa Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
UWG Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK

42 Debtors

	2019	2018
	£000	£000
Trade debtors	**-**	7
Amounts owed by group undertakings	**21,521**	24,001
Other debtors	**1,953**	1,122
Prepayments and accrued income	**281**	231
Deferred tax asset (see note 47)	**1,389**	1,406
	25,144	26,767

Notes *(continued)*

43 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank loans	-	17,682
Lease liabilities (see note 45)	287	-
Trade creditors	933	1,116
Amounts owed to group undertakings	115,326	80,089
Taxation and social security	202	532
Other creditors	562	39
Accruals and deferred income	1,599	1,816
	118,909	101,274

The contractual terms of the secured bank loans measured at amortised cost are shown in note 26.

44 Creditors: amounts falling after more than one year

	2019 £000	2018 £000
Bank loans	273,176	235,455
Lease liabilities (see note 45)	33	-
Other creditors	-	447
	273,209	235,902

The contractual terms of the secured bank loans measured at amortised cost are shown in note 26.

45 Lease liabilities

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

	2019 £000
Within one year	287
Between one and two years	33
	320

The Company leases property for its office space. These leases typically run for a period of between 2 and 5 years with a fixed rental charge.

46 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £239,000 *(2018: £185,000).*

Notes *(continued)*

47 Deferred tax assets and liabilities

The movement in deferred tax during the year - 2019

	Balance 1 January 2019 £000	Recognised in income £000	**Balance 31 December 2019 £000**
Tangible fixed assets	123	(18)	**105**
Non-trade loan related interest	1,277	-	**1,277**
Other	6	1	**7**
	1,406	(17)	**1,389**

At 31 December 2019 a deferred tax asset relating to the restriction of corporate interest deductions of £3,612,000 *(2018: £3,136,000)* has not been recognised as insufficient profits are being forecast for the foreseeable future for it to be utilised.

The movement in deferred tax during the year - 2018

	Balance 1 January 2018 £000	Recognised in income £000	Balance 31 December 2018 £000
Tangible fixed assets	114	9	123
Non-trade loan related interest	1,459	(182)	1,277
Other	8	(2)	6
	1,581	(175)	1,406

48 Share capital

	Allotted, called up and fully paid **2019 £000**	2018 £000
At 31 December 2018 and 31 December 2019		
4,665,929,237 (2018: 1,165,929,237) Ordinary shares of £0.01 each	**46,659**	11,659

During the year the Company issued 3,500,000,000 Ordinary shares of £0.01 each for cash at par value.

Notes *(continued)*

49 Operating leases

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

	2018 £000
Less than one year	408
Between one and five years	329
	737

On transition to IFRS 16 the Company recognised £710,000 right-of-use assets and £710,000 lease liabilities, all relating to property leases.

When measuring 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	**737**
Discounted using the incremental borrowing rate at 1 January 2019	**(27)**
Lease liabilities recognised at 1 January 2019	**710**

50 Contingencies

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

51 Related parties

UTEC International Ltd, a subsidiary, provided loan funding to the Company. Interest charged at commercial rates totalled £676,000 *(2018: £635,000)*. The balance owed by the Company at the year-end amounted to £10,885,000 *(2018: £11,835,000)*. The Company also charged a management fee to the UTEC Group in the year of £700,000 *(2018: £830,000)*.

Probe Oil Tools Ltd, a subsidiary, also provided loan funding to the Company during the year. Interest charged at commercial rates totalled £1,003,000 *(2018: £777,000)*. The balance owed by the Company at the year-end amounted to £27,555,000 *(2018: £19,529,000)*.

Seascan Ltd, a subsidiary, also provided loan funding to the Company during the year. Interest charged at commercial rates totalled £382,000 (*2018: £nil*). The balance owed by the Company at the year-end amounted to £20,072,000 (*2018: £nil*).

The Company provided loan funding to two further subsidiaries during the year, Bruce Anchor Ltd and Team Energy Resources Middle East LLC. The balance owed to the Company at the year-end amounted to £1,682,000 *(2018: £1,683,000)* for Bruce Anchor Ltd and £1,615,000 *(2018: £2,039,000)* for Team Energy Resources Middle East LLC.

The Company was charged rent by BHHM Pension scheme, an entity associated by common directors/trustees, amounting to £69,000 *(2018: £69,000)*.