

Fugro GB (North) Marine Limited

Report and Financial Statements

Registered number SC066833

31 December 2019



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Company information

Directors	G M Kennedy
Secretary	G Duncan
Auditors	Ernst & Young LLP Blenheim House Fountainhall Road Aberdeen AB15 4DT
Bankers	Barclays Bank PLC Level 28 1 Churchill Place Canary Wharf London E14 5HP
Registered office	28 Albyn Place Aberdeen AB10 1YL

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2019.

Principal activities

The company's principal activities comprise the provision of offshore geo-intelligence and asset integrity solutions for large construction, infrastructure, and natural resource projects. The company provides technical data and information required to design, construct and maintain structures and infrastructure in a safe, reliable and efficient manner. The company also designs, supplies, rents and provides aftersales support for remote intervention and Remotely Operated Vehicles (ROV) tooling solutions.

Business review

During 2019 the positive upturn in business conditions which had been experienced during 2018 continued and Fugro GB (North) Marine Limited turnover increased compared to the previous year with an uplift of £17.2 m (16.8%) to £119.5 million. The company continued to operate in two business lines Marine Asset Integrity (MAI) and Marine Site Characterisation (MSC) and within in this has five service lines:

- Geophysical (MSC)
- Positioning & Construction Support (MAI)
- IRM (Inspection Repair and Maintenance), (MAI)
- ROV Services (MAI)
- RST (Remote Systems Technologies) (MAI)

The related cost of sales increase of £6.6m resulted in a gross profit of 30% (2018: 25%).

The profit before tax was £13m (2018: profit £3.1m).

The company has adopted IFRS16 Leases in these financial statements. The details of the changed and quantitative impact are set out in note 27.

Our staff numbers increased during the year from 580 (full time equivalent) at 31 December 2018 to 618 at 31 December 2019 as a result of the increased business of the company.

The health, safety and security of our personnel and minimising impact on the environment remain key priorities for the company.

Our key non-financial indicators during the year continue to be

- Health, Safety and Environmental key performance indicators (KPIs)
- Utilisation of vessels
- Utilisation of ROVs
- Utilisation of personnel
- Customer satisfaction surveys

Additionally, the company provides internal services such as Fugro Academy (the Fugro training service) and Financial Shared Service Centre (FSSC) to other companies within the Fugro Group.

The company reduced its share capital to £100 by reducing the nominal value of the shares. This reduction of share capital was credited to the Profit and Loss reserve on the 12 September 2019. Following this share capital reduction, the company made a distribution from the created distributable reserves of £18.4m to Fugro Holdings Limited (FHL) by directly writing off (through equity) the intercompany receivable from FHL, on the basis of legal advice provided to the directors

Principal risk and uncertainties

The company's principal risks and uncertainties are managed as part of the risk management procedures in place for the Fugro N.V. Group ('the Group'). For Fugro GB (North) Marine Limited the principal threats include:-

- Oil price and energy price volatility
- Economic and financial instability as a result of the weak world and / or local economy

Strategic Report(continued)

- Reputation damage following major incident
 - Payment risk of clients with low financial strength
 - Technology break through by competitors
 - Talent and skills shortage in expanding business
- Brexit will have consequences to the business but will have a limited impact upon the Company's business opportunities though additional administrative requirements may be imposed.
- Covid 19; the director expects the general level of activity to be impacted by COVID 19 and business has taken the necessary steps to ensure they continue to provide services to its customers.

Further details of the Group's principal risks and uncertainties and mitigation actions in place to address them are provided in the risk management section of the Group's 2019 Financial Statements, which can be obtained from the address in note 26 or www.fugro.com.

Future developments

The company will continue to develop in all areas it operates in. See 'Post Balance Sheet Events' below for further detail.

By order of the board.



G M Kennedy
Director
17th December 2020

Directors' Report

Result and dividend

The profit attributable to ordinary shareholders was £16.3m (2018 Profits: £2.2m).

The directors paid no dividends in relation to year ended 31 December 2019. (2018: £18.4m)

Directors

The membership of the Board of Directors is set out below:

P G Meaden (resigned 30 November 2020)

A J Morse (resigned 30 November 2020)

G A Craigen (resigned 12 June 2020)

G M Kennedy (appointed 30 November 2020)

Directors Liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remains in force at the date of approving the director's report.

Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company continues to receive financial support from the parent company Fugro Holdings Limited, which has additional financial support from its parent company, Fugro N.V. Thus, the company continues to adopt the going concern basis in preparing the annual financial statements.

The directors have engaged with the parent company to understand the financial position of the wider group. Based on the recent group refinancing and rights issue which successfully completed on 14 December 2020, the directors have satisfied themselves that the parent company has appropriate resources to support the company.

Since the balance sheet date, the directors reviewed the effects of the Covid-19 pandemic, and do not consider the pandemic has materially impacted the going concern assessment of the company

The company has adequate financial resources available including stable continued business which is expected to continue in operational existence for at least 12 months from the date of approval of the financial statements.

Employees

The company is committed to maintaining and improving the methods by which employees are informed, either through meetings with representatives or otherwise, on matters affecting their work and the progress of the company.

All staff are kept informed of the company performance and outlook through the various methods mentioned above to achieve a common awareness on the part of the employees of the financial and economic factors affecting the performance of the company. The General Manager holds quarterly staff updates to advise staff of past, present and future issues. At these meetings there is a question and answer section to allow staff to ask any pertinent questions. Staff are also kept informed and asked for opinions at weekly or monthly departmental meetings.

Political contributions

The company made no political contributions during the year (2018: £nil).

Section 172(1) statement

In accordance with section 172 of the Companies Act 2006, the Board of directors of the company act in a way that they consider in good faith, would be most likely to promote the success of the company for the members as a whole, and in doing so have regard to a range of matters when making decisions for the short and long term.

The Directors have had regard, amongst others, to the matters set out in section 172(1) (a)-(f) of the Companies Act 2006 to effectively discharge their section 172 duties.

Fugro works closely with clients and partners to build programmes to further improve safety and environmental sustainability. This requires balancing our short and long-term interests to our stakeholders and integrating social and environmental factors into our decision making.

Our set of core values that we share with our employees are client focus, delivery excellence, Team Fugro and Good Citizenship. We believe that incorporating these values as basic elements of our business dealings will result in delivering professional high quality services and also building the trust of our stakeholders.

Directors' Report (continued)

The main responsibilities of the Board of Directors are:

1. Setting the values used to guide the business affairs of the company. This most importantly includes the company's commitment to achieving its health and safety vision and the company's adherence to the highest ethical standards in all of its areas of activity.
2. Integrating environmental improvement onshore and offshore into business plans and strategies and seeking to embed sustainability into the company's business processes.
3. Managing the company's compliance with its statutory and regulatory obligations and ensuring that systems and processes are in place to enable these obligations met.
4. Setting the strategy and targets of the company.
5. Establishing and maintaining the most efficient and effective corporate structure for the company.
6. Managing the company's compliance with financial reporting and statutory disclosure obligations.
7. Overseeing the risk management of the company.
8. Managing company communications.
9. Determining its own composition, subject to the provisions of the company's Articles of Incorporation.
10. Ensuring the effective corporate governance of the company.
11. Setting and approving policies.

Stakeholders	Stakeholder's interests	Ongoing considerations
Investors	Protect and manage their investments in a responsible and sustainable way	We rely on their debt funding as essential sources of capital to further our business objectives
Employees	Secure employment and the opportunity to reach their potential in a culturally diverse and inclusive workforce	The strength of our business is built on the hard work and dedication of our employees and their best interests are always considered in short and long term decision making. We communicate with them by regular townhall events and internal communication
Suppliers	Generate revenue for them	We need our suppliers to provide the best quality of product and service in order for us to operate our business successfully. Regular communication is vital with our key suppliers
Customers	High quality service at the right price	We consider our customers by always being aware that they have a choice of suppliers they can go to and we strive to provide good service and build loyalty
Wider community	Minimise any adverse impact on the community and the environment	We act as a responsible company integrating environmental factors into our decision making
Regulators	Comply with applicable laws and regulations	We aim to maintain a constructive and cooperative relationship with the bodies who authorise and regulate our business activities.

Post Balance Sheet Events

The company has been impacted by two significant events since the end of 2019.

- In early January 2020 the oil price started falling, from an average price of \$60 per barrel during 2019. During April 2020 the price reached a low point of \$20 per barrel before recovering to around \$40 by August 2020. As a result, customers of the company in the oil and gas sector have been re-evaluating projects with the result that a number of projects have been cancelled or postponed, and enquiries for future work in this sector have reduced.

Directors' Report (continued)

- In December 2019 the Covid-19 pandemic started to impact the far-east, and by March 2020 was starting to impact the operations of the company in the Europe and Africa region. During March the offshore field work part of our business was heavily impacted with a number of projects shutdown, postponed or cancelled due to the difficulty of supporting the operations. In subsequent months a number of these operations have restarted with appropriate control measures in place.

Both these events have impacted the business of the company during 2020 with the result that revenue is expected to decline compared to 2019 and as a consequence, 81 staff were made redundant. Whilst the restrictions have been disruptive to normal operations the company has adapted.

The company considers it to be non-adjusting post balance sheet event and accordingly no financial effects of Covid-19 have been reflected in the company's financial statements at 31 Dec 19.

Disclosure of information to auditor

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

Auditor

Pursuant of Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board



G Duncan
Company Secretary
17th December 2020

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUGRO GB (NORTH) MARINE LIMITED

Opinion

We have audited the financial statements of Fugro GB (North) Marine Limited for the year ended 31 December 2019 which comprise the Profit and loss account, the Statement of Comprehensive Income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 27 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of Covid-19

We draw attention to Notes 1 and 24 of the Financial Statements, which describes the economic and social disruption the Company is facing as a result of Covid-19 which is impacting the wider UK and global economies, as well as the Company's ability to operate normally. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUGRO GB (NORTH) MARINE LIMITED (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit;

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUGRO GB (NORTH) MARINE LIMITED (continued)

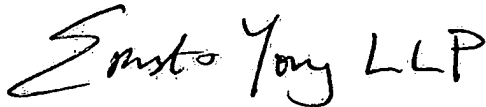
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



**Kenneth MacLeod Hall (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen**

22 December 2020

Profit and loss account
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	4	119,456	102,299
Cost of sales		(83,290)	(76,702)
		<hr/>	<hr/>
Gross profit		36,166	25,597
Administrative expenses		(21,550)	(21,770)
		<hr/>	<hr/>
Operating Profit	5	14,616	3,827
Interest receivable and similar income	8	-	258
Interest payable and similar charges	9	(1,693)	(1,019)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		12,923	3,066
Tax credit (charge) on profit on ordinary activities	10	3,317	(859)
		<hr/>	<hr/>
Profit for the financial year		16,240	2,207
		<hr/> <hr/>	<hr/> <hr/>

The results relate to continuing activities.

Statement of Comprehensive Income
for the year ended 31 December 2019

	2019 £000	2018 £000
Profit for the financial year	16,240	2,207
Other comprehensive income, net of tax	-	-
	<hr/>	<hr/>
Total comprehensive profit	16,240	2,207
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 35 form part of these financial statements

Balance sheet
at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	18,157	3,159
Current assets			
Stocks and work in progress	13	1,784	1,779
Debtors	14	47,845	49,455
Cash at bank and in hand		512	1,532
Creditors: amounts falling due within one year	15	50,141 (39,204)	52,766 (28,431)
Net current assets		10,937	24,335
Creditors: amounts falling due after more than one year	16	(3,930)	-
Provisions	17	(815)	(1,076)
Net assets		24,349	26,418
Capital and reserves			
Called up share capital	18	-	30,897
Profit and loss account		24,349	(4,479)
Shareholders' funds		24,349	26,418

The notes on pages 12 to 36 form part of these financial statements.

These financial statements were approved by the board of directors on 17th December 2020 and were signed on its behalf by:



GM Kennedy
Director

Company registered number: SC066833

Statement of changes in equity
for the year ended 31 December 2019

	Share capital £000	Profit and loss account £000	Total shareholders' funds £000
As at 1 January 2018	30,897	2,078	32,975
Profit for the year	-	2,207	2,207
	<hr/>	<hr/>	<hr/>
Total comprehensive profit for the year	-	2,207	2,207
<i>Transactions with owners, recorded directly in equity</i>			
Credit in relation to share based payments		240	240
Write off receivable Fugro Subsea Services Limited		(31,223)	(31,223)
Partial Extinguishment Fugro Improv Limited		10,740	10,740
Reversal of distribution in excess of distributable reserves		18,405	18,405
Write off receivable Fugro Holdings Limited		(6,926)	(6,926)
	<hr/>	<hr/>	<hr/>
As at 31 December 2018	30,897	(4,479)	26,418
Credit in relation to share based payments		98	98
Profit for the year		16,240	16,240
	<hr/>	<hr/>	<hr/>
Total comprehensive profit for the year	-	16,338	16,338
<i>Transactions with owners, recorded directly in equity</i>			
Share capital reduction	(30,897)	30,897	-
Dividend paid	-	(18,407)	(18,407)
	<hr/>	<hr/>	<hr/>
As at 31 December 2019	-	24,349	24,349
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 General information

Fugro GB (North) Marine Limited (the 'company'), is a private company limited by share capital incorporated and domiciled in Scotland with registered office address in Scotland.

The principal accounting policies adopted by the company are set out in note 2.

2 Accounting policies

Statement of compliance

The financial statements of Fugro GB (North) Marine Limited (the "company") for the year ended 31 December 2019 were authorised for issue by the board of directors on 17 December 2020 and the balance sheet was signed on the board's behalf by G M Kennedy, Director.

These financial statements are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with applicable accounting standards.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and FRS 101.

The company's financial statements are presented in Sterling, which is also the company's functional currency, and all values are rounded to the "nearest thousand pounds (£)" except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1; and
 - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- d) the requirements of paragraphs 10(d) and 111, 16, 38A to 38D, and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new standards and interpretations;
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- i) the requirements of paragraph 45 (b) and 46 to 52 of IFRS 2, Share-based Payment.
- j) the requirements of IFRS 16 Leases
- k) the requirements of IFRS 9 Financial Instruments

Change in accounting policy

The Company has adopted IFRS 16 *Leases* in these financial statements. This has been adopted with a date of initial application of 1 January 2019 using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17. The details of the changes and quantitative impact are set out in note 23.

A number of new standards, amendments and/or interpretations are also effective from 1 January 2019, but these do not have a material effect on the company's financial statements.

Notes (continued)

Accounting policies (continued)

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company continues to receive financial support from the parent company Fugro Holdings Limited, which has additional financial support from its parent company, Fugro N.V. Thus, the company continues to adopt the going concern basis in preparing the annual financial statements.

The directors have engaged with the parent company to understand the financial position of the wider group. Based on the recent group refinancing and rights issue which successfully completed on 14 December 2020, the directors have satisfied themselves that the parent company has appropriate resources to support the company.

Since the balance sheet date, the directors reviewed the effects of the Covid-19 pandemic, and do not consider the pandemic has materially impacted the going concern assessment of the company

The company has adequate financial resources available including stable continued business which is expected to continue in operational existence for at least 12 months from the date of approval of the financial statements.

Tangible fixed assets and depreciation

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the attributable cost.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets including those leased under a finance lease are impaired.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	life of lease term
Leasehold property	life of lease term
Plant and equipment	3 years
Office equipment	3 years
Motor vehicles	4 years

No depreciation is provided on assets under construction.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Intangible assets

Intangible software assets are amortised over their useful economic life for a period not exceeding three years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in bringing each product to its present location and condition. Raw materials stocks have been included at purchase cost on a first-in-first-out basis.

Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

Notes (continued)

Accounting policies (continued)

Cash at bank

There is a cash pooling agreement between Fugro Financial Resources B.V. (FFRBV – the treasury entity of the parent company) and Bank Mendes Ganz (BMG) on behalf of the Fugro Group. On the last day of the month the entity balances held in the BMG accounts are swept into FFRSBV BMG account and returned the following day. Consequently, the entity BMG account balance held at the balance sheet date is presented within Debtors, amounts owed by group undertakings

Financial assets and liabilities

Financial assets within the scope of IFRS 9 are classified at amortised cost or (if applicable) as derivatives at fair value through profit and loss, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments comprise debtors, cash, loans and borrowings and creditors.

Trade debtors and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortised costs. Other non-derivative financial assets are also classified and accounted at amortised cost using the Effective Interest Rate (EIR) method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The EIR amortisation is included in interest receivable in the profit and loss account. Losses arising from impairment are recognised in the profit and loss account in other operating expenses. Cash includes cash with banks.

Trade creditors are stated at cost. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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 that 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's 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.

Notes *(continued)*

Accounting policies *(continued)*

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, or when annual impairment testing is required, the company makes an estimate of the investment's recoverable amount in order to determine the extent of the impairment loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss account.

For assets where an impairment loss subsequently reverses, the carrying amount of the investment or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account.

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit and loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate and taking into account collateral and credit enhancements (insofar applicable). ECLs are recognised in two stages.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and work-in-progress, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes (continued)

Accounting policies (continued)

Leases (accounting policy applicable from 1 January 2019)

Definition of a lease

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

- the contract involves the use of an identified asset;
- the company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the company has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component and one or more additional lease or non-lease components, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. However, for leases of property and equipment, the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Recognition and measurement

The company recognises a right-of-use asset and lease liability at the lease commencement date. The company presents right-of-use assets within 'tangible fixed assets'.

The right-of-use asset is initially measured at cost. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement 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 of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The discount rate is the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index, initially measured using the index as at the commencement date;
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Notes *(continued)*

Accounting policies *(continued)*

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

Lease payments are allocated between the liability and finance expenses (interest costs). The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases and leases of low-value assets

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

Leases (accounting policy applicable prior to 1 January 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease - company as a lessee

Leases where the lessor retains substantially all the benefits and risks of ownership of the asset are classified as operating leases. Operating lease payments, other than contingent rentals, are recognised as an expense in the profit and loss account on a straight line basis over the lease term, including the effect of lease incentives.

Finance lease - company as a lessee

Where the company acquires substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and leased items are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments, including an incremental costs directly attributable to negotiating and arranging the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Notes *(continued)*

Accounting policies *(continued)*

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

The directors do not believe there are any significant provisions for liabilities held by the company.

Pension costs

Certain employees of the company are members of the Fugro Holdings Limited Pension and Death Benefit Scheme, a scheme which is a defined benefit pension scheme that shares risks between entities that are under common control. Management has determined that no contractual agreement or stated policy exists for charging to individual group entities the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 *Employee Benefits* (IAS 19'). As a result, the net defined benefit costs are recognised in the individual financial statements of the group entity that is legally the sponsoring employer for the plan, being Fugro Holdings Limited. The other group entities that have employees that participate in this scheme, such as the company, recognise a cost equal to their contribution payable for the period.

The defined benefit pension scheme is funded in accordance with actuarial advice and contributions by both Fugro group and employees are held in independently trust administered funds independent of the group's finances.

The company is advised by Fugro Holdings Limited of the amounts payable, if any, and account for their pension costs as employers on the basis of the amount so advised.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Notes *(continued)*

Accounting policies *(continued)*

Foreign currencies

(i) Functional and presentation currency

The financial statements are presented in sterling, which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Taxation

Income tax expense represents the sum of the corporation tax and deferred tax charges. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Share based payments

Fugro GB (North) Marine Limited has participated in the Fugro N.V Share option programme since acquisition in 2006.

The share option programme allows employees to acquire shares of the ultimate parent company, Fugro N V.

The fair value of options granted after November 2002 and those not yet vested as at the effective date of IFRS 2 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking in to account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

In respect of these share based payment arrangements, where the ultimate parent company charges the company for the intrinsic value of the shares on exercise, being the difference between the market value at date of exercise and the exercise price. This is accounted for as a credit directly through equity with a corresponding credit to intercompany.

Notes *(continued)*

Accounting policies *(continued)*

Turnover and Revenue Recognition

Revenues are recognised when control of the promised goods or services is transferred to the company's customers, in an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. Revenue from sales of goods, software licences and subscription income are not a significant category of revenue. Revenue is shown net of value-added tax and discounts.

The company generates revenue from services which are based on geo-intelligence derived by acquiring bespoke data and providing analysis and advisory. Work-in-progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and any impairment losses. Advances received from customers are presented as advance instalments to work in progress. The company's services are typically sold in a bundled package of services which generally result in one performance obligation. Revenue mainly relates to fixed price, daily rates or rates per (square) kilometre contracts. Revenue is generally recognised in profit or loss as services are rendered (over time) because of continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by either one of the following:

- Clauses in the contract that allow the customer to terminate the contract, pay for costs incurred plus a reasonable profit margin and take control of any work in progress. The company does not create an asset alternative use to the company.
- The customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs.
- The company creates an asset that the customer controls.

Because of control transferring over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services to be provided. The company generally uses the cost-to-cost measure of progress for contracts with customers because it best depicts the transfer of control to the customer. Measuring the proportion of actual cost incurred for work performed to date, compared to total estimated cost to completion, best depicts the company's performance in transferring control of services promised to its customers. Payment terms for service contracts are usually based on several instalments over the duration of the contract based on pre-set contract milestones. Significant financing components are not prevalent nor material within the company. If services rendered by the company exceed payment by the customer, then unbilled revenue on projects is recognised. The work-in-progress is transferred to receivables when the entitlement to payment becomes unconditional.

The company estimates variable consideration using either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The company makes an assessment of the amount of revenue expected to be received. It is common for the company's contracts with customers to include liquidated damages, weather standby fees or discounts that can either increase or decrease the transaction price. This variable consideration is generally constrained and is recognised as revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved (generally when a matter is concluded).

Applying the practical expedient in IFRS 15, the company does not adjust the promised amount of consideration for the effects of a significant financing component if it is expected, at contract inception, that the period between when the entity transfers a promised good or service and when the customer pays for the good or service is one year or less. The company generally does not have costs to obtain a contract with a customer.

Impairment losses recognised in accordance with IFRS 9 on receivables (e.g. debtors) and contract assets (i.e. work in progress) arising from the company's contracts with customers in 2019 and 2018 were immaterial.

There were no contract liability balances (i.e. credit balances work in progress) as of 1 January 2019.

Revenue recognised during 2019 from performance obligations (partially) satisfied in previous periods (e.g. changes in the transaction price) is not material

Notes (continued)

Accounting policies (continued)

The customer pays the total transaction price based on a payment schedule. If the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

The company does not have material obligations for returns, refunds, warranties and similar obligations.

The company does not incur material incremental costs to obtain a contract. The company did not recognise material closing balances as of 31 December 2019 under IFRS 15.95 (i.e. no material mobilisation costs were capitalised).

Interest receivable and similar income

Interest receivable comprises interest income on funds deposit in bank account and on the amounts owed by group undertakings. Interest receivable is recognised as interest accrues using the effective interest method.

Interest payable and similar charges

Interest payable comprises interest expense on bank and group loans. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Financial guarantee contracts

As at 31 December 2019, the company has provided bank guarantees and parent company guarantees. We are at the opinion that no cash outflow or inflow will arise as a result of these guarantees. Refer to Note 19.

3 Judgements and key sources of estimation uncertainty

The company's financial statements prepared in accordance with FRS 101 require management to make judgements and estimates that affect amounts reported in the financial statements and related notes. The judgements and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the company's financial statements. Actual results could differ from such estimates.

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

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below and are discussed in section 2.

- Estimates of impairment for financial and non-financial assets
- Estimates of recoverability of deferred tax assets

Notes (continued)

4 Turnover

Turnover represents the invoiced amount of goods sold and services provided together with application for payment on work completed (stated net of Value Added Tax).

All turnover is attributable to the company's principal activities. In the view of the directors, the company has only two classes of business. An analysis of turnover by geographical market and business line is given below:

	2019 £000	2018 £000
Europe	103,751	83,762
Rest of the world	15,705	18,537
	119,456	102,299
	119,456	102,299
Split by	2019 £000	2018 £000
Asset Integrity	66,176	57,290
Site Characterisation	53,280	44,909
Other	-	100
	119,456	102,299
	119,456	102,299

5 Operating profit

	2019 £000	2018 £000
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Operating profit/(loss) is stated after charging/(crediting):

Depreciation of owned assets (note 11)	1,693	1,668
Depreciation of right-of-use assets (note 11)	8,520	-
Net exchange loss/(gain)	256	(474)
Gain on disposal of tangible fixed assets	(10)	(33)
	2019 £000	2018 £000

Auditor's remuneration:

Auditors' remuneration for work carried out for the company in respect of the financial year is as follows:

Audit of these financial statements	94	60
Audit-related assurance services	-	-
	94	60
	94	60

6 Directors' remuneration

	2019 £000	2018 £000
Remuneration	538	523
Contributions to money purchase pension schemes	10	10
	548	533
	548	533

The remuneration of directors disclosed above include the following amounts paid to the highest paid director:

	2019 £000	2018 £000
Remuneration	265	204
	265	204

Notes *(continued)*

7 Staff numbers and costs (including directors)

	2019	2018
	£000	£000
Wages and salaries	31,974	34,200
Social security costs	3,608	3,763
Share based payments (note 21)	98	240
Other pension costs (note 20)	1,725	1,982
	37,307	40,185
	37,307	40,185

The average number of employees during the year was made up as follows:

	2019	2018
	No.	No.
Office and management	177	146
Production	441	460
	618	606
	618	606

8 Interest receivable and similar income

	2019	2018
	£000	£000
On amounts owed by group undertakings	-	258
	-	258
	-	258

9 Interest payable and similar charges

	2019	2018
	£000	£000
On amounts owed to group undertakings	432	292
Bank interest	230	725
Interest on lease liabilities (note 18)	1,031	2
	1,693	1,019
	1,693	1,019

Notes (continued)

10 Taxation

(a) Analysis of (credit)/charge in year

	2019 £000	2018 £000
<i>UK corporation tax</i>		
Current tax on profit for the year	-	239
Adjustments in respect of prior years	(582)	47
Double taxation relief	-	(239)
	<u>(582)</u>	<u>47</u>
<i>Foreign tax</i>		
Current tax on profit for the year	1,060	946
Adjustments in respect of previous years	246	50
	<u>1,306</u>	<u>996</u>
Total current tax	724	1,043
<i>Deferred tax</i>		
Reversal of timing differences	1,809	(205)
Change in rate of taxation	(190)	-
Adjustment in respect of previous years	(5,660)	21
Total deferred tax	<u>(4,041)</u>	<u>(184)</u>
Tax (credit)/charge on profit on ordinary activities	<u>(3,317)</u>	<u>859</u>

(b) Factors affecting tax (credit)/ charge for the year

The tax assessed on the profit on ordinary activities for the year is different from the standard rate of tax in the UK of 19% (2018: 19%):

	2019 £000	2018 £000
Profit before tax	12,923	3,066
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2018: 19%)	2,455	583
<i>Effects of:</i>		
Income not taxable	(646)	(547)
Higher tax rates on overseas earnings (net of expense relief)	1,060	707
Adjustments in respect of prior year - deferred tax	(5,660)	-
Adjustments in respect of prior year - UK	(582)	47
Adjustment in respect of prior year – foreign tax	246	50
Group relief claimed for nil payment	-	(2)
Deferred tax rate change	(190)	21
	<u>(3,317)</u>	<u>859</u>

Notes *(continued)*

10 Taxation *(continued)*

(c) Factors affecting the future tax

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and are therefore used in these calculations. Temporary differences have been measured using the enacted rate. After the current year financial year balance date, legislation has been substantively enacted to repeal the reduction of the main corporation tax rate thereby maintaining the current rate of corporation tax at 19%. The company will likely recognise a credit from remeasuring opening temporary differences in the financial statements for the year ended 31 December 2020.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2019 £000	2018 £000
Difference between accumulated depreciation and capital allowances	4,895	7,035
Other timing differences	19	19
Tax losses	<u>6,182</u>	<u>-</u>
	<u><u>11,096</u></u>	<u><u>7,054</u></u>

The deferred tax asset has been recognised on the basis that the Directors consider there will be sufficient future taxable profits against which to utilise the asset. Unclaimed capital allowances, once claimed, are able to be group relieved against taxable profits arising in other UK Fugro group companies.

The movement in deferred taxation in the year was as follows:

	2019 £000	2018 £000
<i>Deferred tax asset</i>		
At the start of the year		
Credit to the profit and loss account	7,054	3,330
Transferred from Fugro Subsea Services Limited	4,042	184
	-	3,540
	<u>11,096</u>	<u>7,054</u>
At the end of the year	<u><u>11,096</u></u>	<u><u>7,054</u></u>

Notes (continued)

11 Tangible fixed assets

	Land & building £000	Plant & equipment £000	Office equipment £000	Motor vehicles £000	Total £000
<i>Cost</i>					
At 1 January 2019	1,445	43,485	7,693	66	52,689
Recognition of right-of-use assets on initial adoption of IFRS 16 (see note 27)	1,885	15,029	-	-	16,914
Additions	3,278	4,934	85	-	8,297
Disposals	-	(526)	(29)	-	(555)
At 31 December 2019	6,608	62,922	7,749	66	77,345
<i>Depreciation</i>					
At 1 January 2019	1,351	40,529	7,585	65	49,530
Charge for the year	914	9,226	72	1	10,213
Disposals	-	(526)	(29)	-	(555)
At 31 December 2019	2,265	49,229	7,628	66	59,188
<i>Net book value</i>					
At 31 December 2019	4,343	13,693	121	-	18,157
At 1 January 2019	94	2,956	108	1	3,159

Notes (continued)

Right-of-use assets

At the year end, tangible fixed assets included right-of-use assets as follows:

	Land and buildings £000	Plant and equipment £000	Total £000
Right-of-use asset			
At 31 December 2019	3,210	9,947	13,157

12 Intangible assets

	Computer software £000
<i>Cost</i>	
At 1 January 2019 and 31 December 2019	223
	<hr style="width: 100%;"/>
	223
	<hr style="width: 100%;"/>
<i>Depreciation</i>	
At 1 January 2019 and 31 st December 2019	223
	<hr style="width: 100%;"/>
	223
	<hr style="width: 100%;"/>
<i>Net book value</i>	
At 1 January 2019 and 31 st December 2019	-
	<hr style="width: 100%;"/>
	-
	<hr style="width: 100%;"/>
	<hr style="width: 100%;"/>

Notes (continued)

13 Stocks and work in progress

	2019 £000	2018 £000
Raw materials and consumables recognised in the balance sheet at year end.	1,784	1,799
	<u>1,784</u>	<u>1,799</u>

14 Debtors

	2019 £000	2018 £000
Trade debtors	15,022	9,143
Amounts recoverable on long-term contracts	4,415	7,075
Amounts owed by group undertakings	15,489	25,642
Deferred tax asset (see note 10)	11,096	7,054
Other debtors	85	6
Prepayments and accrued income	700	512
Overseas taxes	1,038	-
	<u>47,845</u>	<u>49,455</u>

All amounts are due within one year except for deferred tax (see note 10). Amounts owed by group undertakings are unsecured, repayable on demand and interest free.

Also included within amounts owed by group undertakings is a cash pooling balance of £25,557,000 (2018: £12,151,000) that has been swept by Fugro Financial Resources B.V. (the treasury entity of the parent company) prior to the year-end and returned at the beginning of January 2020 (2018: January 2019). This cash pooling arrangement is in place to allow cashflows to be managed by the Fugro N.V. Group.

No expected credit losses were recognised for these balances under IFRS9. Expected credit losses on other balances within debtors are not material (or not applicable).

15 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	4,156	3,064
Amounts owed to group undertakings	18,080	12,964
Other taxes and social security costs	2,501	2,006
Corporation Tax Payable	86	-
Accruals and deferred income	5,087	5,881
Other creditors	46	127
Bank overdraft	51	4,262
Lease liabilities (see note 18)	9,197	-
	<u>39,204</u>	<u>28,431</u>

All amounts are due within one year. Amounts owed to group undertakings are repayable on demand and interest free.

16 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Lease liabilities (see note 18)	<u>3,932</u>	<u>-</u>

Notes (continued)

17 Provisions

	2019 Dilapidation £000	2019 Other £000	2019 Total £000
At 1 January 2020	815	261	1,076
Charge for the year	-	(261)	(261)
	815	-	815
At 31 December 2020	815	-	815

The dilapidation provision relates to a make good provision for the lease of the Survey House building in Denmore Road, Aberdeen (£705,000) when the lease ends 2024, and a dilapidation provision for the former property in Dyce Aberdeen (£110,000) where the lease has ended, but dilapidations are yet to be agreed. The other provision of £261,000 in 2018 was released as the time frame in which it could be claimed has expired.

18 Leases

The company's lease portfolio as a lessee consists of property and equipment.

Property

The company has property leases, which consist of land and buildings. These are presented as part of property, plant & equipment. The lease terms vary from two to five years. Fixed lease payments are generally subject to periodic adjustment to market rentals by means of a retail price index and/or in-substance fixed annual rent escalations. The relative magnitude of these adjustments compared to the fixed lease payments is not significant. The potential future lease payments not included in the measurement of lease liabilities and the prevalence of the exercise of options is not significant. Property leases do not include material residual value guarantees. The sensitivity of reported information to the aforementioned variables (e.g. future variable lease payments) is low. There are no extension options for any of the property leases held by the company.

Plant & equipment

The company has some short-term equipment leases comprising office equipment (franking and binding machines) and vending machines. The lease terms vary from 1 to 5 years. Although these leases may contain renewal options, the company has determined that it is not reasonably certain whether these options will be exercised. The lease payments are fixed in nature and of low value.

The company has vessel leases used as part of the normal course of business. The lease terms vary from three to six year. Lease payments are fixed and there are no extension options. ROU assets related to vessels are included within plant & equipment (see note 11)

Right of use assets

Right-of-use assets are presented as part property, plant and equipment (see note 11):

	Land and buildings £000	Plant and equipment £000	Total £000
At 1 January 2019	1,885	15,029	16,914
Additions to right-of-use assets	2,087	2,676	4,763
Depreciation charge for the year	(762)	(7,758)	(8,520)
	3,210	9,947	13,157
At 31 December 2019	3,210	9,947	13,157

Notes (continued)

Lease liabilities

Lease liabilities included in the Balance Sheet at 31 December:	2019
	£000
Less than one year	9,394
One to five years	4,139
More than five years	—
Total undiscounted lease liabilities at 31 December	13,533
	2019
	£000
Lease liabilities included in the Balance sheet at 31 December:	
Current	9,197
Non-current	3,930
	—
Total discounted lease liabilities in the Balance Sheet at 31 December	13,127

Amounts recognised in profit and loss

The following amounts have been recognised in profit or loss for which the company is a lessee:

2019 - Leases under IFRS 16	£000
Interest expense on lease liabilities	1,031
Expenses relating to short-term leases	13,489
	—
	14,520
	—
2018 - Operating leases under IAS 17	£000
Lease expense	10,704
	—

19	Share capital		2019	2018
			£000	£000
	<i>Authorised, allotted, called up and fully paid</i>			
	308,970 ordinary shares of 0.00032365	-	-	
	308,970 Ordinary shares of £100 each	-	30,897	
		—	—	

The share capital of the company reduced from £30,897,000 to £100 by reducing the nominal value of each share from £100 to 0.00032365 on 12 September 2019.

Notes (continued)

20 Financial guarantees

There were £231,000 (2018: £461,000) of bank guarantees and £nil (2018: nil) of company guarantees in place at the balance sheet date.

21 Pension schemes

Defined benefit pension scheme

The company participates in a defined benefit scheme in the United Kingdom, named the Fugro Holdings Limited Pension and Death Benefit Scheme which is funded by the payment of contributions to a separately administered trust fund. This is a defined benefit plan which shares risks between entities under common control. There is no contractual arrangement or policy for charging the net benefit cost between the entities who participate in this scheme.

As the individual group companies are unable to identify their share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 'Employee Benefits', they account for the scheme as if the scheme was a defined contribution scheme. The company has therefore recorded the contributions paid to the scheme as a charge to profit and loss.

The pension costs charge for the year amount to £358,000 (2018: £358,000). Pension contributions paid by Fugro Holdings Limited are determined with the advice of independent qualified actuaries. The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme.

The latest full actuarial valuation of the defined benefit scheme was carried out at 31 December 2016 and has been updated for IAS 19 (Revised) purposes to 31 December 2019 by a qualified actuary. This valuation showed the deficit in the scheme to be £37,622,000 (2018: £25,950,000).

In April 2016 the defined benefit scheme closed to future accrual. All active members were enrolled into the defined contribution pension scheme and subsequently became deferred members of the defined benefit scheme.

Further details of the defined benefit scheme are disclosed in the accounts of Fugro Holdings Limited.

Defined contribution pension scheme

The company contributes to a defined contribution pension scheme operated by Fugro Holdings Limited.

The assets of the scheme are administered by trustees in a fund independent from those of the company. The charge against loss is the amount of contributions payable by the company to the scheme in respect of the financial year and amounted to £1,371,000 (2018: £1,624,000).

22 Share based payments

In 1992 Fugro N V ("the Group") established its current share option programme for employees. This share option programme allows employees of the company to acquire shares in the Group.

Option rights are granted dependent on the contribution of the employees to the development of the long-term strategy.

At the annual general meeting (AGM) held in May 2017, amendments to the share option scheme were approved. The new annual grant date is the 5th trading day following the publication of the annual results.

The group requires that in addition to the service period during the 12 months prior to the granting of the options, services will be received in the future. In the Fugro option programme, UK residents can exercise their options only after three years (the 'vesting period') after the grant date if they are still employed by Fugro at that date. These options therefore have a service period of one year and vest over a three-year period following the grant date.

Further disclosure in accordance with FRS101 is not made in these financial statements on the basis that further details, in respect of share options issued by Fugro NV, are given in the consolidated financial statements of Fugro NV.

Notes *(continued)*

22 Share based payments *(continued)*

The number and weighted average exercise prices of share options are as follows:

	2019 Weighted average exercise price Euro	2019 Number of options	2018 Weighted average exercise price Euro	2018 Number of options
Options exercised during the year	-	-	-	-
Options outstanding at the end of the year	13.68	151,139	22.11	177,102
Exercisable at 31 December 2019				92,439

The total expense recognised for the year arising from share based payments was £98,000 (2018 £240,000).

23 Capital commitments

	2019 £000	2018 £000
Capital expenditure contracted but not provided for in the financial statements	334	406

24 Post Balance sheet events

The company has been impacted by two significant events since the end of 2019.

- In early January 2020 the oil price started falling, from an average price of \$60 per barrel during 2019. During April 2020 the price reached a low point of \$20 per barrel before recovering to around \$40 by August 2020. As a result, customers of the company in the oil and gas sector have been re-evaluating projects with the result that a number of projects have been cancelled or postponed, and enquiries for future work in this sector have reduced.
- In December 2019 the Covid-19 pandemic started to impact the far-east, and by March 2020 was starting to impact the operations of the company in the Europe and Africa region. During March the offshore field work part of our business was heavily impacted with a number of projects shutdown, postponed or cancelled due to the difficulty of supporting the operations. In subsequent months a number of these operations have restarted with appropriate control measures in place.

Both these events have impacted the business of the company during 2020 with the result that revenue is expected to decline compared to 2019 and as a consequence, 81 staff were made redundant. Whilst the restrictions have been disruptive to normal operations the company has adapted.

The company considers it to be non-adjusting post balance sheet event and accordingly no financial effects of Covid-19 have been reflected in the company's financial statements at 31 Dec 19.

25 Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with fellow subsidiaries in the Fugro NV group. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with wholly owned subsidiaries.

26 Parent undertaking and ultimate controlling party

The ultimate parent company is Fugro NV, a company incorporated in the Netherlands. The intermediate parent company is Fugro Holdings Limited, a company incorporated in the UK.

The largest group in which the results of the company are consolidated is headed by Fugro N.V. The consolidated accounts of this company are available to the public and may be obtained from Fugro House, Hithercroft Road, Wallingford, Oxfordshire, OX10 9RB. No other group accounts include the results of the company.

Notes (continued)

27 Changes in significant accounting policies

The company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

Definition of a lease

The company elected to not apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 to open contracts entered into or changed prior to 1 January 2019 and thereafter. Following a reassessment at transition, no significant differences in the lease portfolio were identified on transition to the new lease definition, except for the prior period adjustment mentioned above.

Leases as lessee

As a lessee, the company previously classified leases as operating and financing leases. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 January 2019. All right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. This policy choice was applied to all leases. This resulted in higher right-of-use assets and consequently higher future depreciation expenses on the right-of-use assets, compared to the alternative method of calculating the right-of-use assets retrospectively as if IFRS 16 had been applied since the commencement date.

The company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics (i.e. property and equipment)
- Adjusted the right-of-use asset by the amount of any provisions for onerous lease contracts recognised under IAS 37 immediately before the date of initial application to approximate impairment
- Applied the transition expedient not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term since the date of initial application
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on financial statements

The company considered its lease portfolio (e.g. the nature and characteristics of the contract types). The following judgements and choices were made in determining the right-of-use assets and lease liabilities:

- The assessment of whether a contract contains a lease under IFRS 16
- The company has elected not to separate non-lease components and account for the lease and non-lease component as a single lease
- The determination of lease terms: whether it is reasonably certain that an extension or termination option will be exercised
- The determination whether variable payments are in-substance fixed
- Establishing whether there are multiple leases in an arrangement
- Determination of the appropriate rate to discount the lease payments. Generally, the company uses its incremental borrowing rate as the discount rate.

The main assumptions and judgements used in estimating the incremental borrowing rate are as follows:

- The determination of a risk-free rate (i.e. government bond yields), considering the currency, economic environment and term
- The determination of a debt risk premium specific to the entity, using observable inputs
- The determination of a lease specific adjustment (e.g. including lease specific collateral).

Notes *(continued)*

Changes in significant accounting policies *(continued)*

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements:

1 January 2019	Impact of adoption of IFRS 16		
	As reported	Adjustments	Restated at 1 January 2019
	£000	£000	£000
Balance sheet			
Property, plant and equipment	3,159	16,914	20,073
Lease liabilities (current)	-	(1,885)	(1,885)
Lease liabilities (non-current)	-	(15,029)	(15,029)
	3,159	-	3,159
Retained Earnings	26,418	-	26,148

When measuring lease liabilities, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 6.8%. There is no material impact on other comprehensive income or equity.

The lease liabilities as at 1 January 2019 are reconciled to the operating lease commitments as of 31 December 2018, as follows:

	1 January 2019
	£000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	29,547
Discounted using the incremental borrowing rate at 1 January 2019	(2,201)
Recognition exemption for leases of low-value assets	(4,145)
Recognition exemption for leases with less than 12 months of lease term at transition	(6,287)
Lease liabilities recognised as at 1 January 2019	16,914