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Registered number: 05522539

AQUATERRA ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

AQUATERRA ENERGY LIMITED

COMPANY INFORMATION

Directors	M Boyd S Maxwell G Morrison P Jensen J Larnder G Prise A Wilson
Company secretary	N Hawkes
Registered number	05522539
Registered office	Innovation House 2 Alkmaar Way Norwich Norfolk NR6 6BF
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor Kingfisher House 1 Gilders Way St James Place Norwich Norfolk NR3 1UB
Bankers	HSBC Bank Plc 8 Canada Square Canary Wharf London E14 5HQ
Solicitors	Mills & Reeve 1 St James Court Whitefriars Norwich Norfolk NR3 1RU

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activities of the Company (based in Norwich, United Kingdom) during the year were the design, manufacture and installation of specialised equipment for the international offshore oil and gas industry.

Business Model

Aquaterra Energy Limited provides complete offshore engineering solutions, from conceptual design and engineering analysis to construction, installation, rental, service and maintenance. These solutions include a range of carefully engineered products, supported by specialist design and technical services. Our vision is to be the first choice global provider of shallow water platforms, risers and jackup rig products and services.

The Company has developed a reputation for delivering innovative, robust and reliable engineering solutions to challenging drilling rig or platform related requirements. Our specialist in house teams cover the complete project scope:

Design: conceptual, FEED, analysis, 3D modelling

Procurement: specification, manufacturing, inspection, construction, FAT/SIT

Installation: procedures, supervision, commissioning, testing, handover

The Company has extensive experience in the North Sea, Asia Pacific, West Africa, North Africa and Europe.

Business Review and Results

Following the multi million pound investment from Energy Ventures Private Equity V (GP) Limited in 2017 the company has continued on its growth plan to develop new technologies and widen its service expansion. The board has used this investment to focus on increasing its sales & marketing effectiveness, develop new products and services through innovation, and where possible to utilise technology for the benefit of our customers and the business. The board has seen considerable success in these areas but recognises that these changes will take time to become fully effective. The investment will allow continued business expansion over the coming years and the Company sees opportunities in all business areas that it currently operates in.

The Oil & Gas market continues to show signs of recovery, although 2018 still reflects a level of caution by operators; this is reflected in the results for 2018. The loss for the financial year amounted to £214,000 (2017: profit of £1,809,000). The trading results for the period and the Company's financial position at the end of the year are shown in the attached financial statements, and are discussed further in the Key Performance Indicators below. The directors are of the opinion that the performance during the period was as expected and believe the Company is well positioned for future expansion of the business; this is reflected in a healthy order book going into 2019.

Key Performance Indicators

The directors consider gross profit and adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, share based payments charge, impairment and fair value adjustments in respect of investment properties) and the level of investment in the Company to support revenue generation (tangible fixed assets and average number of employees) to be the key financial performance indicators. The gross profit for the year was £4,657,000 (2017: £5,491,000) and adjusted EBITDA for the period was £1,803,000 (2017: £3,479,000). Tangible assets at the end of the period stood at £8,545,000 (2017: £5,499,000) whilst the total number employees during the period averaged 71 (2017: 63).

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000	*2017 £000*
Non-GAAP measure:			
Adjusted EBITDA:			
Profit/(loss) before taxation		**(48)**	*2,270*
Adjustments for:			
Share option expense		**-**	*4*
Net interest expense	11,12	**(35)**	*130*
Depreciation of tangible fixed assets	6,14	**1,140**	*1,093*
Fair value adjustment of tangible fixed assets	6,14	**-**	*(18)*
Impairment of fixed asset investments	16	**746**	*-*
Adjusted EBITDA		**1,803**	*3,479*

	Notes	£000	*£000*
GAAP measure			
Gross profit		**4,657**	*5,491*
Tangible assets	14,15	**8,545**	*5,499*
		Number	*Number*
Average employees	8	**71**	*63*

Principal risks and uncertainties

The Directors continuously review and take steps to ensure the risks and uncertainties faced by the business are managed by the Company, such as health and safety, financial risks and commercial/market risks. The Board review monthly management and financial reporting packs which can highlight risks to enable relevant actions to be taken. Appropriate insurance covers are also in operation which should mitigate impacts of risks turning into reality.

A significant proportion of the Company's turnover and costs are in currencies other than Sterling. The Company attempts to match revenue and expenditure in non Sterling currencies as closely as possible with any material variance being hedged to mitigate exchange risk.

The Directors continuously monitor financial reporting and projections and measures taken to mitigate the impact of this on revenue and profitability whilst seeking to retain its operational capacity and capabilities.

In order to manage the risk related to over reliance on significant customers either by geography, specific product and service or size, the directors monitor customer concentration and seek to ensure that there is sufficient diversity to avoid any reliance upon a single or concentration of customers. The directors are of the opinion that the business was not reliant on any one individual customer during the year ended 31 December 2018.

The Directors draw attention to a claim received from a customer in the Far East in March 2019 in respect of the company and its agent. The claim relates to a full and final settlement agreement reached between the parties in December 2013, following the delivery of a project in 2012/2013. In the interest of transparency the details of the matter are included in the notes to accounts (note 26).

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include price risk, liquidity risk, foreign exchange risk, interest rate risk and credit risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the business.

Given the size of the Company, the directors have not delegated the responsibility of monitoring 'financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

Price Risk

The Company is exposed to price risk as a result of its operations. The risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities.

Liquidity risk

The Company is exposed to liquidity risk arising from cash flows associated with contracting operations in overseas territories. The Company manages this risk by monitoring and retaining sufficient cash and access to borrowings, to ensure it has sufficient available funds for operations and planned expansions.

Foreign Exchange risk

The Company uses hedging instruments to ensure exposure to foreign exchange risk on significant specific projects in foreign currencies is minimised. The Company does not hedge account for these instruments.

Interest rate risk

The Company is exposed to interest rate risk as it has interest bearing liabilities. Interest bearing liabilities include floating rate loans from third parties. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Credit risk

The Company has policies which require appropriate credit checks on potential customers and regularly reviews the utilisation of individual customer credit limits. Credit risk arises from cash and deposits held with banks and transactions with third party customers.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Future Developments

The Directors continue to believe the multi-year international Oil & Gas upcycle is in the early stages and anticipate more significant growth from 2019 onwards. In line with this improving market, the directors consider that the Company will grow its customer base driven by increased geographical coverage combined with expanding the product and service capabilities. Cost pressures exerted by oil and gas industry operators will continue to generate increased interest in innovation and the directors feel that the Company is in a good position to take advance of this through the development of new technologies and wide service offering by the Company.

This report was approved by the board and signed on its behalf.

J Larnder
Managing Director

Date: 10/9/19

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year, after taxation, amounted to £214,000 *(2017 - profit of 1,809,000)*.

No dividends were paid or are proposed in respect of the year to 31 December 2018.

Going concern

The Company meets its day-to-day working capital requirements through its bank facilities. This is monitored on a daily basis. The company's forecast and projections show that it is able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements.

Political donations and political expenditure

The Company made no donations or incurred political expenditure to or with registered EU/non-EU political parties.

Directors

The directors who served during the year were:

M Boyd
S Maxwell
G Morrison
P Jensen
J Larnder
G Prise
A Wilson

Company Secretary

N Hawkes (appointed 4 June 2018)

Research and development

The Company actively pursues research and development in order to maintain a technical and marketing edge and also to assist in the expansion of its product portfolio.

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 a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through briefing groups.

Safety

The Company recognises the promotion of health and safety at work is an important objective. It is the Company's policy to take steps to ensure as far as reasonably practical, the health, safety and welfare of the employees of the group and its subsidiary companies.

Environment

The Company recognises its responsibility to minimise so far as reasonably possible the potential for adverse impacts from its operations. It aims to achieve the highest standards in environmental management and seek accreditation to relevant standards where appropriate.

Directors' third-party indemnity provision

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 was in force throughout the period and as at the date of signing for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the period and as at the date of signing.

Branches outside the UK

The Company has branch registrations in Norway (Norwegian Org No. 998 163 218) and Azerbaijan (Co No 1700985951).

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

J Larnder
Managing Director

Date: 10/9/19

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AQUATERRA ENERGY LIMITED

Opinion

We have audited the financial statements of Aquaterra Energy Limited (the 'company') for the year ended 31 December 2018, set out on pages 13 to 38. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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

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

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

Emphasis of matter

We draw attention to note 26 to the financial statements, which describes the uncertain outcome of a lawsuit, in relation to a project delivered in 2012/2013, where the company is a co-defendant. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AQUATERRA ENERGY LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Matter on which we are required to report under the Companies Act 2006

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 the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AQUATERRA ENERGY LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Grant Thornton UK LLP

Timothy Taylor FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Senior Statutory Auditor, Chartered Accountants
Norwich
Date: 12 SEPTEMBER 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	*2017* *£000*
Turnover	4	**15,991**	*15,202*
Cost of sales		**(11,334)**	*(9,711)*
Gross profit		**4,657**	*5,491*
Administrative expenses		**(4,378)**	*(3,179)*
Other operating income	5	**44**	*73*
Fair value movements	23	**(406)**	*15*
Operating (loss)/profit	6	**(83)**	*2,400*
Interest receivable and similar income	11	**-**	*3*
Interest payable and expenses	12	**35**	*(133)*
(Loss)/profit before tax		**(48)**	*2,270*
Tax on (loss)/profit	13	**(166)**	*(461)*
(Loss)/profit for the financial year		**(214)**	*1,809*

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 16 to 38 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £000		2017 £000
Fixed assets					
Tangible assets	14		**7,914**		*4,868*
Investment property	15		**631**		*631*
Investments	16		**-**		*746*
			8,545		*6,245*
Current assets					
Stocks	17	**38**		-	
Debtors: amounts falling due within one year	18	**5,879**		*6,481*	
Debtors: amounts falling due after more than one year	18	**331**		*307*	
Cash at bank and in hand	20	**2,739**		*2,511*	
		8,987		*9,299*	
Creditors: amounts falling due within one year	21	**(9,461)**		*(7,398)*	
Net current (liabilities)/assets			**(474)**		*1,901*
Total assets less current liabilities			**8,071**		*8,146*
Creditors: amounts falling due after more than one year	22		**(139)**		-
Net assets			**7,932**		*8,146*
Capital and reserves					
Called up share capital	24		**20**		*20*
Share premium account	25		**26**		*26*
Profit and loss account	25		**7,886**		*8,100*
			7,932		*8,146*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J Larnder
Managing Director

Date: 10/9/19

The notes on pages 16 to 38 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	20	26	8,100	8,146
Comprehensive income for the year				
Loss for the year	-	-	(214)	(214)
Total comprehensive income for the year	-	-	(214)	(214)
At 31 December 2018	20	26	7,886	7,932

The notes on pages 16 to 38 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	19	17	1	6,291	6,328
Comprehensive income for the year					
Profit for the year	-	-	-	1,809	1,809
Total comprehensive income for the year	-	-	-	1,809	1,809
Options exercised	1	9	-	-	10
Options exercised	-	-	(1)	-	(1)
At 31 December 2017	20	26	-	8,100	8,146

The notes on pages 16 to 38 form part of these financial statements.

1. General information

Aquaterra Energy Limited is a private company limited by shares & incorporated in England and Wales. Its registered head office is located at Innovation House, 2 Alkmaar Way, Norwich, Norfolk, NR6 6BF.

Aquaterra Energy Limited ("the Company") provides engineering services to design, manufacture and install specialised equipment to the international offshore oil and gas industry.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The Company meets its day-to-day working capital requirements through its bank facilities. This is monitored on a daily basis. The company's forecast and projections show that it is able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Aquaterra Energy Group Limited as at 31 December 2018 and these financial statements may be obtained from Companies House.

2. Accounting policies (continued)

2.4 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

All foreign exchange gains and losses are presented within Administrative expenses.

2.6 Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of any discounts or rebates allowed by the Company and value added taxes.

The Company recognises turnover using the percentage of completion method.

Turnover is recognised as earned when and to the extent that, the Company obtains the contractual right to consideration in exchange for its performance under contract; the amount can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where amounts are invoiced or where cash is received in advance of the work being performed such amounts are deferred as liabilities until the revenue is earned. Where work is performed but un-invoiced such amounts are recognised within the profit and loss account with a corresponding asset recognised within accrued income. Rents are receivable in respect of sub-letting un-occupied space. Such amounts are disclosed separately as other operating income and recognised on an accruals basis.

Dividend income is recognised when the right to receive payment is established.

2. Accounting policies (continued)

2.7 Employee benefits

Defined contribution pension plans

The Company operates defined contribution plans for its employees. The Company pay contributions to a third party pension provider and once the contributions have been paid, the Company has no further payment obligations. The contributions are recognised on an accruals basis. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Share based payments

The Company provides share-based payment arrangements to certain employees.

The Company operates equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, with a corresponding adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. Accounting policies (continued)

2.8 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Deferred tax relating to investment properties measured at fair value is measured using the tax rates and allowances that apply to the sale of the respective assets.

2. Accounting policies (continued)

2.9 Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Freehold Property
Freehold property are stated at cost less accumulated depreciation and accumulated impairment losses.

Investment Properties
Investment properties are initially recognised at cost which includes the purchase cost and any directly attributable expenditure. Where an investment property's fair value can be reliably measured, the value held in the accounts is subsequently restated at fair value. The surplus or deficit on revaluation is recognised in the profit and loss.

Plant and Machinery
Plant and Machinery are stated at cost less accumulated depreciation and accumulated impairment losses.

Office and Computer Equipment
Office and Computer Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Freehold property	- 2% straight line
Plant and machinery	- 10% to 50% straight line
Office and computer equipment	- 25% straight line

The asset's residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted prospectively.

Assets in the course of construction
No depreciation is charged on assets in the course of construction. They are stated at cost and not depreciated until they are available for use.

Derecognition
Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Profit on sale of fixed assets'.

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2. Accounting policies (continued)

2.11 Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets (lessee)
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Benefits received and receivable as an incentive to sign a lease are spread evenly over the lease term.

Operating leased assets (lessor)
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Lease income from operating leases (through the leasing of investment properties) is recognised in profit or loss on a straight-line basis over the lease term.

2.12 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

2.13 Investments

Investments are stated at cost or valuation less any provision for impairment.

2.14 Inventories and work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Net realisable value is the amount at which inventories can be sold in the normal course of business after allowing for the costs of realisation. Provision is made, where appropriate for slow moving, obsolete and defective inventories.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand less bank overdrafts, which are repayable on demand.

2. Accounting policies (continued)

2.17 Provisions and contingencies

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.19 Financial instruments

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

2. Accounting policies (continued)

2.19 Financial instruments (continued)

Financial Liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Company companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present-value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss within administrative expenses.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the year in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

2.22 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the Company's accounting policies

The board believe that there are no critical judgements involved in applying the Company's accounting policies that warrant disclosure.

Key accounting estimates and assumptions

Turnover on long term contracts (note 2.6)
Estimations regarding the stage of completion are made in respect of each incomplete project at the end of the financial year. The basis for the calculation is detailed within note 2.6 (Turnover recognition). Due to the nature of these projects and the length of time over which they operate, judgements and estimates are inherent in assessing the accounting position.

Taxation (note 2.8)
The tax charge for the financial year is based on the accounting assumptions contained within the financial statements and is therefore subject to many of the estimates contained herein. A deferred tax asset is recognised for the Company on losses which may be off-set against future profits. It is assumed the Company will have sufficient profits to utilise the deferred tax asset.

Share-based payments (note 2.7)
The share-based payments charge is based on a calculation using the Black-Scholes model which requires assumptions regarding share price and other valuations.

4. Turnover

The whole of the turnover is attributable to one principal activity of the Company. The directors consider that the disclosure of turnover by geographical destination would be seriously prejudicial to the Company.

5. Other operating income

	2018 £000	*2017* *£000*
Rental income	**25**	*73*
Other income	**19**	*-*
	44	*73*

6. Operating profit

The operating profit is stated after charging:

	2018 £000	*2017 £000*
Impairment of trade receivables (note 18)	-	*48*
Operating lease payments	68	*158*
Depreciation of tangible fixed assets (note 14)	1,140	*1,093*
(Profit) / loss on sale of fixed assets	-	*(1)*
Foreign exchange loss / (gain)	125	*885*
Fair value loss / (gain) on derivatives (note 23)	406	*(973)*
Fair value adjustment on investment properties (note 16)	-	*(18)*
R&D expenditure	384	-

7. Auditor's remuneration

	2018 £000	*2017 £000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	25	*73*
Other services provided to the Company	-	*102*

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £000	*2017 £000*
Wages and salaries	**3,435**	*3,243*
Social security costs	**415**	*363*
Cost of defined contribution scheme	**116**	*95*
	3,966	*3,701*

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	*2017 No.*
Operational	**52**	*47*
Administrative	**19**	*12*
Executive Directors	**-**	*4*
	71	*63*

9. Directors' remuneration

	2018 £000	*2017 £000*
Directors' emoluments	**179**	*266*
Company contributions to defined contribution pension schemes	**20**	*25*
	199	*291*

After the acquisition of the Company on 7 July 2017, the Directors became employed by Aquaterra Energy Group Limited. From this point, the parent company charged Aquaterra Energy Limited a management fee in respect of the services provided by the Directors.

During the year retirement benefits were accruing to 3 directors *(2017 - 3)* in respect of defined contribution pension schemes.

During the year, no directors exercised share options *(2017: 2)*.

The highest paid director received remuneration of £157,000 *(2017 - £75,000)*.

9. Directors' remuneration (continued)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,000 *(2017 - £10,000)*.

Key management personnel compensation

The Company considers its directors to be its key management.

10. Share based payments

Issues of ordinary, non-voting ordinary and non-voting EBT ordinary shares

During the prior year certain directors and senior employees held options to subscribe for non-voting ordinary shares and non-voting EBT shares in the Company under the terms of Enterprise Management Incentive agreements entered into on 2 December 2013. The options were exercised on 7 July 2017 on sale of the Company's share capital. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations.

Grant date	2 December 2013
Share price at grant date	£79
Exercise price	£79
Number of employees	5
Shares under option	2,167
Vesting period (years)	At various points over 3 years
Expected volatility	57%
Option life (years)	10
Expected life (years)	3
Risk free rate	2.70%
Expected dividends expressed as a dividend yield	2.66%
Fair value per option	£363

The fair value per option granted and the assumptions used in the calculation are as follows:
The expected volatility is based on historical volatility over the last three years from available market data of comparable businesses. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

	Number	Weighted average exercise price
Outstanding at 1 January 2017	705	£79
Exercised in year	(705)	
Outstanding and exercisable at 31 December 2017	-	

11. Interest receivable

	2018 £000	2017 £000
Interest received	-	3

12. Interest payable and similar expenses

	2018 £000	2017 £000
Interest expense on bank loans	(35)	133

13. Taxation

	2018 £000	2017 £000
Current tax on profits for the year	-	44
Adjustments in respect of previous periods	(44)	-
Foreign tax suffered	234	179
Total current tax	**190**	223
Deferred tax (note 17)		
Origination and reversal of timing differences	82	253
Adjustments in respect of prior years	(109)	1
Effect of changes in tax rates	3	(16)
Total deferred tax	**(24)**	238
Tax charge on profit/(loss)	**166**	461

13. Taxation (continued)

Reconciliation of tax charge

The tax assessed for the year is lower than *(2017 - higher than)* the standard rate of corporation tax in the UK of 19% *(2017 - 19.25%)*. The differences are explained below:

	2018 £000	*2017 £000*
(Loss)/profit on ordinary activities before tax	**(47)**	*2,270*
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**(9)**	*437*
Effects of:		
Tax rate changes	**3**	*(16)*
Expenses not deductible for tax purposes	**9**	*100*
Adjustment in respect of prior years	**(153)**	*1*
R&D tax credits	**128**	*(80)*
Effects of group relief / other reliefs	**-**	*(90)*
Foreign taxes	**188**	*109*
Total tax charge for the year	**166**	*461*

Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 26 October 2016) and Finance Bill 2017 (on 7 September 2017). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

14. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Office & computer equipment £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 January 2018	2,677	10,835	1,593	79	15,184
Additions	-	2,571	95	1,521	4,187
Disposals	-	(30)	(428)	-	(458)
At 31 December 2018	2,677	13,376	1,260	1,600	18,913
Depreciation					
At 1 January 2018	404	8,344	1,569	-	10,317
Charge for the year on owned assets	43	1,066	31	-	1,140
Disposals	-	(30)	(428)	-	(458)
At 31 December 2018	447	9,380	1,172	-	10,999
Net book value					
At 31 December 2018	2,230	3,996	88	1,600	7,914
At 31 December 2017	*2,274*	*2,491*	*24*	*79*	*4,868*

Given the additional capacity provided by the existing properties, some of the buildings are leased to 3rd parties. All investment properties are stated at fair value in accordance with the Company accounting policy. In the opinion of the directors the aggregate value of the Company's investment properties has not changed significantly since that date. Investment properties are shown under note 15.

On the historical cost basis the net book value of properties carried at valuation is £540,000, comprising cost of £631,000 and related depreciation of £91,000.

15. Investment property

	Freehold investment property £000
Valuation	
At 1 January 2018	**631**
At 31 December 2018	**631**

The 2018 valuations were made by Graham + Sibbald, on an open market value for existing use basis.

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	**746**
At 31 December 2018	**746**
Impairment	
Charge for the period	**746**
At 31 December 2018	**746**
At 31 December 2018	**-**
At 31 December 2017	*746*

16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Aquaterra Energy (EBT Trustees Limited)	Innovation House, Alkmaar Way, Norwich, NR6 6BF, UK	Ordinary	100%
Dreamlink Limited	Innovation House, Alkmaar Way, Norwich, NR6 6BF, UK	Ordinary	100%
Aquaterra Energy Egypt Free Zone (S.A.E.)	Street No. 3, Amreya Free Zone, Alexandria, Egypt	Ordinary	85%
Aquaterra Energy Asia Pacific Sdn Bhd	Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, Petaling Jaya, Selangor, Malaysia	Ordinary	100%
Aquaterra Energy (Holdings) Limited	Innovation House, Alkmaar Way, Norwich, NR6 6BF, UK	Ordinary	100%

Dreamlink Limited was dissolved on 15 January 2019.

The investments in Aquaterra Energy Egypt Free Zone (S.A.E.) and Aquaterra Energy Asia Pacific Sdn Bhd were fully written down at 31 December 2018.

17. Stocks

	2018 £000	*2017* *£000*
Raw materials	35	-
Work in progress	3	-
	38	-

There is no significant difference between the replacement cost of the inventory and its carrying amount.

18. Debtors

	2018 £000	*2017 £000*
Due after more than one year		
Deferred tax asset	331	*307*
	331	*307*

	2018 £000	*2017 £000*
Due within one year		
Trade debtors	4,470	*1,967*
Amounts owed by group undertakings	5	*2,881*
Other debtors	3	*116*
Derivatives	-	*15*
Amounts recoverable on contracts	1,204	*1,382*
Prepayments	197	*120*
	5,879	*6,481*

Trade debtors are stated after charging provisions for impairment of £48,000 *(2017: £48,000)*.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Deferred taxation

	2018 £000	*2017 £000*
At beginning of year	307	*545*
Charged to profit or loss	24	*(238)*
At end of year	331	*307*

19. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2018 £000	*2017 £000*
Fixed assets	**100**	*180*
Trading	**124**	*127*
Tax losses carried forward	**107**	*-*
	331	*307*

The Company has unrecognised deferred tax assets of £Nil *(2017: £Nil)* relating to fixed asset timing differences. These deferred tax assets are only recognised when it is probable that they will be recovered against future taxable profits. The Company also has an unrecognised deferred tax asset of £155,000 *(2017: £155,000)* in relation to capital losses.

20. Cash and cash equivalents

	2018 £000	*2017 £000*
Cash at bank and in hand	**2,739**	*2,511*

21. Creditors: Amounts falling due within one year

	2018 £000	*2017 £000*
Trade creditors	**1,240**	*1,370*
Amounts owed to group undertakings	**3,209**	*4,078*
Corporation tax	**345**	*758*
Other taxation and social security	**255**	*122*
Derivative financial instruments	**252**	*-*
Accruals and deferred income	**4,160**	*1,070*
	9,461	*7,398*

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

22. Creditors: Amounts falling due after more than one year

	2018 £000	*2017 £000*
Derivative financial instruments	**139**	*-*

23. Financial instruments

	2018 £000	*2017 £000*
Financial assets		
Derivative financial assets measured at fair value through profit or loss	**-**	*15*
Financial assets measured at amortised cost	**5,682**	*6,346*
	5,682	*6,361*
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	**(391)**	*-*
Financial liabilities measured at amortised cost	**(5,478)**	*(6,117)*
	(5,869)	*(6,117)*

Financial assets measured at fair value through profit or loss comprise derivatives.

Financial assets that are debt instruments measured at amortised cost comprise trade receivables, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at fair value through profit or loss comprise derivative financial instruments.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

Derivative financial instruments — Forward contracts

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:NOK. The fair value of the forward-foreign currency contracts at the year end is a liability of £391,000 (2017: £15,000 asset).

24. Share capital

	2018 £000	*2017* *£000*
Allotted, called up and fully paid		
19,870 *(2017 - 19,870)* Ordinary shares of £1.00 each	**20**	*20*

25. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

Includes all current & prior periods retained profits & losses.

26. Contingent liabilities

The nature of the Company's activities in relation to its operations is such that from time to time it faces challenges in respect of contractual disputes. Provisions are made for these actions where this is appropriate.

In March 2019, the company along with its agent received a Notice of Arbitration from a customer in the Far East. The claim is in relation to a full and final settlement agreement reached between the parties in December 2013, following the delivery of a project in 2012/2013. Having obtained legal opinion the Directors have concluded that the claim is unfounded and is protected by the terms of the full and final settlement agreement. The Directors are of the opinion that there is no requirement to make a provision in the accounts, they are aware however that the outcome is uncertain such that in the worst case the total claim in respect of the Company and its co-defendant would be in the region of USD 10.7m.

An unlimited multilateral cross guarantee exists between Aquaterra Energy Group Limited and Aquaterra Energy Limited. There is a fixed charge over all present freehold and leasehold property and a floating charge over all assets.

27. Capital and other commitments

At 31 December 2018, the Company had contracts worth £104,000 *(2017: £Nil)* for future capital expenditure not provided in the financial statements, in relation to plant & machinery expenditure.

28. Post-employment benefits

The Company operates a defined contribution pension scheme, the assets of which are held separately in independently administered funds.

Contributions made by the Company to the scheme during the year amounted to £116,000 *(2017: £95,000)*. The balance outstanding at the year-end was £27,192 *(2017: £17,000)*.

29. Operating lease arrangements

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 **£000**	*2017* *£000*
Payments due		
Not later than 1 year	**89**	*69*
Later than 1 year and not later than 5 years	**218**	*46*
Later than 5 years	**4**	*-*
	311	*115*

At the 31 December 2018 the Company had contracted with tenants for the following future minimum lease payments:

	2018 **£000**	*2017* *£000*
Receipts due		
Not later than 1 year	**-**	*5*

30. Related party transactions

Transactions with subsidiaries

During the year, the Company traded with Aquaterra Energy Egypt Free Zone (S.A.E.), a non-wholly owned subsidiary of the Company. Revenue of £56,000 *(2017: £1,135,000)* was recognised. The Company has a creditor of £967,000 *(2017: £2,431,000 debtor)* at year end.

Included in other debtors is £5,000 (2017: £Nil) due from Aquaterra Energy Employee Benefit Trust 2006 in respect of amounts borrowed to meet its liabilities.

Other than those transactions disclosed above, the other related party transactions are between wholly owned group companies and have therefore not been disclosed.

Transactions with related parties

Energy Ventures Private Equity V (G.P.) Limited. ("Energy Ventures") held 65% of the nominal share capital of the Company and 74% of the voting rights at 31 December 2018. As such, Energy Ventures is considered a related party by reason of its controlling shareholding over the Company and Group.

During the year ended 31 December 2018, Energy Ventures charged the Company £5,000 (2017: £Nil) in respect of professional fees. £3,000 (2017: £Nil) is showing as a creditor as at 31 December 2018.

Transactions with directors

As part of the acquisition by Aquaterra Energy Group Limited on 7 July 2017, all directors' loans were settled.

31. Controlling party

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Aquaterra Energy Group Limited. Copies of the Aquaterra Energy Group Limited consolidated financial statements can be obtained from the Company secretary at Innovation House, 2 Alkmaar Way, Norwich, Norfolk, NR6 6BF.

The ultimate controlling party is considered to be Energy Ventures Private Equity V (GP) Limited as a result of it being the majority shareholder of Aquaterra Energy Group Limited.