Company Registration No. 09891772 (England and Wales)

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	Michael Anthony De-Rhune John Kenneth Fraser Murray	(Appointed 21 November 2019) (Appointed 21 November 2019)
Secretary	Brodies Secretarial Services Limited	
Company number	09891772	
Registered office	76 Brook Street LONDON England W1K 5EE	
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place ABERDEEN AB10 1YL	

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

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CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report for the year ended 31 March 2019.

Fair review of the business

In the year to 31st March 2019 the group achieved a turnover £11.9m (2018: £8.1m) and an operating profit of £2.4m (2018: £151k). Net assets at the balance sheet date were £15m (2018: £12.7m).

During the year the group has continued to expand its operations globally with a notable increase in activities in the Middle East. The group has continued with its innovation efforts, looking to both develop new products and also improve current product performance. The group had also continued to develop the platform for delivering excellent client service by also developing our staff and systems. All hub locations are expected to continue to grow in the 2019-20 period.

Risks and uncertainties

The group and company face a variety of risks and uncertainties, both foreseeable and unforeseeable. The board consider the main risks to be:

Unpredictability of oil and gas market

The demand for our products is influenced by both the condition of the oil and gas market and the oil price which has seen significant volatility in recent years. Low oil and gas prices impact the capital expenditure plans of our key clients and therefore the demand for our services, which could limit our profitability and growth. The group and company have put in place a strategy to diversify its client base, ensuring that it services National Oil Companies, International Oil Companies and Independent clients.

Political Risks

Recent global economic conditions have had a significant impact on countries whose economies are exposed to the downturn in commodities, placing greater pressure on governments to find alternative means of raising revenues and increasing the risk of social and labour unrest. The group and company manage this risk by regularly reviewing current operations and new opportunities in locations where political risk is considered to be a key factor in the commercial success of the operations. This is notable for actual and potential operations in the Middle East and South America. The outcome and impact of Brexit on the business is unknown and will remain unknown until future trading relationships and conditions have been properly defined but is being monitored by the business.

Product Development Risks

Our success depends, in part, on the continued and successful development of our products and the acceptance of those products by our clients. To manage this risk we maintain an active dialogue with all of our customers to understand their business requirements and employ rigorous product development control processes to ensure that our products meet the needs of our clients.

Financial and Treasury Risks

The group undertakes transactions in multiple currencies, manages working capital positions across a number of different markets and geographies and through the guarantee of debt Facilities of the parent company of the Coretrax Group of Companies (see note 22 on page 29), is exposed to funding commitments and interest rate fluctuations. The Group actively monitors, evaluates and manages these currency, working capital, interest rate and funding risks and exposures to ensure that all financial commitments can be met.

These factors should be considered in connection with any forward-looking statements in these financial statements.

Key performance indicators

The directors consider the key performance indicators of the business to be turnover, operating result and the non-financial measure of tool utilisation. Utilisation is tracked by product line and tool size within each product line. This data is used to assist making decisions on the allocation of tools between our various Hubs and future capex requirements.

Events after the reporting date

On 21st November 2019, Churchill Drilling Tools (Holdings) and its subsidiaries were acquired by the Coretrax Group of companies, a specialist well construction and intervention group.

As part of an ongoing growth and expansion strategy, a new corporate group has been formed, which includes Coretrax, Churchill and Mohawk Energy (an expandable tubular well solutions specialist). Funding for the acquisition and for future activities has been provided by Buckthorn Partners a specialist energy investor, and two UK banks who have provided a total Senior Term Loan and Revolving Credit Facility of £25m.

Now employing over 200 people, the new group continues to invest heavily in developing technology and expanding its service and engineering capabilities.

On behalf of the board

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Michael Anthony De-Rhune

Director

30/01/2020

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities
The principal activity of the company is that of a holding company and of the group is the rental of tools to the oil and gas industry. The group operates from hub locations in the UK, UAE and US which service both local markets and also wider regional markets from these locations.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Michael Anthony De-Rhune	(Appointed 21 November 2019)
John Kenneth Fraser Murray	(Appointed 21 November 2019)
Andrew Philip Churchill	(Resigned 21 November 2019)
Michael John Churchill	(Resigned 21 November 2019)

Results and dividends
The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £240,000 (2018: £219,230) during the year, with an additional £120,000 (2018: £nil) paid post year end.. The directors do not recommend payment of a further dividend.

Financial instruments

Cash flow risk
The group's activities expose it primarily to the risks of changes in foreign currency exchange rates. The group monitors exposure on an ongoing basis and considers the merits of forward contracts and hedging. At the 31st March 2019 no contracts were in place.

Liquidity risk
The group manages liquidity through cash generated from operations and bank funding. The group takes a prudent approach to the management of liquidity.

Interest rate risk
The group is exposed to interest rate risk on borrowing and monitor debt levels and associated finance costs on an ongoing basis to assist in developing appropriate measures and actions.

Credit risk
The group's principal financial assets are trade receivables and bank balances. The group's credit risk is primarily attributable to these bank balances. The group has no significant concentration of credit risk with the exposure spread over a number of customers. The credit risk on liquid funds is considered limited because the counter parties are banks with credit rating assigned by recognised credit rating agencies.

Future developments
Future developments are as disclosed within the Strategic Report.

Auditor
The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Michael Anthony De-Rhune
Director
Date: 30.1.20

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

The directors are responsible for preparing the Annual 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). 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 group and company, and of the profit or loss of the group 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Churchill Drilling Tools (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group Profit and Loss Account, Group Statement of Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 group's and the parent company's affairs as at 31 March 2019 and of the group's profit 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 group 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 group's or the parent 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.

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 our 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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)
As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Graeme Fraser (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

30 January 2020

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
ABERDEEN
AB10 1YL

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	3	11,884,726	8,109,373
Cost of sales		(1,290,228)	(894,321)
Gross profit		10,594,498	7,215,052
Administrative expenses		(8,149,613)	(7,063,611)
Operating profit	4	2,444,885	151,441
Interest receivable and similar income	8	3,079	4,202
Interest payable and similar expenses	9	(20,337)	(28,199)
Profit before taxation		2,427,627	127,444
Tax on profit	10	(31,365)	(2,513)
Profit for the financial year	26	2,396,262	124,931

Profit for the financial year is all attributable to the owners of the parent company.

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Profit for the year	2,396,262	124,931
Other comprehensive income		
Currency translation differences	112,142	(121,329)
Total comprehensive income for the year	2,508,404	3,602

Total comprehensive income for the year is all attributable to the owners of the parent company.

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	13		361,317		322,224
Tangible assets	14		8,166,572		8,410,409
			8,527,889		8,732,633
Current assets					
Stocks	18	194,795		311,826	
Debtors	19	4,554,239		3,107,057	
Cash at bank and in hand		3,444,571		1,985,309	
		8,193,605		5,404,192	
Creditors: amounts falling due within one year	20	(1,112,053)		(1,222,119)	
Net current assets			7,081,552		4,182,073
Total assets less current liabilities			15,609,441		12,914,706
Creditors: amounts falling due after more than one year	21		(448,935)		(12,233)
Provisions for liabilities	23		(147,510)		(157,881)
Net assets			15,012,996		12,744,592
Capital and reserves					
Called up share capital	25		225		225
Capital redemption reserve	26		1,925		1,925
Other reserves	26		63,572		(48,570)
Profit and loss reserves	26		14,947,274		12,791,012
Total equity			15,012,996		12,744,592

The financial statements were approved by the board of directors and authorised for issue on 30/1/2020 and are signed on its behalf by:

....

Michael Anthony De-Rhune
Director

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investments	**15**		2,150		2,150
Current assets					
Debtors	**19**	2,987,776		3,642,088	
Cash at bank and in hand		320,405		42,194	
		3,308,181		3,684,282	
Creditors: amounts falling due within one year	**20**	(9,429)		(140,342)	
Net current assets			3,298,752		3,543,940
Total assets less current liabilities			3,300,902		3,546,090
Capital and reserves					
Called up share capital	**25**		225		225
Capital redemption reserve	**26**		1,925		1,925
Profit and loss reserves	**26**		3,298,752		3,543,940
Total equity			3,300,902		3,546,090

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £5,188 (2018 - £9,146 loss).

The financial statements were approved by the board of directors and authorised for issue on 30/1/2020 and are signed on its behalf by:

Michael Anthony De-Rhune
Director

Company Registration No. 09891772

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 1 April 2017		225	1,925	72,759	12,885,311	12,960,220
Year ended 31 March 2018:						
Profit for the year		-	-	-	124,931	124,931
Other comprehensive income:						
Currency translation differences		-	-	-	(121,329)	(121,329)
Total comprehensive income for the year		-	-	-	3,602	3,602
Dividends	11	-	-	-	(219,230)	(219,230)
Transfers		-	-	(121,329)	121,329	-
Balance at 31 March 2018		225	1,925	(48,570)	12,791,012	12,744,592
Year ended 31 March 2019:						
Profit for the year		-	-	-	2,396,262	2,396,262
Other comprehensive income:						
Currency translation differences on overseas subsidiaries		-	-	-	112,142	112,142
Total comprehensive income for the year		-	-	-	2,508,404	2,508,404
Dividends	11	-	-	-	(240,000)	(240,000)
Transfers		-	-	112,142	(112,142)	-
Balance at 31 March 2019		225	1,925	63,572	14,947,274	15,012,996

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital	Capital redemption reserve	Profit and loss reserves	Total
		£	£	£	£
Balance at 1 April 2017		225	1,925	3,772,316	3,774,466
Year ended 31 March 2018:					
Loss and total comprehensive income for the year		-	-	(9,146)	(9,146)
Dividends	11	-	-	(219,230)	(219,230)
Balance at 31 March 2018		225	1,925	3,543,940	3,546,090
Year ended 31 March 2019:					
Loss and total comprehensive income for the year		-	-	(5,188)	(5,188)
Dividends	11	-	-	(240,000)	(240,000)
Balance at 31 March 2019		225	1,925	3,298,752	3,300,902

CHURCHILL DRILLING TOOLS (HOLDINGS) LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	33		2,759,661		84,614
Interest paid			(20,337)		(28,199)
Income taxes refunded/(paid)			135,079		(2,000)
Net cash inflow from operating activities			2,874,403		54,415
Investing activities					
Purchase of intangible assets		(83,207)		(106,849)	
Purchase of tangible fixed assets		(1,399,743)		(2,395,690)	
Proceeds on disposal of tangible fixed assets		425,252		355,850	
Interest received		3,080		4,202	
Net cash used in investing activities			(1,054,618)		(2,142,487)
Financing activities					
Repayment of bank loans		(120,523)		(154,856)	
Dividends paid to equity shareholders		(240,000)		(219,230)	
Net cash used in financing activities			(360,523)		(374,086)
Net increase/(decrease) in cash and cash equivalents			1,459,262		(2,462,158)
Cash and cash equivalents at beginning of year			1,985,309		4,447,467
Cash and cash equivalents at end of year			3,444,571		1,985,309

1 Accounting policies

Company information

Churchill Drilling Tools (Holdings) Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 76 Brook Street, London, England, W1K 5EE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Churchill Drilling Tools (Holdings) Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 March 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1 Accounting policies **(Continued)**

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

In considering the going concern basis for preparing the financial statements, the directors have considered the Group's strategy and objectives, including forecast financial performance, risks and uncertainties in achieving its objectives (as disclosed on page 1 of these financial statements) and has concluded that there are sufficient assets, working capital and access to funding for the Group to meet its financial obligations as they fall due.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from tools rental is recognised over the period in which the tools are provided to customers in accordance with the specified rental terms and conditions.

Property rental income is recognised over the term of the lease.

1.5 Research and development expenditure

Research expenditure is expensed in the year in which it is incurred.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents & licences	10% straight line

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Plant and equipment	10-25% straight line
Fixtures and fittings	10% straight line
Motor vehicles	25% straight line
Assets under construction	Not depreciated

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1 Accounting policies **(Continued)**

1.8 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies **(Continued)**

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 a 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies **(Continued)**

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.15 Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases
Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.18 Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Carrying value of stock

The carrying value of stock and the associated level of provision required to reflect the net realisable value, is a judgement exercised by management.

Useful life and amortisation of intangible assets

The useful life of patents on which amortisation is based, is an estimate made by management.

Useful life and deprecation of tangible assets

The useful life of fixed assets on which deprecation is based, is an estimate made by management.

Recoverability of group balances

Recoverability of intercompany balances within the company, is a judgement exercised by management, with reference to the underlying trading performance of the group (see note 19).

Carrying value of property

The carrying value of property is a judgement exercised by management, with reference to external valuation. An impairment has been recognised during the year (see note 12).

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Rental of tools	11,712,606	7,950,321
Rental income	172,120	159,052
	11,884,726	8,109,373

	2019	2018
	£	£
Other significant revenue		
Interest income	3,079	4,202

3 Turnover and other revenue (Continued)

	2019	2018
	£	£
Turnover analysed by geographical market		
US	2,980,290	3,452,273
UK	3,104,412	1,718,503
Middle east	3,515,809	2,038,356
Europe	1,216,433	790,255
Rest of the world	1,067,782	109,986
	11,884,726	8,109,373

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(85,806)	342,411
Research and development costs	102,061	217,223
Depreciation of owned tangible fixed assets	1,140,830	936,875
Impairment of owned tangible fixed assets	476,233	-
Profit on disposal of tangible fixed assets	(282,407)	(222,550)
Amortisation of intangible assets	44,114	33,518
Cost of stocks recognised as an expense	684,643	529,875
Operating lease charges	173,590	255,532

5 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	8,000	7,500
Audit of the financial statements of the company's subsidiaries	14,500	13,750
	22,500	21,250

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Directors & management	9	9	-	-
Support staff	11	11	-	-
Sales & business development	13	12	-	-
Engineering & operations personnel	34	29	-	-
	67	61	-	-

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	4,063,877	3,240,443	-	-
Social security costs	400,344	190,996	-	-
Pension costs	314,035	175,114	-	-
	4,778,256	3,606,553	-	-

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	68,000	97,693
Company pension contributions to defined contribution schemes	80,000	80,000
	148,000	177,693

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	3,079	2,728
Other interest income	-	1,474
Total income	3,079	4,202

8 Interest receivable and similar income **(Continued)**

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	3,079	2,728

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	20,337	28,199

10 Taxation

	2019	2018
	£	£
Current tax		
Foreign tax adjustment on profits for the prior period	41,736	2,000
Deferred tax		
Origination and reversal of timing differences	(10,371)	513
Total tax charge	31,365	2,513

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit before taxation	2,427,627	127,444
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	461,249	24,214
Tax effect of expenses that are not deductible in determining taxable profit	13,878	9,350
Tax effect of income not taxable in determining taxable profit	(238)	(893)
Unutilised tax losses carried forward	(171,642)	276,871
Research and development tax credit	(58,084)	(104,141)
Deferred tax adjustments in respect of prior years	-	8,234
Patent box additional deduction	(377,959)	(192,290)
Chargeable gains	59,517	45,178
Fixed asset differences	64,839	(66,010)
Foreign tax suffered	39,805	2,000
Taxation charge	31,365	2,513

11 Dividends

	2019	2018
	£	£
Final paid	240,000	219,230

12 Impairments

	Notes	2019 £	2018 £
In respect of:			
Property, plant and equipment	14	476,233	-

Subsequent to the year end, certain properties were sold below net book value. The directors have recognised an impairment of £476,233 accordingly.

13 Intangible fixed assets

Group	Patents & licences
	£
Cost	
At 1 April 2018	387,554
Additions	83,207
At 31 March 2019	470,761
Amortisation and impairment	
At 1 April 2018	65,330
Amortisation charged for the year	44,114
At 31 March 2019	109,444
Carrying amount	
At 31 March 2019	361,317
At 31 March 2018	322,224

The company had no intangible fixed assets at 31 March 2019 or 31 March 2018.

14 Tangible fixed assets

Group	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Total
	£	£	£	£	£	£
Cost						
At 1 April 2018	4,326,069	6,594,679	931,156	295,614	365,715	12,513,233
Additions	28,578	-	122,460	30,029	1,218,676	1,399,743
Disposals	(43,082)	(393,937)	(92,649)	(85,000)	-	(614,668)
Transfers	-	1,016,893	-	-	(960,122)	56,771
Exchange adjustments	123,735	-	-	-	-	123,735
At 31 March 2019	4,435,300	7,217,635	960,967	240,643	624,269	13,478,814
Depreciation and impairment						
At 1 April 2018	486,438	3,103,032	344,900	168,454	-	4,102,824
Depreciation charged in the year	147,883	813,337	130,377	49,233	-	1,140,830
Impairment losses	476,233	-	-	-	-	476,233
Eliminated in respect of disposals	(43,082)	(228,351)	(88,723)	(54,896)	-	(415,052)
Exchange adjustments	7,407	-	-	-	-	7,407
At 31 March 2019	1,074,879	3,688,018	386,554	162,791	-	5,312,242
Carrying amount						
At 31 March 2019	3,360,421	3,529,617	574,413	77,852	624,269	8,166,572
At 31 March 2018	3,839,631	3,491,647	586,256	127,160	365,715	8,410,409

During the year, costs of £56,771 were transferred from stock to plant and equiptment. The company had no tangible fixed assets at 31 March 2019 or 31 March 2018.

15 Fixed asset investments

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Investments in subsidiaries	16	-	-	2,150	2,150

Movements in fixed asset investments
Company

	Shares in group undertakings
	£
Cost or valuation	
At 1 April 2018 and 31 March 2019	2,150
Carrying amount	
At 31 March 2019	2,150
At 31 March 2018	2,150

16 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Churchill Drilling Tools (Rentals) Inc	USA	Rental of tools to the oil and gas industry	Ordinary		100.00
Churchill Drilling Tools (Rentals) Limited	Scotland	Rental of tools to the oil and gas industry	Ordinary	100.00	
Churchill Drilling Tools Limited	Scotland	Development of tools for the oil and gas industry	Ordinary	100.00	
Churchill Drilling Tools Oil Well Drilling LLC	UAE	Rental of tools to the oil and gas industry	Ordinary		49.00

17 Financial instruments

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	7,626,562	4,546,971	2,987,776	3,684,282
Equity instruments measured at cost less impairment	-	-	2,150	2,150
Carrying amount of financial liabilities				
Measured at amortised cost	1,469,648	1,178,490	9,429	140,342

18 Stocks

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Raw materials and consumables	194,795	311,826	-	-

19 Debtors

	Group 2019	2018	Company 2019	2018
Amounts falling due within one year:	£	£	£	£
Trade debtors	3,228,639	2,217,668	-	-
Corporation tax recoverable	-	174,409	-	-
Amounts owed by group undertakings	-	-	2,987,776	3,642,088
Other debtors	131,800	145,860	-	-
Prepayments and accrued income	1,193,800	569,120	-	-
	4,554,239	3,107,057	2,987,776	3,642,088

20 Creditors: amounts falling due within one year

	Notes	Group 2019	2018	Company 2019	2018
		£	£	£	£
Bank loans and overdrafts	22	133,008	690,233	-	-
Trade creditors		193,450	231,352	-	-
Amounts owed to group undertakings		-	-	-	132,997
Corporation tax payable		2,406	-	-	-
Other taxation and social security		88,934	55,862	-	-
Other creditors		5,728	12,436	-	7,345
Accruals and deferred income		688,527	232,236	9,429	-
		1,112,053	1,222,119	9,429	140,342

21 Creditors: amounts falling due after more than one year

	Notes	Group 2019	2018	Company 2019	2018
		£	£	£	£
Bank loans and overdrafts	22	448,935	12,233	-	-

22 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	581,943	702,466	-	-
Payable within one year	133,008	690,233	-	-
Payable after one year	448,935	12,233	-	-

The bank loan attracts an interest rate of 2.05% p.a. over the base rate and had a maturity date of October 2024. Bank loans were secured by fixed and floating charges and by a cross corporate guarantee by the company's subsidiaries. Subsequent to the year end, the bank debt was repaid in full and the guarantee was discharged accordingly.

Following the post year end acquisition (see note 29), the company and its subsidiaries were acquired by the Coretrax Group of Companies. As part of the financing for this transaction, the company and its subsidiaries granted fixed and floating charges over the assets and entered into cross corporate guarantees, in favour of the new group's bankers HSBC UK Bank Plc and The Royal Bank of Scotland Plc, to support the new group Senior Term Loans and Revolving Credit Facility of £25m ("the facilities").

The Senior Term Loans of £20m will be settled in cash, with £8m repaid in instalments over a 5 year period and £12m repaid at end of loan term. Interest rates are based on LIBOR plus a margin of 3.5% and 4.0% for the Senior Term Loans and a margin of 3.5% for the Revolving Credit Facility. The Facilities contain normal compliance undertakings including covenant, reporting and information requirements.

23 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2019 £	Liabilities 2018 £
Accelerated capital allowances	208,010	192,266
Tax losses	(56,996)	(32,782)
Short term timing differences	(3,504)	(1,603)
	147,510	157,881

The company has no deferred tax assets or liabilities.

23 Deferred taxation (Continued)

Movements in the year:	Group 2019 £	Company 2019 £
Liability at 1 April 2018	157,881	-
Credit to profit or loss	(10,371)	-
Liability at 31 March 2019	147,510	-

24 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to profit or loss in respect of defined contribution schemes	314,035	175,114

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

As at 31 March 2019 included within group debtors is a net pension asset of £10,699 (2018 - £15,463).

25 Share capital

	Group and company 2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
10,000 A Ordinary shares of 1p each	100	100
10,000 B Ordinary shares of 1p each	100	100
1,000 C Ordinary shares of 1p each	10	10
1,000 D Ordinary shares of 1p each	10	10
530 Employee issue shares of 1p each	5	5
	225	225

The A shares have full voting, dividend and distribution rights. The B, C, D shares are non-voting shares with full dividend rights and no capital distribution rights. Employee shares are non-voting shares with full dividend rights and certain capital distribution rights.

26 Reserves

Profit and loss reserves
The profit and loss account represents cumulative realisable profits.

Other reserves
Other reserves represent foreign exchange differences on the retranslation of net assets in the foreign subsidiaries.

Merger reserve
The merger reserve represents the difference between the nominal value of share capital issued and the nominal value of share capital surrendered on the formation of the group.

27 Operating lease commitments

Lessee
At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Within one year	52,427	140,967	-	-
Between two and five years	-	37,319	-	-
	52,427	178,286	-	-

Lessor
At the reporting end date the group had contracted with tenants for the following minimum lease payments:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Within one year	36,083	108,250	-	-
Between two and five years	-	36,083	-	-
	36,083	144,333	-	-

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Acquisition of tangible fixed assets	986,726	811,977	-	-

29 Events after the reporting date

On 21st November 2019, Churchill Drilling Tools (Holdings) and its subsidiaries were acquired by the Coretrax Group of companies, a specialist well construction and intervention group.

As part of an ongoing growth and expansion strategy, a new corporate group has been formed, which includes Coretrax, Churchill and Mohawk Energy (an expandable tubular well solutions specialist). Funding for the acquisition and for future activities has been provided by Buckthorn Partners a specialist energy investor, and two UK banks who have provided a total Senior Term Loan and Revolving Credit Facility of £25m.

Now employing over 200 people, the new group continues to invest heavily in developing technology and expanding its service and engineering capabilities.

Subsequent to the year end, dividends amounting to £120,000 were paid.

30 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	268,000	182,666

31 Directors' transactions

Dividends totalling £120,000 (2018 - £96,000) were paid in the year in respect of shares held by the company's directors.

32 Controlling party

The Company's immediate parent company at 31 March 2019 is Churchill Drilling Tools (Holdings) Limited, a company incorporated in England and Wales. The largest (and smallest) group which includes these Financial Statements in their consolidation is the Churchill Drilling Tools (Holdings) Limited Group. The Annual Report and Consolidated Financial Statements of Churchill Drilling Tools (Holdings) Limited can be obtained from the address below:

76 Brook Street
London;
United Kingdom;
W1K 5EE.

Subsequent to the year end, the ultimate controlling party became BP Inv4 LP, a partnership registered in Jersey (see note 29).

33 Cash generated from group operations

	2019	2018
	£	£
Profit for the year after tax	2,396,262	124,931
Adjustments for:		
Taxation charged	31,365	2,513
Finance costs	20,337	28,199
Investment income	(3,079)	(4,202)
Gain on disposal of tangible fixed assets	(282,407)	(222,550)
Amortisation and impairment of intangible assets	44,114	33,518
Depreciation and impairment of tangible fixed assets	1,617,063	936,875
Movements in working capital:		
Decrease/(increase) in stocks	117,031	(211,807)
(Increase) in debtors	(1,649,312)	(287,076)
Increase/(decrease) in creditors	468,287	(315,787)
Cash generated from operations	2,759,661	84,614