Pulse Structural Monitoring Limited

Annual report and financial statements

Registered number 07432819

31 December 2022

Contents

Director's report

The director presents his report for the year ended 31 December 2022.

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 offshore oil, gas and renewables industry.

Business review and results

The loss for the year, after taxation, amount to £121,000 *(2021: £512,000).*

Proposed dividend

The director does not recommend the payment of a dividend *(2021: £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.

Going concern

The political unrest caused by the current conflict in Ukraine continues to create short- to medium-term uncertainties to businesses worldwide. This creates a risk that current and prospective clients may delay the timing of their investment programmes which, in turn, might adversely impact the Company's operations across that time horizon. Risk may also still exist in the Company's ability to execute certain projects, depending on their nature and location.

In response, during the past twelve months the Company (and the wider Acteon group) has continued to undertake appropriate actions to optimise its trading performance and to protect its margins, profitability and cash flow. It has sought to retain its key capabilities and skills so that it may take advantage and capitalise on opportunities, especially with customer demand starting to return in 2022 which is expected to continue and accelerate into 2023 and beyond. Detailed scenario-planning and sensitivity analyses thereon show the Company (and Acteon group) should have sufficient financial resources for the foreseeable future.

The going concern of the Company is dependent upon the financial performance of the Group because it is an obligor of the Group's banking facilities. At 31 December 2022 the Group had a fully drawn secured bank loan facility of £283 million with the first debt maturity in November 2024.

The first maturity date on the secured bank borrowings at the current year-end is within 12 months of the date of signing these financial statements, and the Group is therefore undertaking a refinancing exercise for both new equity and debt funding. This is expected to conclude successfully before any maturity dates crystalise. The Group shows continued compliance with its financial covenants and negotiations are at an advanced stage, therefore the director has no reason to believe that the Group will not be successfully refinanced in the ordinary course of business. However, there can be no certainty that the facility will be renewed or that the level of facility will be sufficient to cover cash flow requirements.

Based on the above indications the director believes that it remains appropriate to prepare the financial statements on a going concern basis. However, this matter indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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.

Director's report *(continued)*

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

6 March 2024

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 period. 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 period. 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;
- 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 them to ensure that the financial statements comply with the Companies Act 2006. He is responsible for such internal control as he determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has 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.

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 2022 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1.3 to the financial statements which indicates that this Company is dependent on financial support from its ultimate parent undertaking, and that the ultimate parent undertaking is undertaking a refinancing exercise that has not concluded by the date of signing these financial statements. These events and conditions, along with the other matters explained in note 1.3, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The director has prepared the financial statements on the going concern basis. As stated above, he has concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the director and inspection of policy documentation as to the Company's and Acteon Group Limited group's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

Fraud and breaches of laws and regulations – ability to detect *(continued)*

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue recognised over time is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

We performed procedures including:

- Agreeing revenue accrued at year end to evidence of services performed in the year.
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included; revenue and cash journals posted to unrelated accounts; and journals with specific descriptions which may indicate high risk.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment and anti-bribery legislation, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 3, 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.

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.

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

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
1 Marischal Square
Broad Street
Aberdeen
AB10 1DD

6 March 2024

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	2	**9,237**	5,948
Cost of sales		**(6,647)**	(4,516)
Gross profit		**2,590**	1,432
Administrative expenses		**(2,041)**	(1,415)
Exceptional expenses – impairment charges	10	**(249)**	-
Operating profit	3-5	**300**	17
Interest receivable and similar income	6	**265**	42
Interest payable and similar expenses	7	**(476)**	(654)
Profit/(loss) before taxation		**89**	(595)
Tax on profit/(loss)	8	**(210)**	83
Loss for the financial year		**(121)**	(512)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(121)**	(512)

All results relate to continuing activities.

Balance Sheet
at 31 December 2022

	Note	2022		2021	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*9*	342		135	
Tangible assets	*10*	695		934	
Right of use asset	*11*	58		156	
			1,095		1,225
Current assets					
Stock	*12*	1,246		1,076	
Debtors	*13*	5,146		6,069	
Cash at bank and in hand		250		-	
		6,642		7,145	
Creditors: amounts falling due within one year	*14*	(13,814)		(14,267)	
Net current liabilities			(7,172)		(7,122)
Total assets less current liabilities			(6,077)		(5,897)
Creditors: amounts falling due after more than one year	*15*		(1)		(60)
Net liabilities			(6,078)		(5,957)
Capital and reserves					
Called up share capital	*18*		-		-
Profit and loss account			(6,078)		(5,957)
Shareholder's deficit			(6,078)		(5,957)

These financial statements were approved by the board of directors on 6 March 2024 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 2021	-	(5,445)	(5,445)
Total comprehensive loss for the year			
Loss for the year	-	(512)	(512)
Balance at 31 December 2021	**-**	**(5,957)**	**(5,957)**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	-	(5,957)	(5,957)
Total comprehensive loss for the year			
Loss for the year	-	(121)	(121)
Balance at 31 December 2022	**-**	**(6,078)**	**(6,078)**

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 UK-adopted International Financial Reporting Standards ("Adopted IFRS") and applicable laws. 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;
- Certain disclosures in respect of leases,
- 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.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Accounting Estimates and judgements

(a) Key sources of estimation uncertainty

The director considers the key areas where estimates have a significant effect on the amounts recognised in the financial statements to be within:

Revenue recognition on long term contracts

A limited number of customer contracts can span a longer term and judgement is required by the director over the timing of recognition of revenue and attributable profit. In addition, estimation is required regarding the remaining costs to incur, stage of completion and expected final profitability. The estimates are considered by the director on a contract-by-contract basis using past experience and knowledge as well as consideration of the specific circumstances. Risk is mitigated by agreeing long term pricing for materials used over the contract life.

(b) Critical accounting judgements in applying the Company's accounting policies

The director has not made any critical accounting judgements in applying the Company's accounting policies apart from those involving estimations included above.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the net liabilities of £6,078,000 *(2021: £5,957,000)* which the director believes to be appropriate for the following reasons.

The director has prepared cash flow forecasts for the Company for a period of twelve months from the date of approval of these financial statements which, taking account of significant but plausible risks to the current trading environment, indicates the Company will have sufficient cash to meet its liabilities as they fall due during that period. Significant but plausible downside scenarios include lower sales in addition to those already factored into the base forecast. These have been partly offset by overhead cost savings.

The Company participates in a group treasury arrangement and its cash flow forecasts are consequently dependent on Acteon Group Limited ('the Group') providing financial support through this arrangement during the forecast period. The Group has indicated its intention to continue to make available such funds as are needed by the Company. 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.

The going concern of the Company is also dependent upon the financial performance of the Group because it is an obligor of the Group's banking facilities. At 31 December 2022 the Group had a fully drawn secured bank loan facility of £283 million with the first debt maturity in November 2024.

The first maturity date on the secured bank borrowings at the current year-end is within 12 months of the date of signing these financial statements, and the Group is therefore undertaking a refinancing exercise for both new equity and debt funding. This is expected to conclude successfully before any maturity dates crystalise. The Group shows continued compliance with its financial covenants and negotiations are at an advanced stage, therefore the director has no reason to believe that the Group will not be successfully refinanced in the ordinary course of business. However, there can be no certainty that the facility will be renewed or that the level of facility will be sufficient to cover cash flow requirements.

Based on the above indications the director believes that it remains appropriate to prepare the financial statements on a going concern basis. However, this matter indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.4 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 machinery, 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.

1.5 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.

1.6 Non-derivative financial instruments

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Non-derivative financial instruments (continued)

Trade and other debtors

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

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

Contract assets

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

Trade and other creditors

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

1.7 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.

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 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.

1.9 Contract costs

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

Costs of obtaining a contract

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Contract costs (continued)

Costs to fulfil customer contracts

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

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

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

1.10 Contract liabilities

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

1.11 Turnover

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

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

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

Sale of goods

How turnover is recognised from performance obligations for the sale of goods depends on whether or not those goods are customer-specific in nature. Where goods are customer-specific (for example, they are designed or manufactured for a particular project), there is no readily available alternative use for those goods and the Company has an enforceable right to payment for performance completed to date, turnover is recognised over time in accordance with the contract's progression (assessed on a cost input method) up to the point of delivery. Turnover in respect of the sale of non-customer-specific goods is recognised at the point in time when the customer obtains control of those goods, typically at the point of delivery.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Turnover (continued)

Rendering of services

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

Mobilisation and demobilisation services

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

Contracts with a significant financing component

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

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

1.12 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.

1.13 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)*

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 Leasing

Following the adoption of IFRS 16 Leases from 1 January 2019 (the transition date) the Company recognises a right-of-use asset and a corresponding lease liability at the lease commencement date.

(i) Right-of-use assets

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 Leasing (continued)

(ii) Lease liabilities

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

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

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

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

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

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

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

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

2 Turnover

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

	2022 £000	2021 £000
Nature of turnover		
Rendering of services	**9,237**	5,948
Geographical markets		
Europe	**7,275**	2,128
Africa	**179**	427
North America	**73**	114
South America	**805**	2,111
Asia and Asia Pacific	**905**	1,168
	9,237	5,948
Timing of turnover recognition		
Products and services recognised over time	**9,237**	5,948

Notes *(continued)*

2 Turnover *(continued)*

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.

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	2022	2021
	£000	£000
Depreciation and other amounts written off tangible fixed assets – owned	**285**	291
Depreciation of right of use assets	**98**	98
Impairment charges	**249**	-
Auditor's remuneration:		
Audit of these financial statements	**65**	46

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	
	2022	2021
Directors	**1**	1
Technical and administration	**42**	35
	43	36

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	**2,554**	1,945
Social security costs	**304**	228
Contributions to defined contribution plans *(note 19)*	**115**	93
	2,973	2,266

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.

Notes *(continued)*

6 Interest receivable and similar expenses

	2022 £000	2021 £000
Net foreign exchange gains	**265**	42
Total interest receivable and similar income	**265**	42

7 Interest payable and similar expenses

	2022 £000	2021 £000
Interest payable on bank borrowings	**130**	647
Interest on lease liabilities	**4**	7
Interest payable to group undertakings	**342**	-
Total interest payable and similar expenses	**476**	654

8 Taxation

Recognised in the profit and loss account

	2022		2021	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on expense for the year	**140**		(92)	
Adjustments in respect of prior years	**-**		8	
		140		(84)
Foreign tax		**105**		107
Total current tax		**245**		23
Deferred tax (note 17)				
Origination and reversal of temporary differences	**(140)**		(59)	
Adjustment in respect of prior years	**105**		-	
Effect of change in rate of tax	**-**		(47)	
Total deferred tax		**(35)**		(106)
Tax on profit/(loss)		**210**		(83)

Recognised in the profit and loss account

	2022 £000	2021 £000
Loss for the year	**(121)**	(512)
Total tax charge/(credit)	**210**	(83)
Profit/(loss) excluding taxation	**89**	(595)
Tax using the UK corporation tax rate of 19% *(2021: 19%)*	**17**	(113)
Non-taxable transactions	**3**	(17)
Change in statutory tax rate	**-**	(47)
Foreign tax suffered	**85**	86
Adjustments in respect of prior years	**105**	8
Tax on profit/(loss)	**210**	(83)

Notes *(continued)*

8 Taxation *(continued)*

In the 3 March 2021 Budget it was announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The UK deferred tax balance as at 31 December 2022 has therefore now been measured using a rate of 25%.

9 Intangible fixed assets

	Software £000
Cost	
Balance at 1 January 2022	284
Additions	288
At 31 December 2022	572
Amortisation	
As at 1 January 2022	149
Charge for the year	81
At 31 December 2022	230
Net book value	
At 1 January 2022	**135**
At 31 December 2022	**342**

Included within the carrying amount above are intangibles in development of £288,000 (*2021: £nil*).

10 Tangible fixed assets

	Leasehold improvements £000	Plant & machinery, fixtures & fittings £000	Assets under construction £000	Total £000
Cost				
Balance at 1 January 2022	70	2,144	-	2,214
Additions	-	269	26	295
At 31 December 2022	70	2,413	26	2,509
Depreciation and impairment				
Balance at 1 January 2022	70	1,210	-	1,280
Depreciation charge for the year	-	285	-	285
Impairment loss for the year	-	249	-	249
At 31 December 2022	70	1,744	-	1,814
Net book value				
At 1 January 2022	-	934	-	934
At 31 December 2022	**-**	**669**	**26**	**695**

Notes *(continued)*

11 Right of use assets

	Short leasehold land and buildings £000	Plant & machinery, fixtures & fittings £000	Total £000
Cost			
Balance at 1 January 2022	431	15	446
At 31 December 2022	431	15	446
Depreciation			
Balance at 1 January 2022	281	9	290
Depreciation for the year	95	3	98
Balance at 31 December 2022	376	12	388
Net book value			
At 1 January 2022	150	6	156
At 31 December 2022	**55**	**3**	**58**

12 Stocks

	2022 £000	2021 £000
Raw materials and consumables	**1,246**	1,028
Work in progress	**-**	48
	1,246	1,076

In 2022 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £711,000 *(2021: £190,000)*.

13 Debtors

	2022 £000	2021 £000
Trade debtors	**1,369**	1,695
Contract assets *(note 16)*	**1,746**	2,116
Amounts owed by group undertakings	**1,100**	1,033
Other debtors	**122**	881
Deferred tax assets *(note 17)*	**291**	256
Prepayments and accrued income	**518**	88
	5,146	6,069

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

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank overdrafts	-	12,673
Lease liabilities (*note 15*)	**59**	99
Trade creditors	**408**	478
Contract liabilities (*note 16*)	**927**	-
Amounts owed to group undertakings	**11,241**	202
Taxation and social security	-	26
Other creditors	**49**	789
Accruals and deferred income	**1,130**	-
	13,814	14,267

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

15 Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Lease liabilities	**1**	60

The maturity of lease liabilities at the balance sheet date are as follows:

	2022 £000	2021 £000
Within one year (*note 14*)	**59**	99
Between one and two years	**1**	59
Between two and five years	-	1
	60	159

16 Contract balances and unsatisfied performance obligations

(a) Contract balances

	2022 £000	2021 £000
Receivables (Trade debtors) which are included in Debtors *(note 13)*	**1,369**	1,695
Contract assets	**1,746**	2,116
Contract liabilities	**(927)**	-

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 contract 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.

Notes *(continued)*

16 Contract balances and unsatisfied performance obligations *(continued)*

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

	2022 £000	2021 £000
Balance at 1 January	**2,116**	3,485
Brought forward balance transferred to trade debtors	**(2,116)**	(3,485)
Conditional right to consideration at the year-end (accrued income)	**1,746**	2,116
Balance at 31 December	**1,746**	2,116

Contract liabilities

	2022 £000	2021 £000
Balance at 1 January	**-**	-
Payments received/invoices raised in advance of recognising turnover at the year-end	**927**	-
Balance at 31 December	**927**	-

(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 2022 totals £1,169,000 *(2021: £5,951,000)*. The Company expects £1,136,000 to be satisfied in 2023 and £33,000 to be satisfied in 2024 (*2021: £5,650,000 in 2022, £227,000 in 2023 and £74,000 from 2024 onwards*).

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2022 £000	Assets 2021 £000
Tangible fixed assets	**286**	252
Other	**5**	4
Net deferred tax asset	**291**	256

Movement in deferred tax during the year

	1 January 2022 £000	Recognised in income £000	31 December 2022 £000
Tangible fixed assets	252	34	**286**
Other	4	1	**5**
	256	35	**291**

Notes *(continued)*

17 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the prior year

	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Tangible fixed assets	129	123	252
Other	21	(17)	4
	150	106	256

18 Capital and reserves

Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1 *(2021: 1)* Ordinary shares of £1 each	**1**	1

Profit and loss account

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

19 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £115,000 *(2021: £93,000)*.

20 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	2022 £000	2021 £000
2H Offshore Engineering Sdn Bhd	Common control	Purchases	**4**	-
Deepwater Corrosion Services Inc	Common control	Sales	**-**	163
Deepwater Corrosion Services Inc.	Common control	Purchases	**-**	23
Deepwater Manufacturing (USA) Inc	Common control	Sales	**71**	-
Seatronics Inc	Common control	Purchases	**-**	5
Seatronics Limited	Common control	Purchases	**61**	9
UTEC NCS Survey Limited	Common control	Purchases	**-**	3
Probe Oil Tools Limited	Common control	Purchases	**-**	1

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

Related party	Relationship	Transactions	2022 £000	2021 £000
Deepwater Australasia Pty Ltd	Common control	Creditor	**21**	-
Deepwater Corrosion Services Inc	Common control	Debtor	**-**	53
Deepwater Corrosion Services Inc	Common control	Creditor	**1**	37
Deepwater EU Limited	Common control	Debtor	**-**	5
Deepwater Manufacturing (USA) Inc.	Common control	Debtor	**74**	-
Seatronics Inc	Common control	Creditor	**-**	59
UTEC NCS Survey Limited	Common control	Creditor	**472**	-

Notes *(continued)*

21 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 c/o Maples Fiduciary Services (Delaware) Inc., 4001 Kennett Pike, Suite 302, County of New Castle, Wilmington, Delaware 19807, USA.