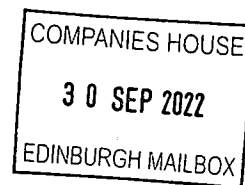


Claxton Engineering Services Limited

Annual report and financial statements

Registered number 01927530

31 December 2021



Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements	4
Independent auditor's report to the members of Claxton Engineering Services Limited	5
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes	11

Strategic report

The directors present their Strategic report for the year ended 31 December 2021.

Principal activities

Claxton Engineering Services Limited (the "Company") is part of the Energy Services division of Acteon Group. Acteon is a global organisation providing a range of products and services for the renewable energy, nearshore construction and oil and gas sectors. It's specialisms range from data collection and survey techniques ahead of construction, the installation of foundations and anchoring technologies, the monitoring, management and decommissioning of assets, installation and management of offshore wind turbines and construction services for marine facilities including bridges, jetties and coastal protection.

Business model

Claxton Engineering Services Limited supplies equipment and services for well construction, workover, maintenance and abandonment operations. These focus particularly on pressure control and remediation, conductor tensioning and rigless tubular retrieval. It also provides services for the decommissioning, subsea construction and renewables sectors within the energy industry.

Claxton possesses leading engineering skills in many of the areas in which it operates. It employs approximately 185 people many with technical skills, from its bases in Great Yarmouth and Aberdeen, UK. The Company works both independently and in partnership with other Acteon companies to serve industry clients.

Business review and results

2021 was another challenging year with operational challenges being presented from the impact of the continuing global Covid-19 pandemic. Despite of this, as a result of delayed work from 2020 taking place during the year and the Company providing a significant level of support to Far East decommissioning projects, this more than offset these adverse Covid-19 impacts.

The Company and the wider Acteon group continued to take action to curtail cost increases to reduce the existing cost base. Additionally, the cost synergies arising from the wider group's simplified organisation structure continued to have a positive effect on the 2021 results.

The trading results for 2020 reflected reduced activity as a result of the COVID-19 pandemic, which has recovered in 2021. Trading in 2021 has seen increased sales to both third party customers and through the provision of goods and services to fellow group subsidiaries.

Turnover in the year was £39,554,000 (2020: £22,809,000). Operating profit for 2021 was £5,251,000 (2020: £3,000) and profit before taxation was £4,925,000 (2020: loss of £77,000).

2021 was the first full year of the Company's results including the trade and net assets of Conductor Installation Services Limited, which were transferred to the Company in the prior year. The principal activity of Conductor Installation Services was the installation of well conductors and pile foundations for the international oil and gas extraction industry using a range of hydraulic hammers.

Key performance indicators

Key performance indicators pertinent to the Company are shown below. This demonstrates the underlying operational performance (gross margin and EBITDA) and the level of continued investment in the Company's underlying revenue generating resources (tangible fixed assets and average number of employees).

	2021	2020
Gross Margin % of revenues	19.3%	7.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000) *	8,644	3,715
Net book value of tangible fixed assets (£000)	5,204	6,352
Average number of employees	183	196

* Prior to certain costs totalling £601,000 (2020: £732,000) of a non-operating nature.

Strategic report (continued)

Principal risks and uncertainties

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

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

- A further reduction in the current activity levels in the offshore oil and gas exploration and production industry worldwide as a result of various factors including, but not limited to, a fall in oil prices and broader energy transition;
- Lead times and availability of raw materials and components which are required in order for the Company to provide its products and services could deteriorate from their current levels;
- It could become more difficult to recruit and retain the highly qualified and experienced staff required in order to operate;
- The considerable health and safety risks which are inherent to a business providing products and services for the renewable, nearshore construction and oil and gas sectors;
- Contracts and projects are frequently complex, and there are risks associated with their execution; and
- Access to debt, bonding and credit facilities could become difficult.

Future developments

The Covid-19 pandemic, although easing, along with the volatile energy prices caused in part by the current conflict in Ukraine, continues to create short- to medium-term uncertainty to businesses worldwide. Whilst higher energy prices may result in increased investment, there is also a risk that energy companies will delay the timing of their investment programmes which, in turn, might adversely impact the Company's operations across that time horizon. Risk may also arise in the Company's ability to execute certain projects, depending on their nature and location.

In response, the Company (and the wider Acteon group) continues to take appropriate actions to optimise its trading performance and to protect its margins, profitability and cash flow. It has sought to retain its key capabilities and skills so that it may take advantage and capitalise on future opportunities. Detailed scenario-planning and sensitivity analyses thereon show the Company (and Acteon group) should have sufficient financial resources for the foreseeable future.

Acteon (including the Company) is also continuing its drive to support the energy transition by diversifying into the offshore renewables and near-shore construction sectors, whilst maintaining a focus on services within the oil and gas sector which support the integrity and maintenance of existing infrastructure; including the decommissioning of aged assets.

The directors therefore believe the Company remains well placed to build on its current position and accordingly they have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the board



Dr B Bruggaier
Director

Ferryside
Ferry Road
Norwich
NR1 1SW

29 September 2022

Directors' report

The directors present their report for the year ended 31 December 2021.

Certain information including in respect of the company's principal activity, is not shown in the directors' report because it is shown in the strategic report instead under s414C(11).

Research and development

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

Financial instruments

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

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

Proposed dividend

The directors do not recommend the payment of a dividend (2020: £nil).

Directors

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

L Claxton
Dr B Bruggaier
S J Hanton (appointed 13 April 2022)
D M Claxton (resigned 13 April 2022)

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

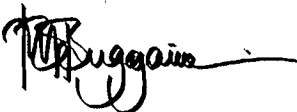
Disclosure of information to auditor

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

Auditor

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

By order of the board



Dr B Bruggaier
Director

Ferryside
Ferry Road
Norwich
NR1 1SW

29 September 2022

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

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

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

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

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

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



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

Opinion

We have audited the financial statements of Claxton Engineering Services Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors and inspection of policy documentation as to the Company's and Acteon Group Limited group's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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



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

Fraud and breaches of laws and regulations – ability to detect *(continued)*

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk that revenue is recorded in the wrong period. We did not identify any additional fraud risks.

We performed procedures including:

- Agreeing revenue recognised at year end to evidence of services performed or delivered in the year.
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. Risk criteria included testing for revenue and cash journals posted to unrelated accounts; and journals with certain descriptions, which may indicate high risk.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

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

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

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

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

Strategic report and Directors' report

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



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

Strategic report and Directors' report (continued)

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

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

29 September 2022

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	2	39,554	22,809
Cost of sales		(31,939)	(21,100)
Gross profit		7,615	1,709
Administrative expenses		(3,029)	(2,058)
Other operating income	3,4	665	352
Operating profit	3-5	5,251	3
Interest receivable and similar income	6	5	58
Interest payable and similar expenses	6	(331)	(138)
Profit/(loss) before taxation		4,925	(77)
Tax on profit	7	(609)	218
Profit for the financial year		4,316	141
Other comprehensive income		-	-
Total comprehensive income for the year		4,316	141

All results relate to continuing activities.

Balance Sheet
at 31 December 2021

	Note	2021	2020
		£000	£000
Fixed assets			
Intangible assets	8	1,280	1,521
Tangible assets	9	5,204	6,352
Right of use assets	10	4,288	4,166
		<u>10,772</u>	<u>12,039</u>
Current assets			
Stock	11	401	909
Contract costs	12	519	799
Debtors	13	20,310	12,055
Cash at bank and in hand		2,924	1,654
		<u>24,154</u>	<u>15,417</u>
Creditors: amounts falling due within one year	14	<u>(13,728)</u>	<u>(10,989)</u>
Net current assets		<u>10,426</u>	<u>4,428</u>
Total assets less current liabilities		<u>21,198</u>	<u>16,467</u>
Creditors: amounts falling due after more than one year	17	<u>(4,346)</u>	<u>(3,931)</u>
Net assets		<u>16,852</u>	<u>12,536</u>
Capital and reserves			
Called up share capital	19	5,200	5,200
Profit and loss account		11,652	7,336
Shareholder's funds		<u>16,852</u>	<u>12,536</u>

These financial statements were approved by the board of directors on 29 September 2022 and were signed on its behalf by:



Dr B Bruggaier
Director

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	-	7,195	7,195
Total comprehensive income for the year			
Profit for the year	-	141	141
Transactions with owners, recorded directly in equity			
Issue of shares	5,200	-	5,200
Balance at 31 December 2020	5,200	7,336	12,536
	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	5,200	7,336	12,536
Total comprehensive income for the year			
Profit for the year	-	4,316	4,316
Balance at 31 December 2021	5,200	11,652	16,852

Notes

(forming part of the financial statements)

1 Accounting policies

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

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

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

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of UK-adopted International Financial Reporting Standards ("Adopted IFRS") in conformity with the requirements of 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 intangible and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Certain disclosures in respect of leases;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

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

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

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

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

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

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

For transfers of businesses under common control, the accounting is recorded at book value unless there are facts or circumstances which indicate that a fair value accounting treatment is appropriate, such as a high level of contingent liabilities in one or both parties to the transaction.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The Company's business activities and financial position, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report. These financial statements have been prepared on a going concern basis.

At 31 December 2021, the Company had net current assets of £10,426,000 and recorded a profit after tax of £4,316,000 for the year then ended.

Volatile energy prices, caused in part by the current conflict in Ukraine, continue to create short to medium-term uncertainty for businesses worldwide. Whilst higher energy prices may result in increased investment, there is also a risk that energy companies will delay the timing of their investment programmes, which might adversely impact the Company's overall operations across that time horizon.

In 2022 to date, the Company has traded in line with its budget for the year.

The directors have prepared cash flow forecasts for the Company for a period of twelve months from the date of approval of these financial statements which, taking account of reasonably possible severe but plausible downsides, indicates the Company will have sufficient cash to meet its liabilities as they fall due during that period. Reasonably possible severe but plausible downside scenarios include lower sales in addition to those already factored into the base forecast. These have been partly offset by overhead cost savings.

The Company participates in a group treasury arrangement and its cash flow forecasts are consequently dependent on Acteon Group Limited ('the Group') providing financial support through this arrangement during the forecast period. The Group has indicated its intention to continue to make available such funds as are needed by the Company. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue.

The going concern of the Company is also dependent upon the financial performance of the Group because it is an obligor of the Group's banking facilities. At 31 December 2021 the Group had a fully drawn secured bank loan facility of £273 million with the first debt maturity in November 2024. As of 31 July 2022, the Group had £32 million in cash and the bank facility remained fully drawn. 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 has prepared forecast cash flows to 30 September 2023 which reflect the economic uncertainty described above. On the basis of the forecast cash flow information within the Group's projections, and taking into account severe but plausible downsides, the directors consider that the Group will continue to operate with sufficient liquidity and comply with its bank loan financial covenants. The severe but plausible downside cash flows modelled assumes further deferrals or reductions in the Group's customer revenues across the forecast period.

Based on their forecasts and evaluation thereof, the directors believe that it is appropriate to prepare the Company's financial statements on a going concern basis and are confident the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements.

1.3 Tangible fixed assets

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

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

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.4 Intangible fixed assets

Goodwill

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

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

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

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

Order books and customer lists

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

Economic lives for intangible assets have been established as:

Order books	Typically less than one year
Customer lists	10 years

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.

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

Research and development

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes (continued)

1 Accounting policies (continued)

1.5 Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Intangible assets

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

1.6 Non-derivative financial instruments

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

Trade and other debtors

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

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

Contract assets

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

Trade and other creditors

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

1.7 Classification of financial instruments issued by the company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Notes (continued)

1 Accounting policies (continued)

1.8 Stocks

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

1.9 Contract costs

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

Costs of obtaining a contract

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

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

Costs to fulfil customer contracts

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

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

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

1.10 Contract liabilities

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

1.11 Turnover

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.11 Turnover (continued)

Sale of goods

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

Rendering of services

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

Mobilisation and demobilisation services

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

Contracts with a significant financing component

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

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

1.12 Interest receivable and interest payable

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Taxation

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

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

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

1.14 Foreign currency

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

1.15 Impairment

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

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

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

Impairment losses are recognised in profit or loss.

1.16 Defined-contribution plan

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

1.17 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes (continued)

1. Accounting policies (continued)

1.18 Leasing

Following the adoption of IFRS 16 *Leases* from 1 January 2019 (the transition date) the Company recognises a right-of-use asset and a corresponding lease liability at the lease commencement date.

(i) Right-of-use assets

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

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

A right-of-use asset is subsequently depreciated using the straight-line method from the commencement (or transition) date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those for property, plant and equipment. A right-of-use asset's value may be reduced where an impairment is necessary and may also be adjusted where a remeasurement of the lease liability is appropriate.

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

(ii) Lease liabilities

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

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

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

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

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

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

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

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

Notes (continued)

2 Turnover

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

	2021 £000	2020 £000
Nature of turnover		
Sale of goods	3,475	3,603
Rendering of services	36,079	19,206
	<u>39,554</u>	<u>22,809</u>
Geographical markets		
Europe	31,153	16,322
Africa	1,258	381
North America	239	3,394
South America	74	1,214
Asia and Asia Pacific	5,217	802
Middle East/Caspian	1,613	696
	<u>39,554</u>	<u>22,809</u>
Timing of turnover recognition		
Products and services recognised at a point in time	1,214	454
Products and services recognised over time	38,340	22,355
	<u>39,554</u>	<u>22,809</u>

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

Notes (continued)

3 Expenses and auditor's remuneration

Included in operating profit are the following charges/(credits):

	2021 £000	2020 £000
Depreciation and other amounts written off tangible fixed assets - owned	2,057	2,554
Depreciation of right of use assets	494	280
Amortisation of intangible assets	241	146
Operating lease rentals from short-term leases and low-value assets	28	107
Gain on sale of equipment to a fellow subsidiary (recognised within other operating income)	(665)	-
	<u> </u>	<u> </u>

Auditor's remuneration:

Audit of these financial statements	60	29
	<u> </u>	<u> </u>

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

4 Staff numbers and costs

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

	Number of employees	
	2021	2020
Directors	3	3
Technical and administration	180	193
	<u> </u>	<u> </u>
	183	196
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	10,179	9,409
Social security costs	1,125	995
Contributions to defined contribution plans (note 20)	491	464
	<u> </u>	<u> </u>
	11,795	10,868
	<u> </u>	<u> </u>

During the year the Company received income from the UK Government's job retention scheme in relation to the Covid-19 pandemic of £nil (2020: £352,000). This has been recognised in the profit and loss account as other operating income.

Notes (continued)

5 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	364	322
Company contributions to money purchase pension plans	20	18
	<u>384</u>	<u>340</u>

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under Money purchase schemes	<u>2</u>	<u>2</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £182,000 (2020: £160,000), and company pension contributions of £10,000 (2020: £9,000) were made to a money purchase scheme on their behalf.

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

6 Interest

Interest receivable and similar income

	2021 £000	2020 £000
Bank interest	-	4
Exchange gains	-	11
Other interest receivable	5	43
	<u>5</u>	<u>58</u>

Interest payable and similar charges

	2021 £000	2020 £000
Bank interest payable	57	36
Exchange losses	75	-
Interest on lease liabilities under IFRS 16	196	102
Other interest payable	3	-
	<u>331</u>	<u>138</u>

Total interest payable and similar charges

Notes (continued)

7 Taxation

Recognised in the profit and loss account

	2021	2020
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	1,342	386
Adjustments in respect of prior years	18	(88)
	<u>1,360</u>	<u>298</u>
<i>Foreign tax</i>		
Current tax on income for the year	302	223
Adjustments in respect of prior years	(18)	-
	<u>284</u>	<u>223</u>
Total current tax	<u>1,644</u>	<u>521</u>
<i>Deferred tax (note 16)</i>		
Origination and reversal of temporary differences	(482)	(545)
Effect of change in tax rate	(553)	(119)
Adjustment in respect of prior year	-	(75)
	<u>(1,035)</u>	<u>(739)</u>
Total deferred tax	<u>(1,035)</u>	<u>(739)</u>
Tax on profit	<u>609</u>	<u>(218)</u>

Reconciliation of effective tax rate

	2021	2020
	£000	£000
Profit for the year	4,316	141
Total tax expense/(credit)	609	(218)
Profit/(loss) excluding taxation	<u>4,925</u>	<u>(77)</u>
Tax using the UK corporation tax rate of 19% (2020: 19%)	936	(15)
Other permanent differences	(19)	(102)
Foreign tax charge	245	181
Effect of change in tax rate	(553)	(119)
Adjustments in respect of prior years	-	(163)
Total tax expense	<u>609</u>	<u>(218)</u>

In the 11 March 2020 Budget it was announced that the UK tax rate would remain at 19% and not, as previously announced, reduce to 17% from 1 April 2020. The UK deferred tax balance as at 31 December 2020 was therefore calculated based on 19%. In the 3 March 2021 Budget it was announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The UK deferred tax balance as at 31 December 2021 was therefore measured using a rate of 25% to reflect this substantively enacted change at the balance sheet date. Subsequent to the year end, on 23 September 2022, the UK Government announced its intention to retain a UK corporation tax rate of 19%.

Notes (continued)

8 Intangible fixed assets

	Goodwill £000	Customer relationships £000	Order book £000	Software £000	Development costs £000	Total £000
Cost						
Balance at 1 January 2021	102	1,265	622	40	320	2,349
At 31 December 2021	102	1,265	622	40	320	2,349
Amortisation						
Balance at 1 January 2021	-	179	622	18	9	828
Amortisation charge for the year	-	127	-	11	103	241
At 31 December 2021	-	306	622	29	112	1,069
Net book value						
At 1 January 2021	102	1,086	-	22	311	1,521
At 31 December 2021	102	959	-	11	208	1,280

9 Tangible fixed assets

	Leasehold improvements £000	Plant & machinery, fixtures & fittings £000	Assets under construction £000	Total £000
Cost				
Balance at 1 January 2021	1,778	31,547	485	33,810
Additions	-	172	1,204	1,376
Transferred of assets under construction	-	1,653	(1,653)	-
Disposals	-	(1,146)	-	(1,146)
At 31 December 2021	1,778	32,226	36	34,040
Depreciation				
Balance at 1 January 2021	746	26,712	-	27,458
Depreciation charge for the year	89	1,968	-	2,057
Disposals	-	(679)	-	(679)
At 31 December 2021	835	28,001	-	28,836
Net book value				
At 1 January 2021	1,032	4,835	485	6,352
At 31 December 2021	943	4,225	36	5,204

Notes (continued)

10 Right of use assets

	Short leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
Balance at 1 January 2021	4,654	27	4,681
Additions	616	-	616
Disposals	(316)	-	(316)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	4,954	27	4,981
	<hr/>	<hr/>	<hr/>
Depreciation			
Balance at 1 January 2021	513	2	515
Depreciation for the year	486	8	494
Disposals	(316)	-	(316)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	683	10	693
	<hr/>	<hr/>	<hr/>
Carrying amounts			
At 1 January 2021	4,141	25	4,166
	<hr/>	<hr/>	<hr/>
At 31 December 2021	4,271	17	4,288
	<hr/>	<hr/>	<hr/>

11 Stocks

	2021 £000	2020 £000
Work in progress	2	20
Finished goods	399	889
	<hr/>	<hr/>
	401	909
	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £1,978,000 (2020: £899,000). The write-down of stocks to net realisable value amounted to £242,000 (2020: write-back of £34,000).

12 Contract costs

	2021 £000	2020 £000
Costs to fulfil a contract	519	799
	<hr/>	<hr/>

The charge in the year to cost of sales relating to contract costs totalled £799,000 (2020: £523,000).

Notes (continued)

13 Debtors

	2021 £000	2020 £000
Trade debtors	7,199	3,510
Contract assets (note 15)	287	287
Amounts owed by group undertakings	5,512	3,847
Other debtors	21	499
Deferred tax assets (note 16)	2,786	1,751
Corporation tax receivable	-	105
Prepayments and accrued income	4,505	2,056
	<u>20,310</u>	<u>12,055</u>

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

14 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Bank overdraft	-	2,404
Lease liabilities (note 18)	333	342
Trade creditors	3,711	2,688
Contract liabilities (note 15)	513	762
Amounts owed to group undertakings	3,144	1,588
Corporation tax	172	-
Other taxation and social security	145	308
Other creditors	292	289
Accruals and deferred income	5,418	2,608
	<u>13,728</u>	<u>10,989</u>

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

15 Contract balances and unsatisfied performance obligations

(a) Contract balances

	2021 £000	2020 £000
Receivables (Trade debtors) which are included in Debtors (note 13)	7,199	3,510
Receivables (Accrued income) which are included in Debtors (note 13)	4,150	1,690
Contract assets (note 13)	287	287
Contract liabilities (note 14)	(513)	(762)

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

Notes (continued)

15 Contract balances and unsatisfied performance obligations (continued)

(a) Contract balances (continued)

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

Contract assets

	2021 £000	2020 £000
Balance at 1 January	287	1,456
Brought forward balance transferred to trade debtors	-	(1,456)
Conditional right to consideration at the year-end	-	287
	<hr/>	<hr/>
Balance at 31 December	287	287
	<hr/>	<hr/>

Contract liabilities

	2021 £000	2020 £000
Balance at 1 January	(762)	(446)
Brought forward balance recognised in turnover	762	446
Payments received/invoices raised in advance of recognising turnover at the year-end	(513)	(762)
	<hr/>	<hr/>
Balance at 31 December	(513)	(762)
	<hr/>	<hr/>

(b) Unsatisfied performance obligations

The aggregate amount of the transaction price (contracted turnover value) allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2021 totals £15,666,000 (2020: £15,412,000). The Company expects £15,168,000 to be satisfied in 2022 and £498,000 to be satisfied in 2023 (2020: £14,741,000 in 2021 and £671,000 in 2022).

Notes (continued)

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

	2021 £000	2020 £000
Tangible fixed assets	2,831	1,920
Intangible fixed assets	(182)	(206)
Other	137	37
	<hr/>	<hr/>
Net deferred tax asset	2,786	1,751
	<hr/>	<hr/>

Movement in deferred tax during the year

	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Tangible fixed assets	1,920	911	2,831
Intangible assets	(206)	24	(182)
Other	37	100	137
	<hr/>	<hr/>	<hr/>
	1,751	1,035	2,786
	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

	1 January 2020 £000	Recognised in income £000	31 December 2020 £000
Tangible fixed assets	1,184	736	1,920
Intangible assets	(230)	24	(206)
Other	58	(21)	37
	<hr/>	<hr/>	<hr/>
	1,012	739	1,751
	<hr/>	<hr/>	<hr/>

The deferred tax asset relates principally to capital allowances which have not been claimed because the Company has relieved its taxable profits against group relief received from other group companies. The deferred tax asset is forecast to be utilised against the future taxable profits of the Company or other group companies.

There are no unrecognised deferred tax assets or unprovided deferred tax liabilities.

Notes (continued)

17 Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Other creditors	225	10
Lease liabilities (note 18)	4,121	3,921
	<u>4,346</u>	<u>3,931</u>

18 Lease liabilities

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

	2021 £000	2020 £000
Within one year	333	342
Between one and two years	347	250
Between two and five years	1,099	804
After five years	2,675	2,867
	<u>4,454</u>	<u>4,263</u>

The Company's leases relate to land and buildings for office space, warehouse and yard facilities. The lease payments are fixed over their lease terms which extend over periods to 2035.

19 Capital and reserves

Share capital

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
5,200,200 (2020: 5,200,200) Ordinary shares of £1 each	<u>5,200</u>	<u>5,200</u>

Profit and loss account

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

20 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £491,000 (2020: £464,000).

Notes (continued)

21 Capital commitments

At the year ended 31 December 2021, the Company had contractual commitments to purchase property, plant and equipment for £259,000 (2020: £233,000).

22 Contingencies

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

The Company may also, from time to time, be subject to commercial or taxation claims or proceedings in the normal course of business, including in international jurisdictions in which the Company may operate. Liabilities are recognised for probable economic outflows. The directors believe, based on the information currently available to them, that the likelihood of a material economic outflow for unprovided amounts is remote.

23 Related parties

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

Related party	Relationship	Transactions	2021 £000	2020 £000
Proserv	Ultimate controlling party has an interest	Purchases	12	536
Probe Oil Tools Limited	Common control	Sales	2,179	1,219
Probe Oil Tools Limited	Common control	Purchases	36	-
Seatronics Limited	Common control	Purchases	29	30
UTEC Star Net Geomatics Limited	Common control	Purchases	-	25

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

Related party	Relationship	Transactions	2021 £000	2020 £000
Probe Oil Tools Ltd	Common control	Creditor	363	299
Seatronics Limited	Common control	Creditor	72	32

24 Group reorganisation in the prior year

On 1 October 2020 the trade and assets of a fellow group company, Conductor Installation Services Limited, were transferred to the Company for a total cash consideration of £490,000, as part of a group reorganisation.

The transaction has been accounted for as a common control transaction. The consideration paid reflected the book value of the net assets acquired:

	2020 £000
Tangible fixed assets	2,768
Lease right of use asset	2,587
Stock	72
Trade and other debtors	3,114
Contract costs	41
Corporation tax receivable	186
Bank overdraft	(5,233)
Trade and other creditors	(390)
Deferred tax liability	(40)
Lease liabilities	(2,615)
Consideration paid	490

Notes *(continued)*

25 Ultimate parent company and parent company of larger group

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

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

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

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

KKR & Co Inc's registered office address is c/o Maples Fiduciary Services (Delaware) Inc., 4001 Kennett Pike, Suite 302, County of New Castle, Wilmington, Delaware 19807, USA.