

# Oceaneering International Services Limited

## Report and Financial Statements

31 December 2020



# Oceaneering International Services Limited

Registered No: 01023217

## Directors

P Buchanan (Appointed 30 April 2020)  
C Tennant (Appointed 30 April 2020)  
M McDonald  
D Smithwhite (Appointed 10 August 2020)

## Secretary

A Onley (Appointed 28 October 2020)

## Auditors

Ernst & Young LLP  
4<sup>th</sup> Floor  
2 Marischal Square  
Broad Street  
Aberdeen  
AB10 1BL

## Bankers

HSBC  
2 Queens Road  
Aberdeen  
AB15 4ZT

## Solicitors

Dickson Minto  
16 Charlotte Square  
Edinburgh  
EH2 4DF

## Registered Office

100 New Bridge Street  
London  
United Kingdom  
EC4V 6JA

## Annual report and financial statements for the year ended 31 December 2020

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## 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 2020.

### Results and dividends

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

	£000
Deficit on profit and loss account at 31 December 2019	(73,318)
Loss for the financial year	(17,582)
Exchange difference on retranslation	(4,651)
Deficit on profit and loss account at 31 December 2020	<u>(95,551)</u>

### Principal activities and business review

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

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

	2020	Restated 2019	Change
	£000	£000	%
Turnover	240,571	232,245	4%
Profit/(loss) before tax	(15,928)	(26,628)	(40%)
Shareholders' funds	116,540	138,773	(16%)
Net Income %	(7)%	(11)%	4%
Average number of employees	2,336	2,413	(3%)

The Company saw turnover rise slightly from the prior year, up 4% to hit £241m for 2020. This was largely due to the upturn seen in our Umbilicals business within the Manufactured Products segment during the year, which built upon the strong performance in 2019. This was partly offset by a fall in revenue in our next two largest service lines IMDS and Subsea Services Robotics. The UK business experienced a strong increase in sales during the year, showing a rise from £164m in 2019 to £192m in 2020, an increase of 17%. The second largest region in terms of turnover in 2020 was the Caspian Sea region, however, this saw a decrease from 2019 to 2020 as sales fell from £36.4m in 2019 to £25.2m in 2020, a decline of 31%. The Rest of the World's turnover decreased from £26.7m in 2019 to £15.7m in 2020, which is a decrease of 41%. Activity in Europe (excl. UK) increased from £4.0m in 2019 to £4.6m in 2020, a growth of 15%. The Company's Africa business also increased year-on-year, growing from £1.5m to £2.7m in 2020, an increase of 78%.

#### IMDS

Tender activity in 2020 was particularly high and we have seen the benefits of that effort with significant contract awards in early 2021. However, this has resulted in a reduction in the quantity of significant contracts and opportunities coming to market in the middle of the year when compared to the same period of 2020.

## Strategic report (continued)

### Principal activities and business review (continued)

#### IMDS (continued)

This will impact on the number of potential new awards later in 2021. Pressure on pricing remains, although we have secured contract extensions with several key clients. The roll out of new inspection technologies has demonstrated to those clients our improved productivity and offers significant added value and cost efficiencies whilst maintaining margins.

Overall backlog within IMDS remains healthy with the continued provision of core crews undertaking essential statutory inspections on client sites. The division continues to actively review and manage its overhead spend and has also seen improvements in personnel and equipment resource utilisation, helping to improve profitability. Therefore, higher revenue and improved operating margins are forecast for 2021 compared to 2020.

#### Projects Group - Offshore (OPG)

Projects Group business turnover was up in 2020 compared to the prior year, experiencing a rise of £4.4m to hit £12.8m. OPG is forecasting a decrease in activity levels in 2021 due to the COVID-19 market environment and a reduction in expected Decommissioning & Renewables contract awards. A number of anticipated projects have been pushed back to 2022.

#### Manufactured Products

The Subsea Products line is largely made up of the manufacturing facility in Rosyth, Scotland. 2020 was a strong year overall on factory productivity and deliveries with several key client projects delivered on time in the year. Revenue increased to £103.5m in the year from £83.9m that was recorded in 2019. This throughput was based on the manufacture of key umbilical and hardware orders awarded during 2019 and in prior periods.

Our overall new orders booked in 2020 were, however, extremely low given the impact of the global pandemic on the sanctioning or investment decisions of many significant projects and opportunities. What were originally perceived as several very likely awards have been pushed out to 2021 and beyond due to the ongoing uncertainty around the demand for oil and gas.

Nevertheless, the manufacturing business was able to end 2020 in a still relatively strong position in terms of backlog. Although reduced on 2019 and 2020, the majority of 2021 planned revenue was already in place at the end of the 2020 financial year end, with the remaining manufacturing slots for 2021 anticipated to be closed early in that financial year. We continue to see good utilisation levels within the manufacturing area and continue to ensure production costs align with expected revenues going forward.

#### Subsea Services Robotics (SSR)

This business segment comprises Remote Operated Vehicles (ROV), Tooling and Survey & Positioning

The SSR business turnover was down 19% in 2020 when compared to 2019, from £48.7m to £39.4m. This was due to several factors, including the decrease in oil price, the COVID pandemic and our customers' operational requirements during this time. This ranged from different crewing levels to projects being pushed back. The factors that heavily influenced 2020 are still very much prevalent so far in 2021. This has seen the turnover for ROV UK & Europe also experience reductions in 2021 thus far when compared to 2020.

## Strategic report (continued)

### Principal activities and business review (continued)

#### Subsea Services Robotics (continued)

The segment has seen continuing focus on cost reduction, specifically with the repairs and maintenance of the fleet and applying prudent measures to reduce this direct cost. There have been technical advances made in the fleet with the introduction of the new Isurus system, as well as continued moves to remote piloting.

The Drill Support Tooling line has continued to have its activity in correlation with ROV. The Tooling business turnover has also declined from 2019 to 2020 and is expected to match the trend with ROV in 2021. The integration with ROV has however seen a more emphasised focus on upselling to the client, as well as a reduction in overhead costs due to the restructuring that took place in 2020.

The Survey and Positioning division of SSR experienced a challenging year in 2020 but did see strong revenues in the period. The challenges of COVID-19 meant that new ways of working to support our clients were found; this included remote monitoring, remote QC and remote processing. Strong operational excellence in project delivery, a continued pro-active attitude towards safety and strict adherence to increased Quality initiatives resulted in an above forecast financial delivery. Challenges in prompt client payment for work were addressed directly, resulting in good, positive free cash flow from the division. Our business in Europe was largely spot market opportunities. Furthermore, two large contracts with a major client in Angola were busy in 2020.

#### Operating Expenses

Net operating expenses increased when compared to the prior period, at £18.4m up from £16.2m in 2019. Foreign currency exchange gains impacted on the total costs incurred as there were £5m of gains in the year, however, this contrasts adversely when compared to 2019 when the company made currency exchange gains of £8.1m. Stripping out the impact of foreign currency movements, net operating costs decreased 4% in the year, at £23.4m compared to £24.3m in 2019. A reduction in support staff costs contributed to this decrease, which was partially offset by an increase in royalty charges.

#### Capital Expenditure

The Company invested £5.4m in tangible fixed assets during the year, with this being in plant and equipment and new buildings.

### 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.

## Strategic report (continued)

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

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 10).
- 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.
- 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 a high level 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".

### Streamlined Energy and Carbon Reporting (SECR)

Introduced in April 2019 and replacing the Carbon Reduction Commitment Energy Efficiency Scheme and Mandatory Greenhouse Gas Reporting for UK quoted companies, Streamlined Energy and Carbon Reporting (SECR) extends reporting requirements to UK companies defined as large under the 2006 Companies Act. As such the company falls into scope.

The activity levels have been calculated in accordance with the Greenhouse Gas Protocol and Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance. The data has been converted into carbon emissions using the Department for Environment, Food and Rural Affairs (DEFRA) published emission factors and the data provided by the company. The following data is presented in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

## Strategic report (continued)

### Streamlined Energy and Carbon Reporting (SECR) (continued)

	2020
Total gross emissions:	tCO <sub>2</sub> e
Combustion of fuel or the operation of facilities	216
Purchase of electricity	1,105
Vehicles utilised by the company	215
	<u>1,536</u>

Emission intensity (all scopes) is 6.38 tCO<sub>2</sub>e per £1m of revenue.

	Measurement	2020
Consumption rates:		'000
Natural gas	kWh	1,176
Electricity	kWh	4,739
Mileage and transport	Miles	898

The company recognises the importance of a sustainable future for all of society and supports good management of energy usage as a part of its commitment to working towards energy efficiency.

During 2020 the company underwent a comprehensive re-location programme within the UK, focused primarily on its locations in Aberdeen, Scotland but also taking into account multiple locations in England. The company consolidated all of its office presence in Aberdeen early in the year and moved from six office locations to move into one office building in the Aberdeen International Business Park. Accordingly, this will have a long term impact reducing our energy consumed in terms of electricity and gas on an ongoing and future basis.

### 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 recently volatile 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.

- **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 regards 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.



## Strategic report (continued)

### Principal risks and uncertainties (continued)

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 to provide its normal services to support our customers in the energy industry.

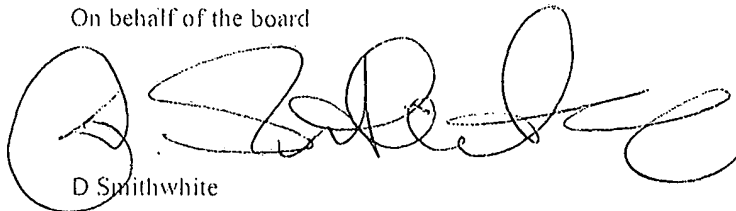
- **Financial Risks**

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

A large, stylized handwritten signature in black ink, appearing to read 'D Smithwhite', is written over a circular stamp or seal.

D Smithwhite

Director

28<sup>th</sup> September 2021

## Directors' report

The Directors' present their report for the year ended 31 December 2020.

### Directors and their interests

The current directors are shown on page 1. The below notes other changes to those who held office during the financial year:

- S Cowie was a director until 14 April 2020 when he resigned.
- C Davison was a director until 30 June 2021 when he resigned.
- H Frisbie was the company secretary until 28 October 2020 when she resigned.

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 (2019 - £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 3-8. The company has considerable financial resources together with long-term contracts with customers and suppliers across different service lines.

A core part of the company's business is its involvement in the provision of goods and services for the oil and gas industry. This sector has seen a lot of volatility since early 2020, with the spread of the COVID-19 pandemic and geo-political factors impacting on the oil price. However, the oil market has since stabilised, and of late, the price of oil has returned to pre-COVID levels. This is expected to strengthen demand for the company's offerings within this sector going forward. The performance of the company has remained resilient despite the ongoing uncertainty and many of our business segments are again optimistic with regards to future performance and the opening up of new market opportunities.

Most of our business offerings have been regarded as providing essential services during the pandemic, which has therefore ensured the company has escaped the restrictions placed on other sectors of the economy.

To further validate the continued application of the going concern basis to the financial statements, the company has prepared cashflow forecasts for the period up to 31 December 2022 using a 'harsh but plausible' scenario, to reflect continued COVID-19 pandemic risks, a fall in demand from customers due to the market environment, and impacts and mitigation actions taken. Even under this scenario, the analysis indicates that the company would still be expected to generate a positive cash flow over the period.

After rigorously reviewing all relevant available information and recognising the resilience of our business performance despite recent and ongoing market uncertainty, the directors have a reasonable expectation that the company has adequate resources for at least 12 months from the date these financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

## Directors' report (continued)

### 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.

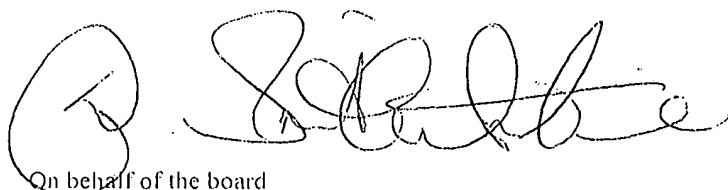
### Directors' statement as to disclosure of information to auditors

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.

### 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

28<sup>th</sup> September 2021

## 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 2020 the Income Statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet and relates notes 1 to 24, 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 2020 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) (ISAs (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. 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.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## Other information

The other information comprises the information included in the Report 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

# **Independent auditors' report (continued)**

## **to the members of Oceaneering International Services Limited**

### **Other information (continued)**

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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 11, 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.

## Independent auditors' report (continued)

to the members of Oceaneering International Services Limited

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

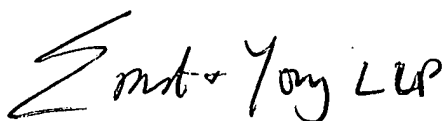
Our approach was as follows:

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006).
- ▶ We understood how Oceaneering International Services Limited is complying with those frameworks by making and corroborating enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas.
- ▶ We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by performing procedures on management override and determining the revenue recognition may present a fraud risk.
- ▶ Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with such laws and regulations, enquiries of general counsel and management as well as performing procedures on manual on top adjustments which have a heightened risk by nature.

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

28 September 2021

## Income statement

for the year ended 31 December 2020

		2020	Restated 2019
	Notes	£000	£000
Turnover	3	240,571	232,245
Cost of sales		(215,435)	(227,653)
<b>Gross profit</b>		<b>25,136</b>	<b>4,592</b>
Net operating expenses	4	(18,398)	(16,153)
<b>Operating profit/(loss)</b>	5	<b>6,738</b>	<b>(11,561)</b>
Gain on transfer of tangible fixed assets	11	495	1,587
Dividends Receivable		143	168
Investment income		26	45
Impairment of fixed asset investments	12	(10,848)	(4,846)
Impairment of other fixed assets	11	(7,114)	(7,769)
Loss on disposal of investment		(414)	(60)
Interest payable and similar charges	9	(4,954)	(4,192)
<b>Loss before taxation</b>		<b>(15,928)</b>	<b>(26,628)</b>
Tax on loss	10	(1,654)	975
<b>Loss for the financial year</b>		<b>(17,582)</b>	<b>(25,653)</b>

The notes on pages 19 to 36 form part of these financial statements



## Statement of comprehensive income

for the year ended 31 December 2020

	2020 £000	2019 £000
<i>Loss for the financial year</i>	(17,582)	(25,653)
Movement in accumulated currency reserve during the year	(4,651)	(4,112)
<i>Total comprehensive loss for the year</i>	<u>(22,233)</u>	<u>(29,765)</u>

## Income statement

for the year ended 31 December 2020

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Capital contribution reserve £000</i>	<i>Profit &amp; Loss Account £000</i>	<i>Total Equity £000</i>
At 1 January 2019	3,071	207,934	1,086	(44,748)	167,343
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>
Loss for the year	-	-	-	(17,582)	(17,582)
Movement of accumulated currency reserve during year	-	-	-	(4,651)	(4,651)
At 31 December 2020	<u>3,071</u>	<u>207,934</u>	<u>1,086</u>	<u>(95,551)</u>	<u>116,540</u>

The notes on pages 19 to 36 form part of these financial statements

## Balance Sheet

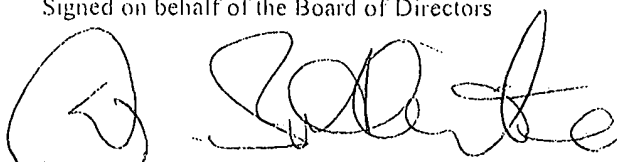
at 31 December 2020

		2020	Restated 2019
	Notes	£000	£000
<b>Non-current assets</b>			
Tangible assets	11	63,806	67,266
Investments	12	84,899	97,849
Deferred tax assets	10	3,597	3,726
		<u>152,302</u>	<u>168,841</u>
<b>Current assets</b>			
Stocks	13	15,493	32,066
Debtors	14	146,946	175,153
Cash		9,147	21,457
		<u>171,586</u>	<u>228,676</u>
<b>Current liabilities</b>	15	(120,954)	(185,322)
<b>Net current assets</b>		<u>50,632</u>	<u>43,354</u>
<b>Total assets less current liabilities</b>		<u>202,934</u>	<u>212,195</u>
<b>Non-current liabilities</b>	16	(86,394)	(73,422)
<b>Net assets</b>		<u><u>116,540</u></u>	<u><u>138,773</u></u>
<b>Capital and reserves</b>			
Called-up equity share capital	17, 18	3,071	3,071
Share premium account		207,934	207,934
Capital contribution reserve		1,086	1,086
Profit and loss account		(95,551)	(73,318)
<b>Total Equity</b>		<u><u>116,540</u></u>	<u><u>138,773</u></u>

The notes on pages 19 to 36 form part of these financial statements

The financial statements of were approved by the Board of Directors and authorised for issue on  
28<sup>th</sup> September 2021

Signed on behalf of the Board of Directors

  
D Smithwhite  
Director

## Notes to the financial statements

at 31 December 2020

### 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 2020 were authorised for issue by the board of directors on 28<sup>th</sup> September 2021 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 2020.

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 3-8. 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 2020

### 2. Accounting policies (continued)

#### *Going concern (continued)*

A core part of the company's business is its involvement in the provision of goods and services for the oil and gas industry. This sector has seen a lot of volatility since early 2020, with the spread of the COVID-19 pandemic and geo-political factors impacting on the oil price. However, the oil market has since stabilised, and of late, the price of oil has returned to pre-COVID levels. This is expected to strengthen demand for the company's offerings within this sector going forward. The performance of the company has remained resilient despite the ongoing uncertainty and many of our business segments are again optimistic with regards to future performance and the opening up of new market opportunities.

Most of our business offerings have been regarded as providing essential services during the pandemic, which has therefore ensured the company has escaped the restrictions placed on other sectors of the economy.

To further validate the continued application of the going concern basis to the financial statements, the company has prepared cashflow forecasts for the period up to 31 December 2022 using a 'harsh but plausible' scenario, to reflect continued COVID-19 pandemic risks, a fall in demand from customers due to the market environment, and impacts and mitigation actions taken. Even under this scenario, the analysis indicates that the company would still be expected to generate a positive cash flow over the period.

After rigorously reviewing all relevant available information and recognising the resilience of our business performance despite recent and ongoing market uncertainty, the directors have a reasonable expectation that the company has adequate resources for at least 12 months from the date these financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

#### *Restatement to 2019 comparatives*

In preparing the financial statements for the year ended 31 December 2020, management became aware of a classification error in relation to the accounting treatment in the prior year of a business acquisition agreement. The accounting transactions were incorrectly allocated to categories above the operating profit line on the income statement instead of to a reversal of investment impairment. The combined impact of the adjustment to the comparatives on the income statement is to reduce revenue (£2.3m), increase cost of sales (£0.7m) and net operating expenses (£0.1m) and to offset these with a reduction to impairment to fixed asset investments of £3.1m. These adjustments have no overall impact on the loss before taxation or net loss.

Furthermore, as a part of this review it came to attention that related to this that the balance sheet reported an increased cash receipt value of £6.2m offset by an accrued current liability of £3.1m to the net effect of a £3.1m asset. An amendment was made to de-recognise such on the balance sheet, but then to recognise a current asset debtor for the settlement amount of £3.1m. Nevertheless, there is no impact on the net asset position of the company for the comparative year.

The comparative disclosures in respect of the strategic report (pages 3-8), turnover and segmental information (note 3), net operating expenses (note 4), trade and other receivables (note 14) and current liabilities (note 15), as well as the opening balance positions for 2020 of fixed asset investments (note 12) have also been restated to reflect these adjustments.

#### *2.2 Adoption of new financial reporting standards*

No new financial reporting standards adopted in 2020 that have had a material impact on the financial performance and the statement of the financial position for the year.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### *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 Manufactured 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.

##### *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.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### *Goodwill (continued)*

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.

#### *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.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### *Income Taxes (continued)*

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 will be 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.

#### *Pension costs*

The company operates a defined contribution pension scheme. 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:

	2020	Restated 2019
	£000	£000
United Kingdom	192,421	163,632
Caspian	25,166	36,366
Africa	2,710	1,525
Europe (excluding UK)	4,623	4,011
Rest of the world	15,651	26,711
	<u>240,571</u>	<u>232,245</u>



## Notes to the financial statements

at 31 December 2020

### 3. Turnover and segmental information (continued)

Turnover by business segment comprises:

	2020	<i>Restated</i> 2019
	£000	£000
Integrity Management & Data Solutions	70,072	77,421
Manufactured Products	105,506	83,876
Projects Group	12,774	8,320
Subsea Services Robotics	39,401	48,676
Other Oilfield Services	12,818	13,952
	<u>240,571</u>	<u>232,245</u>

### 4. Net operating expenses

Net operating expenses comprise:

	2020	<i>Restated</i> 2019
	£000	£000
Administration expenses	11,741	11,782
Operating costs	8,279	8,579
Selling costs	350	1,193
	<u>20,370</u>	<u>21,554</u>
Foreign currency exchange (gain)/loss	(5,010)	(8,124)
Royalty charges	3,038	2,723
	<u>18,398</u>	<u>16,153</u>

### 5. Operating profit/loss

This is stated after charging/(crediting):

	2020	2019
	£000	£000
Amortisation of intangible assets	-	61
(Decrease)/ increase in provisions for expected credit losses (note 14)	(91)	267
Depreciation of tangible fixed assets – owned (note 11)	14,745	16,052
Depreciation of right-of-use assets (note 11)	5,905	4,741
Lease rentals relating to short term or low-value leases	215	362
Cost of inventories recognised as an expense	65,918	43,567
Gain on disposal of subsidiary in prior period	(744)	-
	<u></u>	<u></u>

## Notes to the financial statements

at 31 December 2020

### 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 2020 (2019 £120,000).

### 7. Directors' emoluments

	2020 £000	2019 £000
Emoluments	387	163
Company contributions paid to money purchase pension scheme	17	8

Included within the above remuneration is £28,000 in relation to compensation for loss of office (2019 – £nil).

No directors exercised share options in the current year (2019 – none). One director received shares under long term incentive schemes (2019 – none).

#### *Pensions*

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

	2020 No.	2019 No.
Money purchase schemes	4	1

#### *Highest paid director*

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

	2020 £000	2019 £000
Emoluments	170	163
Company contributions paid to money purchase schemes	4	8

### 8. Staff costs

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

	2020 £000	2019 £000
Employee costs amounted to:		
Wages and salaries	82,960	87,955
Social security costs	7,122	8,713
Other pension costs (note 23)	2,892	3,223
	92,974	99,890

## Notes to the financial statements

at 31 December 2020

### 8. Staff costs (continued)

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

	2020 Number	2019 Number
Direct labour	1,148	1,203
Indirect staff	770	797
Management and administration	418	413
	<u>2,336</u>	<u>2,413</u>

### 9. Interest payable

	2020 £000	2019 £000
To group undertakings on intercompany loans and balances	3,524	3,501
Interest expense on lease liabilities	1,430	691
	<u>4,954</u>	<u>4,192</u>

### 10. Taxation

(a) Tax charge/(credit) in the income statement

	2020 £000	2019 £000
<i>Current income tax:</i>		
Current tax on loss for the year	(1,135)	(2,724)
Adjustment in respect of prior years	(650)	(1,358)
Foreign tax suffered	3,311	2,785
Total current income tax	<u>1,526</u>	<u>(1,297)</u>
<i>Deferred tax:</i>		
Current year	655	28
Adjustment in respect of previous periods	(79)	291
Effect of changes in tax rates	(448)	2
Total deferred tax	<u>128</u>	<u>321</u>
Tax charge/ (credit) in the income statement	<u>1,654</u>	<u>(975)</u>

## Notes to the financial statements

at 31 December 2020

## 10. Taxation (continued)

(b) Factors affecting total tax charge/(credit) for the year

*The expense/(credit) for the year can be reconciled to the loss per the income statement as follows:*

	2020 £000	2019 £000
Loss for the year	(15,928)	(26,628)
Tax calculated at UK corporation tax in the UK 19% (2019 – 19%)	(3,026)	(5,059)
Effects of:		
Adjustments in respect of prior years	(729)	(1,067)
Expenses not deductible	1,848	1,130
Income not taxable	(892)	(32)
Trade and asset transfer	-	(66)
Transfer pricing adjustments	550	680
Changes in tax laws and rates	(448)	2
Effects of overseas tax rates	2,290	1,877
Impairments – non deductible	2,061	1,560
Total tax (note 10(a))	1,654	(975)

(c) Deferred tax:

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

	2020	2019
Accelerated capital allowances	2,017	405
Temporary differences	76	117
Losses	1,504	3,204
	3,597	3,726

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.

In the March 2021 Budget, the UK Government announced that legislation will be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As the changes had not been substantively enacted at the balance sheet date, the deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

If the 25% tax rate had been used at the balance sheet date, the deferred tax asset would have been £1.14m higher.

# Notes to the financial statements

at 31 December 2020

## 11. Tangible fixed assets

	<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>
Cost:				
At 1 January 2020	16,921	158,944	15,037	190,902
Additions	4,688	1,554	22,058	28,300
Transfers in/(out) from other group companies	-	(6,750)	-	(6,750)
Disposals	(617)	(27,109)	(5,663)	(33,389)
Exchange Adjustment	(98)	(8)	(126)	(232)
31 December 2020	20,894	126,631	31,306	178,831
Depreciation and impairment:				
At 1 January 2020	9,222	109,699	4,715	123,636
Depreciation charge for the year	1,002	14,600	5,905	21,507
Impairments	-	6,604	510	7,114
Transfers in/(out) from other group companies	-	(6,374)	-	(6,374)
Disposals	(617)	(25,607)	(4,513)	(30,737)
Exchange Adjustment	(32)	(47)	(42)	(121)
At 31 December 2020	9,575	98,875	6,575	115,025
Net book value:				
At 31 December 2020	11,319	27,756	24,731	63,806
At 1 January 2020	7,699	49,245	10,322	67,266

Included within the depreciation and impairment charge above are impairments totalling £7,114,000 in relation to the year-end review of all non-current assets. Most of this charge total was in relation to plant and equipment for the Manufactured Products service lines, 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. There were also smaller write-downs within our IMDS and Offshore Projects Group, as again future business line performances are expected to fall compared to expectations at the previous year end.

A gain on the transfer of tangible fixed assets of £495,000 was made during the year (2019: gain £1,587,000).

## Notes to the financial statements

at 31 December 2020

### 12. 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 2020 - restated	12,888	247,954	260,842
Disposals	(3,297)	-	(3,297)
At 31 December 2020	<u>9,591</u>	<u>247,954</u>	<u>257,545</u>
Provisions for impairment:			
At 1 January 2020 - restated	4,918	158,075	162,993
Disposals	(1,195)	-	(1,195)
Charge for the year	-	11,300	11,300
Reversal of impairment	(452)	-	(452)
At 31 December 2020	<u>3,271</u>	<u>169,375</u>	<u>172,646</u>
Net book value:			
At 31 December 2020	<u>6,320</u>	<u>78,579</u>	<u>84,899</u>
At 1 January 2020	<u>7,970</u>	<u>89,879</u>	<u>97,849</u>

The investments in associates and subsidiaries are all valued at cost less any provision for impairment. Within the total impairment charge for the year is a write-down in relation to our subsidiary Grayloc Products Limited (£11,300,000). A reversal of a previous year's impairment for our associate Viper Innovations Limited was seen in the year (£452,000).

Furthermore, there was a partial disposal of our investment in Viper Innovations Limited, which has resulted in disposals to the cost price of investment of £3,297,000 and to provisions for impairment of £1,195,000.

The restatement to the opening positions as at 1 January 2020 reflects the correction to the accounting treatment of the business acquisition agreement in the prior year comparatives (for more information on see note 2.1). This resulted in a reduction to the purchase price and a subsequent reversal of impairment, both for £3,125,000.

## Notes to the financial statements

at 31 December 2020

### 12. Fixed asset investments (continued)

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

Principal country of operation	Country of registration & incorporation	Equity interest	Nature of business
<b>United Kingdom</b>			
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) # (186,750 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
Principal country of operation	Country of registration & incorporation	Equity interest	Nature of business
<b>Overseas</b>			
Oilfield Inspection Services (International) Limited 6,933 ordinary shares of £1 each Registered office address: First Floor, Durell House, 28 New Street, Jersey, JE2 3RA	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

# Notes to the financial statements

at 31 December 2020

## 12. Fixed asset investments (continued)

Overseas	Country of registration & incorporation	Equity interest	Nature of business
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
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



## Notes to the financial statements

at 31 December 2020

### 12. Fixed asset investments (continued)

	Country of registration & incorporation	Equity interest	Nature of business
Dormant and non trading companies			
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
OIS International Limited (100,000 ordinary shares of £1 each) Registered office address: 6 <sup>th</sup> Floor, Victory House, Prospect Hill, Douglas, Isle of Man, IM1 1EQ	Isle of Man	100%	Dormant
OIS (Thailand) Company Limited Registered office address: 19 Soi Suan Son 8, Ramkhamhaeng Road, Huamark Subdistrict, Bang Kapi District, Bangkok	Thailand	49%	Non Trading
Metacor Limited (100 ordinary shares of \$1 each) Registered office address: 245 Belmont Circular Road, Belmont, Trinidad	Trinidad & Tobago	100%	Non Trading

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

# Investment is held directly by the company

### 13. Stocks

	2020 £000	2019 £000
Raw materials and consumables	15,493	32,066

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

## Notes to the financial statements

at 31 December 2020

### 14. Trade and other receivables

	2020	Restated 2019
	£000	£000
Trade receivables	27,831	67,306
Amounts owed by group undertakings	100,256	90,584
Accrued income	14,430	10,941
Provision for expected credit losses	(498)	(589)
Other debtors	546	3,217
Prepayments	4,381	3,694
	<u>146,946</u>	<u>175,153</u>

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

### 15. Current liabilities

	2020	Restated 2019
	£000	£000
Amounts owed to group undertakings:		
- Non interest bearing	67,586	101,587
Trade payables	12,952	21,556
Corporation tax	2,235	1,398
Other taxation, and social security costs	10,538	12,838
Lease liabilities (note 21)	3,337	3,393
Contract liabilities	16,201	33,313
Accruals	6,658	9,572
Provisions (note 22)	1,447	1,665
	<u>120,954</u>	<u>185,322</u>

### 16. Non-current liabilities

	2020	2019
	£000	£000
Lease liabilities (note 21)	21,016	5,959
Provisions (note 22)	3,230	2,586
Intercompany loans	62,148	64,877
	<u>86,394</u>	<u>73,422</u>

As at 31 December 2020 the company holds in place one intercompany loan agreement comprising of a loan outstanding for £62,148,000 with Oceaneering International Inc, the ultimate parent undertaking, and which bears interest at 5.0% per annum.

## Notes to the financial statements

at 31 December 2020

### 17. Called-up equity share capital

	<i>Authorised</i>	
	<i>2020</i>	<i>2019</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>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
<i>No.</i>		<i>No.</i>
Ordinary shares of £1 each	3,070,501	3,071
	<u>          </u>	<u>          </u>

Share capital consists entirely of equity shares.

### 18. 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

### 19. Capital commitments

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

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Contracted for but not provided for	2,432	6,484
	<u>          </u>	<u>          </u>

### 20. 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 2020 is £54,436,000 and these warranties expire between January 2021 and September 2023.
- 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 2020

### 21. Lease liabilities

Amounts recognised in the Balance Sheet:

	2020 £000
At 1 January 2020	9,352
Additions	20,259
Finance costs	1,430
Lease payments	(5,727)
Exchange and revaluation adjustment	(961)
At 31 December 2020	<u>24,353</u>

Breakdown between current and non-current lease liabilities:

	2020 £000
Current (note 15)	3,337
Non-current (note 16)	21,016
	<u>24,353</u>

For information on right-of-use assets see note 11.

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 £7,700,000 (year end 31 December 2019 - £4,745,000). 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.

### 22. Provisions

	Gratuity provision £000	Property related £000	Other £000	Total £000
At 1 January 2020	1,082	2,153	1,016	4,251
Additions	261	1,800	9	2,070
Unused amounts reversed	-	(507)	(49)	(556)
Utilised in the year	(80)	(943)	-	(1,023)
Exchange adjustment	(65)	-	-	(65)
At 31 December 2020	<u>1,198</u>	<u>2,503</u>	<u>976</u>	<u>4,677</u>

## Notes to the financial statements

at 31 December 2020

### 22. 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 £1,800,000 of additions in relation to the new Aberdeen facility and workshop moved into in the year. Most of the unused amounts reversed and utilised in the year relate to coming to the end of the terms for the old Aberdeen properties. It is expected that £471,000 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 in 2021.

### 23. Pension schemes

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 2020 were £2,892,000 (2019 - £3,223,000). Contributions totalling £279,000 were payable at the year end (2019 - £531,000) and are included in creditors.

### 24. 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.