

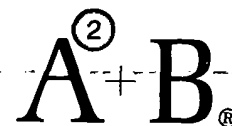
ENPRO SUBSEA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



ENPRO SUBSEA LIMITED

COMPANY INFORMATION



Directors

D Tipton (appointed 20 February 2020)
A J Johnson (appointed 20 February 2020)
B H Ferguson (appointed 20 February 2020)
S Barrie (appointed 16 April 2020)

Registered number

SC398784

Registered office

Badentoy Avenue
Badentoy Park
Portlethen
Aberdeen
AB12 4YB

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Introduction

The directors present the strategic report and financial statements for the period ending 31 December 2019.

Business review

The principal activity of the Company is to provide subsea production optimisation products and services to the oil and gas industry.

Enpro is a production optimisation specialist focused on delivering enhanced hydrocarbon production for customers through their patented range of products and services.

Enpro's mission is to maximise ultimate recovery from subsea wells by enabling production enhancing technologies on standard hardware while structurally reducing cost and delivering first oil faster.

The company adds value to clients through its four business streams protected by a strong patent portfolio, Flow Access Modules (FAM), Flow Intervention Services (FIS), Decommissioning (F-Decom) and Field Development (F-Dev).

The results of the company for the period are set out on page 9. The Company performed strongly during the period, particularly given the continued challenging market conditions, with a profit for the period after taxation of £727,257 (2018: £1,186,254). Turnover for the period was £11,110,653 (2018: £9,843,362) and a gross profit of £3,843,990 (2018: £3,622,432) was achieved.

The management team delivered the strong turnover and gross profit on the back of continued adoption of its patented products and by maintaining strong relationships with long term repeat customers.

Principal risks and uncertainties

The process of managing risk is addressed through a framework of policies and procedures and internal controls. All policies and procedures are subject to an ongoing review by management and subject to independent ISO certification. Compliance with regulation, health and safety, legal and ethical standards is a high priority for the company.

Economic and market risks together with supply chain risks are managed by establishing strong partner relationships with both clients and subcontractors. The company's success depends on its ability to win projects, deliver them safely and to client satisfaction and respond effectively to changing client needs.

Strategic risks are managed by the management team who rigorously control the tendering and pricing process ensuring all the risks and rewards are considered prior to tender.

The company's financial instruments comprise of cash and liquid resources and arrangements with trade receivables and trade payables, which arise directly from its operations. The main financial risk arises from collectability of trade receivables and the management team is highly focused in this area.

The company's success depends in part on the continued service of its key management, and on its ability to continue to attract, motivate and retain suitably qualified employees.

In the cyclical oil and gas market, there is some risk that revenue rates fall disproportionately to supply chain costs. Management ensures a flexibility in the company's headcount by maintaining a reasonable proportion of contractors to staff and builds long term relationships with key partners within its supply chain.

The Company is evaluating the new requirements arising from changes to UK employment taxation for contractors under IR35, effective April 2021.

ENPRO SUBSEA LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**



Financial key performance indicators

The primary key performance indicators used by the company to assess its performance include turnover, gross margin and operating profit.

Other key performance indicators

Non-financial key performance indicators include client adoption of its patented technologies and HSEQ metrics.

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

A handwritten signature in black ink, appearing to read 'B H Ferguson', written over a horizontal line.

B H Ferguson
Director

Date: 14th August 2020

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**



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

Results and dividends

The profit for the year, after taxation, amounted to £727,257 (2018 - £1,186,264).

There were no dividends paid during the period (2018 - £NIL).

Directors

The directors who served during the year were:

T G Bryce (resigned 20 February 2020)
I Donald (resigned 20 February 2020)
J Reid (resigned 20 February 2020)
S G M Robb (resigned 20 February 2020)
N H Rogerson (resigned 20 February 2020)
E Gamman (resigned 20 February 2020)
G J Herrera (resigned 20 February 2020)
D J Slattery (resigned 20 February 2020)

Future developments

The Directors remain confident that the company will continue to expand its customer base and turnover through:

- Continued client adoption of its FAM product line.
- Commercialisation of its FIS 15k asset and service offering.
- Continued success with F-Decom, whilst developing new opportunities for application on alternative structure types.
- Focused development of the North Sea, West Africa & Gulf of Mexico regions as well as other international opportunities

Engagement with employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them through formal and informal meetings.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Post balance sheet events

In February 2020, Hunting Energy Holdings Limited acquired 100% of the share capital of the Company. The ultimate parent company of Hunting Energy Holdings Limited is Hunting PLC. The Company will add to Hunting PLCs subsea capabilities and products.

The directors' consideration of the impact of the worldwide Covid-19 pandemic on future operations is detailed at Note 2.2.

Auditors

The auditors, Anderson Anderson & Brown Audit 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.



B H Ferguson
Director

Date: 14th August 2020

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements 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.

Opinion

We have audited the financial statements of Enpro Subsea Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, 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 Company's affairs as at 31 December 2019 and of its 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

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 Auditors' 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ENPRO SUBSEA LIMITED (CONTINUED)**

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.

Opinion 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 5, 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ENPRO SUBSEA LIMITED (CONTINUED)**

Auditors' 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 Auditors' 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 Auditors' report.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Anderson Anderson & Brown Audit LLP

Christopher Masson (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown Audit LLP

Kingshill View
Prime Four Business Park
Kingwells
Aberdeen
AB15 8PU

Date: 14/8/20

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

		Year ended 31 December 2019 £	9 months ended 31 December 2018 £
	Note		
Turnover	4	11,110,653	9,843,362
Cost of sales		(7,118,003)	(6,220,930)
Gross profit		3,992,650	3,622,432
Administrative expenses		(3,050,929)	(2,124,142)
Other operating income	5	90,026	-
Operating profit	6	1,031,747	1,498,290
Interest receivable and similar income	10	21,169	26,052
Interest payable and expenses	11	(295,837)	(216,032)
Profit before tax		757,079	1,308,310
Tax on profit	12	(29,822)	(122,046)
Profit for the financial year		727,257	1,186,264

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 14 to 32 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	13	1,089,884	728,935
Tangible assets	14	4,469,923	2,183,540
Investments	15	2	2
		<u>5,559,809</u>	<u>2,912,477</u>
Current assets			
Stocks	16	30,534	85,213
Debtors: amounts falling due within one year	17	7,529,127	7,315,589
Cash at bank and in hand	18	2,548,038	2,955,159
		<u>10,107,699</u>	<u>10,355,961</u>
Creditors: amounts falling due within one year	19	(4,910,045)	(4,303,052)
Net current assets		<u>5,197,654</u>	<u>6,052,909</u>
Total assets less current liabilities		<u>10,757,463</u>	<u>8,965,386</u>
Creditors: amounts falling due after more than one year	20	(4,185,171)	(3,600,000)
Provisions for liabilities			
Deferred tax	22	(459,134)	(74,413)
		<u>(459,134)</u>	<u>(74,413)</u>
Net assets		<u><u>6,113,158</u></u>	<u><u>5,290,973</u></u>
Capital and reserves			
Called up share capital	23	119	118
Share premium account		598,007	503,080
Profit and loss account		5,515,032	4,787,775
		<u><u>6,113,158</u></u>	<u><u>5,290,973</u></u>

ENPRO SUBSEA LIMITED
REGISTERED NUMBER:SC398784

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

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



B H Ferguson
Director

Date: 14th August 2020

The notes on pages 14 to 32 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	118	503,080	4,787,775	5,290,973
Comprehensive income for the year				
Profit for the period	-	-	727,257	727,257
Total comprehensive income for the year	-	-	727,257	727,257
Shares issued during the year	1	99,022	-	99,023
Shares redeemed during the year	-	(4,095)	-	(4,095)
Total transactions with owners	1	94,927	-	94,928
At 31 December 2019	119	598,007	5,515,032	6,113,158

The notes on pages 14 to 32 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
	£	£	£	£
At 1 April 2018 (as previously stated)	118	503,080	3,851,461	4,354,659
Prior year adjustment	-	-	(249,950)	(249,950)
At 1 April 2018 (as restated)	118	503,080	3,601,511	4,104,709
Comprehensive income for the period				
Profit for the period	-	-	1,186,264	1,186,264
Total comprehensive income for the period	-	-	1,186,264	1,186,264
Total transactions with owners	-	-	-	-
At 31 December 2018	118	503,080	4,787,775	5,290,973

The notes on pages 14 to 32 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	727,257	1,186,264
Adjustments for:		
Amortisation of intangible assets	64,100	37,500
Depreciation of tangible assets	307,821	137,487
Government grants	585,171	-
Interest paid	295,837	216,032
Interest received	(21,169)	(26,052)
Taxation charge	29,822	122,046
Decrease/(increase) in stocks	54,679	(85,213)
Decrease/(increase) in debtors	13,050	(133,393)
(Increase)/decrease in amounts owed by group undertakings	(33,019)	-
Increase/(decrease) in creditors	606,993	(380,647)
Corporation tax received	161,330	29,104
Net cash generated from operating activities	2,791,872	1,103,128
Cash flows from investing activities		
Purchase of intangible fixed assets	(425,049)	(278,935)
Sale of intangible assets	-	(1,933,045)
Purchase of tangible fixed assets	(2,594,204)	-
Interest received	21,169	26,052
Net cash from investing activities	(2,998,084)	(2,185,928)
Cash flows from financing activities		
Issue of ordinary shares	99,023	-
Purchase of ordinary shares	(4,095)	-
Interest paid	(295,837)	(216,032)
Net cash used in financing activities	(200,909)	(216,032)
Net (decrease) in cash and cash equivalents	(407,121)	(1,298,832)
Cash and cash equivalents at beginning of year	2,955,159	4,253,991
Cash and cash equivalents at the end of year	2,548,038	2,955,159
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,548,038	2,955,159
	2,548,038	2,955,159

1. General information

Enpro Subsea Limited is a private limited company incorporated in the United Kingdom. The registered office is Badentoy Avenue, Badentoy Park, Portlethen, Aberdeen, Scotland, AB12 4YB. The principal activity of the company is the provision of engineering and product support services specific to field development and flow intervention services, within the 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 judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors, having made due and careful enquiry, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

In arriving at this conclusion, the directors have given due consideration to the impact of the worldwide Covid-19 pandemic on future operations and the ability of the company to continue to operate as a going concern. The directors recognise that the situation remains highly fluid and as a result making accurate forecasts on the likely implications is difficult, however the directors recognise that trading over the coming months could potentially be adversely affected.

Despite this, the directors remain confident that the company can continue to operate as a going concern and trade profitably. This assessment is based on risk adjusted projections which considers sensitivities around further potential revenue reductions. The directors believe they can make suitable operational changes should revenue levels reduce beyond their base case projections and would be able to continue to trade over the next 12 months. This, along with government support measures, retained reserves and financial support from the group will allow the company to continue to meet its obligations as they fall due.

As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Accounting policies (continued)**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Long term construction contracts

Profit and revenue recognition on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which has been completed to date based on conclusion of contract milestones and taking account of costs incurred to date. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer or there is a reasonable degree of certainty that they will be accepted. Full provision is made for losses on all contracts in the year in which they are first foreseen.

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2. Accounting policies (continued)**2.5 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Share based payments

The Company has applied the requirements of FRS102 "Share based payments". The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share based payment, where material, is expensed on a straight line basis over the vesting period, based on the Company's estimate of share expected to eventually vest.

2. Accounting policies (continued)**2.10 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Patents	-	10 years
Development expenditure	-	10 years
Trademarks	-	10 years

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**
2. Accounting policies (continued)
2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	17%
Plant and equipment	-	20%
Office equipment	-	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit and loss.

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 is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



2. Accounting policies (continued)

2.17 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.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.19 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.20 Dividends

Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Comprehensive Income date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates. 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 circumstances.

The following judgements and estimates have had the most significant impact on amounts recognised in the financial statements;

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Revenues derived from variations on contracts are recognised only when they are first foreseen.

4. Turnover

The whole of the turnover is attributable to the provision of services.

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
United Kingdom	4,025,059	3,083,118
Europe	448,672	215,179
America	3,676,043	4,671,960
Africa	2,960,879	1,873,105
	<u>11,110,653</u>	<u>9,843,362</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**
5. Other operating income

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
Government grants receivable	90,026	-
	<u>90,026</u>	<u>-</u>

6. Operating profit

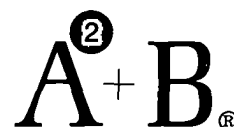
The operating profit is stated after charging:

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
Research & development charged as an expense	1,242,050	1,239,129
Depreciation of tangible fixed assets	307,821	137,487
Amortisation of intangible assets, including goodwill	64,100	37,500
Defined contribution pension cost	32,422	14,007
	<u>1,646,393</u>	<u>1,428,123</u>

7. Auditors' remuneration
Fees payable to the Company's auditor and its associates in respect of:

Fees payable to the Company's auditor for the audit of the Company's annual	15,250	15,250
	<u>15,250</u>	<u>15,250</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

**8. Employees**

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
Wages and salaries	289,371	208,558
Social security costs	50,284	19,724
Cost of defined contribution scheme	32,422	14,007
	<u>372,077</u>	<u>242,289</u>

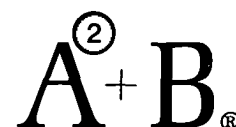
The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 December 2019 No.	9 months ended 31 December 2018 No.
Directors	6	6
Other	10	10
	<u>16</u>	<u>16</u>

9. Directors' remuneration

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
Directors' emoluments	209,849	99,917
Company contributions to defined contribution pension schemes	32,422	14,007
	<u>242,271</u>	<u>113,924</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



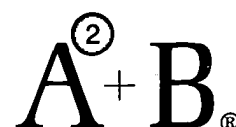
10. Interest receivable

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
Other interest receivable	21,169	26,052
	<u>21,169</u>	<u>26,052</u>

11. Interest payable and similar expenses

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
Other interest payable	7,837	32
Preference share dividends	288,000	216,000
	<u>295,837</u>	<u>216,032</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



12. Taxation

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
Corporation tax		
Current tax on profits for the year	(327,531)	(119,052)
Adjustments in respect of previous periods	(47,061)	-
	<u>(374,592)</u>	<u>(119,052)</u>
Foreign tax		
Foreign tax on income for the year	14,282	-
Foreign tax in respect of prior periods	5,411	-
	<u>19,693</u>	<u>-</u>
Total current tax	<u><u>(354,899)</u></u>	<u><u>(119,052)</u></u>
Deferred tax		
Origination and reversal of timing differences	337,631	90,410
Adjustments in respect of prior periods	47,090	150,688
	<u>384,721</u>	<u>241,098</u>
Total deferred tax	<u><u>384,721</u></u>	<u><u>241,098</u></u>
Taxation on profit on ordinary activities	<u><u>29,822</u></u>	<u><u>122,046</u></u>

12. Taxation (continued)**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Year ended 31 December 2019 £	9 months ended 31 December 2018 £
Profit on ordinary activities before tax	757,079	1,308,310
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	143,845	248,579
Effects of:		
Fixed asset differences	452	452
Expenses not deductible for tax purposes	100,843	70,954
Additional reduction for R&D expenditure	(294,275)	(218,939)
Other permanent differences	(2,692)	-
Adjustments to tax charge in respect of prior periods	(41,650)	(119,052)
Adjustments to tax charge in respect of prior periods - deferred tax	47,090	150,688
Adjust closing deferred tax to average rate of 19.00%	(54,016)	(8,754)
Adjust opening deferred tax to average rate of 19.00%	14,295	(1,882)
Surrender of tax losses for R&D tax credit refund	101,648	-
Foreign tax credits	14,282	-
Total tax charge for the year/period	29,822	122,046

Factors that may affect future tax charges

The deferred tax balance has been calculated based on the expected future tax rate, substantively enacted at the balance sheet date, of 17%. Since the balance sheet date it has been announced that the corporation tax rate in the UK will remain at 19% for future periods and therefore had the deferred tax been based on this rate the deferred tax liability would increase to £513,150.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



13. Intangible assets

	Patents £	Development £	Trademarks £	Total £
Cost				
At 1 January 2019	500,000	278,935	-	778,935
Additions	196,999	225,340	2,710	425,049
At 31 December 2019	696,999	504,275	2,710	1,203,984
Amortisation				
At 1 January 2019	50,000	-	-	50,000
Charge for the year on owned assets	63,829	-	271	64,100
At 31 December 2019	113,829	-	271	114,100
Net book value				
At 31 December 2019	583,170	504,275	2,439	1,089,884
At 31 December 2018	450,000	278,935	-	728,935

Development expenditure relates to equipment that is not complete and in use at year end. Amortisation is not currently being charged but will be charged once the equipment is completed and is use.

14. Tangible fixed assets

	Fixtures & fittings £	Plant and equipment £	Office equipment £	Total £
Cost or valuation				
At 1 January 2019	36,671	2,237,581	94,525	2,368,777
Additions	-	2,580,159	14,045	2,594,204
At 31 December 2019	36,671	4,817,740	108,570	4,962,981
Depreciation				
At 1 January 2019	3,389	124,002	57,846	185,237
Charge for the year on owned assets	6,112	285,353	16,356	307,821
At 31 December 2019	9,501	409,355	74,202	493,058
Net book value				
At 31 December 2019	27,170	4,408,385	34,368	4,469,923
At 31 December 2018	33,282	2,113,579	36,679	2,183,540

Included within plant & equipment are costs relating to equipment that is not complete and in use at year end. Depreciation is not currently being charged but will be charged once the equipment is completed and is use.

15. Fixed asset investments

	Investments in subsidiary companies (as restated) £
Cost or valuation	
At 1 January 2019	2
At 31 December 2019	2

15. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Holding
Enpro Subsea Operations Limited (UK)	C/O Hunting Energy Services Badentoy Avenue, Badentoy Industrial Estate, Portlethen, Aberdeen, AB12 4YB	100%
Enpro Subsea Group Limited (UK)	C/O Hunting Energy Services Badentoy Avenue, Badentoy Industrial Estate, Portlethen, Aberdeen, AB12 4YB	100%
Enpro Subsea LLC (US)	16825 Northchase Drive, Suite 600, Houston, TX 77060	100%

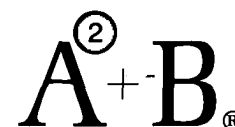
All subsidiaries detailed above are currently dormant and have not traded since incorporation.

The company also indirectly owns Enpro Subsea Group Limited (Ghana) and Enpro Subsea Group Ghana Limited, both registered in Ghana. Both of these companies are currently dormant and have not traded since incorporation.

16. Stocks

	2019 £	2018 £
Finished goods	30,534	85,213
	<u>30,534</u>	<u>85,213</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. Debtors**

	2019 £	2018 £
Trade debtors	5,143,869	3,129,556
Amounts owed by group undertakings	33,019	-
Other debtors	453,959	283,078
Prepayments and accrued income	1,543,381	3,741,625
Tax recoverable	354,899	161,330
	<u>7,529,127</u>	<u>7,315,589</u>

18. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	2,548,038	2,955,159
	<u>2,548,038</u>	<u>2,955,159</u>

19. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,112,282	1,716,321
Other taxation and social security	41,691	13,077
Other creditors	283,914	293,980
Accruals and deferred income	3,472,158	2,279,674
	<u>4,910,045</u>	<u>4,303,052</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 23.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	2019 £	2018 £
Government grants received	585,171	-
Share capital treated as debt	26	26
Share premium treated as debt	3,599,974	3,599,974
	<u>4,185,171</u>	<u>3,600,000</u>

During the year a grant of £675,197 has been received from Scottish Enterprise. This grant will be amortised to the Statement of Comprehensive Income over 5 years. During the current year £90,026 has been taken to the Statement of Comprehensive Income.

Disclosure of the terms and conditions attached to the non-equity shares is made in note 23.

21. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,548,038	2,955,159
Financial assets that are debt instruments measured at amortised cost	6,388,103	3,412,634
	<u>8,936,141</u>	<u>6,367,793</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(8,268,451)</u>	<u>(3,995,995)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors and accruals.

22. Deferred taxation

	2019 £
At beginning of year	(74,413)
Charged to profit or loss	(384,721)
At end of year	<u><u>(459,134)</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



22. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(463,686)	(113,311)
Short term timing differences	4,552	3,402
Tax losses carried forward	-	35,496
	<u>(459,134)</u>	<u>(74,413)</u>

23. Share capital

	2019 £	2018 £
Shares classified as equity		
Allotted, called up and fully paid		
3,361 (2018 - 3,361) Ordinary A shares of £0.01 each	34	34
8,023 (2018 - 7,882) Ordinary B shares of £0.01 each	80	79
480 (2018 - 480) Ordinary D shares of £0.01 each	5	5
	<u>119</u>	<u>118</u>
	<u>2019</u>	<u>2018</u>
	£	£
Shares classified as debt		
Allotted, called up and fully paid		
2,630 (2018 - 2,630) Preference A shares of £0.01 each	26	26
	<u>26</u>	<u>26</u>

During the year the company issued 154 Ordinary B shares of £0.01 each for a consideration of £99,022. In addition, the company re-purchased and subsequently cancelled 13 Ordinary B Shares of £0.01 each for a consideration of £4,095.

All classes of share have an equal voting right. The preference shares have priority over other share classes in respect of dividends receivable and on a return on capital up to a set hurdle of net proceeds. All other shares rank equally in respect of dividends and return on capital.

24. Pension commitments

The company contributes to a defined contribution pension plan. The pension cost charge represents contributions payable by the company which amounted to £32,422 (2018 - £14,007). There are no amounts payable at the year end.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



25. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	76,364	76,364
Later than 1 year and not later than 5 years	50,301	126,668
	<u>126,665</u>	<u>203,032</u>

26. Related party transactions

The Company have borrowed under fixed rate unsecured loan notes from the a selection of directors and shareholders. These loans are subject to interest at 1% above LIBOR and are repayable in full on the tenth anniversary of the loan notes being enacted, which will be 4 April 2024. The total value outstanding at the year end was £296,296 (2018 - £302,870).