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**Large Diameter Drilling Limited**

Annual report and financial statements  
Registered number 06320039  
31 December 2021



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## Strategic report

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

### Principal activities

Large Diameter Drilling Limited (the “Company”) is part of the Engineering, Mooring and Foundations division of the 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

Large Diameter Drilling Limited specialises in offshore drilling and specialist marine construction. It designs, engineers, builds and operates pile-installation equipment to establish tubular foundations. The Company employs approximately 85 people in its base in Camborne. 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. Activities were affected by both operational and logistical delays with some customer activities being cancelled or postponed as a result.

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.

Turnover increased in the year to £25,520,000 (2020: £4,933,000) with a loss before taxation of £14,978,000 (2020: £379,000). The increase in turnover and loss in the year was partially a result of the Company entering into a significant contract to supply marine foundations for a liquified natural gas (LNG) terminal in the Philippines.

During the performance of this contract, a number of technical and operational challenges arose, not only as a result of unforeseen scoping changes, but also from delays caused by unseasonal, inclement weather and continuing Covid-19 pandemic restrictions. All of these factors had a significant cost impact in the performance and fulfilment of the contract within the agreed timeframe and pricing. This resulted in the decision to terminate the contract with a final settlement being agreed with the customer. The final contract loss of £12,499,000 has been presented as an exceptional item due to its incidence and size.

Excluding this exceptional contract, turnover in the year was £19,568,000 (2020: £4,933,000) with a loss before taxation of £2,479,000 (2020: £379,000). This remaining increase in activity compared to 2020, resulted from a general improvement in market activity following the start of Covid-19 restrictions being lifted, with the Company winning a number of windfarm foundation contracts. At the year end, the Company was at a very early stage in performing one of these contracts, which as a result, no gross margin was recognised on revenues earned in the year of £5,384,000. Profits are expected to be recognised in 2022 and 2023 on this contract as work further progresses.

### 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	(36.1%)	9.1%
Gross Margin % of pre- exceptional revenues	0%	9.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000)*	32	816
Net book value of tangible fixed assets (£000)	10,780	10,173
Average number of employees	87	54

\* Prior to certain costs totalling £468,000 (2020: £149,000) of a non-operating nature and before the exceptional contract loss of £12,499,000 (2020: £nil).

## 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 the broader energy transition;
- Lead times, availability and price 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, particularly lump sum contracts; 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 analysis 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

9 September 2022

## Directors' report

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

### Directors

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

Dr B Bruggaier  
N Dale

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.

### Proposed dividend

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

### 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.

### 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

9 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;
- 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 Large Diameter Drilling Limited**

### **Opinion**

We have audited the financial statements of Large Diameter Drilling 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 loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **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 Large Diameter Drilling 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 revenue recognised over time is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

We performed procedures including:

- Agreeing revenue accrued at year end to evidence of goods delivered or services performed in the year and re-performing, for a risk-based sample of fixed price contracts, the calculation of revenue recognised based on percentage of completion of costs, and comparing forecasts against contractual terms and correspondence with customers.
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included revenue and cash journals posted to unrelated accounts; and journals with specific 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, recognising the nature of the company's activities. 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.

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.

## **Independent auditor's report to the members of Large Diameter Drilling Limited**

*(continued)*

### **Strategic report and Directors' report *(continued)***

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](http://www.frc.org.uk/auditorsresponsibilities).

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

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



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

9 September 2022

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

	Note	Pre- exceptional items 2021 £000	Exceptional items 2021 £000	Total 2021 £000	Pre- exceptional items 2020 £000	Exceptional Items 2020 £000	Total 2020 £000
Turnover	2	19,568	5,952	25,520	4,933	-	4,933
Cost of sales		(19,485)	(15,249)	(34,734)	(4,485)	-	(4,485)
<b>Gross (loss)/profit</b>		<b>83</b>	<b>(9,297)</b>	<b>(9,214)</b>	<b>448</b>	<b>-</b>	<b>448</b>
Administrative expenses		(2,223)	(3,202)	(5,425)	(724)	-	(724)
<b>Operating loss</b>	3-5	<b>(2,140)</b>	<b>(12,499)</b>	<b>(14,639)</b>	<b>(276)</b>	<b>-</b>	<b>(276)</b>
Interest receivable and similar income	6	-	-	-	7	-	7
Interest payable and similar expenses	7	(339)	-	(339)	(110)	-	(110)
<b>Loss before taxation</b>		<b>(2,479)</b>	<b>(12,499)</b>	<b>(14,978)</b>	<b>(379)</b>	<b>-</b>	<b>(379)</b>
Tax on loss	8	722	2,375	3,097	(10)	-	(10)
<b>Loss for the financial year</b>		<b>(1,757)</b>	<b>(10,124)</b>	<b>(11,881)</b>	<b>(389)</b>	<b>-</b>	<b>(389)</b>
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>		<b>(1,757)</b>	<b>(10,124)</b>	<b>(11,881)</b>	<b>(389)</b>	<b>-</b>	<b>(389)</b>

All results relate to continuing activities.

**Balance Sheet**  
at 31 December 2021

	Note	2021	2020
		£000	£000
<b>Fixed assets</b>			
Intangible assets	9	135	1
Tangible assets	10	10,780	10,173
Right-of-use assets	11	693	676
Investments	12	269	269
		<u>11,877</u>	<u>11,119</u>
<b>Current assets</b>			
Stock	13	467	387
Contract costs	14	10,912	424
Debtors	15	16,333	2,743
Cash at bank and in hand		2,166	2
		<u>29,878</u>	<u>3,556</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(43,838)</u>	<u>(4,847)</u>
<b>Net current liabilities</b>		<u>(13,960)</u>	<u>(1,291)</u>
<b>Total assets less current liabilities</b>		<u>(2,083)</u>	<u>9,828</u>
<b>Creditors: amounts falling due after more than one year</b>	17	<u>(525)</u>	<u>(555)</u>
<b>Net (liabilities)/assets</b>		<u>(2,608)</u>	<u>9,273</u>
<b>Capital and reserves</b>			
Called up share capital	21		
Profit and loss account		(2,608)	9,273
<b>Shareholder's (deficit)/funds</b>		<u>(2,608)</u>	<u>9,273</u>

These financial statements were approved by the board of directors on behalf by:

9 September 2022 and were signed on its



**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	-	9,662	9,662
<b>Total comprehensive loss for the year</b>			
Loss for the year	-	(389)	(389)
<b>Balance at 31 December 2020</b>	<u>-</u>	<u>9,273</u>	<u>9,273</u>
	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	-	9,273	9,273
<b>Total comprehensive loss for the year</b>			
Loss for the year	-	(11,881)	(11,881)
<b>Balance at 31 December 2021</b>	<u>-</u>	<u>(2,608)</u>	<u>(2,608)</u>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Large Diameter Drilling Limited (the "Company") is a company incorporated and domiciled in England and Wales. The registered number is 06320039 and the registered address is Ferryside, Ferry Road, Norwich, NR1 1SW.

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

These financial statements were prepared in accordance with Financial Reporting Standard *101 Reduced Disclosure Framework ("FRS101")*. In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of UK-adopted International Accounting Standards ("Adopted IFRS") and applicable laws.

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.

The Company has also taken advantage of the available FRS 101 disclosure exemptions in relation to the following:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible and intangible 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 Adopted IFRS and are available to the public and may be obtained from Companies House, Cardiff, CF14 3UZ.

The consolidated financial statements of Acteon Group Limited include the disclosures required by IAS 36 *Impairment of assets*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurements* both relating to financial instruments. As a consequence, the Company has taken the 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.

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 2 – recognition of revenue from fixed-price contracts.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The Company's business activities and financial position, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report. Notwithstanding its net current liabilities at 31 December 2021 of £13,960,000, net liabilities of £2,608,000 and a loss for the year then ended of £11,881,000, these financial statements have been prepared on a going concern basis for the following reasons.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern (continued)

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 the going concern assessment 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's cash flow forecasts are dependent on the Company's parent undertaking, Acteon Group Limited ('the Group'), providing additional financial support during the forecast period, including not seeking repayment of amounts currently owed by the Company to fellow subsidiaries. The Company also participates in a group treasury arrangement. The Group has indicated its intention to continue to make available such funds as are needed by the Company and not to seek repayment of amounts due by the Company over the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue.

The going concern of the Company is also dependent upon the financial performance of the Group because it 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	15 years
Office equipment	3 years
Fixtures and fittings	5-10 years

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

#### 1.4 Intangible fixed assets

##### 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 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Intangible fixed assets (continued)

##### *Research and development (continued)*

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.

#### 1.5 Non-derivative financial instruments

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

##### *Investments*

Investments in subsidiaries are carried at cost less impairment.

##### *Trade and other debtors*

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

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

##### *Contract assets*

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

##### *Trade and other creditors*

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

#### 1.6 Stocks

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

In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### 1.7 Contract costs

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

##### *Costs of obtaining a contract*

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Contract costs (continued)

##### Costs to fulfil customer contracts

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

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

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

#### 1.8 Contract liabilities

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

#### 1.9 Classification of financial instruments issued by the company

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

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

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

#### 1.10 Turnover

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

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 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.

#### 1.11 Interest receivable and interest payable

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

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

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

#### 1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 Taxation (continued)

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

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

#### 1.13 Foreign currency

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

#### 1.14 Impairment

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

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

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

Impairment losses are recognised in profit or loss.

#### 1.15 Defined-contribution 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.

#### 1.16 Intra-group financial instruments

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

#### 1.17 Leasing

Following the adoption of IFRS 16 Leases from 1 January 2020 (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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.17 Leasing (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 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 note.

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

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

#### 1.18 Exceptional items

Exceptional items are those significant items which in the directors' judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Company's financial performance; such items are reflected separately within the profit and loss account under the caption to which they relate. Transactions which may give rise to material exceptional items include gains and losses on disposals, impairments of assets including goodwill, restructuring costs or provisions, litigation settlements, tax provisions, provisions for onerous contracts and acquisition and divestment costs.

**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
<b>Nature of turnover</b>		
Sale of goods	1,310	-
Rendering of services	24,210	4,933
	<u>25,520</u>	<u>4,933</u>
<b>Geographical markets</b>		
Europe	13,699	2,214
Africa	-	620
North America	23	-
South America	65	347
Asia and Asia Pacific	10,826	1,603
Middle East/Caspian	907	149
	<u>25,520</u>	<u>4,933</u>
<b>Timing of turnover recognition</b>		
Products and services recognised at a point in time	4,200	473
Products and services recognised over time	21,320	4,460
	<u>25,520</u>	<u>4,933</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.

*Critical estimates relating to revenue*

The Company may enter into fixed-price long-term contracts that remain in progress at the year-end for which estimates are required to be made for contract revenue and cost recognition. These contract revenues and costs are affected by uncertainties that depend on the outcome of future events. At the end of each reporting period the Company is required to estimate costs to complete on fixed-price contracts based on the work to be performed after the reporting date, which may span more than one reporting period. This involves an objective evaluation of project progress against the delivery schedule, evaluation of the work to be performed and the associated costs to fully deliver the contract to the customer, and contingencies. These estimates are affected by a variety of uncertainties that depend on the outcome of future events, and therefore require regular evaluation.

The directors assess the value of a contract's revenue at each reporting date, including an estimation for variation orders and any deduction for liquidated damages. The value of revenue is estimated on the basis that it is highly probable that a significant reversal in the amount of cumulative revenue recognised to date will not occur. The assessment is based on discussions with the customer and a range of other factors, including contractual entitlement, prior experience of the customer and of similar contracts with other customers. At the year-end, the Company had one such individually material contract in progress which required estimation in respect of contract costs to complete and variable revenue as a result of contract variations being in progress. Revised contractual terms are expected to be agreed with the customer in 2022.

**Notes (continued)**

**3 Expenses, auditor's remuneration and exceptional items**

*Included in operating loss are the following:*

	2021 £000	2020 £000
Depreciation and other amounts written off tangible fixed assets - owned	1,462	808
Depreciation and other amounts written off right-of-use assets under IFRS 16	188	135
Amortisation of intangible assets - owned	54	-
	<u>          </u>	<u>          </u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	60	13
	<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.

**Exceptional items**

**Trading activity**

During the year, the Company entered into a significant contract to supply marine foundations for a liquified natural gas (LNG) terminal in the Philippines. During the performance of this contract, a number of technical and operational challenges arose, not only as a result of unforeseen scoping changes, but also from delays caused by unseasonal, inclement weather and continuing Covid-19 pandemic restrictions. All of these factors had a significant cost impact in the performance and fulfilment of the contract within the agreed timeframe and pricing. This resulted in the decision to terminate the contract with a final settlement being agreed with the customer. The impact this had on the Company's performance in the year is as detailed below. There is no remaining estimation required for the revenue or costs presented. The loss is disclosed as exceptional because of its size and incidence.

	2021 £000	2020 £000
Revenue	5,952	-
Cost of sales	(15,249)	-
	<u>          </u>	<u>          </u>
Gross loss	(9,297)	-
Administrative expenses – bad debt written off	(3,202)	-
	<u>          </u>	<u>          </u>
Exceptional loss in the year	(12,499)	-
	<u>          </u>	<u>          </u>

**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	2	2
Technical and administration	85	52
	<u>          </u>	<u>          </u>
	87	54
	<u>          </u>	<u>          </u>

**Notes (continued)**

**4 Staff numbers and costs (continued)**

	2021 £000	2020 £000
Wages and salaries	4,607	1,913
Social security costs	452	241
Contributions to defined contribution plans (note 23)	168	97
	<u>5,227</u>	<u>2,251</u>

During the year the Company received income from the UK and Irish Government job retention schemes in relation to the Covid-19 pandemic of £27,000 (2020: £93,000). This has been recognised in the profit and loss account as a reduction to administrative expenses.

**5 Directors' remuneration**

	2021 £000	2020 £000
Directors' remuneration	137	38
Company contributions to money purchase pension plans	7	2
	<u>144</u>	<u>40</u>

**Number of directors**

Retirement benefits are accruing to the following number of directors under Money purchase schemes

<u>1</u>	<u>1</u>
----------	----------

No emoluments were paid to one of the directors who served during the year. The director also holds office in other group undertakings. Emoluments paid to the director for services to other group companies are disclosed within those financial statements. The element associated with the Company is not separately identifiable.

**6 Interest receivable and similar income**

	2021 £000	2020 £000
Bank interest receivable	-	7
Total interest receivable and similar income	<u>-</u>	<u>7</u>

**7 Interest payable and similar expenses**

	2021 £000	2020 £000
Net foreign exchange losses	104	64
Interest payable on bank borrowings	208	22
Interest on lease liabilities under IFRS 16	26	24
Interest payable to group undertakings	1	-
Total interest payable and similar expenses	<u>339</u>	<u>110</u>

**Notes (continued)**

**8 Taxation**

**Recognised in the profit and loss account**

	2021	2020
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	(2,071)	50
Adjustments in respect of prior years	(27)	323
	<u>(2,098)</u>	<u>373</u>
<i>Foreign tax</i>		
Foreign tax on income for the year	77	30
Adjustments in respect of prior years	(8)	-
	<u>69</u>	<u>30</u>
Total current tax	<u>(2,029)</u>	<u>403</u>
<i>Deferred tax (note 20)</i>		
Origination and reversal of temporary differences	(790)	(152)
Adjustments in respect of prior years	48	(241)
Effect of change in tax rate	(326)	-
Total deferred tax	<u>(1,068)</u>	<u>(393)</u>
Tax on loss	<u>(3,097)</u>	<u>10</u>

**Reconciliation of effective tax rate**

	2021	2020
	£000	£000
Loss for the year	(11,881)	(389)
Total tax (credit)/charge	(3,097)	10
Loss excluding taxation	<u>(14,978)</u>	<u>(379)</u>
Tax using the UK corporation tax rate of 19% (2020: 19%)	(2,846)	(72)
Change in corporation tax rate	(326)	-
Foreign tax expensed	62	-
Adjustments in respect of prior years	13	82
Tax on loss	<u>(3,097)</u>	<u>10</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 has therefore now been measured using a rate of 25%.

**Exceptional tax credit**

As a result of the loss from the exceptional trading activity as disclosed in note 3, an exceptional tax credit has been recognised in the year of £2,375,000 (2020: £nil) and included in the overall tax on loss amounts disclosed above.

**Notes (continued)**

**9 Intangible assets**

	<b>Development costs £000</b>	<b>Software £000</b>	<b>Total £000</b>
<b>Cost</b>			
Balance at 1 January 2021	-	99	99
Additions	185	3	188
At 31 December 2021	<u>185</u>	<u>102</u>	<u>287</u>
<b>Amortisation</b>			
Balance at 1 January 2021	-	98	98
Amortisation for the year	52	2	54
At 31 December 2021	<u>52</u>	<u>100</u>	<u>152</u>
<b>Net book value</b>			
At 1 January 2021	-	1	1
At 31 December 2021	<u>133</u>	<u>2</u>	<u>135</u>

**10 Tangible fixed assets**

	<b>Plant &amp; machinery, fixtures &amp; fittings £000</b>	<b>Assets under construction £000</b>	<b>Total £000</b>
<b>Cost</b>			
Balance at 1 January 2021	16,082	363	16,445
Additions	696	1,490	2,186
Disposals	(143)	-	(143)
Transfers from Assets under construction	1,490	(1,490)	-
At 31 December 2021	<u>18,125</u>	<u>363</u>	<u>18,488</u>
<b>Depreciation</b>			
Balance at 1 January 2021	6,272	-	6,272
Depreciation charge for the year	1,462	-	1,462
Disposals	(26)	-	(26)
At 31 December 2021	<u>7,708</u>	<u>-</u>	<u>7,708</u>
<b>Net book value</b>			
At 1 January 2021	9,810	363	10,173
At 31 December 2021	<u>10,417</u>	<u>363</u>	<u>10,780</u>

Depreciation is provided on assets in the course of construction from the date they are brought into use.

**Notes (continued)**

**11 Right-of-use assets**

	Short Leasehold land and buildings £000	Plant, equipment, fixtures and fittings £000	Total £000
<b>Cost or deemed cost</b>			
Balance at 1 January 2021	943	3	946
Additions	53	-	53
Movement from modifications of existing lease liabilities	152	-	152
<b>Balance at 31 December 2021</b>	<u>1,148</u>	<u>3</u>	<u>1,151</u>
<b>Depreciation</b>			
Balance at 1 January 2021	269	1	270
Depreciation for the year	187	1	188
<b>Balance at 31 December 2021</b>	<u>456</u>	<u>2</u>	<u>458</u>
<b>Carrying amounts</b>			
At 1 January 2021	<u>674</u>	<u>2</u>	<u>676</u>
<b>At 31 December 2021</b>	<u>692</u>	<u>1</u>	<u>693</u>

**12 Fixed asset investments**

	Shares in group undertakings £000
<b>Cost and net book value</b>	
At beginning and end of year	<u>269</u>

The Company has the following investments in subsidiaries:

	Class of shares held	Registered address	Ownership	
			2021	2020
LDD Australia Pty Ltd	Ordinary share capital	Level 8, 1008 Hay Street, Perth, WA 6000, Australia	100%	100%

**Notes (continued)**

**13 Stocks**

	2021 £000	2020 £000
Finished goods	467	387

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £374,000 (2020: £1,424,000).

**14 Contract costs**

	2021 £000	2020 £000
Costs to fulfil a contract	10,912	424

The charge in the year to cost of sales relating to contract costs totalled £424,000 (2020: £201,000).

**15 Debtors**

	2021 £000	2020 £000
Trade debtors	8,167	1,255
Contract assets (note 18)	813	25
Amounts owed by group undertakings	5,039	563
Other debtors	864	541
Deferred tax (note 20)	1,274	206
Prepayments	176	153
	<u>16,333</u>	<u>2,743</u>

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

**16 Creditors: amounts falling due within one year**

	2021 £000	2020 £000
Bank overdraft	3,745	2,334
Lease liabilities (note 19)	195	135
Trade creditors	6,462	626
Contract liabilities (note 18)	466	98
Amounts owed to group undertakings	12,725	616
Other taxation and social security	302	130
Accruals	19,943	908
	<u>43,838</u>	<u>4,847</u>

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

**Notes (continued)**

**17 Creditors: amounts falling due after more than one year**

	2021 £000	2020 £000
Lease liabilities (note 19)	515	545
Other creditors	10	10
	<u>525</u>	<u>555</u>

**18 Contract balances and unsatisfied performance obligations.**

**(a) Contract balances**

	2021 £000	2020 £000
Receivables (Trade debtors) which are included in Debtors (note 15)	8,167	1,255
Contract assets	813	25
Contract liabilities	(466)	(98)
	<u>8,514</u>	<u>1,182</u>

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

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

**Contract assets**

	2021 £000	2020 £000
Balance at 1 January	25	135
Brought forward balance transferred to trade debtors	(25)	(135)
Conditional right to consideration at the year-end	813	25
	<u>813</u>	<u>25</u>
<b>Balance at 31 December</b>	<u>813</u>	<u>25</u>

**Contract liabilities**

	2021 £000	2020 £000
Balance at 1 January	98	189
Brought forward balance recognised as turnover	(98)	(189)
Payments received/invoices raised in advance of recognising turnover at the year-end	466	98
	<u>466</u>	<u>98</u>
<b>Balance at 31 December</b>	<u>466</u>	<u>98</u>

**Notes** *(continued)*

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

**(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 £20,705,000 (2020: £8,953,000). The Company expects £8,509,000 to be satisfied in 2022 and £12,196,000 in 2023 (2020: £8,953,000 in 2021).

**19 Lease liabilities**

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

	2021 £000	2020 £000
Within one year	195	135
Between one and two years	190	139
Between two and five years	325	406
	<u>710</u>	<u>680</u>

The majority of the Company's leases relate to land and buildings for office space.

**20 Deferred tax assets and liabilities**

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2021 £000	2020 £000	2021 £000	2020 £000
Tangible fixed assets	(741)	(339)	-	-
Other	(533)	(2)	-	135
Tax (assets)/liabilities	<u>(1,274)</u>	<u>(341)</u>	<u>-</u>	<u>135</u>
Net deferred tax (assets)			<u>(1,274)</u>	<u>(206)</u>

**Notes (continued)**

**20 Deferred tax assets and liabilities (continued)**

*Movement in deferred tax during the year*

	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Tangible fixed assets	(339)	(402)	(741)
Other	133	(666)	(533)
	<u>(206)</u>	<u>(1,068)</u>	<u>(1,274)</u>

*Movement in deferred tax during the prior year*

	1 January 2020 £000	Recognised in income £000	Transfer of business £000	31 December 2020 £000
Tangible fixed assets	89	(479)	51	(339)
Other	47	86	-	133
	<u>136</u>	<u>(393)</u>	<u>51</u>	<u>(206)</u>

**21 Capital and reserves**

**Share capital**

	2021 £	2020 £
<i>Allotted, called up and fully paid</i> 100 (2020: 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

**Profit and loss account**

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

**22 Capital commitments**

As at the year ended 31 December 2021, the Company had capital commitments outstanding of £nil (2020: £975,000).

**23 Defined contribution plans**

The Company operates a defined contribution-pension plan. The total expense relating to this plan in the current year was £168,000 (2020: £97,000).

**Notes (continued)**

**24 Contingent liabilities**

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

**25 Related parties**

*Balanus Assets Limited*

The Company had transactions with Balanus Assets Limited, an entity associated by a common shareholder.

Rent charged by Balanus Assets Limited amounted to £187,000 (2020: £154,000). The amount owed to Balanus Assets Limited at the year-end was £86,000 (2020: £ nil).

*Other related party transactions*

During the year the Company also traded with certain other related parties in the ordinary course of business. The sales to and purchases from those related parties were as follows:

Related party	Relationship	Transactions	2021 £000	2020 £000
TerraSond Limited	Common control	Purchases	2	-
UTEK Geomarine Limited	Common control	Sales	-	3
		Purchases	-	21
UTEK Star Net Geomatics Limited	Common control	Purchases	-	48
UTEK Survey Asia Pte Ltd	Common control	Purchases	401	-
UTEK NCS Survey Limited	Common control	Purchases	103	8
Probe Oil Tools Limited	Common control	Purchases	746	-
J2 Subsea Limited	Common control	Purchases	7	-
Seatronics Limited	Common control	Purchases	13	-
Seatronics Pte Ltd	Common control	Purchases	58	-

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

Related party	Relationship	Balances	2021 £000	2020 £000
UTEK NCS Survey Limited	Common control	Debtor	7	-
		Creditor	-	10
Probe Oil Tools Limited	Common control	Creditor	20	-
Seatronics Pte Ltd	Common control	Creditor	24	-

**26 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.