Pulse Structural Monitoring Limited

Annual report and financial statements

Registered number 07432819

31 December 2018

Contents

Director's report

The director presents his report for the year ended 31 December 2018.

Principal activities

The principal activity of the Company continues to be the manufacture of structural monitoring equipment and the provision of monitoring services to customers within the oil and gas industry.

Business review and results

The loss for the year, after taxation, amount to £1,580,000 *(2017: £1,481,000).*

Proposed dividend

The director does not recommend the payment of a dividend *(2017: £nil).*

Directors

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

Dr B Bruggaier

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

Disclosure of information to auditor

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

Auditor

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

Small companies provision

In preparing this report, the director has taken advantage of the small companies exemption provided in section 414B of the Companies Act 2006 and has not prepared a Strategic report.

By order of the board

Dr B Bruggaier
Director

Ferryside
Ferry Road
Norwich
NR1 1SW

9 August 2019

Statement of director's responsibilities in respect of the Director's report and the financial statements

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

KPMG

Independent auditor's report to the members of Pulse Structural Monitoring Limited

Opinion

We have audited the financial statements of Pulse Structural Monitoring Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of non-current assets, the treatment of deferred tax assets, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

KPMG

Independent auditor's report to the members of Pulse Structural Monitoring Limited
(continued)

Director's report

The director is responsible for the Director's report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Director's responsibilities

As explained more fully in the statement set out on page 2, the director is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and using the going concern basis of accounting unless he either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report to the members of Pulse Structural Monitoring Limited
(continued)

Auditor's responsibilities

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

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

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

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

Paula Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

9 August 2019

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2018

	Note	**2018**	2017
		£000	£000
Turnover	*2*	**1,997**	3,600
Cost of sales		**(2,367)**	(3,270)
Gross (loss)/profit		**(370)**	330
Bad debt provision expense		**-**	(812)
Other administrative expenses		**(1,220)**	(1;175)
Total administrative expenses		**(1,220)**	(1,987)
Operating loss	*3-5*	**(1,590)**	(1,657)
Interest receivable and similar income	*6*	**23**	-
Interest payable and similar expenses	*7*	**(310)**	(228)
Loss before taxation		**(1,877)**	(1,885)
Tax on loss	*8*	**297**	404
Loss for the financial year		**(1,580)**	(1,481)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(1,580)**	(1,481)

All results relate to continuing activities.

Balance Sheet
at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	*9*	-		-	
Tangible assets	*10*	1,022		581	
			1,022		581
Current assets					
Stock	*11*	474		324	
Debtors	*12*	1,959		1,876	
		2,433		2,200	
Creditors: amounts falling due within one year	*13*	(9,125)		(6,871)	
Net current liabilities			(6,692)		(4,671)
Total assets less current liabilities			(5,670)		(4,090)
Net liabilities			(5,670)		(4,090)
Capital and reserves					
Called up share capital	*16*		-		-
Profit and loss account			(5,670)		(4,090)
Shareholder's deficit			(5,670)		(4,090)

These financial statements were approved by the board of directors on 9 August 2019 and were signed on its behalf by:

Dr B Bruggaier
Director

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	-	(2,609)	(2,609)
Total comprehensive loss for the year			
Loss for the year	-	(1,481)	(1,481)
Balance at 31 December 2017	-	**(4,090)**	**(4,090)**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	-	(4,090)	(4,090)
Total comprehensive loss for the year			
Loss for the year	-	(1,580)	(1,580)
Balance at 31 December 2018	-	**(5,670)**	**(5,670)**

Notes
(forming part of the financial statements)

1 Accounting policies

Pulse Structural Monitoring Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 07432819 and the registered address is Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW.

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

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

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

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

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

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

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

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared under the going concern basis, notwithstanding the Company has net current liabilities of £6,692,000 *(2017: £4,671,000)*, which the director believes to be appropriate for the following reasons. The Company is dependent for its working capital on funds guaranteed by other group companies. The Company's parent, Acteon Group Limited, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, he has no reason to believe that it will not do so.

Based on this undertaking the director believes that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Tangible fixed assets

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

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

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

Leasehold improvements	Life of lease
Plant and equipment, fixtures & fittings	3-5 years

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

Assets under construction are not depreciated.

1.4 Intangible fixed assets

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

1.5 Non-derivative financial instruments

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

Trade and other debtors

Following the adoption of IFRS 9, *Financial Instruments* (see below), trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any provision for expected credit losses.
The Company has applied the simplified approach to measuring the expected credit loss which uses a lifetime expected loss allowance. To measure the expected credit loss, trade debtors have been grouped together based on the number of days they are overdue.

Trade and other creditors

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

1.6 Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.7 Classification of financial instruments issued by the company

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

1.8 Turnover

Prior to the adoption in the current period of IFRS 15, *Revenue from Contracts with Customers*, the Company's turnover recognition policy was as detailed below and this policy has been applied for comparative periods to 31 December 2017. Details of the Company's revised policy applied from 1 January 2018, is disclosed within the "Impact of new standards adopted in the year" below.

Turnover comprises the value of goods and services supplied by the Company in the normal course of business, net of trade discounts and sales taxes.

The Company recognises turnover in line with the fulfilment of its contractual obligations. In most cases relating to the supply of goods this represents the fulfilment of all obligations contained in its contracts. However in certain circumstances specific elements of the total income relating to a contract are recognised where completion of these elements entitles the Company to the income.

Rental and operating lease income ('rendering of services') is recognised on a straight-line basis over the period of the rental or lease contract. Turnover includes revenue on incidental disposals of ex-rental assets as and when they are sold.

Turnover and profits on long-term contracts are recognised in line with the stage of a contract's completion when the outcome of the contract can be estimated reliably. Full provision is made for any anticipated losses.

1.9 Interest receivable and interest payable

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

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

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

1.10 Taxation

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Foreign currency

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

1.12 Impairment

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

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

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

Impairment losses are recognised in profit or loss.

1.13 Defined-contribution plan

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

1.14 Intra-group financial instruments

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

1.15 Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

1.16 New accounting standards adopted in the year

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

(i) IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 introduces an "expected loss" impairment model that requires the recognition of impairment provisions based on total expected losses ("ECL") rather than on incurred credit losses in accordance with the previous financial instrument standard IAS 39. Impairments are determined either using a twelve-month ECL method or, if the credit risk has increased significantly since initial recognition, a lifetime ECL method is used. For debtors, including trade debtors, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available; this applies to all financial assets including those classified at amortised cost, contract assets under IFRS 15 (see below), lease receivables, loan commitments and certain guarantee contracts. For the Company this principally applies to trade debtors where the simplified approach to measuring ECL has been adopted.

No significant impact on the reported financial performance and position for the Company has arisen on adoption of this standard, with impairments being consistent using either the ECL or incurred credit loss methods. As a result, the comparative figures as previously stated for the year-ended 31 December 2017 have not been restated.

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 New accounting standards adopted in the year *(continued)*

(ii) IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

The Company adopted IFRS 15 from 1 January 2018 using the cumulative effect method on transition. The standard has therefore only been applied to the most recent period presented in the financial statements, with a cumulative effect adjustment (if any) reflected in the profit and loss account in the balance sheet; the comparative figures have not been restated and are presented in accordance with IAS 18, *Revenue* and IAS 11, *Construction contracts* and the Company's previous turnover recognition accounting policies as disclosed above.

The new standard provides a single comprehensive model for turnover recognition. The core principle is that an entity recognises turnover which reflects the transfer of control of goods and services promised to customers for a consideration to which the entity expects to be entitled in exchange for those goods or services. The new contract-based turnover recognition model incorporates a measurement approach that considers the allocation of the transaction price (contract price) with respect to the distinct performance obligations within the contract.

Turnover is recognised in line with the timing of the fulfilment of those distinct performance obligations, whether over time or at a point in time. Within the balance sheet, balances relating to contracts with customers are either disclosed as a contract liability, contract asset, or a receivable (trade debtor), depending on the relationship between the Company's performance of contract obligations and the corresponding customer payment. Costs to obtain and to fulfil a contract are, subject to certain criteria, capitalised as a contract cost and amortised over the contract period.

The impact on the financial performance and position of the Company from adopting this new standard in the year is detailed in note 21.

Change in accounting policies

The introduction of IFRS 9 has not had any significant impact on the accounting policies by the Company, except for how the impairment provision on trade debtors is assessed as detailed in the accounting policy above. The introduction of IFRS 15, however, has impacted the Company's accounting policies from the date of transition (1 January 2018) as detailed below.

Turnover recognition

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

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

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

(i) Sale of goods

Turnover from performance obligations for the sale of non-customer specific goods is recognised as a point in time when the customer obtains control of those goods. This is typically at the point of delivery. If the sale is for goods which are specifically designed or manufactured for a customer and there is no readily available alternative use for those goods, and the Company has an enforceable right to payment for the performance completed to date, turnover is recognised over time in line with the contract's progression (assessed on a cost input method) up to the point of delivery.

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 New accounting standards adopted in the year *(continued)*

Turnover recognition *(continued)*

(ii) Rendering of services

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

(iii) Mobilisation and demobilisation services

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

(iv) Contracts with a significant financing component

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

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

Contract costs

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

(i) Costs of obtaining a contract

Incremental costs of obtaining a contract with a customer are capitalised when it is expected that these costs will be recoverable. These costs are then amortised on a straight-line basis over the term of the contract.

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

(ii) Costs to fulfil customer contracts

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 New accounting standards adopted in the year (continued)

Contract assets

Contract assets (such as accrued income) are recognised when the Company has satisfied the performance obligations in a sales contract and have either not recognised a trade debtor to reflect its unconditional right to the consideration or, the consideration is not yet due. Contract assets are treated as financial assets for impairment purposes and therefore subject to impairment reviews on the same basis as trade and other debtors.

Contract liabilities

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

2 Turnover

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

	2018	2017*
	£000	£000
Nature of turnover		
Rendering of services	**1,997**	3,600
	1,997	3,600
Geographical markets		
Europe	**798**	630
Africa	**517**	486
North America	**501**	1,076
South America	**2**	-
Asia and Asia Pacific	**172**	1,408
Middle East/Caspian	**7**	-
	1,997	3,600
Timing of turnover recognition		
Products and services recognised over time	**1,997**	3,600

Where the Company rents equipment to customers without the provision of other associated services, the equipment rental contract with the customer may meet the definition of a lease and be outside of the scope of IFRS 15 *Revenue from Contracts with Customers*. Such turnover (to the extent the lease definition is met) has not been presented separately from the Company's IFRS 15 turnover disclosures on the basis that a combined disclosure reflects a more consistent and relevant presentation of the Company's principal trading activities with its customers.

* The Company has initially applied IFRS 15 using the cumulative effect method. The comparative information has not been restated to incorporate turnover recognition changes (if any) as a result of this new standard.

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in operating loss are the following:

	2018 £000	2017 £000
Amortisation and other amounts written off intangible assets - owned	-	10
Depreciation and other amounts written off tangible fixed assets – owned	109	133
Hire of other assets – operating leases	5	5
Hire of plant and machinery – operating leases	90	90
Auditor's remuneration:		
Audit of these financial statements	10	7

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

4 Staff numbers and costs

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

	Number of employees 2018	2017
Directors	1	1
Technical and administration	28	28
	29	29

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	1,429	1,455
Social security costs	121	140
Contributions to defined contribution plans *(note 17)*	73	76
	1,623	1,671

Notes *(continued)*

5 Directors remuneration

No emoluments were paid to the director who served during the year. The director also holds office in other group undertakings. Emoluments paid to the director for services to other group companies are disclosed within those financial statements and the amount for services to this company is not separately identifiable.

6 Interest receivable and similar expenses

	2018 £000	2017 £000
Other interest	**23**	-
Total interest receivable and similar income	**23**	-

7 Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable on bank borrowings	**294**	206
Net foreign exchange losses	**12**	22
Other	**4**	-
Total interest payable and similar expenses	**310**	228

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account

	2018		2017	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on expense for the year	**(311)**		(364)	
Adjustments in respect of prior years	**39**		(11)	
Total current tax		**(272)**		(375)
Deferred tax (note 15)				
Origination and reversal of temporary differences	**6**		2	
Adjustment in respect of prior year	**(31)**		(31)	
Total deferred tax		**(25)**		(29)
Tax on loss		**(297)**		(404)

Reconciliation of effective tax rate

	2018	2017
	£000	£000
Loss for the year	**(1,580)**	(1,481)
Total tax credit	**(297)**	(404)
Loss excluding taxation	**(1,877)**	(1,885)
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	**(357)**	(363)
Non-taxable transactions	**52**	1
Adjustments in respect of prior years	**8**	(42)
Tax on loss	**(297)**	(404)

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

Notes *(continued)*

9 Intangible fixed assets

	Software £000
Cost	
Balance at 1 January 2018	108
Additions	-
At 31 December 2018	108
Amortisation	
As at 1 January 2018	108
Charges for the year	-
At 31 December 2018	108
Net book value	
At 1 January 2018	-
At 31 December 2018	-

The amortisation charge of £nil *(2017: £10,000)* is recognised within administrative expenses in the profit and loss account.

10 Tangible fixed assets

	Leasehold improvements £000	Plant & machinery, fixtures & fittings £000	Assets under construction £000	Total £000
Cost				
Balance at 1 January 2018	70	1,046	49	1,165
Additions	-	19	531	550
At 31 December 2018	70	1,065	580	1,715
Depreciation and impairment				
Balance at 1 January 2018	66	518	-	584
Depreciation charge for the year	4	105	-	109
At 31 December 2018	70	623	-	693
Net book value				
At 1 January 2018	4	528	49	581
At 31 December 2018	-	**442**	**580**	**1,022**

Notes *(continued)*

11 Stocks

	2018 £000	2017 £000
Raw materials and consumables	**461**	324
Finished goods	**13**	-
	474	324

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £14,000 *(2017: £1,144,000)*.

12 Debtors

	2018 £000	2017 £000
Trade debtors	**105**	372
Contract assets *(note 14)*	**938**	-
Amounts owed by group undertakings	**658**	946
Other debtors	**131**	141
Deferred tax assets *(note 15)*	**88**	63
Prepayments and accrued income	**39**	354
	1,959	1,876

The amounts owed by group undertakings are non-interest bearing and payable on demand.

13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank overdrafts	**8,469**	5,907
Trade creditors	**122**	82
Amounts owed to group undertakings	**98**	112
Taxation and social security	**39**	39
Other creditors	**397**	731
	9,125	6,871

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

Notes *(continued)*

14 Contract balances and unsatisfied performance obligations

(a) Contract balances

	2018 £000	1 January 2018* £000
Receivables (Trade debtors) which are included in Debtors *(note 12)*	**105**	372
Contract assets	**938**	305
Contract liabilities	-	(81)

* The Company has chosen to recognise the cumulative effect of adopting IFRS 15 as an adjustment to the opening balance at 1 January 2018 rather than restating prior-year reported results.

In some contracts the Company receives payments from customers based on explicit billing schedules. Contract assets primarily relate to the Company's conditional right to consideration for completed performance obligations under those contracts. These are transferred to receivables (trade debtors) once this right has become unconditional (typically on invoicing). Contract liabilities relate to payments received in advance of performing the obligations under a contact and exist where significant costs are expected to be incurred prior to the fulfilment of a performance obligation where turnover is to be recognised at a later point in time.

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

Contract assets

	2018 £000
Balance at 1 January 2018	**305**
Brought forward balance transferred to trade debtors	**(305)**
Conditional right to consideration at the year-end (accrued income)	**938**
Balance at 31 December 2018	**938**

Contract liabilities

	2018 £000
Balance at 1 January 2018	**81**
Brought forward balance recognised as turnover	**(81)**
Payments received/invoices raised in advance of recognising turnover at the year-end	-
Balance at 31 December 2018	-

(b) Unsatisfied performance obligations

The aggregate amount of the transaction price (contracted turnover value) allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2018 totals £292,000. The Company expects these to be satisfied in 2019.

Notes *(continued)*

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	
	2018	2017
	£000	£000
Tangible fixed assets	**66**	22
Other	**22**	41
Net deferred tax asset	**88**	63

Movement in deferred tax during the year

	1 January 2018 £000	**Recognised in income £000**	**31 December 2018 £000**
Tangible fixed assets	**22**	**44**	**66**
Other	**41**	**(19)**	**22**
	63	**25**	**88**

Movement in deferred tax during the prior year

	1 January 2017 £000	Recognised in income £000	31 December 2017 £000
Tangible fixed assets	32	(10)	22
Other	2	39	41
	34	29	63

16 Capital and reserves

Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
1 *(2017: 1)* Ordinary shares of £1 each	**1**	1

Profit and loss account

Profit and loss account comprises cumulative undistributed earnings of the Company.

17 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £73,000 *(2017: £76,000).*

18 Operating leases

Non-cancellable operating lease rentals payable are as follows:

	Land and buildings		Other	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Less than one year	**93**	26	-	5
Between one and five years	**152**	-	-	-
	245	26	-	5

The Company leases a number of warehouse and factory facilities under operating leases.

During the year £95,000 *(2017: £95,000)* was recognised as an expense in the profit and loss account in respect of operating leases.

Notes *(continued)*

19 Related parties

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

Related party	Relationship	Transactions	2018 £000	2017 £000
2H Offshore Engineering Sdn Bhd	Common control	Sales	10	26
Seatronics Inc	Common control	Purchases	5	64
Seatronics Limited	Common control	Purchases	3	3
Seatronics Pte Limited	Common control	Purchases	-	9
Probe Oil Tools Limited	Common control	Purchases	7	-

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

Related party	Relationship	Transactions	2018 £000	2017 £000
Probe Oil Tools Limited	Common control	Creditor	5	-

20 Ultimate parent company and parent company of larger group

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

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

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

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

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

21 Impact on the financial statements arising from the adoption of IFRS 15

As stated in note 1 the Company adopted IFRS 15 from 1 January 2018 using the cumulative effect method on transition. The standard has therefore been applied to the most recent period only presented in the financial statements with a cumulative effect adjustment (if any) reflected in the profit and loss account reserve on the balance sheet. The impact the adoption of this standard has had on the Company's financial statements for the year-ended 31 December 2018 can be summarised as follows.

(i) Profit and loss account

The adoption of IFRS 15 has had no effect on the turnover (or costs) recognised by the Company when compared to prior standards. There has therefore been no impact on the reported results within the profit and loss account during the current year.

(ii) Balance sheet

The current year balance sheet has only been affected by the categorisation within debtors and creditors due within one year. Contract assets and contract liabilities have now been disclosed separately whereas under prior standards they would have been included within the prepayments and accrued income and other creditors figures respectively.