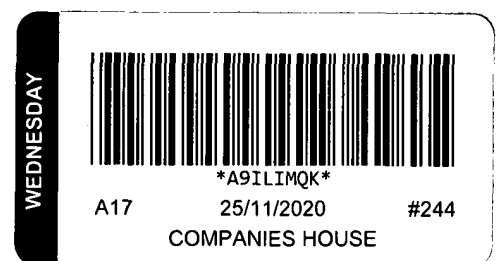


Registered No. 01023217

Oceaneering International Services Limited

Report and Financial Statements

31 December 2019



Oceaneering International Services Limited

Registered No: 01023217

Directors

P Buchanan
C Tennant
M McDonald
C Davison
D Smithwhite

Secretary

A Onley

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Bankers

HSBC
2 Queens Road
Aberdeen
AB15 4ZT

Solicitors

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16 Charlotte Square
Edinburgh
EH2 4DF

Registered Office

100 New Bridge Street
London
United Kingdom
EC4V 6JA

Oceaneering International Services Limited

Registered No: 01023217

Strategic report

Principal activities and business review

The directors of Oceaneering International Services Limited, a private company limited by shares, present their strategic report for the year ended 31 December 2019.

Results and dividends

Company results and accumulated profit and loss account are as follows:

	£000
Deficit on profit and loss account at 31 December 2018	(46,340)
Implementation of IFRS 16	1,592
Loss for the financial year	(25,653)
Gain on business combination	1,195
Exchange difference on retranslation	(4,112)
Deficit on profit and loss account at 31 December 2019	(73,318)

Principal activities and business review

The principal activities of the company continue to be the provision of services, supplies and equipment to the oil and gas industry.

The company's key financial and other performance indicators during the year were as follows:

	2019	2018	Change
	£000	£000	%
Turnover	234,618	181,308	28%
Loss before tax	(26,628)	(80,182)	(67)%
Shareholders' funds	138,773	165,751	(16)%
Net Income %	(11)%	(43)%	32%
Average number of employees	2,413	2,326	12%

The Company saw turnover rise significantly from the prior year, up 28% to hit £234.6m for 2019. This was largely due to the upturn seen in our Umbilicals business during the year after the significantly lower activity seen for this division in 2018. The UK business experienced a strong increase in sales during the year, showing a rise from £124m in 2018 to £166m in 2019, an increase of 34%. The second largest region in terms of turnover was the Caspian Sea area and this area saw a rise in sales from £34.8m in 2018 to £36.4m in 2019, a strengthening of 5%. Activity in Europe (excl. UK) fell from £4.3m in 2018 to £4.0m in 2019, a decline of 8%. The Company's Africa business also fell year-on-year, falling from £4.9m to £1.5m in 2019, a reduction of 69%. Our turnover across the rest of the world showed a rise of 92%, increasing from £13.9m in 2018 to reach £26.7m last year. Segmental information on turnover can be seen in note 3 to these financial statements.

Asset Integrity

The division saw a fall back in revenue in 2019 when compared to 2018. Revenues of £76.7m were down 10% from the prior year when they reached £85.5m. The anticipation for the division in 2020 is to see an increase in both revenue and profitability compared to 2019. Recent investments made last year in our Engineering Consulting, Floating Systems and New Build businesses will ensure that we can continue to deliver high levels of services to our clients. However, expectations for the business in 2020 have been adversely affected by both the ongoing COVID-19 pandemic and the decline in the oil price.

Strategic report (continued)

Principal activities and business review (continued)

Asset Integrity (continued)

A reduction in UK activity has been experienced with a number of inspection campaigns and shut down activity being postponed by clients, which has been mainly caused by the implementation of essential social distancing measures as a result of COVID-19. This area of the business is particularly affected by these measures given the number of personnel that are required to carry out services onsite.

However, tender activity is significantly up on the same period as last year with a number of existing and potential clients testing the market in terms of available technology and establishing likely pricing. The lead time on these tenders is typically six to eight months and it is therefore too early to determine how successful the company has been with our proposals or how much future business will be created going forward.

Subsea Products

The Subsea Products line is made up of the manufacturing facility in Rosyth, Scotland and the Service Technology and Rentals division. This segment showed a strong upturn in revenue from the previous year, with sales of £42.3m in 2018 rising to £88.9m during 2019.

For the Rosyth facility, 2019 saw the award of some significant thermoplastic hose and umbilical orders giving the factory a more balanced manufacturing mix going forward. For the first time in a number of years the plant had a very strong backlog in place at the end of 2019, giving more certainty on manufacturing schedules and throughout the coming years. The impact of COVID-19 and the overall decline in the oil and gas industry has impacted this area of the business with orders postponed and a likely drop in overall margin now expected in connection with projects that will go ahead in an extremely competitive market. However, the Rosyth facility has strong expectations of winning a number of key contracts in the remainder of 2020 that will be expected to progress through the plant to completion in 2021.

The Service Technology and Rentals business is forecasting a decrease in 2020 activity levels within both the drill support business and other sub-service lines in this part of the company. Drill support remains the largest of the service offerings by some way, accounting for 75% of our expected work for the year ahead, and this is predominantly linked to the drilling market alongside work with the ROV division.

Remotely Operated Vehicles

ROV business turnover was up by 20% in 2019 compared to the prior year. Revenue was £36m in 2018, rising to £43.2m in 2019. The expectation for the service line is to see a decrease in overall performance in 2020 compared to 2019. This has been caused by the decrease in oil price as well as the continued effects of the ongoing COVID-19 pandemic. Anticipated projects have either been cancelled or postponed to 2021. This will impact the revenue and profitability within this service line.

However, this segment has also undergone a significant process to improve the overall performance of the company's remotely operated vehicles by focussing on the reduction of operational costs as well as inventory.

Other Oilfield Services

This business line experienced a strong upturn of revenue from 2018 to 2019, with sales of £17.5m rising to £25.9m in 2019. Within the Renewables and Subsea Projects line, going forward the priority will be on improving revenue and profitability. Whilst maintaining close scrutiny on the cost base, revenue potential will be focused through prioritising route clearance opportunities primarily in the North Sea and Baltic Sea. For the Survey division, expectations for 2020 are that it is to be in line with 2019, in terms of both revenue and profitability as the market remains upbeat and commercial activity is strong.

Strategic report (continued)

C&C UK Business Purchase

On 31 December 2019 the company completed the purchase of the assets and liabilities, constituting the whole business, of the related group company C&C Technologies UK Limited. The consideration was satisfied in the form of loan notes totalling £3,982,000. The assets and liabilities transferred across to the company are reflected in the statement of financial position at the reporting date. Additional information on this business transfer can be seen in note 18 of these financial statements.

Operating Expenses

Net operating expenses fell by almost a half compared to the prior period, at £16.1m down from £28.8m in 2018. Foreign currency exchange gains of £8.1m seen in the year was the main driver for this, since this contrasts with 2018 when the company made currency exchange losses of £9.1m. Stripping out the impact of foreign currency movements, net operating costs increased 23% in the year, to reach £24.2m compared to £19.7m in 2018. A rise in royalty charges and increase in support staff levels contributed to this increase.

Capital Expenditure

The Company invested £7.1m in tangible fixed assets during the year, with this being in plant and equipment and new buildings. Also recognised within the tangible fixed assets of the financial statements at the balance sheet date for the first time are right-of-use assets; these are shown as a result of the introduction of the new accounting standard IFRS 16 'Leases' and are the company's right to use an asset over the term of the lease. Refer to note 2 for further detail on the introduction of this standard and its impact on the results of the company for the year, and note 12 for the valuation of such assets held by the business.

Directors' statement in performance of their duties under section 172(1)

It is the Directors' considered opinion that they have carried out their duties, both in an individual and collective sense, in the correct way that is most likely to ensure and generate the ongoing success of the Company as a whole for the benefit of its members. They have taken into consideration the matters set out in section 172 1 (a) – (f) of the Companies Act 2006, along with other concerns, when carrying out their roles.

The overriding purpose of the Board is to ensure responsible behaviour towards all stakeholders and to safeguard their treatment in a fair and equitable manner so that they will also ultimately benefit from the Company's successful strategic delivery. Furthermore, the Board have made every effort to ensure that management conduct all business aspects in a manner that will always be considered as responsible. Accordingly, the company's expectations of itself is that both high standards of business conduct and good governance are required at all times.

The Board's engagement can be demonstrated in the following ways:

- The Board ensures that our employees work in a safe and healthy environment and that they have all received appropriate training commensurate with the duties expected of them. Furthermore, that they are sufficiently rewarded for their efforts. The company takes care to ensure meaningful two-way involvement between management and its employees (for more information on company commitment to staff involvement and staff training see page 8).
- Being a company operating in the oil and gas sector, we regularly monitor the impact of our activities on the environment and on the wider communities in which we operate and, particularly, where we maintain active manufacturing facilities.

Strategic report (continued)

Directors' statement in performance of their duties under section 172(1) (continued)

- As a Board, we aim to operate responsibly and to make carefully considered decisions. We encourage high standards of business behaviour from our employees and try to lead by example. Our commitment to responsible conduct is enshrined in our company values, and these can be viewed on our organisation's website: <https://www.oceaneering.com>. It's through the application of these values that we have built our reputation as a high-performing organisation which requires ethical business practices and high levels of integrity in all of our business transactions. The Oceaneering core values are embodied by the Oceaneering Code of Business Conduct and Ethics, which guides us all on a daily basis. These are promoted in day to day operational meetings and performance meetings. Additionally, the company has put in place programmes that are focussed on mentoring, role modelling and employee recognition.
- As a long-established company, we have continually focussed our efforts on ensuring that we have the fostering of long-term working relationships with our clients, external advisers and suppliers, to ensure the long-term sustainability of Oceaneering's business model. Our philosophy is based upon our core values and ensuring that they are shared with the key relationships we have within the supply chain and maintaining regular contact with these stakeholders. The company carries out regular engagement meetings with key suppliers and makes periodic audits and visits to them. Also, there is a specific supplier relationship manager in place for the UK business, whose core role is to work with vendors, and all this helps to ensure strong working relationships and high quality standards are met.
- As a healthy corporate culture is an essential part of both business conduct and governance it is our objective to operate the business in a way that will always be regarded as both ethical and responsible. All new employees are required to undergo the ethics training at the commencement of their employment with the company, including in relation to anti-corruption compliance and with our code of business conduct & ethics. Rod Larson, President and CEO of Oceaneering International Inc, the ultimate parent company, is also the Chairman of the Ethics and Compliance Committee for the group undertaking and he has outlined the organisation's expectations of the commitment to integrity and ethical behaviour via video broadcasts that are distributed to all Oceaneering employees. These recordings are also made available on the company's intranet platform entitled "The Helm".

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as currency, legislative, financial and liquidity risk. Furthermore, the COVID-19 pandemic has increased a number of risks either directly by impacting the operations of the business or through the reduction in demand for our goods and services due to the ongoing economic uncertainty and lower oil price.

- **Currency Risks**

We are currently exposed to certain market risks arising from transactions we have entered into in the normal course of business. These risks predominantly relate to fluctuations in foreign exchange rates. We have not entered into any market risk sensitive instruments for speculative or trading purposes.

Strategic report (continued)

Principal risks and uncertainties (continued)

- **Legislative Risks**

All activities are constantly monitored by the company's QHSE department to ensure that the highest standards are maintained at every stage of project execution.

The Continuous Quality Improvement and Health, Safety & Environmental Departments manage and control the Company Management systems required to achieve Third Party Accreditation/Approvals. These departments are responsible for monitoring the control and execution of the services offered by the company's Regional and Branch offices.

The company holds Third Party Accreditation / Approval, with regard to its Management System and / or its control and execution of the services offered at a number of Regional and Branch Offices in the UK.

With the outbreak of COVID-19 at the start of 2020, the company has adapted with the introduction of new work practices to ensure appropriate social distancing and hygiene measures are adhered to by staff and subcontractors onsite. The designation of our business by local authorities as providing essential services has meant that, for the most part, the company has continued where possible to provide its normal services to ensure that the energy industry continues to operate.

- **Financial Risks**

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United Kingdom. Due to the inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

- **Liquidity and Capital Resources**

The company considers its liquidity and capital resources adequate to support our operations and internally generated growth initiatives. We expect our operating cash flow to continue to meet our ongoing annual cash requirements for the foreseeable future.

On behalf of the board



D Smithwhite

Director

23 November 2020

Directors' report

The Directors' present their report for the year ended 31 December 2019.

Directors and their interests

The current directors are shown on page 1.

C Hewlett was a director until 7 August 2019 when he resigned.

C Davison was appointed a director on 7 August 2019.

S Cowie was a director until 14 April 2020 when he resigned.

C Tennant was appointed a director on 30 April 2020.

P Buchanan was appointed a director on 30 April 2020.

D Smithwhite was appointed a director on 10 September 2020.

The directors do not have any interests in the shares of Group companies required to be disclosed under the Companies Act 2006.

Dividends

The directors recommend that no dividend be paid (2018 - £nil)

Future developments

The company will continue to seek opportunities to strengthen its pre-eminent position in the market place through organic growth, the introduction of new technologies and, where appropriate, further acquisitions.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to competitive, legislative, financial, liquidity and capital resources are described in the business review on pages 2-6. The company has considerable financial resources together with long-term contracts with customers and suppliers across different service lines.

The central part of the company's business is its involvement in the provision of goods and services related to the oil and gas industry. In early 2020, the spread of the COVID-19 pandemic, and with it the resultant economic measures introduced by governments around the world, led to a steep fall in demand for oil and a significant fall in the oil price. A notable change in the price of and global demand for oil has a subsequent impact on activity levels by producers worldwide, and resultant follow-through demand for our business' goods and services.

Additionally, to further validate the continued application of the going concern basis to the financial statements, the company has prepared forecast cashflows for the period up to 30 November 2021 using a 'harsh but plausible' scenario, to reflect COVID-19 pandemic risks, a fall in demand from customers due to the oil market environment, and impacts and mitigation actions taken. With this analysis the company is expected to have a positive cash flow over the period. A reverse stress test scenario was also modelled as a part of this exercise, reflecting additional downside risks, but this scenario is considered to be a very low probability scenario by the directors.

After rigorously reviewing all relevant available information, and recognising the ability of our company and the oil and gas industry in general to adapt accordingly to recent changes in market conditions, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Directors' report (continued)

Post balance sheet event

The COVID-19 pandemic affected the operations of the company in early 2020 and its effects have continued throughout the later months of the year. The outbreak resulted in a practical shut down of world-wide economies to reduce the spread of the virus from March onwards of this year.

The company is exposed to macro-economic risks, including that of pandemic disease that could have a material adverse effect on our operations. The company continues to monitor the COVID-19 outbreak which is causing economic disruption and may impact our performance in 2020. Oceaneering remains extremely vigilant and focussed on the welfare, health and safety of all of its staff and contractors. To date, the company has undertaken measures to mitigate the effects upon operations.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through regular management consultation with personnel, integrated with training programmes and frequent internal information releases. Also, employees are involved with all levels of management via the regular use of Town Halls, Question and Answer sessions and feedback sessions.

The business also utilises company-wide employee surveys and with previous exercises the results have been communicated to all leaders who have then cascaded to their relevant teams to ensure that the results were conveyed to all participants. Accordingly, action planning teams were launched to track and report progress, focus groups were gathered to establish root causes and offer viable solutions.

In relation to staff training, the company has a commitment to maintaining an exhaustive training programme for all employees, and that covers areas such as Health and Safety and Professional Development. Furthermore, there is also commitment to training for all role specific requirements, such as the handling of Dangerous Goods and Forklift refresher courses.

Directors' statement as to disclosure of information to auditors

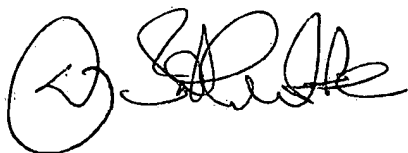
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information that is needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor are aware of that information.

Directors' report (continued)

Re-appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.



On behalf of the board

D Smithwhite

Director

23 November 2020

Directors' responsibilities statement

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

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- adopt the going concern basis, unless it is inappropriate 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Oceaneering International Services Limited

Opinion

We have audited the financial statements of Oceaneering International Services Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework."

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Notes 2 and 26 of the financial statements, which describes the economic consequences and disruption the company is facing as a result of COVID-19 and which is impacting supply chains and personnel available for work. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditors' report (continued)

to the members of Oceaneering International Services Limited

Other information

The other information comprises the information included in the annual review and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Independent auditors' report (continued)

to the members of Oceaneering International Services Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

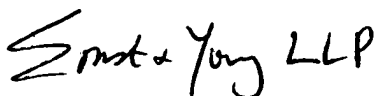
Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Kenneth MacLeod Hall (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Aberdeen

23, NOVEMBER 2020

Income statement

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	3	234,618	181,308
Cost of sales		(226,972)	(185,919)
Gross profit/(loss)		7,646	(4,611)
Net operating expenses	4	(16,082)	(28,800)
Operating loss	5	(8,436)	(33,411)
Gain on transfer of tangible fixed assets	12	1,587	911
Dividends Receivable		168	9,615
Investment income		45	23
Other finance expense	25	-	(400)
Impairment of fixed asset investments	13	(7,971)	(54,147)
Impairment of other fixed assets	11, 12	(7,769)	-
Loss on disposal of investment		(60)	-
Interest payable and similar charges	9	(4,192)	(2,773)
Loss before taxation		(26,628)	(80,182)
Tax on loss	10	975	2,141
Loss for the financial year		(25,653)	(78,041)

Statement of comprehensive income

for the year ended 31 December 2019

	2019 £000	2018 £000
Loss for the financial year	(25,653)	(78,041)
Movement in accumulated currency reserve during the year	(4,112)	4,854
Actuarial gain in respect of defined benefit scheme	-	400
Related deferred taxation	-	120
Total comprehensive loss for the year	<u>(29,765)</u>	<u>(72,667)</u>

Statement of changes in equity

for the year ended 31 December 2019

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Capital contribution reserve £000</i>	<i>Profit & Loss Account £000</i>	<i>Total Equity £000</i>
At 1 January 2018	3,071	207,934	1,086	26,327	238,418
Loss for the year	-	-	-	(78,041)	(78,041)
Movement of accumulated currency reserve during year	-	-	-	4,854	4,854
Actuarial gain in respect of defined benefit pension scheme net of tax	-	-	-	520	520
At 31 December 2018	<u>3,071</u>	<u>207,934</u>	<u>1,086</u>	<u>(46,340)</u>	<u>165,751</u>
Recognition on adoption of IFRS 16	-	-	-	1,592	1,592
At 1 January 2019	<u>3,071</u>	<u>207,934</u>	<u>1,086</u>	<u>(44,748)</u>	<u>167,343</u>
Loss for the year	-	-	-	(25,653)	(25,653)
Gain on business combination	-	-	-	1,195	1,195
Movement of accumulated currency reserve during year	-	-	-	(4,112)	(4,112)
At 31 December 2019	<u>3,071</u>	<u>207,934</u>	<u>1,086</u>	<u>(73,318)</u>	<u>138,773</u>

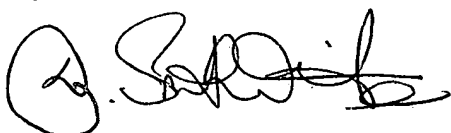
Balance Sheet

at 31 December 2019

		2019	Restated 2018
	Notes	£000	£000
Non-current assets			
Intangible assets	11	-	543
Tangible assets	12	67,266	73,012
Investments	13	97,849	108,480
Deferred tax assets	10	3,726	4,047
		<u>168,841</u>	<u>186,082</u>
Current assets			
Stocks	14	32,066	16,994
Debtors	15	172,028	137,050
Cash		27,707	23,344
		<u>231,801</u>	<u>177,388</u>
Current liabilities	16	(188,447)	(135,010)
Net current assets		<u>43,327</u>	<u>42,378</u>
Total assets less current liabilities		<u>212,195</u>	<u>228,460</u>
Non-current liabilities	17	(73,422)	(62,709)
Net assets		<u>138,773</u>	<u>165,751</u>
Capital and reserves			
Called-up equity share capital	19	3,071	3,071
Share premium account		207,934	207,934
Capital contribution reserve		1,086	1,086
Profit and loss account		(73,318)	(46,340)
Total Equity		<u>138,773</u>	<u>165,751</u>

The financial statements of were approved by the Board of Directors and authorised for issue on
23 November 2020

Signed on behalf of the Board of Directors



D Smithwhite
Director

Notes to the financial statements

at 31 December 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Oceaneering International Services Limited (the company) for the year ended 31 December 2019 were authorised for issue by the board of directors on 23 November 2020 and the balance sheet was signed on behalf of the board by D Smithwhite. Oceaneering International Services Limited is incorporated in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

These financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise noted.

The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Oceaneering International Inc. The results of Oceaneering International Services Limited are included in the consolidated financial statements of Oceaneering International Inc. which are available from 11911 FM529, Houston, Texas 77041-3011.

The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The company has taken advantage of the following disclosure exemptions under FRS 101;

- a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of;
 - (i) paragraph 79 (a)(iv) of IAS 1;
 - (ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118 (e) of IAS 38 Intangible Assets;
- b) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- c) the requirements of IAS 7 Statement of Cash Flows;
- d) the requirements of paragraphs 7, 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- f) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- g) the requirements of paragraph 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- h) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a)-119(c), 120-127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- i) the requirement of paragraphs 52, 58, the second sentence of paragraph of 89, and paragraphs 90 and 91 of IFRS 16 Leases.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to competitive, legislative, financial, liquidity and capital resources are described in the business review on pages 2-6. The company has considerable financial resources together with long-term contracts with customers and suppliers across different service lines.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

Going concern (continued)

The central part of the company's business is its involvement in the provision of goods and services related to the oil and gas industry. In early 2020, the spread of the COVID-19 pandemic and with it the resultant economic measures introduced by governments around the world, this has led to a steep fall in demand for oil and a significant fall in the oil price. A notable change in the price of and global demand for oil has a subsequent impact on activity levels by producers worldwide, and resultant follow-through demand for our business' goods and services.

Additionally, to further validate the continued application of the going concern basis to the financial statements, the company has prepared forecast cashflows for the period up to 30 November 2021 using a 'harsh but plausible' scenario, to reflect COVID-19 pandemic risks, a fall in demand from customers due to the oil market environment, and impacts and mitigation actions taken. With this analysis the company is expected to have a positive cash flow over the period. A reverse stress test scenario was also modelled as a part of this exercise, reflecting additional downside risks, but this scenario is considered to be a very low probability scenario by the directors.

After rigorously reviewing all relevant available information, and recognising the ability of our company and the oil and gas industry in general to adapt accordingly to recent changes in market conditions, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Change of presentation

The comparative balance sheet has been restated in respect of dilapidation provisions totalling £1.59m being reclassified from accruals to provisions. There is no effect on the total net assets of the company. The comparative disclosures in respect of current liabilities (note 16) and non-current liabilities (note 17) have also been restated to reflect this amendment.

2.2 Adoption of new financial reporting standards

The company adopted IFRS 16 'Leases' which took effect on 1 January 2019. The nature and impact of the changes are described below.

IFRS 16 'Leases'

IFRS 16 issued in January 2016 provides a single lessee accounting model, requiring lessees to recognise a right-of-use asset and a corresponding liability on the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from IAS 17. For lessees the costs of the lease are charged to the income statement over the term of the lease as depreciation and a corresponding finance charge for the finance costs in relation to it.

From 1 January 2019 the company incorporated the new standard into its financial statements, using the modified retrospective approach, which allows for no amendments required to be made to prior year comparatives. This meant the cumulative effect of adopting the new standard is recognised as an adjustment to retained earnings as at 1 January 2019. The opening position of lease liabilities has been measured as the present value of the remaining lease payments. As most of our leases do not provide an implicit rate, the rate chosen to drive the impact on the present value of future payments is our incremental borrowing rate which is determined from the information available at the lease start or amendment date. The opening valuation of right-of-use assets has been measured as the amount equal to the lease liabilities and adjusted for accrued or prepaid lease payments and estimated dilapidation charges expected at the end of the lease terms as at 31 December 2018. Right-of-use assets are subject to impairment testing.

The company is involved in taking out leases on property and buildings, often for a number of years, and these contracts account for all agreements during the year where the company falls under the scope of IFRS 16 as a lessee. As a lessor, the company provides equipment hire in the carrying out of a sizeable portion of its service contracts with clients.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

IFRS 16 (continued)

The impact on the opening balance of retained earnings for 2019 was to increase such by £1.6m. Compared with the previous standard, IFRS 16 impacts on the timing for all lease expenses, resulting in the 'front-loading' of costs to the earlier years of a lease to reflect the higher interest expense of the lease liability during the initial stages of the term. The effect on the overall profitability for 2019 was material, with an additional £1m of charges incurred by the company compared to if the accounts were prepared under the previous standard. As the finance charges of the relevant leases are now required to be shown separately in the income statement to the depreciation expense, this resulted in an additional £0.7m of interest payable charges for the year, alongside a further £0.3m from higher lease charges captured within the operating profit.

The table below shows the reconciliation between operating lease commitments as at 31 December 2018 to the opening lease liability balance at 1 January 2019:

	<i>£000</i>
Operating lease commitments as at 31 December 2018	15,108
Exemption for low value and short-term leases	(300)
Effects of discounting at the incremental rate of borrowing	(3,215)
	<hr/>
Lease liabilities as at 1 January 2019 (note 23)	11,593
	<hr/>

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on the amounts recognised in the financial statements:

Leases

As a lessee the company obtains the use of property, plant and equipment. The company determines whether a contract is or contains a lease at inception. When making these determinations, it is taken into consideration the parts of an identified asset, right to control and the receipt of economic benefit.

Impairment

The company assesses at each at each reporting date whether there is an indication of impairment on non-financial assets. The company makes an estimate of the assets recoverable amount to calculate any potential impairment.

2.4 Significant accounting policies

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. Revenue is recognised according to the type of contract involved. On a daily basis, we recognise revenue under contracts that provide for specific time, material and equipment charges, which we bill periodically, ranging from weekly to monthly. We account for significant fixed-price contracts, which we enter into mainly in our Subsea Products segment, using the percentage-of-completion method. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Tangible fixed assets

Tangible fixed assets are shown at original historic cost, net of depreciation and any provision for permanent impairments in value.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	15 – 25 years
Freehold buildings	25 years
Leasehold land and buildings	25 years
Plant and equipment	3 – 10 years
Right of use assets	shorter of estimated useful life and the term of the lease

Residual value is calculated on prices prevailing at each balance sheet date.

Freehold land is not depreciated.

Investments

Fixed asset investments are held at historical cost less provision for impairment.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Trade and other receivables

Trade receivables, which generally have 30-90 days terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Trade and other receivables are recorded taking into account of provisions for expected credit losses (ECLs). The company has in place a provision matrix for trade and other receivables that is based on historical credit losses and is adjusted for specific forward-looking factors. The carrying amount of the receivables are reduced through the use of a provision account and movements in the provision are recognised in the income statement within cost of sales and net operating expenses.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Trade and other payables

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences carried forward tax credits or tax losses can be utilised.

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

Lessee arrangements

When a lease arrangement is identified, a liability is recognised in the balance sheet as a lease obligation calculated at the present value of lease payments. Also, a related right-of-use asset is recorded within tangible fixed assets. Lease payments are subsequently apportioned between interest payments and a reduction in the lease liability to reflect the remaining balance of the liability held. The finance cost and depreciation of the right-of-use asset are charged to the income statement. Leases with a term life of 12 months or less and leases with a low value are not recorded on the balance sheet and their payments are charged on a straight-line basis to the income statement over the term of the contract.

Foreign currency translation

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas branches are translated at the average rate of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are dealt with through reserves. All other exchange differences are included in the profit and loss account.

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

Pension costs

The company operates a defined contribution pension scheme and historically operated a defined benefit scheme, which had contributions made to a separately administered fund. The defined benefit scheme has been wound up and has been treated as settled effective 31 December 2018, after a buy-out policy was secured with an insurance company. This has de-risked the company from all the volatility of the scheme's assets and liabilities. There were no defined benefit pension costs incurred by the company during 2019.

Pension costs (continued)

The cost of providing benefits under the defined benefit plan was previously determined using the projected unit credit method, which attributed entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligations) and was based on actuarial advice.

Past service costs were recognised in profit or loss. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurred, the obligation and related plan assets were remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurred.

Net interest was calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking into account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest was recognised in profit or loss as other finance revenue or cost.

Remeasurement, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets, excluding amounts included in net interest, were recognised immediately in other comprehensive income in the period in which they occurred.

The defined benefit pension asset or liability in the balance sheet comprised the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of the plan assets out of which the obligations were to be settled directly. Fair value was based on market price information and in the case of quoted securities was the published bid price. The value of a net pension benefit asset was restricted to the present value of any amount the company expected to recover by way of refunds from the plan or reductions in future contributions.

For the defined contribution section, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3. Turnover and segmental information

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

Turnover by geographic location comprises:

	2019	2018
	£000	£000
United Kingdom	166,005	123,518
Caspian	36,366	34,758
Africa	1,525	4,895
Europe (excluding UK)	4,011	4,253
Rest of the world	26,711	13,884
	<u>234,618</u>	<u>181,308</u>

Notes to the financial statements

at 31 December 2019

3. Turnover and segmental information (continued)

Turnover by business segment comprises:

	2019	2018
	£000	£000
Asset Integrity	76,649	85,545
Subsea Products	88,899	42,286
Remotely Operated Vehicles	43,162	35,998
Other Oilfield Services	25,908	17,479
	<u>234,618</u>	<u>181,308</u>

4. Net operating expenses

Net operating expenses comprise:

	2019	2018
	£000	£000
Administration expenses	11,782	12,171
Operating costs	8,579	5,244
Selling costs	1,122	128
	<u>21,483</u>	<u>17,543</u>
Foreign currency exchange (gain)/loss	(8,124)	9,097
Royalty charges	2,723	2,160
	<u>16,082</u>	<u>28,800</u>

5. Operating loss

This is stated after charging:

	2019	2018
	£000	£000
Amortisation of intangible assets (note 11)	61	67
Increase in provisions for expected credit losses (note 15)	267	423
Depreciation of tangible fixed assets – owned (note 12)	16,052	18,501
Depreciation of right-of-use assets (note 12)	4,741	-
Lease rentals relating to short term or low-value leases	362	-
Lease rentals pre-IFRS 16	-	3,257
	<u>21,483</u>	<u>28,800</u>

6. Auditors remuneration

In the current year and the preceding year the auditors' remuneration was borne by the ultimate holding company, Oceaneering International Inc. This amounted to £120,000 for 2019 (2018 £125,500).

Notes to the financial statements

at 31 December 2019

7. Directors' emoluments

	2019 £000	2018 £000
Emoluments	163	141
Company contributions paid to money purchase pension scheme	8	7

No directors exercised share options in the current year (2018 – nil) and no directors received shares under long term incentive schemes (2018 – nil).

Pensions

The number of directors who were members of pension schemes was as follows:

	2019 No.	2018 No.
Money purchase schemes	1	1

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2019 £000	2018 £000
Emoluments	163	141
Company contributions paid to money purchase schemes	8	7

8. Staff costs

Particulars of employees (including executive directors) are shown below:

	2019 £000	2018 £000
Employee costs amounted to:		
Wages and salaries	87,955	79,726
Social security costs	8,712	7,403
Other pension costs (note 25)	3,223	3,060
	99,890	90,189

Notes to the financial statements

at 31 December 2019

8. Staff costs (continued)

The average monthly number of employees during the year was made up as follows:

	2019 Number	2018 Number
Direct labour	1,203	1,223
Indirect staff	797	719
Management and administration	413	384
	<u>2,413</u>	<u>2,326</u>

9. Interest payable

	2019 £000	2018 £000
To group undertakings on intercompany loans and balances	3,501	2,771
Interest expense on lease liabilities	691	-
Other interest payable	-	2
	<u>4,192</u>	<u>2,773</u>

10. Taxation

(a) Tax credited in the income statement

	2019 £000	2018 £000
<i>Current income tax:</i>		
Current tax on loss for the year	(2,724)	(152)
Adjustment in respect of prior years	(1,358)	533
Foreign tax suffered	2,785	2,456
Total current income tax	<u>(1,297)</u>	<u>2,837</u>
<i>Deferred tax:</i>		
Current year	28	(5,502)
Adjustment in respect of previous periods	291	(175)
Effect of changes in tax rates	2	699
Total deferred tax	<u>321</u>	<u>(4,978)</u>
Tax credit in the income statement	<u>(975)</u>	<u>(2,141)</u>

Notes to the financial statements

at 31 December 2019

10. Taxation (continued)

(b) Tax relating to items credited to other comprehensive income:

	2019 £000	2018 £000
Actuarial gains on defined benefit plans	-	120
Impact of change in tax laws and rates	-	-
Total deferred tax	-	120
Tax credit in the statement of other comprehensive income	-	120

(c) Factors affecting total tax credit for the current year

The credit for the year can be reconciled to the loss per the income statement as follows:

	2019 £000	2018 £000
Loss for the year – continuing activities	(26,628)	(80,182)
Tax calculated at UK corporation tax in the UK 19% (2018 – 19%)	(5,059)	(15,235)
Effects of:		
Adjustments in respect of prior years	(1,067)	358
Expenses not deductible	1,130	1,825
Income not taxable	(32)	(1,827)
Trade and asset transfer	(66)	(734)
Transfer pricing adjustments	680	506
Changes in tax laws and rates	2	699
Effects of overseas tax rates	1,877	1,979
Impairment	1,560	10,288
Total tax (note 10(a))	(975)	(2,141)

Notes to the financial statements

at 31 December 2019

10. Taxation (continued)

(d) Deferred tax asset/(liability):

The deferred tax included in the balance sheet is as follows:

	2019 £000	2018 £000
Deferred tax liability		
Accelerated capital allowances	-	(910)
	<u>-</u>	<u>(910)</u>
Deferred tax asset		
Accelerated capital allowances	405	-
Temporary differences	117	78
Losses	3,204	4,879
	<u>3,726</u>	<u>4,957</u>
Disclosed on the balance sheet		
Deferred tax asset	3,726	4,047
	<u>3,726</u>	<u>4,047</u>

Deferred tax assets are recognised only to the extent that the company is confident that they can be used against future taxable profits. It therefore requires judgement regarding the forecasting of future profits for the business.

At the balance sheet reporting date, management forecast that the company would generate future taxable profits against which the deferred tax assets we have in place could be utilised. This is based on the expected future financial performance for our various segments, the recent restructuring of our organisation layout to make it a better fit to meet customer needs, and our ongoing pivot to new markets and service offerings which offer us long term revenue growth potential. Accordingly, the deferred tax assets in the UK are recognised in full.

The UK corporation tax rate in the year was 19%.

Deferred tax has been provided for at the tax rates substantively enacted at the balance sheet date which will apply when the temporary differences are expected to reverse.

Following the Budget announcement on 11 March 2020, the UK Corporation Tax rate (from 1 April 2020) will be maintained at 19% and no longer reduced to 17% as previously legislated. Since this change occurred after the balance sheet date, deferred tax balances at 31 December 2019 have been recognised reflecting the 17% rate.

If the change in tax rate had been substantively enacted at the balance sheet date, the additional tax credit to the income statement is estimated to be £435,000 and the net deferred tax asset would have increased by this amount.

Notes to the financial statements

at 31 December 2019

11. Intangible fixed assets

	<i>Intangibles</i> £000
Cost:	
At 1 January 2019	1,345
Disposals	(3)
At 31 December 2019	<u>1,342</u>
Amortisation and impairment:	
At 1 January 2019	802
Charge for the year	540
At 31 December 2019	<u>1,342</u>
Net book value:	
At 31 December 2019	<u>-</u>
At 1 January 2019	<u>543</u>

Intangible fixed assets held by the company include patents, software development and the value of customer relationships acquired when making previous business acquisitions. At the reporting date all these had either been amortised in full or had impairments in place reducing the carrying value of them to £nil. The charge for the year includes £479,000 of impairments.

12. Tangible fixed assets

	<i>Land and buildings</i> £000	<i>Plant and equipment</i> £000	<i>Right of use assets</i> £000	<i>Total</i> £000
Cost:				
At 31 December 2018	14,820	167,063	-	181,883
IFRS 16 transition	-	-	13,747	13,747
At 1 January 2019	<u>14,820</u>	<u>167,063</u>	<u>13,747</u>	<u>195,630</u>
Additions	2,209	4,850	1,462	8,521
Transfers in/(out) from other group companies	-	(5,644)	-	(5,644)
Disposals	-	(6,962)	-	(6,962)
Exchange Adjustment	(108)	(363)	(172)	(643)
31 December 2019	<u>16,921</u>	<u>158,944</u>	<u>15,037</u>	<u>190,902</u>

Notes to the financial statements

at 31 December 2019

12. Tangible fixed assets (continued)

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Right of use assets</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Depreciation and impairment:				
At 31 December 2018	8,676	100,195	-	108,871
At 1 January 2019	8,676	100,195	-	108,871
Charge for the year	567	22,775	4,741	28,083
Transfers in/(out) from other group companies	-	(6,775)	-	(6,775)
Disposals	-	(6,229)	-	(6,229)
Exchange Adjustment	(21)	(267)	(26)	(314)
At 31 December 2019	9,222	109,699	4,715	123,636
Net book value:				
At 31 December 2019	7,699	49,245	10,322	67,266
At 1 January 2019	6,144	66,868	13,747	86,759
At 31 December 2018	6,144	66,868	-	73,012

Included within the depreciation and impairment charge above are impairments totalling £7,290,000 in relation to the year-end review of all non-current assets. Almost all of this charge total was in relation to plant and equipment for the Asset Integrity and Subsea Products service lines, where some assets had been identified that they were surplus to requirements and others where write-downs were incurred after assessing expected future business line performance which resulted in the recoverable amounts calculated being less than the carrying values.

A gain on the transfer of tangible fixed assets of £1,588,000 was made during the year (2018: gain £911,000).

13. Fixed asset investments

The following are included in the net book value of fixed asset investments:

	<i>Associates</i>	<i>Subsidiaries</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2019	12,888	253,824	266,712
Disposals	-	(2,745)	(2,745)
At 31 December 2019	12,888	251,079	263,967

Notes to the financial statements

at 31 December 2019

13. Fixed asset investments (continued)

	<i>Associates</i>	<i>Subsidiaries</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Provisions for impairment:			
At 1 January 2019	-	158,232	158,232
Disposals	-	(85)	(85)
Charge for the year	4,918	3,053	7,971
At 31 December 2019	4,918	161,200	166,118
Net book value:			
At 31 December 2019	7,970	89,879	97,849
At 1 January 2019	12,888	95,592	108,480

The investments in associates and subsidiaries are all valued at cost less any provision for impairment. Within the total impairment charge for the year are write-downs in relation to our associates Viper Innovations Limited (£4,530,000) and Ecosse IP Limited (£388,000). There was also a write-down against our subsidiary Metacor Holdings (£4,210,000) and a reversal of impairment against Ecosse Subsea Limited (£1,157,000).

The company has investments in the following subsidiary and associated undertakings:

Principal country of operation	Country of registration & incorporation	Equity interest	Nature of business
United Kingdom			
Oceaneering Services Overseas Limited (1 ordinary shares of \$1 each) Registered office address: 100 New Bridge Street, London, UK, EC4V 6JA	England	100%	Subsea Services
Grayloc Products Limited # (1,000 ordinary shares of £1 each) Registered office address: 100 New Bridge Street, London, UK, EC4V 6JA	England	100%	Subsea Products
Viper Innovations Limited (formerly known as Viper Subsea Technology Limited) # (253,673 ordinary shares of £0.001 each) Registered office address: Unit 3a Marine View Office Park, 45 Martingale Way, Portishead, Bristol, UK, BS20 7AW	England	25%	Subsea Products
Ecosse IP Limited # (19,411,476 ordinary shares of 1p each) Registered office address: Commercial House, 2 Rubislaw Terrace, Aberdeen, Scotland, AB10 1XE	Scotland	19%	Subsea Products

Notes to the financial statements

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13. Fixed asset investments (continued)

Principal country of operation	Country of registration & incorporation	Equity interest	Nature of business
Overseas			
Oilfield Inspection Services (International) Limited 6,933 ordinary shares of £1 each Registered office address: CTV House, La Pouquelaye, St Helier, Jersey, JE2 3TP	Jersey	100%	Holding company
Oilfield Inspection Services (M) SdnBhd* (10,000 'B' ordinary shares of Mal 1 Ringgit each and 6,400,000 redeemable preference shares of Mal 1 Ringgit each) Registered office address: Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Malaysia	10%	Inspection services
Atkins Inspection Services (M) SdnBhd* (10,000 'B' ordinary shares of Mal 1 Ringgit each) Registered office address: Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Malaysia	10%	Inspection services
Oceaneering OIS WLL (formerly Oilfield Inspection Services (Middle East) LLC)* (249 shares of Dirham 1,000 each) Registered office address: Musaffah Industrial – M17, Plot 90, PO Box 4074, Abu Dhabi, United Arab Emirates	Abu Dhabi	49%	Inspection services
	Country of registration & incorporation	Equity interest	Nature of business
Dormant and non trading companies			
OIS International Inspection plc # (30,350,000 ordinary shares of 10p each) Registered office address: 100 New Bridge Street, London, UK, EC4V 6JA	England	100%	Dormant
Brompton Holdings plc (17,976,364 ordinary shares of 20p each) Registered office address: Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, Scotland, AB10 1DQ	Scotland	100%	Dormant
OIS plc (14,322,000 ordinary shares of 10p each) Registered office address: 100 New Bridge Street, London, UK, EC4V 6JA	England	100%	Dormant

Notes to the financial statements

at 31 December 2019

13. Fixed asset investments (continued)

	Country of registration & incorporation	Equity interest	Nature of business
Dormant and non trading companies			
Metacor Holdings Limited # (240,000 preference shares of £1 each, 1,370,500 ordinary shares of £1 each and 612 deferred shares of £1 each) Registered office address: Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, Scotland, AB10 1DQ	Scotland	100%	Dormant
External Corrosion Management Limited (1,000 ordinary shares of £1 each, 100 deferred A shares of £1 each and 100 deferred B shares of £1 each) Registered office address: 100 New Bridge Street, London, UK, EC4V 6JA	England	100%	Dormant
Ecosse Subsea Limited # (4 ordinary shares of 1p each) Registered office address: Building 3, Aberdeen International Business Park, Dyce Drive, Dyce, Aberdeen, Scotland, AB21 0BR	Scotland	100%	Dormant
Ecosse Subsea SCAR Holdings Limited (1 ordinary share of £1) Registered office address: Building 3, Aberdeen International Business Park, Dyce Drive, Dyce, Aberdeen, Scotland, AB21 0BR	Scotland	100%	Dormant
Ecosse Subsea Systems Limited # (2 ordinary shares of 1p each) Registered office address: Building 3, Aberdeen International Business Park, Dyce Drive, Dyce, Aberdeen, Scotland, AB21 0BR	Scotland	100%	Non Trading
Oilfield Inspection Services Overseas Limited (2 ordinary shares of £1 each) Registered office address: 100 New Bridge Street, London, UK, EC4V 6JA	England	100%	Dormant

* The group exercises dominant influence over these companies by virtue of shareholder agreements.

Investment is held directly by the company

Notes to the financial statements

at 31 December 2019

14. Stocks

	2019 £000	2018 £000
Raw materials and consumables	32,066	16,994

There is no material difference between the balance sheet value of stocks and their replacement cost.

15. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	67,306	38,329
Amounts owed by group undertakings	90,584	79,005
Accrued income	10,941	6,666
Provision for expected credit losses	(589)	(322)
Contract assets	-	67
Other debtors	92	727
Prepayments	3,694	12,578
	<u>172,028</u>	<u>137,050</u>

All amounts owed by group undertakings are repayable on demand and bear no interest.

16. Current liabilities

	2019 £000	Restated 2018 £000
Amounts owed to group undertakings:		
- Non interest bearing	101,587	85,477
Trade payables	21,556	10,854
Corporation tax	1,398	1,194
Other taxation, and social security costs	12,838	12,092
Lease liabilities (note 23)	3,393	-
Contract liabilities	33,313	12,422
Accruals	12,697	12,024
Provisions (note 24)	1,665	947
	<u>188,447</u>	<u>135,010</u>

Notes to the financial statements

at 31 December 2019

17. Non-current liabilities

	2019	Restated 2018
	£000	£000
Lease liabilities (note 23)	5,959	-
Provisions (note 24)	2,586	2,470
Intercompany loans†	64,877	60,239
	<u>73,422</u>	<u>62,709</u>

† As at 31 December 2019 the company holds in place two intercompany loan agreements. These comprise of:

- a loan outstanding for £60,895,000 with Oceaneering International Inc, the ultimate parent undertaking, and which bears interest at 5.0% per annum
- a loan for £3,982,000 with related company C&C Technologies UK Ltd, raised as a part of the purchase of the business by the company, and which bears interest at 5% per annum

18. Business combinations

At 31 December 2019, the company completed the acquisition of the business constituting all the assets and liabilities of its related group undertaking C&C Technologies UK Limited ("C&C UK"). The purchase was satisfied by the issue by the company of loan notes amounting to the purchase price of £3,982,000.

The assets and liabilities of the business acquired are included in the company's balance sheet at the book value, and this is analysed as follows:

	Book value £000
Property, plant & equipment	9
Current assets including cash	5,746
Current liabilities	(578)
Net assets	<u>5,177</u>

C&C UK, based in the UK, provides deepwater seafloor mapping services, subsea surveys, and satellite positioning. As a result of this acquisition the business, trade, assets and liabilities were acquired, but the share capital of C&C UK was not purchased as a part of the deal. The gain on the acquisition is being allocated to retained earnings in the year. No revenue or profit or loss has been incorporated into the company's results for the year as the completion date of the transfer was 31 December 2019.

Notes to the financial statements

at 31 December 2019

19. Called-up equity share capital

		<i>Authorised</i>	
		<i>2019</i>	<i>2018</i>
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each		15,000	15,000
		<u> </u>	<u> </u>
		<i>Allotted, called-up and fully paid</i>	
		<i>2019</i>	<i>2018</i>
		<i>£000</i>	<i>£000</i>
	<i>No.</i>		<i>No.</i>
Ordinary shares of £1 each	3,070,500	3,071	3,070,500
		<u> </u>	<u> </u>

Share capital consists entirely of equity shares.

20. Reserves

Share premium:

The share premium account represents consideration received for shares issued above their nominal value, net of transaction costs

Capital contribution reserve:

This reserve records capital contributions from the ultimate parent company Oceaneering International Inc

21. Capital commitments

At the end of the year, the company had the following capital commitments:

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Contracted for but not provided for	6,484	3,005
	<u> </u>	<u> </u>

22. Contingent liabilities

- i) The company has granted a bank guarantee for an amount of £135,000 in the ordinary course of business.
- ii) A division of the company performs a number of contracts under warranty. The value of such contracts still under warranty at 31 December 2019 is £121,771,000 and these warranties expire between January 2020 and September 2022.
- iii) HM Customs and Excise also hold a deferred duty bond with a value of £2,000,000.

Notes to the financial statements

at 31 December 2019

23. Lease liabilities

Amounts recognised in the Balance Sheet:

	<i>2019</i> <i>£000</i>
At 1 January 2019	11,593
Additions	1,462
Finance costs	691
Lease payments	(4,159)
Exchange and revaluation adjustment	(235)
At 31 December 2019	<u>9,352</u>

Breakdown between current and non-current lease liabilities:

	<i>2019</i> <i>£000</i>
Current (note 16)	3,393
Non-current (note 17)	5,959
	<u>9,352</u>

For information on right-of-use assets see note 12.

The company leases certain land and buildings on short and long-term leases. The annual expenses on these leases, including depreciation and interest charges for leases capitalised as right-of-use assets and rental on these leases of a short-term nature, was £4,745,000 (year end 31 December 2018 - £3,185,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties.

24. Provisions

	<i>Gratuity provision £000</i>	<i>Property related £000</i>	<i>Other £000</i>	<i>Total £000</i>
At 31 December 2018	878	1,592	947	3,417
Implementation of IFRS 16	-	561	-	561
At 1 January 2019	<u>878</u>	<u>2,153</u>	<u>947</u>	<u>3,978</u>
Additions	308	-	70	378
Unused amounts reversed	-	-	(1)	(1)
Utilised in the year	(104)	-	-	(104)
At 31 December 2019	<u>1,082</u>	<u>2,153</u>	<u>1,016</u>	<u>4,251</u>

Notes to the financial statements

at 31 December 2019

24. Provisions (continued)

The gratuity provision for employees relates to India-based staff on the termination of their contracts, provided they have completed a set length of continuous services before leaving the company.

Property provisions comprise of expected dilapidation costs for rental properties. As a part of the company's lease agreements, there often exist an obligation to repair damages which incur during the term of the lease, including wear and tear. The amounts will be paid out as and when the obligations arise, typically at the end of the lease. There were no additional provisions made or amounts utilised during 2019 in relation to the leasehold properties. It is expected that around three-quarters of these provisions will be utilised during the next financial year.

Other provisions almost all relate to subcontractor-related tax liabilities in the carrying out of international work. These are expected to be utilised by 2021.

25. Pension scheme

a) Oceaneering International Services Limited scheme - defined benefit section

Historically the company operated a defined benefit scheme in the UK which was a final salary scheme and provided benefits linked to salary at retirement or earlier date of leaving service. The Scheme was governed by Trustees, who were responsible for ensuring that there were sufficient funds to meet current and future obligations. The contributions payable into the Scheme were determined by the Trustees following consultation with the Company, and after obtaining the advice of the Scheme Actuary at each formal triennial actuarial valuation.

During 2017 the Company and Trustees of the Scheme completed a buy-in transaction of the Scheme's liabilities with an insurance company based on market conditions as at 30 November 2017. This buy-in de-risked the Scheme to volatility in the performance of the Scheme's assets, although the liabilities remained within the Scheme. In December 2018 the Scheme converted the buy-in into a buy-out and this has resulted in the benefits being fully secured with the insurance company. The Scheme commenced wind up during 2018 and the wind up was completed in 2019. The conversion into the buyout policies was treated as settled as at 31 December 2018. On completion of the buy-out, the defined benefit assets and matching defined benefit obligations were derecognised from the company's balance sheet.

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

	2019 £000	2018 £000
<i>Recognised in the Income Statement</i>		
Past service cost	-	(157)
Administration expenses	-	(240)
Net interest expense on defined benefit liability	-	(3)
	<hr/>	<hr/>
Total charge recognised in the Income Statement	-	(400)
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2019

25. Pension scheme (continued)

a) Oceaneering International Services Limited scheme - defined benefit section (continued)

Taken to the Statement of Comprehensive Income

Return on Scheme assets excluding interest income	-	(819)
Experience (losses)/gains on defined benefit obligations	-	(25)
Actuarial gains arising from changes in financial assumptions	-	691
Actuarial gains arising from changes in demographic assumptions	-	-
Change in adjustment of the asset ceiling in excess of interest	-	553
	<hr/>	<hr/>
Gains recognised in the Statement of Comprehensive Income	-	400
	<hr/>	<hr/>

b) Other

The company makes contributions to various stakeholder schemes, which are all defined contributions schemes. Contributions charged to the schemes during the year to 31 December 2019 were £3,223,000 (2018 - £3,060,000). Contributions totalling £531,000 were payable at the year end (2018 - £492,000) and are included in creditors.

26. Post balance sheet event

The COVID-19 pandemic affected the operations of the company in early 2020 and its effects have continued throughout the later months of the year. The outbreak resulted in a practical shut down of world-wide economies to reduce the spread of the virus from March onwards of this year.

The company is exposed to macro-economic risks, including that of pandemic disease that could have a material adverse effect on our operations. The company continues to monitor the COVID-19 outbreak which is causing economic disruption and may impact our performance in 2020. Oceaneering remains extremely vigilant and focussed on the welfare, health and safety of all of its staff and contractors. To date, the company has undertaken measures to mitigate the effects upon operations.

27. Ultimate parent company

The immediate parent undertaking is Oceaneering AS, a company incorporated in Norway. The company is a subsidiary undertaking of Oceaneering International Inc., incorporated in the State of Delaware, USA, which is also the largest and smallest group in which the results of Oceaneering International Services Limited and subsidiary undertakings are consolidated. The consolidated financial statements of this group are available to the public and may be obtained from 11911 FM529, Houston, Texas 77041-3011.