

Registered number: SC183018

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STATS (UK) LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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COMPANIES HOUSE

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COMPANY INFORMATION

Directors

Angus Bowie
Peter Duguid
Leigh Howarth
Ronald James
Douglas Krokosz
Lisa Mitchell
Stephen Rawlinson
Garry North (resigned 30 June 2021)
Steven Byers (appointed 11 January 2021)
Graeme Coutts (Non-Executive)
Robert Anderson (Non-Executive)
Richard Pugh (Non-Executive)

Company secretary

Lorraine Porter

Registered number

SC183018

Registered office

7 - 9 Bon Accord Crescent
Aberdeen
AB11 6DN

Bankers during the year

Santander UK PLC
301 St. Vincent Street
Glasgow
G2 5HN

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CONTENTS

	Page
Group strategic report	1 - 7
Directors' report	8 - 10
Directors' responsibilities statement	11
Independent auditors' report	12 - 14
Consolidated income statement	15
Consolidated statement of comprehensive income	15
Consolidated statement of financial position	16
Company statement of financial position	17
Consolidated statement of changes in equity	18
Company statement of changes in equity	19
Consolidated statement of cash flows	20
Notes to the financial statements	21 - 46



**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Principal activities

The group's principal activity is the provision of pressurised pipeline isolation, hot tapping and plugging services to the international energy industry:

Business review

The group delivered an excellent trading result for the year, despite the ongoing impacts associated of the coronavirus pandemic, with revenue increasing to £49.7m (2020: £42.5m) and earnings* of £7.8m (2020: £6.5m). Internationalisation remains a key strategic objective for the group with 87% of revenue in the year derived from contracts executed outside of the United Kingdom (2020: 88%). In support of this strategy, the group is progressing with plans to increase its local presence in Saudi Arabia and Australia.

* Earnings before interest, tax, depreciation and amortisation (EBITDA), before charges for foreign exchange, exceptional items, and share based payments.

In support of safe and efficient project delivery, the group remains focussed on the development and safety of its employees. In 2021, 549,592 man-hours were worked across the group's operations (2020: 511,480) with one Lost-Time Injury (LTI) reported in the year (2020: 0). The group continues to see excellent staff engagement in its "Safety 2020" improvement programme and, during the year, has increased resources invested in its training and competence activities.

The group achieved several key operational and development milestones in 2021:

- Continued expansion in the North American market, with a significant increase in trading activity from Canadian operations and the development of new client relationships in the US market
- Securing a significant contract award with NPCC for a major subsea bypass intervention project on behalf of Saudi Aramco, further strengthening the group's presence in the Saudi market
- As part of the group's strategy to build its presence in Australia, establishing an excellent track record in market following the completion of several BISEP intervention projects
- Successfully completing a long-term isolation project to facilitate a flex-joint replacement on Shell Nigeria Exploration and Production Company's Bonga FPSO
- Progressing with the equipment design, build and testing phases for a major contract with Subsea7 to supply to 32" high-pressure emergency response isolation tools, scheduled for delivery to client in early 2023

The group operates an integrated management system maintaining a multi-site accreditation across all operational bases (ISO9001:2015, ISO141001:2015, ISO 45001).

UK

The group's UK business delivered and progressed several large and complex projects during the year whilst continuing to provide technical guidance and operational support to the group's international operating regions.

Significant achievements in the year included:

- Successfully isolating a 16" export riser line for Shell Nigeria Exploration and Production Company on the Bonga FPSO, offshore Nigeria to facilitate the replacement of a flex-joint
- Progressing a major contract with Subsea7 for the supply of two 32" emergency response isolation tools
- Completing multiple isolation projects in the UKCS for several clients, including 36" remote tecno plugs (RTP) and leak test modules as part of the planned shutdown of the Forties pipeline
- Successful deployment of a 30" RTP Isolation on the LUN-A platform on behalf of Sakhalin Energy Investment Company
- Delivering an innovative isolation solution for BP Angola to facilitate the repair of a seawater caisson on the PVSM FPSO
- Securing several contracts for the group's patented BISEP intervention equipment in the UK onshore gas distribution market

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**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Middle East

The Middle East continued to operate in their primary locations of Qatar, United Arab Emirates, Oman and the Kingdom of Saudi Arabia (KSA) with several key milestones achieved in the year:

- Significant progress in securing and delivering large diameter intervention projects in KSA
- Securing a contract with NPCC for a major subsea bypass intervention project on behalf of Saudi Aramco and commencing equipment build across a range of 48" to 56" intervention equipment, including the development of a larger capacity hot tapping machine
- Undertaking several high-pressure RTP isolations on behalf of Petroleum Development Oman in Oman, including a long-duration 42" isolation
- Undertaking a complex 34" line isolation at Ras Laffan, Qatar on behalf of Qatar Gas, a scope deferred from 2020 due to Coronavirus related restrictions, and a double 32" RTP isolation also on behalf of Qatar Gas
- Safely managing a significant upturn in site support activities in Qatar for client shutdown and turnaround scopes

USA

The US region continued to strengthen its relationships with its existing client base whilst developing new customer relationships, particularly in the second half of the year, building a strong order backlog for 2022.

Major activities during the year included:

- In response to growing demand and an increase in stock of large diameter assets to meet the market need, completing a move to a larger facility in Houston
- Continued investment in the fleet of intervention technology with build of large diameter assets to keep pace with activity levels
- Completion of a major 40" RTP isolation project in Trinidad on behalf of BP and securing a follow on 48" isolation contract for delivery in 2022
- Securing significant contract awards with a new client, Nisource, to supply fittings and a range of multi-diameter BISEP intervention scopes at multiple sites
- Delivering a range of high pressure, large diameter intervention projects on behalf of Williams, TC Energy and ATMOS Energy

Canada

The Canadian business remains the primary fabrication hub for the group's North American activities and experienced substantial growth in demand from the onshore gas transmission and distribution sectors.

Significant achievements in the year included:

- Delivering the second phase of a major intervention contract in support of FortisBC's continuing Inland Gas Upgrades project throughout British Columbia
- Follow on product sale orders from FortisBC to supplement BISEP technology supplied in the prior year
- Continuing to secure and execute multiple small diameter BISEP intervention projects for Enbridge Gas Distribution
- Broadening the client base with new awards from TC Energy Canada for various Intervention and Isolation scopes
- Continued growth in the supply of pipeline fittings and other custom repair sleeves, both in support of service work and direct supply to clients

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Asia

The group continued to make good progress with its strategy to extend its regional footprint, particularly into the Australian market.

Key milestones included:

- Completion of several BISEP intervention projects in Australia with APA providing traction for further expansion in the onshore gas market
- On behalf of Exxon Mobil, delivering the group's first RTP project in Australia and successfully installing an 18" subsea hot-tap clamp in the Bass Strait
- Completion of a 20" RTP isolation in Vietnam on behalf of Bien Dong Petroleum Operating Co., the group's first RTP project in Vietnam
- Continuing to successfully deliver RTP isolation projects in Malaysia

Trading Results

Group revenue increased by 17% in the year to £49.7 million (2020:£42.5m), with trading EBITDA* increasing to £7.8 m (2020: £6.5m). The increase in revenue is attributable to growth in demand for the group's products and services, particularly in Europe, Canada and Asia.

*Trading EBITDA is stated before charges for foreign exchange, exceptional items, and share based payments.

Net interest payable in the year is £3.1m (2020: £2.5m), primarily relating to charges on loan notes held by Business Growth Fund (BGF).

The group's pre-tax profit in 2021 is £1.5m (2020: £1.0m).

Net cash inflow from operating activities in the year is £6.7m (2020: £6.6m), excluding currency adjustments, reflecting the increase in operating profits for the year.

Capital expenditure in the year amounted to £6.5m (2020: £4.9m) comprising tangible assets of £6.4m (2020: £4.9m) and intangible assets of £0.03m (2020: £0.01m).

The group continues to invest in research and development activities relating to its proprietary technologies and to secure patents and trademarks where appropriate. During 2021, total expenditure on research and development activities was £0.4m (2020: £0.3m), representing 0.8% of revenue (2020: 0.7%).

Governance

The Board recognises the importance of, and remains committed to, the principle of good corporate governance.

Board of Directors

The Board comprises 8 executive directors and 3 non-executive directors.

The Board is responsible for setting overall group strategy, policy, monitoring group risks, performance and authorising significant transactions. To enable the Board to operate effectively, information packs are prepared and distributed ahead of scheduled quarterly meetings and on an ongoing basis as required. The Board has approved and maintains a schedule of delegated authorities which clearly identifies decisions reserved for Board approval.

In 2021, Board meetings were held on a quarterly basis (2020: quarterly).

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

In support of maintaining effective corporate governance within the group, the Board continued with two standing committees:

Remuneration Committee

The Remuneration Committee comprises two non-executive directors and one executive director and is chaired by Graeme Coutts. The Committee, which meets at least once a year, is responsible for specifying the remuneration packages for the executive directors and other senior employees within the group.

Business Ethics Committee

The Business Ethics Committee comprises 4 executive directors and 1 member of the group's senior management team and is chaired by the group's Commercial Director. The Committee, which meets at least 4 times a year, has specific terms of reference in relation to its general responsibility for the group's compliance and ethics programs, policies and procedures. During 2021 the Committee co-ordinated the following actions:

- Annual self-declarations confirming compliance with the group's code of business conduct, for directors, managers and business development employees
- Mandatory business ethics awareness training for new employees
- Continued appropriate diligence checks on international agents, partners, and associates
- Maintenance and review of the internal Gifts and Hospitality register

Principal Risks and Uncertainties

The directors review the principal risks and uncertainties impacting the business on an ongoing basis and at each quarterly board meeting.

The principal risks and uncertainties currently facing the group are:

- *Coronavirus Pandemic:*

Risk

- Governmental imposed travel restrictions together with client decisions to defer project activities in the face of the coronavirus pandemic continue to impact the group's ability to execute work.
- The direct effects of staff contracting the virus impacting the group's ability to complete projects.

Mitigations

- The group has established operational teams in its core trading markets to undertake work.
- Revised working practices have been implemented across the group's operating locations to minimise the risks associated with the virus.

- *Political Environment:*

Risk

- The political landscape, specifically the application of financial sanctions against Russia, may impact the group's ability to execute client contracts and receive timely payment.

Mitigations

- The group has continued to broaden its international footprint to mitigate geopolitical concentration risks.
- The group monitors potential and emerging political issues closely and seeks guidance from legal advisors as appropriate.

- *Demand for services:*

Risk

- Notwithstanding the relative stability in demand for products and services, the operating and capital budgets of many of the group's customers can be influenced by the prevailing oil price.



**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Mitigation

- The group provides service offering to clients with infrastructure carrying oil, gas and other liquids, with projects executed on gas lines representing the highest proportion of the revenue mix. The group continues to explore opportunities outside conventional oil and gas activities.
- The group has continued to build its international capability, through additional investments in operational assets and the recruitment and training of additional personnel. The group has a strong network of business development staff and partners to meet the demands of emerging markets.

- *Project execution:*

Risk

- The group continues to provide market leading technology solutions to its customers.
- The group is increasingly being requested by customers to deliver a broader range of site services.
- Poor execution of contracts could significantly affect the group's financial results.

Mitigation

- The group has developed a highly competent workforce for design engineering, project management and field execution with a commitment to ongoing competence assessment and development.
- The group deploys technical support from all of its operating regions in support of major projects.
- The group has a policy of undertaking Factory Acceptance Tests (FAT) for its customers using simulated test fixtures, particularly for large and complex projects. The group's tools are only deployed to site when both the group and the group's customers are fully satisfied with the performance of the tools.
- The group continues to set business objectives with the aim of improving operational efficiencies, including standardisation of operating procedures.

- *Project delay:*

Risk

- Project execution dates are typically subject to several factors outside the group's control. Such changes can lead to deferral in project execution and therefore impact the group's revenue in any particular period.

Mitigation

- The group monitors closely the potential for changes in delivery dates for key projects, and where possible, redirects operational assets to other customer opportunities, or calls upon standby provisions within its contracts with customers.

- *Financial risk management:* The group's activities expose it to several financial risks including liquidity risk, cash flow risk and credit risk.

- *Liquidity risk:*

Risk

- The group provides project services to its customers, typically against contractual billing milestones. Delays in achieving billing milestones may impact the group's liquidity position.

Mitigation

- In order to maintain liquidity and ensure sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long-term and short-term sources of finance.
- The group has issued loan notes to BGF and management and agreed a revised repayment profile for the loan notes in issue.
- The group considers the use of trade finance for specific, larger projects to support short term working capital requirements.
- The group holds regular review meetings with its bankers to update on current trading activities and

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

prospective outlook.

- *Cash flow:*

Risk

- The group's activities expose it primarily to the financial risks of changes in interest rates and foreign exchange rates.

Mitigation

- A number of the group's contracts are with customers in overseas locations and are denominated in currencies other than sterling. In order to manage this risk, the group will, when deemed appropriate, enter into forward foreign currency contracts.
- The group will, when deemed appropriate, enter into interest rate swap contracts to hedge its interest rate exposure.

- *Credit:*

Risk

- The group's credit risk is primarily attributable to its trade receivables.

Mitigation

- The amounts presented in the balance sheet are net of allowances for doubtful debts.
- The majority of the group's business is conducted with large companies with strong credit ratings.
- The group continuously monitors the status of its trade receivables.

Financial key performance indicators

The group utilises the following key performance indicators to assist in the management of its financial performance:

- Sales pipeline opportunities:
 - Monitoring the monetary value of contract opportunities, by region and in aggregate.
- Project margins:
 - Measuring the performance of individual contracts, against agreed budget margins.
- EBITDA:
 - Providing a measure of reported and forecast group and regional profitability, against agreed budgets and forecasts.

Political and charitable donations

During the year the group made charitable donations of £13,047 (2020: £7,959) and no political contributions (2020: £nil).

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Directors' statement of compliance with duty to promote the success of the Group

Section 172 (1) (a) to (f) of the Companies Act 2006 requires the group directors to consider, both individually and collectively, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole in the decisions taken during the current year.

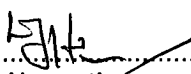
When making these decisions the directors have given regard to:

- The likely consequences of any decisions on the long-term
- The interests of the group's employees
- The need to foster the group's business relationships with suppliers, customers and others
- The impact of the group's operations on the community and environment
- The desirability of the group maintaining a reputation for high standards of business conduct
- The need to act fairly between shareholders of the group

The majority of stakeholder engagement is carried out by the board of directors who meet on a regular basis. The board considers and discusses information from across the organisation to help it understand the impact of the group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance as well as information covering areas such as key risks, and legal and regulatory compliance.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the directors to comply with their legal duty under section 172 of the Companies Act 2006.

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


.....
Leigh Howarth

Director

Date: 3 March 2022.

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £1,883,220 (2020 - loss £56,670).

A dividend of £570,204 is proposed for the year ended 31 December 2021 (2020: £451,461) on the group's A ordinary shares, which are held by BGF.

Directors

The directors who served during the year were:

Angus Bowie
Peter Duguid
Leigh Howarth
Ronald James
Douglas Krokosz
Lisa Mitchell
Stephen Rawlinson
Garry North (resigned 30 June 2021)
Steven Byers (appointed 11 January 2021)
Graeme Coutts (Non-Executive)
Robert Anderson (Non-Executive)
Richard Pugh (Non-Executive)

Company sale

On 14 December 2021 the directors announced a Share Purchase Agreement had been signed to sell 100% of the issued share capital of the company to SRJ Technologies plc (SRJ), a publicly listed company on the Australian Securities Exchange (ASX: SRJ). The sale is subject to customary conditions, including SRJ obtaining the required shareholder approvals and is expected to complete during the second quarter of 2022.

Future developments

Notwithstanding the continuing impacts of COVID-19, the directors expect demand for the group's products and services to increase over the coming year, with revenue anticipated to be higher than that achieved in 2021. In support of a strategy to further internationalise, the directors will consider plans to increase the group's local presence in Saudi Arabia and Australia.

The Board remains committed to maintaining the group's excellent safety performance and, in support of an objective to maintain zero accidents, continues to use and communicate several leading-indicator safety targets.

A capital expenditure programme of £4.9m has been approved by the directors for 2022, reflecting demands for existing projects and a desire to continue developing the group's operational asset base.

Engagement with employees

It is group and company policy that management consult regularly with employees on matters which affect their employment and that their views should be taken into consideration when decisions were made which will affect their interests.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Sustainability

Global climate change and energy transition matters are directly affecting the group's operations. In recognition of these factors, the directors approved a sustainability policy in 2021 aligned with the group's core values and strategy based on central pillars of people and society, economic, environment and innovation. The policy established priority areas of focus towards achieving the group's principal sustainability goals, including its environmental performance.

Greenhouse gas emissions, energy consumption and energy efficiency action

The company has been required to report its greenhouse gas ('GHG') emissions in the Directors' report in line with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The following disclosures relate only to STATS (UK) Ltd as a standalone company, the parent company of a large group in aggregate. GHG emissions are reported in tonnes of carbon dioxide equivalent (TCO₂e), for the year ended 31 December 2021 and are based on the GHG Protocol Corporate Accounting and Reporting Standard. In line with the guidance on SECR, the energy and emissions from leased buildings where the company is responsible for energy consumption are included within the figures reported, together with emissions from vehicles that the company are obliged to report.

	Energy Consumption (kWh)		Tonnes CO ₂ equivalent		Intensity Ratios			
	2021	2020	2021	2020	t CO ₂ W per £1m Turnover		t CO ₂ W per manhour	
					2021	2020	2021	2020
STATS (UK) Ltd	469,538	474,121	148	139	6.03	6.88	0.00	0.00

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditors are aware of that information.

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

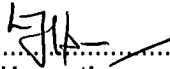
Post balance sheet events

On 24 February 2022, Russia initiated military operations in Ukraine. In response, the UK government announced a number of immediate sanctions against Russia including some which, prospectively, may impact the group. Specifically, the group has a contract with a UK company for the supply of tools which forms part of a larger package of equipment being provided to a Netherlands based entity which is wholly owned by Gazprom. The group also has a long-term agreement for the provision of services to a further company controlled by Gazprom. At 24 February 2022 the group had trade receivables and accrued income of £0.4m relating to these contracts. Forecast revenue relating to activities in Russia amounts to less than 5% of the group's 2022 anticipated revenue. At the date of approving these financial statements, given the very fluid nature of events, the exact impact of sanctions on the group's future activities relating to its contracts remains unclear. The group will continue to monitor the situation closely in conjunction with its legal advisers and clients.

Auditors

The auditors, Anderson Anderson & Brown Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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


.....
Leigh Howarth
Director

Date: 3 March 2022

STATS (UK) LTD.



**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors are responsible for preparing the group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Opinion

We have audited the financial statements of STATS (UK) Ltd. (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Group Income statement, the Group Statement of comprehensive income, the Group and company Statements of financial position, the Group Statement of cash flows, the Group and company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STATS (UK) LTD. (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: timing of recognition of commercial income, posting of unusual journals along with complex transactions and manipulating the Company's key performance indicators to meet targets. We discussed these risks with client management, designed audit procedures to test the timing of commercial revenue, tested a sample of journals to confirm they were appropriate and reviewed areas of judgement for indicators of management bias to address these risks.

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

Use of our report

This report is made solely to the company's members, 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



James Pirrie (Senior statutory auditor)

for and on behalf of
Anderson Anderson & Brown Audit LLP

Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU

Date: *3rd March 2022*

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**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	49,683,402	42,463,850
Cost of sales		(29,823,948)	(24,304,915)
Gross profit		<u>19,859,454</u>	<u>18,158,935</u>
Administrative expenses		(15,278,090)	(14,686,827)
Operating profit	5	4,581,364	3,472,108
Interest payable and similar expenses	10	(3,067,880)	(2,449,032)
Profit before tax		<u>1,513,484</u>	<u>1,023,076</u>
Tax on profit	11	369,736	(1,079,746)
Profit/(loss) for the financial year		<u>1,883,220</u>	<u>(56,670)</u>
Profit/(loss) for the year attributable to:			
Owners of the parent		1,883,220	(56,670)
		<u>1,883,220</u>	<u>(56,670)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Profit/(loss) for the financial year	<u>1,883,220</u>	<u>(56,670)</u>
Other comprehensive income		
Currency translation differences	166,693	(321,884)
Other comprehensive income/(loss) for the year	<u>166,693</u>	<u>(321,884)</u>
Total comprehensive income/(loss) for the year	<u>2,049,913</u>	<u>(378,554)</u>

The notes on pages 21 to 46 form part of these financial statements.


STATS (UK) LTD.
REGISTERED NUMBER: SC183018



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	517,203	698,440
Tangible assets	14	18,291,680	14,526,091
		<u>18,808,883</u>	<u>15,224,531</u>
Current assets			
Stocks	16	2,197,572	1,496,961
Debtors: amounts falling due within one year	17	20,652,524	19,159,498
Cash at bank and in hand	18	1,491,372	1,863,010
		<u>24,341,468</u>	<u>22,519,469</u>
Creditors: amounts falling due within one year	19	<u>(19,371,422)</u>	<u>(17,503,671)</u>
Net current assets		<u>4,970,046</u>	<u>5,015,798</u>
Total assets less current liabilities		<u>23,778,929</u>	<u>20,240,329</u>
Hire purchase liabilities and finance leases		<u>(18,700)</u>	<u>(41,578)</u>
Net assets		<u><u>23,760,229</u></u>	<u><u>20,198,751</u></u>
Financed by:			
Loans		20,970,115	18,998,346
Capital and reserves			
Called up share capital	25	1,081	1,081
Share premium account		858,202	858,202
Capital redemption reserve		533	533
Other reserves		1,318,414	1,778,618
Profit and loss account		611,884	(1,438,029)
Total financing		<u><u>23,760,229</u></u>	<u><u>20,198,751</u></u>

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


.....
Leigh Howarth
Director

Date: 3 March 2022

The notes on pages 21 to 46 form part of these financial statements.

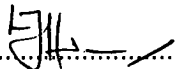
STATS (UK) LTD.
REGISTERED NUMBER: SC183018



COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	460,396	630,834
Tangible assets	14	11,542,791	8,864,001
Investments	15	6,251,711	6,251,711
		<u>18,254,898</u>	<u>15,746,546</u>
Current assets			
Stocks	16	1,242,732	706,482
Debtors: amounts falling due within one year	17	18,053,621	22,655,693
Cash at bank and in hand	18	468,870	462,084
		<u>19,765,223</u>	<u>23,824,259</u>
Creditors: amounts falling due within one year	19	(15,811,681)	(19,344,912)
Net current assets		<u>3,953,542</u>	<u>4,479,347</u>
Total assets less current liabilities		<u>22,208,440</u>	<u>20,225,893</u>
Hire purchase liabilities and finance leases		(18,700)	(39,100)
Net assets		<u><u>22,189,740</u></u>	<u><u>20,186,793</u></u>
Financed by:			
Loans	21	20,970,115	18,998,346
Capital and reserves			
Called up share capital	25	1,081	1,081
Share premium account		858,202	858,202
Capital redemption reserve		533	533
Other reserves		1,318,414	1,778,618
Profit and loss account		(958,605)	(1,449,987)
		<u>22,189,740</u>	<u>20,186,793</u>

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


.....
Leigh Howarth
Director

Date: 3 March 2022

The notes on pages 21 to 46 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2021	1,081	858,202	533	1,778,618	(1,438,029)	1,200,405
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,883,220	1,883,220
Currency translation	-	-	-	-	166,693	166,693
Total comprehensive income for the year	-	-	-	-	2,049,913	2,049,913
Contributions by and distributions to owners						
Dividend payable	-	-	-	(570,204)	-	(570,204)
Share based payment	-	-	-	110,000	-	110,000
Total transactions with owners	-	-	-	(460,204)	-	(460,204)
At 31 December 2021	1,081	858,202	533	1,318,414	611,884	2,790,114

The notes on pages 21 to 46 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2020	1,081	858,202	533	2,230,079	(1,059,475)	2,030,420
Comprehensive income for the year						
Loss for the year	-	-	-	-	(56,670)	(56,670)
Currency translation	-	-	-	-	(321,884)	(321,884)
Total comprehensive income for the year	-	-	-	-	(378,554)	(378,554)
Contributions by and distributions to owners						
Dividend payable	-	-	-	(451,461)	-	(451,461)
Total transactions with owners	-	-	-	(451,461)	-	(451,461)
At 31 December 2020	1,081	858,202	533	1,778,618	(1,438,029)	1,200,405

The notes on pages 21 to 46 form part of these financial statements.

STATS (UK) LTD.



**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2021	1,081	858,202	533	1,778,618	(1,449,987)	1,188,447
Comprehensive income for the year						
Profit for the year	-	-	-	-	442,821	442,821
Currency translation	-	-	-	-	48,561	48,561
Total comprehensive income for the year	-	-	-	-	491,382	491,382
Contributions by and distributions to owners						
Dividend payable	-	-	-	(570,204)	-	(570,204)
Share based payment	-	-	-	110,000	-	110,000
Total transactions with owners	-	-	-	(460,204)	-	(460,204)
At 31 December 2021	1,081	858,202	533	1,318,414	(958,605)	1,219,625

The notes on pages 21 to 46 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2020	1,081	858,202	533	2,230,079	1,880,560	4,970,455
Comprehensive income for the year						
Loss for the year	-	-	-	-	(3,180,912)	(3,180,912)
Currency translation	-	-	-	-	(149,635)	(149,635)
Total comprehensive income for the year	-	-	-	-	(3,330,547)	(3,330,547)
Contributions by and distributions to owners						
Dividend payable	-	-	-	(451,461)	-	(451,461)
Total transactions with owners	-	-	-	(451,461)	-	(451,461)
At 31 December 2020	1,081	858,202	533	1,778,618	(1,449,987)	1,188,447

The notes on pages 21 to 46 form part of these financial statements.

STATS (UK) LTD.



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	1,883,220	(56,670)
Adjustments for:		
Amortisation of intangible assets	214,183	240,759
Depreciation of tangible assets	2,691,350	2,295,044
Loss on disposal of tangible assets	78,468	70,594
Interest charge	3,067,880	2,449,032
Taxation charge	(369,736)	1,079,746
(Increase) in stocks	(700,611)	(482,285)
(Increase) in debtors	(1,125,575)	(1,898,283)
Increase in creditors	1,532,433	3,445,446
Corporation tax (paid)	(683,436)	(484,899)
Share based payment	110,000	-
Foreign exchange movements	17,265	(35,874)
Other non cash movements	26,404	26,396
	<u>6,741,845</u>	<u>6,649,006</u>
Net cash generated from operating activities		
Cash flows from investing activities		
Purchase of intangible fixed assets	(33,443)	(12,263)
Purchase of tangible fixed assets	(6,430,790)	(4,905,264)
Sale of tangible fixed assets	43,036	195,597
Hire purchase interest paid	(4,943)	(4,944)
	<u>(6,426,140)</u>	<u>(4,726,874)</u>
Net cash from investing activities		
Cash flows from financing activities		
New secured loans	907,662	400,000
Repayment of/new finance leases	(64,232)	20,642
Movements on invoice discounting	1,725	895,348
Dividends paid	(451,461)	(886,003)
Interest paid	(1,081,037)	(257,182)
Shareholder loans repaid	-	(1,221,000)
	<u>(687,343)</u>	<u>(1,048,195)</u>
Net cash used in financing activities		
Net (decrease)/increase in cash and cash equivalents	(371,638)	873,937
Cash and cash equivalents at beginning of year	1,863,010	989,073
	<u>1,491,372</u>	<u>1,863,010</u>
Cash and cash equivalents at the end of year		
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,491,372	1,863,010
	<u>1,491,372</u>	<u>1,863,010</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

STATS (UK) Ltd. is a private limited liability company incorporated in Scotland. The registered office is 7 - 9 Bon Accord Crescent, Aberdeen, AB11 6DN.

The group's principal activity is the provision of pressurised pipeline isolation, hot tapping and plugging services to the international energy industry.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The results of acquired operations are included in the Income statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Revenue

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

Sale of goods

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

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

Rendering of services

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

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

Long term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income statement over its useful economic life, of ten years.

Patents

Patents represents the cost of registering new technology. Patents are recognised at cost and are amortised on a straight line basis to the Income statement over their estimated useful economic life of ten years.

Development costs

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related development is written off to the Income statement.

Software costs

Software costs are recognised at cost and represent the cost of all internal computer software. Software costs are amortised on a straight line basis to the Income statement over their estimated useful economic life of four years.

2.6 Tangible fixed assets

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

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Income statement during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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

The estimated useful lives range as follows:

Leasehold improvements	- Primary term of the lease
Plant & machinery	- 12.5% - 25% straight line
Motor vehicles	- 25% straight line

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

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

2.7 Operating leases: lessee

Rentals paid under operating leases are charged to the Income statement on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

2.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Income Statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less any provision for impairment.

2.10 Stocks

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

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

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

2.13 Financial instruments

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

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Share based payments

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

2.16 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated income statement within 'administrative expenses'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.17 Finance costs

Finance costs are charged to the Income statement over the term of the debt on a straight line basis so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.18 Pensions

Defined contribution pension plan

The group contributes to defined contribution pension schemes and the pension charge represents the amounts payable by the group in respect of the year. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

2.19 Borrowing costs

All borrowing costs are recognised in the Income statement over the period of the borrowings.

2.20 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.21 Provision for liabilities

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

Provisions are charged as an expense to the Income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.22 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 4 to 10 years.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements, requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements and estimates have had the most significant impact on amounts recognised in the financial statements:

Fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the useful economic lives and residual values of the assets. Useful lives and residual values are reassessed annually. They are assessed where necessary to reflect current estimates based on economic utilisation and physical condition.

Profit recognition on long term contracts

In assessing profit on long term contracts that span the period end, an estimate is required for the stage of completion on individual contracts (where the outcome can be assessed with reasonable certainty). The estimate is determined by management making use of all information available at the time, in order to make a reasonable judgement on the stage of completion and the forecast profitability of the overall contract.

Taxation

The group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax authorities and differing interpretations of tax regulations by the group and the tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

STATS (UK) LTD.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Turnover

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	6,692,917	5,148,716
Canada	7,755,778	6,664,746
USA	9,526,774	11,994,083
Middle East	11,609,454	7,979,246
Malaysia	1,436,411	23,620
Rest of world	12,662,068	10,653,439
	<u>49,683,402</u>	<u>42,463,850</u>

5. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Loss on disposal of fixed assets	78,468	70,594
Depreciation of tangible fixed assets - owned by group	2,656,539	2,254,802
Depreciation of tangible fixed assets - held under finance leases	34,811	40,242
Intangible fixed assets - amortisation	214,183	240,759
Operating lease rentals - other	225,064	208,698
Operating lease rentals - land and buildings	1,731,637	1,342,605
Foreign currency exchange differences	81,734	411,790
Defined contribution pension cost	840,556	697,005
	<u>840,556</u>	<u>697,005</u>

6. Auditors' remuneration

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	<u>30,000</u>	<u>29,700</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Employees

	2021 £	2020 £
Wages and salaries	16,784,585	14,435,550
Social security costs	1,257,029	1,070,355
Other pension costs	840,556	697,005
	<u>18,882,170</u>	<u>16,202,910</u>

8. Average number of employees

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

	2021 No.	2020 No.
Directors	11	11
Administration	61	60
Engineering and operations	239	187
	<u>311</u>	<u>258</u>

As at 31 December 2021 the number of employees employed by the group was 321 (2020 - 281).

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	1,315,696	1,228,342
Directors pension costs	41,827	28,198
	<u>1,357,523</u>	<u>1,256,540</u>

During the year retirement benefits were accruing to 5 directors (2020 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £240,294 (2020 - £246,116).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2020 - £NIL).

STATS (UK) LTD.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	146,431	100,259
Other loan interest payable	2,879,502	2,261,924
Finance leases and hire purchase contracts	4,943	4,944
Other interest payable	37,004	81,905
	<u>3,067,880</u>	<u>2,449,032</u>

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	(318,294)	(82,112)
Adjustments in respect of previous periods	(252,767)	(82,112)
Foreign tax on income for the year	473,332	1,002,613
Foreign tax in respect of prior periods	(398,254)	27,742
Total current tax	<u>(495,983)</u>	<u>866,131</u>
Deferred tax		
Origination and reversal of timing differences	(113,920)	303,742
Adjustments in respect of prior periods	240,167	36,740
Change of tax rates on opening balance	-	(126,867)
Total deferred tax	<u>126,247</u>	<u>213,615</u>
Taxation on profit on ordinary activities	<u>(369,736)</u>	<u>1,079,746</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporate tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	1,513,484	1,023,076
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	306,481	198,771
Effects of:		
Expenses not deductible for tax purposes	259,142	(95,703)
Fixed asset differences	(203,650)	105,585
Foreign taxes and losses, net of relief	463,587	840,351
Effect of permanent differences	(84,554)	-
Differences in overseas tax and exchange rates	(255,289)	202,913
Adjustments to tax charge in respect of prior periods	(410,854)	6,679
Changes in temporary differences	154	(5,165)
Additional deduction for R&D expenditure	(248,021)	(60,815)
Surrender of losses - R&D	438,806	25,483
R&D repayment	(334,876)	-
Impact of change in tax rates on deferred tax assets	(506,024)	(138,353)
Transfer pricing adjustments	205,362	-
Total tax charge for the year	(369,736)	1,079,746

12. Dividends

	2021 £	2020 £
Dividends proposed - A ordinary shares	570,204	451,461
	570,204	451,461

On 31 December 2021 the directors proposed a dividend payable of £570,204 on the A ordinary shares of the company, held by BGF (2020 - £451,461). The proposed dividend is payable out of other reserves as it is deemed distributable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Intangible assets

Group

	Patents £	Development costs £	Software £	Goodwill £	Total £
Cost					
At 1 January 2021	828,885	1,745,375	1,157,943	105,230	3,837,433
Additions	-	17,538	15,905	-	33,443
Foreign exchange movement	-	-	474	609	1,083
At 31 December 2021	<u>828,885</u>	<u>1,762,913</u>	<u>1,174,322</u>	<u>105,839</u>	<u>3,871,959</u>
Amortisation					
At 1 January 2021	579,416	1,316,457	1,156,528	86,592	3,138,993
Charge for the year	58,436	141,246	4,469	10,032	214,183
Foreign exchange movement	-	-	480	1,100	1,580
At 31 December 2021	<u>637,852</u>	<u>1,457,703</u>	<u>1,161,477</u>	<u>97,724</u>	<u>3,354,756</u>
Net book value					
At 31 December 2021	<u>191,033</u>	<u>305,210</u>	<u>12,845</u>	<u>8,115</u>	<u>517,203</u>
At 31 December 2020	<u>249,469</u>	<u>428,918</u>	<u>1,415</u>	<u>18,638</u>	<u>698,440</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Intangible assets (continued)

Company

	Patents £	Development costs £	Software £	Total £
Cost				
At 1 January 2021	828,885	1,680,075	1,087,141	3,596,101
Additions	-	-	15,905	15,905
Foreign exchange movement	-	-	59	59
At 31 December 2021	<u>828,885</u>	<u>1,680,075</u>	<u>1,103,105</u>	<u>3,612,065</u>
Amortisation				
At 1 January 2021	579,413	1,300,132	1,085,722	2,965,267
Charge for the year	58,439	123,433	4,248	186,120
Foreign exchange movement	-	-	282	282
At 31 December 2021	<u>637,852</u>	<u>1,423,565</u>	<u>1,090,252</u>	<u>3,151,669</u>
Net book value				
At 31 December 2021	<u>191,033</u>	<u>256,510</u>	<u>12,853</u>	<u>460,396</u>
At 31 December 2020	<u>249,472</u>	<u>379,943</u>	<u>1,419</u>	<u>630,834</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Tangible fixed assets

Group

	Leasehold improvements £	Plant & machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2021	968,564	30,051,017	227,131	31,246,712
Additions	-	6,430,790	-	6,430,790
Disposals	-	(214,692)	-	(214,692)
Transfers between classes	(4,054)	4,054	-	-
Exchange adjustments	6,494	258,068	2,349	266,911
At 31 December 2021	<u>971,004</u>	<u>36,529,237</u>	<u>229,480</u>	<u>37,729,721</u>
Depreciation				
At 1 January 2021	675,625	15,848,134	196,862	16,720,621
Charge for the year	42,977	2,626,469	21,904	2,691,350
Disposals	-	(93,188)	-	(93,188)
Exchange adjustments	5,455	111,478	2,325	119,258
At 31 December 2021	<u>724,057</u>	<u>18,492,893</u>	<u>221,091</u>	<u>19,438,041</u>
Net book value				
At 31 December 2021	<u>246,947</u>	<u>18,036,344</u>	<u>8,389</u>	<u>18,291,680</u>
At 31 December 2020	<u>292,939</u>	<u>14,202,883</u>	<u>30,269</u>	<u>14,526,091</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 £	2020 £
Plant and machinery	51,130	63,254
Motor vehicles	61,938	101,668
	<u>113,068</u>	<u>164,922</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Tangible fixed assets (continued)

Company

	Plant & machinery £	Motor vehicles £	Other fixed assets £	Total £
Cost or valuation				
At 1 January 2021	20,224,836	63,982	387,731	20,676,549
Additions	4,380,437	-	-	4,380,437
Transfers intra group	(45,723)	-	-	(45,723)
Disposals	(100,185)	-	-	(100,185)
Transfers between classes	4,054	-	(4,054)	-
Exchange adjustments	(9,162)	259	281	(8,622)
At 31 December 2021	<u>24,454,257</u>	<u>64,241</u>	<u>383,958</u>	<u>24,902,456</u>
Depreciation				
At 1 January 2021	11,599,679	48,684	164,185	11,812,548
Charge for the year on owned assets	1,557,541	9,661	23,010	1,590,212
Transfers intra group	(5,875)	-	-	(5,875)
Disposals	(68,657)	-	-	(68,657)
Exchange adjustments	31,177	260	-	31,437
At 31 December 2021	<u>13,113,865</u>	<u>58,605</u>	<u>187,195</u>	<u>13,359,665</u>
Net book value				
At 31 December 2021	<u>11,340,392</u>	<u>5,636</u>	<u>196,763</u>	<u>11,542,791</u>
At 31 December 2020	<u>8,625,157</u>	<u>15,298</u>	<u>223,546</u>	<u>8,864,001</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:-

	2021 £	2020 £
Plant and machinery	51,130	63,254
Motor vehicles	59,186	86,697
	<u>110,316</u>	<u>149,951</u>

STATS (UK) LTD.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	6,251,711
At 31 December 2021	<u>6,251,711</u>
Net book value	
At 31 December 2021	<u>6,251,711</u>
At 31 December 2020	<u>6,251,711</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
STATS Group International Inc	Canada	Ordinary	100%
STATS Pipeline Services Inc*	Canada	Ordinary	100%
STATS International Inc	USA	Ordinary	100%
STATS Equipment Rental LLC*	USA	Ordinary	100%
Advanced Isolation and Testing Services Sdn Bhd	Malaysia	Ordinary	30%
STATS Pipeline Services LLC	Qatar	Ordinary	49%
STATS International Limited	Scotland	Ordinary	100%
STATS Trinidad Limited	Trinidad	Ordinary	100%
STATS Middle East Holdings Ltd	United Arab Emirates	Ordinary	100%

*Indirectly held subsidiaries

The Group has consolidated 100% of the activities of Advanced Isolation and Testing Services Sdn Bhd and STATS Pipeline Services LLC under the terms of section 9 of Financial Reporting Standard 102.

After an extended period of activity, the group has initiated the dissolution of STATS Trinidad Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Stocks

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Raw materials and consumables	372,957	424,239	142,808	140,705
Work in progress (goods to be sold)	1,549,497	775,217	869,924	313,158
Finished goods and goods for resale	275,118	297,505	230,000	252,619
	<u>2,197,572</u>	<u>1,496,961</u>	<u>1,242,732</u>	<u>706,482</u>

17. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	9,185,458	11,652,076	5,513,087	6,154,706
Amounts owed by group undertakings	-	-	6,150,693	11,645,990
Other debtors	653,610	75,272	565,701	154,285
Prepayments and accrued income	9,241,521	5,731,375	3,715,706	2,878,642
Deferred taxation	1,571,935	1,700,775	2,108,434	1,822,070
	<u>20,652,524</u>	<u>19,159,498</u>	<u>18,053,621</u>	<u>22,655,693</u>

Included in prepayments and accrued income is accrued income of £8,550,308 (2020 - 5,223,583) relating to customer contracts.

Deferred tax and intercompany balances are not considered wholly recoverable within one year.

18. Cash and cash equivalents

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	1,491,372	1,863,010	468,870	462,084
	<u>1,491,372</u>	<u>1,863,010</u>	<u>468,870</u>	<u>462,084</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. Creditors: Amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	3,607,662	2,700,000	3,607,662	2,700,000
Other loans	1,016,667	982,403	1,016,667	982,403
Trade creditors	6,725,223	4,802,192	4,281,399	2,180,399
Amounts owed to group undertakings	-	-	-	6,298,138
Corporation tax	-	685,720	-	552,997
Other taxation and social security	844,203	626,512	431,220	248,126
Obligations under finance lease and hire purchase contracts	22,906	64,260	20,400	48,943
Proceeds of factored debts	1,971,081	1,969,356	1,971,081	1,969,356
Accruals and deferred income	5,183,680	5,673,228	4,483,252	4,364,550
	<u>19,371,422</u>	<u>17,503,671</u>	<u>15,811,681</u>	<u>19,344,912</u>

Included within accruals and deferred income is deferred income of £177,944 (2020 - £1,695,516) in relation to customer contracts.

Other loans are stated net of debt acquisition costs and include £1,016,667 interest payable on the loan notes (2020 - £1,000,000).

At the year end, bank borrowings are secured by STATS (UK) Ltd. through a bond and floating charge over all the assets of the company, STATS International Inc and STATS Group International Inc and a cross corporate guarantee between the company and the bank.

The company has performance bonds and guarantees. The amounts secured at the year end are £3,116,040 (2020 - £2,547,944).

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

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Other loans - loan notes	20,970,115	18,998,346	20,970,115	18,998,346
Net obligations under finance leases and hire purchase contracts	18,700	41,578	18,700	39,100
	<u>20,988,815</u>	<u>19,039,924</u>	<u>20,988,815</u>	<u>19,037,446</u>

Other loans are stated net of debt acquisition costs and include £11,158,345 interest payable (2020 - £9,212,973).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**
21. Loans

The group's loan notes and accumulated interest are repayable on a monthly basis including a final balance repayment scheduled for 31 March 2023.

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due with one year				
Bank revolving credit facility	3,607,662	2,700,000	3,607,662	2,700,000
Other loans	1,016,667	982,403	1,016,667	982,403
	<u>4,624,329</u>	<u>3,682,403</u>	<u>4,624,329</u>	<u>3,682,403</u>

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due within one year				
Other loans	1,016,667	982,403	1,016,667	982,403
Amounts falling due 1-2 years				
Other loans	20,970,115	980,566	20,970,115	980,566
Amounts falling due 2-5 years				
Other loans	-	18,017,780	-	18,017,780
	<u>21,986,782</u>	<u>19,980,749</u>	<u>21,986,782</u>	<u>19,980,749</u>

Other loans comprise 9,838,165 £1 loan notes and £12,148,617 of accrued loan note interest payable to BGF and a small number of senior employees. Under the terms of the Share Purchase Agreement signed with SRJ Technologies, all loan notes and accrued loan interest will be fully repaid on completion of the acquisition. The acquisition is expected to complete during the second quarter of 2022.

In connection with the issuance of 4,625,000 £1 loan notes to BGF and a small number of senior employees in December 2015, the company granted each note holder an option to subscribe to C ordinary shares of £0.01 in the future if certain conditions are met. The maximum number of C ordinary shares exercisable by the noteholders is 13,035 shares.

22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Within one year	22,906	64,260	20,400	48,943
Between 1-5 years	18,700	41,578	18,700	39,100
	<u>41,606</u>	<u>105,838</u>	<u>39,100</u>	<u>88,043</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. Financial instruments

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Financial assets				
Financial assets measured at fair value through profit or loss	1,491,372	1,863,010	468,869	462,084
Financial assets that are debt instruments measured at amortised cost	17,893,084	16,933,826	15,097,885	14,127,259
	<u>19,384,456</u>	<u>18,796,836</u>	<u>15,566,754</u>	<u>14,589,343</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(36,755,193)	(30,981,909)	(33,610,937)	(27,331,427)
	<u>(36,755,193)</u>	<u>(30,981,909)</u>	<u>(33,610,937)</u>	<u>(27,331,427)</u>

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

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, amounts owed to group undertakings, bank overdrafts, bank loans and other loans.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

24. Deferred taxation

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2021 £
At beginning of year	1,700,775	1,926,713	1,822,070	1,115,111
Credit to income statement during the year	(126,247)	(213,615)	286,364	706,959
Other movement – foreign exchange	(2,593)	(12,323)	-	-
At end of year	<u>1,571,935</u>	<u>1,700,775</u>	<u>2,108,434</u>	<u>1,822,070</u>

The deferred tax asset comprises of:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2021 £
(Accelerated)/deferred capital allowances	(1,998,344)	(513,686)	(1,148,415)	(76,770)
Tax losses	2,957,094	1,808,826	2,643,836	1,470,729
Other timing differences	613,185	405,635	613,013	428,111
	<u>1,571,935</u>	<u>1,700,775</u>	<u>2,108,434</u>	<u>1,822,070</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

25. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
34,179 (2020 - 34,179) A Ordinary shares of £0.01 each	342	342
15,911 (2020 - 15,911) B Ordinary shares of £0.01 each	159	159
9,000 (2020 - 9,000) A1 Ordinary shares of £0.01 each	90	90
49,010 (2020 - 49,010) B1 Ordinary shares of £0.01 each	490	490
	<u>1,081</u>	<u>1,081</u>

The A1 ordinary shares and the B1 ordinary shares rank equally with the B ordinary shares in respect of voting rights and dividends.

26. Share based payments

The Group's Enterprise Management Incentive (EMI) scheme, which was introduced during 2013, provides for certain employees to exercise B Ordinary share options in the future if certain conditions are met. At 31 December 2021 no options had been exercised (2020 - NIL). At 31 December 2021, the maximum number of B Ordinary shares exercisable under the EMI scheme, from awards made to employees, was 46,331 (2020 - 42,741). The exercise price for 42,741 of the options granted is £51.25 (2020 - £51.25 per share) with the balance of 3,590 options exercisable at £1 per share (2020 - nil shares). The maximum number of B Ordinary shares exercisable under the scheme is 46,331 shares.

During the year, additional unapproved B Ordinary share options with an exercise price of £1 per share were issued to certain employees. As with the Group's EMI scheme, these options are exercisable in the future if certain conditions are met. At 31 December 2021 no options had been exercised. The maximum number of B Ordinary shares exercisable under the unapproved scheme is 13,032 shares.

Details of the share-based payment arrangements during the year are as follows:

	Number 2021	Number 2020
Outstanding at the beginning of the year	42,741	42,741
Granted during the year: EMI scheme	3,590	-
Granted during the year: Unapproved scheme	13,032	-
	<u>59,363</u>	<u>42,741</u>

As noted in the Directors' Report, a Share Purchase Agreement was signed in December 2021 to sell 100% of the issued share capital of the company to SRJ Technologies plc (SRJ). Under the terms of the group's option schemes, all outstanding options are expected to be exercised immediately prior to the completion of the transaction with SRJ.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**
27. Capital commitments

At 31 December 2021 the Group and company had capital commitments as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Contracted for but not provided in these financial statements	757,727	286,883	88,468	29,983
	<u>757,727</u>	<u>286,883</u>	<u>88,468</u>	<u>29,983</u>

28. Pension commitments

The group operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £840,556 in the year (2020 - £697,005).

29. Commitments under operating leases

At 31 December 2021 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Not later than 1 year	1,713,961	1,767,993	762,252	936,783
Later than 1 year and not later than 5 years	4,945,210	5,193,399	2,324,094	2,405,020
Later than 5 years	2,808,070	2,959,759	2,808,070	2,808,070
	<u>9,467,241</u>	<u>9,921,151</u>	<u>5,894,416</u>	<u>6,150,873</u>

30. Related party transactions

The company has taken advantage of the exemption given by section 33 of Financial Reporting Standard 102 which allows exemption from disclosure of related party transactions with other group companies.

No disclosure is made of transactions between group companies not owned 100% as the group has effective control.

During the year, the group and company entered in to the following transaction with related parties:

Related party	Transaction	£	Balance at year end £
Director	Rent	9,540	-
Company with common control	Purchases	306,462	35,848
Related company	Fees	40,000	-

STATS (UK) LTD.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

31. Controlling party

Throughout the year the group was controlled by the directors.

As noted in the Directors' Report, a Share Purchase Agreement was signed in December 2021 to sell 100% of the issued share capital of the company to SRJ Technologies plc (SRJ). The transaction is expected to complete in the second quarter of 2022 at which time the group will be wholly owned and controlled by SRJ.