Team Energy Resources Limited

Annual report and financial statements

Registered number 02125855

31 December 2019

Contents

Directors' report

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

Principal activities

The Company is a leading international agency provider of manpower services to the offshore oil and gas industry. Using its extensive contractor database the Company supplies labour requirement to its customer base within the drilling, completion and intervention, pipeline and process and subsea inspection sectors.

Business review and results

The profit for the year after taxation was £93,000 *(2018: £62,000)*.

Proposed dividend

The directors do not recommend the payment of a dividend *(2018: £nil)*.

Future developments and going concern

Since the end of 2019, the Brent crude oil price has significantly reduced and continues to be low and volatile due to the economic impact of the coronavirus pandemic and the considerable short- to medium-term uncertainty it creates for businesses worldwide, and to the current global levels of supply and storage capacity. It is expected many oil exploration and production companies will delay a number of their investment programmes leading to a contraction in the Company's operations across that time horizon. Risk may also arise in the Company's ability to execute its services during the pandemic, depending on their nature and location.

In these unprecedented times the Company (and the wider Acteon group) is taking additional significant steps with respect of monitoring its trading and protecting and optimising its cash flow. Significant adverse impacts on 2020 performance are expected but detailed scenario-planning and sensitivity analyses thereon show the Company (and Acteon group) should have sufficient financial resources to endure this challenging trading environment for the foreseeable future.

The Company will continue to undertake the necessary actions to optimise its trading performance, protect its margins, overall profitability and cash flow whilst seeking to retain its key capabilities and skills so that it may take advantage and capitalise on opportunities once demand and more normal levels of activities return. The directors have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements but with note 1 disclosing a material uncertainty in respect of this.

Directors

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

C Pym
Dr B Bruggaier

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

Disclosure of information to auditor

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

Auditor

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

Directors' report *(continued)*

Small companies' provision

In preparing this report, the directors have taken advantage of the small companies exemption provided in section 414B of the Companies Act 2006 and have not prepared a strategic report

By order of the board

Dr B Bruggaier
Director

Ferry side
Ferry Road
Norwich
NR1 1SW

20 November 2020

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

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

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

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

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

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

KPMG

Independent auditor's report to the members of Team Energy Resources Limited

Opinion

We have audited the financial statements of Team Energy Resources Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty relating to going concern

We draw attention to note 1 to the financial statements which explains that the Company is an obligor to its parent company's secured bank loan facility. As a result of the global economic uncertainty caused by the coronavirus pandemic and lower oil prices, the parent company is forecasting that it will not meet the financial covenants for its secured bank loan during 2021. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty for the Company that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Directors' report

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

Our responsibility is to read the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

KPMG

Independent auditor's report to the members of Team Energy Resources Limited
(continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Michael Scrivener (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

20 November 2020

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	**17,315**	12,862
Cost of sales		**(16,248)**	(12,033)
Gross profit		**1,067**	829
Administrative expenses		**(842)**	(754)
Operating profit	3-5	**225**	75
Interest receivable and similar income	6	**-**	25
Interest payable and similar expenses	7	**(97)**	(3)
Profit before taxation		**128**	97
Tax on profit	8	**(35)**	(35)
Profit for the financial year		**93**	62
Other comprehensive income		**-**	-
Total comprehensive income for the year		**93**	62

All results relate to continuing activities.

Balance sheet
at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	*9*	1		2	
Tangible assets	*10*	4		3	
			5		5
Current assets					
Debtors	*11*	3,493		2,836	
Cash at bank and in hand		-		-	
		3,493		2,836	
Creditors: amounts falling due within one year	*12*	(1,962)		(1,398)	
Net current assets			1,531		1,438
Total assets less current liabilities			1,536		1,443
Net assets			1,536		1,443
Capital and reserves					
Called up share capital	*15*		60		60
Profit and loss account			1,476		1,383
Shareholder's funds			1,536		1,443

These financial statements were approved by the board of directors on 20 November 2020 and were signed on its behalf by:

Dr B Bruggaier
Director

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	60	1,321	1,381
Total comprehensive income for the year			
Profit for the year	-	62	62
Balance at 31 December 2018	60	1,383	1,443

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	60	1,383	1,443
Total comprehensive income for the year			
Profit for the year	-	93	93
Balance at 31 December 2019	60	1,476	1,536

Notes

(forming part of the financial statements)

1 Accounting policies

Team Energy Resources Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 02125855 and the registered address is Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW.

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

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

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), making amendments where necessary in order to comply with the Companies Act 2006. The Company has also taken advantage of the available FRS 101 disclosure exemptions in relation to the following:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

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

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

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

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

Subsequent to the 31 December 2019 year-end, the Brent crude oil price has significantly reduced from $68 per barrel at 31 December 2019 to $40 at 30 September 2020. The oil price continues to be low due to the economic impact of the coronavirus pandemic and the considerable uncertainty it creates for businesses worldwide. There is difficulty in predicting the full impact and duration of the pandemic and future oil price levels and any resulting effects on the Company's order book, operations, financial position, liquidity and cash flows.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern (continued)

Trading for the period to 30 September 2020 has reflected lower industry activity compared with the Company's pre-pandemic budget, though with lower than budgeted sales partly offset by cost saving measures. The Company is undertaking the necessary actions to optimise its trading performance, protect its margins, overall profitability and cash flow whilst seeking to retain its key capabilities and skills so that it may take advantage of and capitalise on opportunities once demand and more normal levels of activities return.

The directors have prepared cash flow forecasts for the Company for a period of twelve months from the date of approval of these financial statements which, taking account of reasonably possible severe but plausible downsides, indicates the Company will have sufficient cash to meet its liabilities as they fall due during that period.

Reasonably possible severe but plausible downside scenarios include lower sales in addition to those already factored into the base forecast as a result of the pandemic. These have been partly offset by overhead cost savings.

The going concern of the Company is also dependent upon the financial performance of Acteon Group Limited ('the Group') because it participates in the Group's centralised treasury arrangements and is an obligor of the Group's banking facilities. At 31 December 2019 the Group had a fully drawn secured bank loan facility of £273 million with the first debt maturity in November 2022. As of 30 September 2020, the Group had £68 million in cash and £10 million undrawn on its revolving bank facility.

The Group has prepared forecast cash flows to December 2021 which reflect the economic uncertainty described above. On the basis of the forecast cash flow information within the Group's projections, and taking into account severe but plausible downsides, the directors consider that the Group will continue to operate with sufficient liquidity. The severe but plausible downside cash flows modelled assumes further deferrals or reductions in the Group's customer revenues across the forecast period.

The Group's cash flow forecasts assume the secured bank loan remains available throughout the forecast period. The principal financial covenants with which the Group is required to comply are ratios relating to EBITDA to Net Interest Payable and Total Net Debt to EBITDA. Compliance is required to be tested at each quarter end.

The Group's financial covenants were amended in agreement with the lenders in July 2020 to reflect the Group's current trading forecasts for covenant testing dates through to and including 31 December 2020. It is forecast that further financial covenant amendments will be required for testing dates from 31 March 2021 and through the remainder of 2021 in order that both financial covenants can be met. Amendments are planned to be agreed by the Group with its lenders before 31 March 2021.

There is no certainty that further financial covenant amendments will be agreed, though the directors have no reason to expect that this will not be the case. If not agreed, repayment of the secured bank loan could be accelerated by the Group's lenders, meaning that amounts owed fall due immediately leading to alternative financing of the Group being required. As an obligor, the Company is liable for the secured bank loan and for this reason the Company's going concern is reliant upon further financial covenant amendments being agreed.

Based on their forecasts and evaluation thereof, the directors believe that it is appropriate to prepare the Company's financial statements on a going concern basis and are confident the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements. However, the above circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Tangible fixed assets

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

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

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

Plant and equipment, fixtures and fittings	4 years

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

1.4 Intangible fixed assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life, which is typically 3-5 years.

1.5 Non-derivative financial instruments

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

Investments

Investments in subsidiaries are carried at cost less impairment.

Trade and other debtors

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

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

Contract assets

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

Trade and other creditors

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

1.6 Classification of financial instruments issued by the company

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

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Classification of financial instruments issued by the company (continued)

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

1.7 Contract costs

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

Costs of obtaining a contract

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

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

Costs to fulfil customer contracts

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

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

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

1.8 Contract liabilities

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

1.9 Turnover

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Turnover (continued)

Rendering of services

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

Mobilisation and demobilisation services

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

Contracts with a significant financing component

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

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

1.10 Interest receivable and interest payable

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

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

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

1.11 Taxation

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 *Foreign currency*

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

1.13 *Impairment*

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

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

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

Impairment losses are recognised in profit or loss.

1.14 *Defined contribution plan*

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

1.15 *Intra group financial instruments*

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

1.16 *New accounting standards in the year*

The Company has adopted all new or amended Accounting Standards issued by the International Accounting Standards Board that are mandatory for the current reporting period. The most relevant of these is:

IFRS 16 – Leases ("IFRS 16")

The Company adopted IFRS 16 from 1 January 2019 with there being no impact on transition as a result of the Company having no on-going leases in or at the end of the comparative period.

The new standard only affects the accounting for the Company's operating leases where it is the lessee and introduces right-of-use fixed assets (which are subsequently depreciated over the assets' lives) and lease liabilities (which are measured at amortised cost using the effective interest method) to the balance sheet. The profit and loss account no longer expenses operating lease rental costs under administrative expenses (subject to the exemptions for short-term leases and leases of low-value assets); those costs are replaced with depreciation included under administrative expenses or cost of sales, and interest which is included under finance costs.

(i) Right-of-use assets

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 New accounting standards in the year

(i) Right-of-use assets (continued)

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

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

(ii) Lease liabilities

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

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

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

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

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

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

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

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

Notes *(continued)*

2 Turnover

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

	2019 £000	2018 £000
Nature of turnover		
Rendering of services	**17,315**	12,862
Geographical markets		
Europe	**11,241**	8,524
Africa	**1,300**	998
South America	**-**	109
Asia and Asia Pacific	**896**	368
Middle East/Caspian	**3,878**	2,863
	17,315	12,862
Timing of turnover recognition		
Products and services recognised over time	**17,315**	12,862

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	2019 £000	2018 £000
Depreciation and other amounts written off tangible fixed assets - Owned	**3**	3
Amortisation of intangibles	**1**	4
Operating lease rentals from short-term leases and low value assets*	**41**	-
Auditor's remuneration:		
Audit of these financial statements	**14**	13

* As a result of adopting IFRS 16 in 2019 only rentals from short-term leases and low value assets are now charged directly to the profit and loss account.

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

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	2019	2018
Directors	**2**	2
Technical and administration	**20**	19
	22	21

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**747**	715
Social security costs	**100**	95
Contributions to defined contribution plans *(note 16)*	**40**	36
	887	846

5 Directors' remuneration

	2019	2018
	£000	£000
Directors' remuneration	**141**	135
Company contributions to money purchase pension schemes	**11**	11
	152	146

	Number of directors	
	2019	2018
Number of directors' accruing benefits under money purchase scheme	**1**	1

The amounts disclosed relate to the emoluments of one director.

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

6 Interest receivable and similar income

	2019	2018
	£000	£000
Net foreign exchange gains	**-**	25
Total interest receivable and similar income	**-**	25

Notes *(continued)*

7 Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on bank borrowings	**41**	3
Net foreign exchange losses	**56**	-
Total interest payable and similar expenses	**97**	3

8 Taxation

Recognised in the profit and loss account

	2019 £000	2019 £000	2018 £000	2018 £000
UK corporation tax				
Current tax on income for the year	**25**		17	
Adjustments in respect of prior years	**4**		8	
		29		25
Foreign tax				
Current tax on income for the year	**10**		12	
Adjustments in respect of prior years	**(3)**		(1)	
		7		11
Total current tax		**36**		36
Deferred tax (note 14)				
Origination and reversal of temporary differences	**(1)**		(1)	
Total deferred tax		**(1)**		(1)
Tax on profit		**35**		35

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	**93**	62
Total tax expense	**35**	35
Profit excluding taxation	**128**	97
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**24**	18
Non-taxable transactions	-	1
Deferred tax asset written off in the year	-	2
Foreign tax	**10**	9
Adjustments in respect of prior years	**1**	5
Tax on profit	**35**	35

Notes *(continued)*

8 Taxation *(continued)*

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the impact on the Company's UK deferred taxation balances would not have been material.

9 Intangible assets

	Software £000
Cost	
Balance at 1 January 2019	50
Balance at 31 December 2019	50
Amortisation and impairment	
Balance at 1 January 2019	48
Amortisation for the year	1
Balance at 31 December 2019	49
Net book value	
At 1 January 2019	2
At 31 December 2019	**1**

The amortisation charge of £1,000 *(2018: £4,000)* is recognised within administrative expenses in the profit and loss account.

10 Tangible fixed assets

	Plant and equipment, fixtures and fittings £000
Cost	
Balance at 1 January 2019	67
Additions	4
Balance at 31 December 2019	71
Depreciation	
Balance at 1 January 2019	64
Depreciation charge for the year	3
Balance at 31 December 2019	67
Net book value	
At 1 January 2019	3
At 31 December 2019	**4**

Notes *(continued)*

11 Debtors

	2019 £000	2018 £000
Trade debtors	**2,522**	2,101
Contract assets *(note 13)*	**512**	147
Amounts owed by group undertakings	**113**	261
Other debtors	**293**	272
Deferred tax assets *(note 14)*	**16**	15
Prepayments and accrued income	**37**	40
	3,493	2,836

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

12 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank overdraft	**506**	145
Trade creditors	**1,141**	1,059
Amounts owed to group undertakings	**80**	58
Taxation and social security	**29**	30
Other creditors	**5**	10
Accruals and deferred income	**201**	96
	1,962	1,398

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

13 Contract balances

	2019 £000	2018 £000
Receivables (Trade debtors) which are included in Debtors *(note 11)*	**2,522**	2,101
Contract assets	**512**	147

In some contracts the Company receives payments from customers based on explicit billing schedules. Contract assets primarily relate to the Company's conditional right to consideration for completed performance obligations under those contracts. These are transferred to receivables (trade debtors) once this right has become unconditional (typically on invoicing).

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

Contract assets

	2019 £000	2018 £000
Balance at 1 January	**147**	76
Brought forward balance transferred to trade debtors	**(147)**	(76)
Conditional right to consideration at the year-end (accrued income)	**512**	147
Balance at 31 December	**512**	512

Notes *(continued)*

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	
	2019	2018
	£000	£000
Tangible fixed assets	**13**	12
Tax value of loss carry-forwards	**3**	3
Deferred tax asset	**16**	15

Movement in deferred tax during the year

	1 January 2019 £000	**Recognised in income £000**	**31 December 2019 £000**
Tangible fixed assets	**12**	**1**	**13**
Tax value of loss carry-forwards utilised	**3**	**-**	**3**
	15	**1**	**16**

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets	11	1	12
Tax value of loss carry-forwards utilised	3	-	3
	14	1	15

15 Capital and reserves

Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
60,000 *(2018: 60,000)* Ordinary shares of £1 each	**60**	60

Profit and loss account

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

16 Defined contribution scheme

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £40,000 *(2018: £36,000).*

Notes *(continued)*

17 Contingent liabilities

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

18 Related parties

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

Related party	**Relationship**	**Transactions**	**2019 £000**	2018 £000
Team Energy Resources Middle East LLC	Common control	Management charges	**241**	233
UTEC NCS Survey Limited	Common control	Sales	**124**	188
BHHM Pension Scheme	Common control	Rental costs	**41**	-

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

Related party	**Relationship**	**Balances**	**2019 £000**	2018 £000
Team Energy Resources Middle East LLC	Common control	Debtor	**40**	20
UTEC NCS Survey Limited	Common control	Debtor	-	32

Parent and ultimate controlling party

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

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

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

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

KKR & Co Inc's registered office address is Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA.