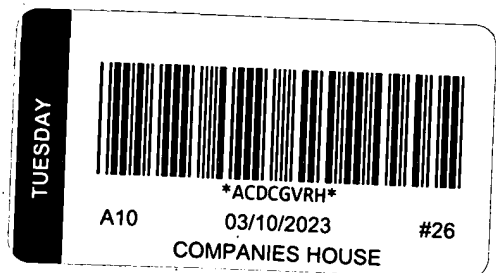


**Large Diameter Drilling Limited**

**Annual report and financial statements**

Registered number 06320039

31 December 2022



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## Strategic report

The director presents his Strategic report for the year ended 31 December 2022.

### 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. Its 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 105 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

2022 was another operationally challenging year for the Company, however with a landscape of a generally increasing oil price it should help the Company’s return to earnings growth in its underlying business (before exceptional activities) in future years, and it enters 2023 with a solid pipeline of work for 2023 and 2024 delivery. Additionally, the wider Acteon group continued its efforts to further consolidate and introduce a more simplified divisional organisational structure, resulting in further cost synergies. This will continue to have a positive impact on the Company’s results into 2023 and beyond.

Overall turnover in the year, including exceptional contract activity, increased to £41,640,000 (2021: £25,520,000) with a loss before taxation of £4,804,000 (2021: £14,978,000).

#### *Exceptional contract activity*

In the current year the company continued to perform a contract to design, manufacture, supply and operate a market-first foundation drilling rig for an offshore windfarm project in Europe. As a result of customer specification changes, coupled with design challenges due to the ground-breaking technology involved, expected estimated costs to fulfil the contract escalated leading to a renegotiated contract on a more reimbursable and day rate nature being agreed with the customer, therefore significantly reducing the risk of it becoming a loss-making contract. This contract is currently on-going at the year-end with completion not anticipated until late 2024 at the earliest. At the current time, there is a considerable amount of the contract still to be performed and an overall break-even position has been forecast. No profit or loss from operating activities has therefore been recognised for this contract in the year. Whilst the outcome of the contract is subject to forecasting risk and uncertainty, principally the volume of reimbursable work offshore, the possible profits or losses are not expected to be materially different from this position.

During the previous 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 leading to a total contract loss before taxation of £12,499,000 being recognised.

Both of these contracts on the Company’s performance in the current and prior year are presented as exceptional items because of their size and incidence.

Excluding these exceptional contracts, turnover in the year was £16,368,000 (2021: £19,568,000) with a loss before taxation of £4,804,000 (2021: £2,479,000). This fall in underlying activity and profitability reflected the Company’s focus and resourcing required to monitor and perform the significant on-going foundation drilling rig contract in the year (described above). There was also an impairment on equipment in the year, as detailed in note 9, charged to the profit and loss account of £1,021,000 (2021: £nil).

## Strategic report *(continued)*

### 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).

	2022	2021
Gross Margin % of revenues	(2.9)%	(36.1)%
Gross Margin % of pre-exceptional revenues	(7.5)%	0%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000)*	(35)	32
Net book value of tangible fixed assets (£000)	8,602	10,780
Average number of employees	105	87

\* Prior to the impact of impairment charges on tangible fixed assets of £1,021,000 (2021: £nil), certain costs totalling £1,002,000 (2021: £468,000) of a non-operating nature and before the exceptional contract loss of £nil (2021: £12,499,000).

### Principal risks and uncertainties

The director has 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 director believes 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 political unrest caused by the current conflict in Ukraine continues to create short- to medium-term uncertainties to businesses worldwide. This creates a risk that current and prospective clients may delay the timing of their investment programmes which, in turn, might adversely impact the Company's operations across that time horizon. Risk may also still exist in the Company's ability to execute certain projects, depending on their nature and location.

In response, during the past twelve months the Company (and the wider Acteon group) has continued to undertake 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 opportunities, especially with customer demand starting to return in 2022 which is expected to continue and accelerate into 2023 and beyond. 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) intends to continue its main focus in the oil and gas sector which support the integrity and maintenance of existing infrastructure, including decommissioning of aged assets, in addition to its efforts to further penetrate the offshore renewables and near-shore construction sectors.

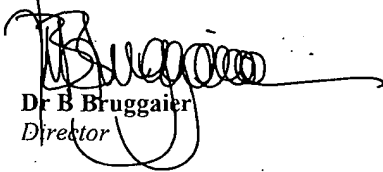
**Strategic report** *(continued)*

**Future developments** *(continued)*

With planned investment into the wider Acteon group's fixed asset base and workforce to augment and develop its capabilities, means that the Acteon group (including the Company) remains well positioned for future growth and to continue its drive to support the energy transition.

The director therefore believes the Company remains well placed to build on its current position and accordingly he has 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

25 September 2023

## Director's report

The director presents his report for the year ended 31 December 2022.

### 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 (resigned 6 February 2023)

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 director does not recommend the payment of a dividend (2021: £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.

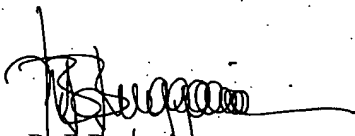
### Disclosure of information to auditor

The director who held office at the date of approval of this Director's report confirm that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the director has taken all the steps that he 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

25 September 2023

## **Statement of director's responsibilities in respect of the Strategic report, the Director's report and the financial statements**

The director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has 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 director must not approve the financial statements unless he is 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 director is 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 he either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is responsible for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to him 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 2022 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 2022 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 director has prepared the financial statements on the going concern basis as he does not intend to liquidate the company or to cease their operations, and he has concluded that the company's financial position means that this is realistic. He has also concluded that there are no material uncertainties that could have cast significant doubt over its 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 director's 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 director's 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 director's 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 Director's report**

The director is responsible for the Strategic report and the Director's 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 Director's 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 Director's report *(continued)***

Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Director's 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.

### **Director's responsibilities**

As explained more fully in their statement set out on page 5, the director is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as he determines 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 he either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

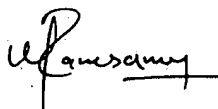
### **Auditor's responsibilities**

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.



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

28 September 2023

**Profit and Loss Account and Other Comprehensive Income**  
*for year ended 31 December 2022*

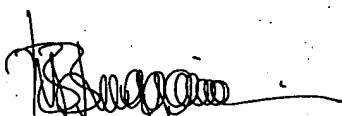
	Note	Pre- exceptional items 2022 £000	Exceptional items 2022 £000	Total 2022 £000	Pre- exceptional items 2021 £000	Exceptional Items 2021 £000	Total 2021 £000
Turnover	2	16,368	25,272	41,640	19,568	5,952	25,520
Cost of sales		(17,590)	(25,272)	(42,862)	(19,485)	(15,249)	(34,734)
<b>Gross (loss)/profit</b>		<b>(1,222)</b>	<b>-</b>	<b>(1,222)</b>	<b>83</b>	<b>(9,297)</b>	<b>(9,214)</b>
Administrative expenses		(2,891)	-	(2,891)	(2,223)	(3,202)	(5,425)
<b>Operating loss</b>	3-5	<b>(4,113)</b>	<b>-</b>	<b>(4,113)</b>	<b>(2,140)</b>	<b>(12,499)</b>	<b>(14,639)</b>
Interest payable and similar expenses	6	(691)	-	(691)	(339)	-	(339)
<b>Loss before taxation</b>		<b>(4,804)</b>	<b>-</b>	<b>(4,804)</b>	<b>(2,479)</b>	<b>(12,499)</b>	<b>(14,978)</b>
Tax credit on loss	7	1,196	-	1,196	722	2,375	3,097
<b>Loss for the financial year</b>		<b>(3,608)</b>	<b>-</b>	<b>(3,608)</b>	<b>(1,757)</b>	<b>(10,124)</b>	<b>(11,881)</b>
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>		<b>(3,608)</b>	<b>-</b>	<b>(3,608)</b>	<b>(1,757)</b>	<b>(10,124)</b>	<b>(11,881)</b>

All results relate to continuing activities.

**Balance Sheet**  
*at 31 December 2022*

	Note	2022	2021
		£000	£000
<b>Fixed assets</b>			
Intangible assets	8	78	135
Tangible assets	9	8,602	10,780
Right-of-use assets	10	505	693
Investments	11	269	269
		<u>9,454</u>	<u>11,877</u>
<b>Current assets</b>			
Stock	12	530	467
Contract costs	13	5,980	10,912
Debtors	14	16,890	16,333
Cash at bank and in hand		387	2,166
		<u>23,787</u>	<u>29,878</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(39,121)</u>	<u>(43,838)</u>
<b>Net current liabilities</b>		<u>(15,334)</u>	<u>(13,960)</u>
<b>Total assets less current liabilities</b>		<u>(5,880)</u>	<u>(2,083)</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(336)</u>	<u>(525)</u>
<b>Net liabilities</b>		<u><u>(6,216)</u></u>	<u><u>(2,608)</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	-	-
Profit and loss account		(6,216)	(2,608)
<b>Shareholder's deficit</b>		<u><u>(6,216)</u></u>	<u><u>(2,608)</u></u>

These financial statements were approved by the board of directors on behalf by: 25 September 2023 and were signed on its

  
Dr B Bruggaler  
Director

## Statement of Changes in Equity

	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>
	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	-	(2,608)	(2,608)
<b>Total comprehensive loss for the year</b> Loss for the year	-	(3,608)	(3,608)
<b>Balance at 31 December 2022</b>	<u>-</u>	<u>(6,216)</u>	<u>(6,216)</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*, and 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 long-term contracts that remain in progress at the year-end.

#### 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 2022 of £15,334,000 (2021: £13,960,000), net liabilities of £6,216,000 (2021: £2,608,000) and a loss for the year then ended of £3,608,000 (2021: £11,881,000), these financial statements have been prepared on a going concern basis for the following reasons.

The political unrest caused by the current conflict in Ukraine continues to create short to medium-term uncertainty for businesses worldwide. This could lead to the risk that current and prospective clients may delay the timing of their investment programmes which, in turn, might adversely impact the Company's overall operations across that time horizon.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern (continued)

In response during the past twelve months, the Company, along with the wider Acteon group, has continued to undertake appropriate actions to optimise trading performance, protect margins, overall profitability and cash flow whilst seeking to retain key capabilities and skills so they can take advantage and capitalise on opportunities, especially with customer demand starting to return in 2022, which is expected to continue into 2023 and beyond.

The director has 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 significant but plausible risks to the current trading environment, indicates the Company will have sufficient cash to meet its liabilities as they fall due during that period. Significant 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 2022 the Group had a fully drawn secured bank loan facility of £283 million with the first debt maturity in November 2024. As of 31 August 2023, the Group had £20 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 first maturity date on the secured bank borrowings at the current year-end is within two years, and the Group is looking therefore to undertake a refinancing exercise for both new equity and debt funding. This is expected to commence later in 2023 and concluded before any maturity dates crystallise.

The Group has prepared forecast cash flows to 30 September 2024 which reflects the economic uncertainty described above. On the basis of the forecast cash flow information within the Group's projections, and taking into account significant but plausible downsides, the director considers that the Group will continue to operate with sufficient liquidity and comply with its bank loan financial covenants. The significant but plausible downside cash flows modelled reflect increases in interest rates and further deferrals or reductions in the Group's customer revenues across the forecast period.

Based on the forecasts and evaluation thereof, the director believes that it is appropriate to prepare the Company's financial statements on a going concern basis and is 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Intangible fixed assets (continued)

##### *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 the development, future economic benefits are probable, and 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 product or process. 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Contract costs (continued)

##### *Costs of obtaining a contract (continued)*

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

##### *Costs to fulfil customer contracts*

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

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

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

#### 1.8 Contract liabilities

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

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

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

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

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

#### 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.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.10 Turnover** *(continued)*

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

##### ***Sale of goods***

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

##### ***Rendering of services***

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

##### ***Mobilisation and demobilisation services***

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

##### ***Contracts with a significant financing component***

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

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

#### **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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 Taxation (continued)

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

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

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

#### 1.13 Foreign currency

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

#### 1.14 Impairment

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

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

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

Impairment losses are recognised in profit or loss.

#### 1.15 Defined-contribution 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 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.

## 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 director's 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.

	2022 £000	2021 £000
<b>Nature of turnover</b>		
Sale of goods	719	1,310
Rendering of services	40,921	24,210
	<u>41,640</u>	<u>25,520</u>
<b>Geographical markets</b>		
Europe	30,726	13,699
Africa	1,984	-
North America	4	23
South America	-	65
Asia and Asia Pacific	8,554	10,826
Middle East/Caspian	372	907
	<u>41,640</u>	<u>25,520</u>
<b>Timing of turnover recognition</b>		
Products and services recognised at a point in time	5,602	4,200
Products and services recognised over time	36,038	21,320
	<u>41,640</u>	<u>25,520</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 director assesses 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 potential contract variations. The majority of revenue, following contract negotiations made during the year, is now on a reimbursable/day rate basis, therefore reducing the forecasting risk, although the duration of reimbursable work for offshore installation is uncertain and required judgement. As detailed in note 3, trading activity in the year relating to this contract has been disclosed as exceptional.

**Notes** *(continued)*

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

*Included in operating loss are the following:*

	2022 £000	2021 £000
Depreciation and other amounts written off tangible fixed assets - owned	1,810	1,462
Depreciation and other amounts written off right-of-use assets under IFRS 16	188	188
Amortisation of intangible assets - owned	57	54
Impairment of tangible fixed assets <i>(note 9)</i>	1,021	-
	<hr/>	<hr/>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	84	60
	<hr/>	<hr/>

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**

In the current year, the Company continued with a significant contract to design, manufacture, supply and operate a market-first foundation drilling rig for an offshore windfarm project in Europe. As a result of customer specification changes, coupled with design challenges due to the ground-breaking technology involved, expected estimated costs to fulfil the contract escalated leading to the contract being renegotiated and agreed with the customer on a more reimbursable and day rate basis, therefore significantly reducing the risk of it becoming a loss-making contract. This contract is currently on-going at the year-end with completion not anticipated until late 2024 at the earliest. At the current time, there is a considerable amount of the contract still to be performed, and an overall break-even position has been forecast. No profit or loss from operating activities has therefore been recognised for this contract in the year. Whilst the outcome of the contract is subject to forecasting risk and uncertainty, principally the value of reimbursable work offshore, the possible profits or losses are not expected to be materially different from this position.

During the previous 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 of both these contracts on the Company's performance in the current and prior year is as detailed below. The results are disclosed as exceptional because of their size and incidence.

	2022 £000	2021 £000
Revenue	25,272	5,952
Cost of sales	(25,272)	(15,249)
	<hr/>	<hr/>
Gross loss	-	(9,297)
Administrative expenses – bad debt written off	-	(3,202)
	<hr/>	<hr/>
Exceptional loss in the year	-	(12,499)
	<hr/>	<hr/>

**Notes (continued)**

**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	
	2022	2021
Directors	2	2
Technical and administration	103	85
	<u>105</u>	<u>87</u>
	2022	2021
	£000	£000
Wages and salaries	5,457	4,607
Social security costs	602	452
Contributions to defined contribution plans (note 21)	210	168
	<u>6,269</u>	<u>5,227</u>

During the prior year the Company received income from the UK and Irish Government job retention schemes in relation to the Covid-19 pandemic of £27,000. This was recognised in the profit and loss account as a reduction to administrative expenses. No such income was received in the current year.

**5 Directors' remuneration**

	2022	2021
	£000	£000
Directors' remuneration	143	137
Company contributions to money purchase pension plans	8	7
	<u>151</u>	<u>144</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 payable and similar expenses**

	2022	2021
	£000	£000
Net foreign exchange losses	331	104
Interest payable on bank borrowings	36	208
Interest on lease liabilities under IFRS 16	21	26
Interest payable to group undertakings	303	1
Total interest payable and similar expenses	<u>691</u>	<u>339</u>

**Notes (continued)**

**7 Taxation**

**Recognised in the profit and loss account**

	2022	2021
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	(377)	(2,071)
Adjustments in respect of prior years	809	(27)
	<u>432</u>	<u>(2,098)</u>
<i>Foreign tax</i>		
Foreign tax on income for the year	92	77
Adjustments in respect of prior years	-	(8)
	<u>92</u>	<u>69</u>
Total current tax	<u>524</u>	<u>(2,029)</u>
<i>Deferred tax (note 19)</i>		
Origination and reversal of temporary differences	(721)	(790)
Adjustments in respect of prior years	(999)	48
Effect of change in tax rate		(326)
Total deferred tax	<u>(1,720)</u>	<u>(1,068)</u>
Tax credit on loss	<u>(1,196)</u>	<u>(3,097)</u>

**Reconciliation of effective tax rate**

	2022	2021
	£000	£000
Loss for the year	(3,608)	(11,881)
Total tax credit	(1,196)	(3,097)
Loss excluding taxation	<u>(4,804)</u>	<u>(14,978)</u>
Tax using the UK corporation tax rate of 19% (2021: 19%)	(913)	(2,846)
Non-taxable transactions	(185)	-
Change in corporation tax rate	-	(326)
Foreign tax expensed	92	62
Adjustments in respect of prior years	(190)	13
Tax credit on loss	<u>(1,196)</u>	<u>(3,097)</u>

In the 3 March 2021 Budget it was announced that the UK corporation tax rate will increase from 19% to 25% from 1 April 2023. The UK deferred tax balance as at 31 December 2021 and 31 December 2022 has therefore been measured using a rate of 25%.

**Exceptional tax credit**

In the prior year, as a result of the loss from the exceptional trading activity as disclosed in note 3, an exceptional tax credit was recognised in the year of £2,375,000 and included in the overall tax on loss amounts disclosed above. No similar credit has been recognised in the current year.

**Notes (continued)**

**8 Intangible assets**

	Development costs £000	Software £000	Total £000
<b>Cost</b>			
At 1 January and 31 December 2022	185	102	287
<b>Amortisation</b>			
At 1 January 2022	52	100	152
Amortisation for the year	57	-	57
At 31 December 2022	109	100	209
<b>Net book value</b>			
At 1 January 2022	133	2	135
At 31 December 2022	76	2	78

**9 Tangible fixed assets**

	Plant & machinery, fixtures & fittings £000	Assets under construction £000	Total £000
<b>Cost</b>			
At 1 January 2022	18,125	363	18,488
Additions	564	89	653
Transfers from Assets under construction	302	(302)	-
At 31 December 2022	18,991	150	19,141
<b>Depreciation</b>			
At 1 January 2022	7,708	-	7,708
Depreciation charge for the year	1,810	-	1,810
Impairment charge recognised in year	1,021	-	1,021
At 31 December 2022	10,539	-	10,539
<b>Net book value</b>			
At 1 January 2022	10,417	363	10,780
At 31 December 2022	8,452	150	8,602

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

During the year an impairment charge of £1,021,000 (2021: £nil) was recognised against a specific asset as a result of damage incurred during previous operations. As a result of current market conditions the future usage of this equipment remains uncertain, therefore at the year-end the Company had not committed to make the necessary refurbishment repairs required.

Notes (continued)

10 Right-of-use assets

	Short Leasehold land and buildings £000	Plant, equipment, fixtures and fittings £000	Total £000
<b>Cost or deemed cost</b>			
At 1 January and 31 December 2022	1,148	3	1,151
<b>Depreciation</b>			
At 1 January 2022	456	2	458
Depreciation for the year	187	1	188
At 31 December 2022	643	3	646
<b>Carrying amounts</b>			
At 1 January 2022	692	1	693
At 31 December 2022	505	-	505

11 Fixed asset investments

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

The Company has the following investments in subsidiaries:

	Class of shares held	Registered address	Ownership 2022	Ownership 2021
LDD Australia Pty Ltd	Ordinary share capital	Level 8, 1008 Hay Street, Perth, WA 6000, Australia	100%	100%

**Notes (continued)**

**12 Stocks**

	2022 £000	2021 £000
Finished goods	530	467

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £729,000 (2021: £374,000).

**13 Contract costs**

	2022 £000	2021 £000
Costs to fulfil a contract	5,980	10,912

The charge in the year to cost of sales relating to contract costs totalled £22,979,000 (2021: £424,000).

**14 Debtors**

	2022 £000	2021 £000
Trade debtors	2,848	8,167
Contract assets (note 17)	6,053	813
Amounts owed by group undertakings	3,697	5,039
Other debtors	1,154	864
Deferred tax (note 19)	2,994	1,274
Prepayments	144	176
	16,890	16,333

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

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

	2022 £000	2021 £000
Bank overdraft	2,204	3,745
Lease liabilities (note 18)	189	195
Trade creditors	4,679	6,462
Contract liabilities (note 17)	-	466
Amounts owed to group undertakings	22,781	12,725
Other taxation and social security	455	302
Accruals	8,813	19,943
	39,121	43,838

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

**Notes** *(continued)*

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

	2022 £000	2021 £000
Lease liabilities ( <i>note 18</i> )	326	515
Other creditors	10	10
	<u>336</u>	<u>525</u>

**17 Contract balances and unsatisfied performance obligations**

**(a) Contract balances**

	2022 £000	2021 £000
Receivables (Trade debtors) which are included in Debtors ( <i>note 14</i> )	2,848	8,167
Contract assets	6,053	813
Contract liabilities	-	(466)
	<u>6,053</u>	<u>8,514</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**

	2022 £000	2021 £000
Balance at 1 January	813	25
Brought forward balance transferred to trade debtors	(813)	(25)
Conditional right to consideration at the year-end	6,053	813
	<u>6,053</u>	<u>813</u>
<b>Balance at 31 December</b>	<u>6,053</u>	<u>813</u>

**Contract liabilities**

	2022 £000	2021 £000
Balance at 1 January	466	98
Brought forward balance recognised as turnover	(466)	(98)
Payments received/invoices raised in advance of recognising turnover at the year-end	-	466
	<u>-</u>	<u>466</u>
<b>Balance at 31 December</b>	<u>-</u>	<u>466</u>

**Notes** *(continued)*

**17 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 2022 totals £65,620,000 (2021: £20,705,000). The Company expects £51,720,000 to be satisfied in 2023 and £13,900,000 in 2024 (2021: £8,509,000 in 2022 and £12,196,000 in 2023).

**18 Lease liabilities**

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

	2022 £000	2021 £000
Within one year	189	195
Between one and two years	180	190
Between two and five years	146	325
	<u>515</u>	<u>710</u>

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

**19 Deferred tax assets and liabilities**

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets	
	2022 £000	2021 £000
Tangible fixed assets	1,259	741
Trading losses carried forward	1,727	530
Other	8	3
Deferred tax assets	<u>2,994</u>	<u>1,274</u>

**Notes (continued)**

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

*Movement in deferred tax during the year*

	1 January 2022 £000	Recognised in income £000	31 December 2022 £000
Tangible fixed assets	741	518	1,259
Trading losses carried forward	530	1,197	1,727
Other	3	5	8
	<u>1,274</u>	<u>1,720</u>	<u>2,994</u>

*Movement in deferred tax during the prior year*

	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Tangible fixed assets	339	402	741
Trading losses carried forward	-	530	530
Other	(133)	136	3
	<u>206</u>	<u>1,068</u>	<u>1,274</u>

**20 Capital and reserves**

**Share capital**

	2022 £	2021 £
<i>Allotted, called up and fully paid</i>		
100 (2021: 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.

**21 Defined contribution plans**

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £210,000 (2021: £168,000).

**22 Contingent liabilities**

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

**Notes (continued)**

**23 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 £190,000 (2021: £187,000). The amount owed to Balanus Assets Limited at the year-end was £nil (2021: £86,000).

*DWTEK Co Limited*

The Company had transactions with DWTEK Co Limited, a joint venture partner of a fellow subsidiary within the Acteon group.

Amounts charged by DWTEK Co Limited amounted to £347,000 (2021: nil). No amounts were outstanding at either the current or prior year-end.

*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	2022 £000	2021 £000
TerraSond Limited	Common control	Purchases	-	2
UTEC Survey Asia Pte Ltd	Common control	Purchases	96	401
UTEC NCS Survey Limited	Common control	Purchases	76	103
Probe Oil Tools Limited	Common control	Purchases	64	746
J2 Subsea Limited	Common control	Purchases	-	7
Seatronics Limited	Common control	Sales	10	-
		Purchases	56	13
Seatronics Pte Ltd	Common control	Purchases	16	58

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

Related party	Relationship	Balances	2022 £000	2021 £000
UTEC NCS Survey Limited	Common control	Debtor	-	7
Probe Oil Tools Limited	Common control	Creditor	-	20
Seatronics Pte Ltd	Common control	Creditor	-	24
Seatronics Limited	Common control	Debtor	6	-

**24 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.