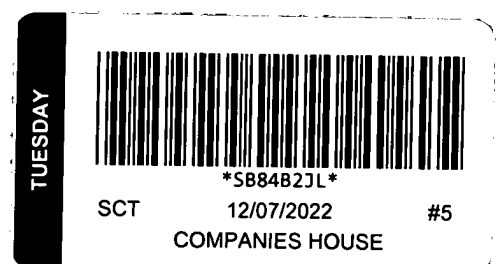


**Fugro GB (North) Marine Limited**

**Report and Financial Statements**

Registered number SC066833

31 December 2021



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**Company information**

<b>Directors</b>	G M Kennedy L E A Hughes E Hoogeveen
<b>Secretary</b>	G Duncan
<b>Auditors</b>	Ernst & Young LLP 4th Floor, 2 Marischal Square, Broad Street, Aberdeen, AB10 1BL
<b>Bankers</b>	Barclays Bank PLC Level 28 1 Churchill Place Canary Wharf London E14 5HP
<b>Registered office</b>	28 Albyn Place Aberdeen AB10 1YL

## **Strategic Report**

The directors present their Strategic Report for the year ended 31 December 2021.

### **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**

2021 saw an improvement in market conditions and Fugro GB (North) Marine Limited turnover increased by £27 million from the previous year, to £119.9 million. The cost of sales increase of £13.8m resulted in a gross profit of 23% (2020: 16%), and the profit before tax was £3.6m (2020: loss of £10m).

The company continued to operate in two business lines – Marine Site Characterisation (MSC) and Marine Asset Integrity (MAI) and within the following service lines:

- Marine Geophysical and Hydrography & Cables (MSC)
- PCS - Positioning & Construction Support (MAI)
- IRM - Inspection Repair and Maintenance (MAI)
- RST - Remote Systems Technologies (MAI)

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

Our average staff numbers decreased from 614 in the year to 31 December 2020 to 536 (full time equivalents) in the current year.

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

Our key non-financial key performance indicators (KPIs) during the year continue to be

- Health, Safety and Environmental KPIs
- Utilisation of vessels
- Utilisation of ROVs
- Utilisation of personnel
- Customer satisfaction surveys

### **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, particularly as a result of the current Ukrainian crisis
- Higher risk of failure to deliver on client commitments due to lack of resources leading to increased exposure to damages for delay or failure to perform
- Talent and skills shortage in expanding business
- Increase in operational costs, higher fuel costs and higher 3rd party personnel costs due to market conditions and increased industry activity/demand.
- Reputation damage following major incident
- Payment risk of clients with low financial strength
- Technology break through by competitors
- Covid 19 and the resultant impact on the business
- Risk of cyber security breach and communication equipment failure which interrupt normal business processes
- Continued impact of Brexit on employment of people and movement of equipment.

## **Strategic Report (continued)**

### **Principal risk and uncertainties (continued)**

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 2021 Financial Statements, which can be obtained from the address in note 25 or [www.fugro.com](http://www.fugro.com).

### **Future developments**

The company will continue to develop in all areas it operates in.

By order of the board.



G M Kennedy  
Director  
5<sup>th</sup> July 2022

## Directors' Report

### Result and dividend

The profit attributable to ordinary shareholders was £6.9m (2020 Loss: £7.5m).

The directors paid no dividends in relation to year ended 31 December 2021. (2020: £Nil)

### Directors

The membership of the Board of Directors throughout the year and to the date of this report was:

G M Kennedy  
Erwin Hoogeveen (appointed 1 June 2021)  
Laura Hughes (appointed 4 January 2021)

### 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

There has been a sustained period of global economic uncertainty due to the Coronavirus (COVID-19) pandemic in conjunction with lower and volatile commodity prices which have directly adversely impacted the oil and gas sector. The market outlook is expected to remain challenging as companies continue to adapt to changes in demand and the continued transition towards sustainable new energy gathers momentum.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence in the going concern period to 31 July 2023.

The company receives financial support from its ultimate parent company Fugro N.V. so the directors continue to adopt the going concern basis in preparing the annual financial statements.

The directors have assessed the ability of Fugro N.V. to provide support until 31 July 2023 and having reviewed the financial position and made suitable enquiries, are satisfied that these financial statements should be prepared on a going concern basis.

### 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 Hub 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 (2020: £nil).

## **Directors' Report (continued)**

### **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.

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.

<b>Stakeholders</b>	<b>Stakeholder's interests</b>	<b>Ongoing considerations</b>
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.

## Directors' Report (continued)

### Streamlined Energy and Carbon Reporting (SECR)

Fugro GB (North) Marine Limited is committed to producing meaningful climate disclosures in line with those required by The Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018.

The footprint has been calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance. Activity data has been converted into carbon emissions using the Department of Environment, Food and Rural Affairs (DEFRA) published emission factors and the data provided by the Company. The data is presented in tonnes of carbon dioxide equivalent (t CO<sub>2</sub>e).

Year ended 31 December 2021		Notes	kWh	t CO <sub>2</sub> e
Scope 1	Gas		1,344,515.03	239.20
	Fuel transport (on-road vehicles)		568,754.25	100.69
	Fuel marine based operations		46,982,707.20	11,684.21
		(a)	48,895,976.50	12,024.10
Scope 2	Emissions from purchased energy - Electricity from standard fuel mix	(c)	0.00	0.00
	Emissions from purchased energy - Electricity from sources 100% renewable	(c)	1,120,909.25	0.00
		(b), (c)	1,120,909.25	0.00
<b>Total</b>	<b>Scopes 1 &amp; 2</b>	<b>(a), (b), (c)</b>	<b>50,016,885.70</b>	<b>12,024.10</b>
	Emission intensity (scopes 1 and 2)		100.26 tCO <sub>2</sub> e per £M of revenue	

- (a) Scope 1 – Direct emissions from owned or controlled sources
- (b) Scope 2 – Indirect emissions from generation of purchased energy
- (c) Emissions associated with purchased electricity are reported as location-based

### Energy efficiency

Fugro GB (North) Marine Limited recognises that the promotion and good management of energy usage is essential to sustaining and keeping in balance with the environment and environmental resources and the Company is committed to working towards energy efficiency.

Fugro GB (North) Marine Limited has implemented some of the recommendations from the most recently Energy Saving Opportunity Scheme (ESOS) compliance report in October 2019, whereby the company has improved the energy monitoring process (upgrading existing metering infrastructure to smart metering, and implementation of energy data management systems), has upgraded the lighting on some premises, and has introduced green tariffs (electricity from sources 100% renewable) in all Company's facilities which has had a significant impact on our overall carbon emissions. There has been an increase in road transport fuel between 2020 and 2021 due to the increase in activity after the pandemic lockdown. Work continues in encouraging our clients to move to biofuels for our marine vessels.

### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirms that, so far as he /she 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.

**Directors' Report (continued)**

**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 M Kennedy  
Director  
5<sup>th</sup> July 2022

## **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK 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 101 Reduced Disclosure Framework (FRS 101).

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 net income 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 judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **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 2021 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 25 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 2021 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.

## **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 company's ability to continue as a going concern for a period to 31 July 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **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.

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.

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

## **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 8, 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.

## **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.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of

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

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

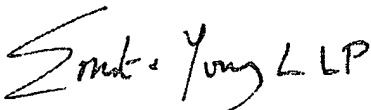
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, employees, GDPR and anti-bribery and corruption.
- We understood how the company is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures and corroborated responses by obtaining and reviewing supporting documentation. We also inspected correspondence with relevant external authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries with management to understand and identify the internal policies and procedures related to the identification and monitoring of fraud risks. We considered the opportunity and incentives for the perpetration of fraud based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing designed to identify unusual activity and lower testing thresholds applied to financial statement accounts with deemed higher risk of fraud. Transactions sampled were agreed to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.

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

6, JULY 2022

## Profit and loss account

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	119,928	92,949
Cost of sales		<b>(91,998)</b>	(78,199)
<b>Gross profit</b>		<b>27,930</b>	14,750
Administrative expenses		<b>(22,625)</b>	(24,143)
Other Income (Furlough)		16	823
<b>Operating profit / (loss)</b>	5	<b>5,321</b>	(8,570)
Interest receivable	8	0	9
Interest payable	9	<b>(1,651)</b>	(1,459)
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>3,672</b>	(10,020)
Tax credit on profit on ordinary activities	10	<b>3,265</b>	2,498
<b>Profit / (loss) for the financial year</b>		<b>6,937</b>	(7,522)

The results relate to continuing activities.

## Statement of Comprehensive Income

for the year ended 31 December 2021

	2021 £000	2020 £000
<b>Profit / (loss) for the financial year</b>	<b>6,937</b>	(7,522)
Other comprehensive income, net of tax	-	-
<b>Total comprehensive profit / (loss)</b>	<b>6,937</b>	(7,522)

The notes on pages 15 to 35 form part of these financial statements

**Balance sheet**  
at 31 December 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	11	9,426	9,007
<b>Current assets</b>			
Stocks and work in progress	13	1,314	1,068
Debtors	14	53,109	39,965
Cash at bank and in hand		1,152	691
<b>Creditors: amounts falling due within one year</b>	15	55,575 (39,408)	41,724 (31,441)
<b>Net current assets</b>		16,167	10,283
<b>Creditors: amounts falling due after more than one year</b>	16	(846)	(1,731)
<b>Provisions</b>	17	(881)	(705)
<b>Net assets</b>		23,866	16,854
<b>Capital and reserves</b>			
Called up share capital	23	-	-
Profit and loss account		23,866	16,854
<b>Shareholders' funds</b>		23,866	16,854

The notes on pages 15 to 35 form part of these financial statements.

These financial statements were approved by the board of directors on 5<sup>th</sup> July 2022 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 2021

	Share capital £000	Profit and loss account £000	Total shareholders' funds £000
<b>As at 1 January 2020</b>	-	24,349	24,349
Credit in relation to share based payments		22	22
Loss for the year	-	(7,517)	(7,517)
Total comprehensive loss for the year	-	(7,495)	(7,495)
<i>Transactions with owners, recorded directly in equity</i>			
Share capital reduction	-	-	-
Dividend paid	-	-	-
<b>As at 31 December 2020</b>	-	16,854	16,854
Profit for the year	-	6,937	6,937
Total comprehensive profit for the year	-	6,937	6,937
Credit in relation to share based payments	-	75	75
<b>As at 31 December 2021</b>	-	23,866	23,866

## 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 2021 were authorised for issue by the board of directors on 5<sup>th</sup> July 2022 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 (£,000)" 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 2021.

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© 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

## Notes (continued)

### Accounting policies (continued)

#### Going concern

There has been a sustained period of global economic uncertainty due to the Coronavirus (COVID-19) pandemic in conjunction with lower and volatile commodity prices which have directly adversely impacted the oil and gas sector. The market outlook is expected to remain challenging as companies continue to adapt to changes in demand and the continued transition towards sustainable new energy gathers momentum.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence in the going concern period to 31 July 2023

The company receives financial support from its ultimate parent company Fugro N.V. so the directors continue to adopt the going concern basis in preparing the annual financial statements.

The directors have assessed the ability of Fugro N.V. to provide support until 31 July 2023 and having reviewed the financial position and made suitable enquiries, are satisfied that these financial statements should be prepared on a going concern basis.

#### 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**

##### **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)**

#### **Leases (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 recognize right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term

#### **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.

#### **Foreign currency**

##### **(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.

**Notes** *(continued)*

**Accounting policies** *(continued)*

**Government grants**

Government Grants are recognized under the requirements of IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. Government grants are only recognized where there is a reasonable assurance that the conditions attached will be complied with and the grant will be received. Government grants (and specifically the Governments' Coronavirus Job Retention Scheme) are recognized in Profit and loss account on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants are recognized immediately in the Profit and loss account if a receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no further related costs.

## **Notes (continued)**

### **Accounting policies (continued)**

#### ***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 2006.

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

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 2021 and 2020 were immaterial.

There were no contract liability balances (i.e. credit balances work in progress) as of 1 January 2021.

Revenue recognised during 2021 from performance obligations (partially) satisfied in previous periods (e.g. changes in the transaction price) is not material

## Notes (continued)

### Accounting policies (continued)

#### Turnover and Revenue Recognition (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 2021 under IFRS 15.95 (i.e. no material mobilisation costs were capitalised).

#### Interest receivable

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

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 2021, 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:

	2021 £000	2020 £000
Europe	111,288	76,957
Rest of the world	8,640	15,992
	119,928	92,949
	119,928	92,949

<b>Split by</b>	2021 £000	2020 £000
Asset Integrity	67,207	55,443
Site Characterisation	52,721	37,506
	119,928	92,949
	119,928	92,949

**5 Operating profit / (loss)**

	2021 £000	2020 £000
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*Operating profit / (loss) is stated after charging / (crediting):*

Depreciation of owned assets (note 11)	2,119	2,197
Depreciation of right-of-use assets (note 11)	10,760	8,821
Net exchange gain / (loss)	(155)	460
Loss / (gain) on disposal of tangible fixed assets	12	(28)
Expenses relating to short-term leases	1,484	3,278,153
	2,119	2,197

*Auditor's remuneration:*

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

	2021 £000	2020 £000
Audit of these financial statements	92	94
Audit-related assurance services	-	-
	92	94

**6 Directors' remuneration**

	2021 £000	2020 £000
Remuneration	158	466
Contributions to money purchase pension schemes	25	9
	183	475
	183	475

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

	2021 £000	2020 £000
Remuneration	158	265

**Notes** *(continued)*

**7 Staff numbers and costs (including directors)**

	2021 £000	2020 £000
Wages and salaries	29,379	34,020
Social security costs	3,313	3,714
Share based payments (note 21)	75	21
Other pension costs (note 20)	217	1,886
	32,984	39,614
	32,984	39,614

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

	2021 No.	2020 No.
Office and management	159	171
Production	377	443
	536	614
	536	614

**8 Interest receivable**

	2021 £000	2020 £000
On amounts owed by group undertakings	-	9
	-	9

**9 Interest payable**

	2021 £000	2020 £000
On amounts owed to group undertakings	872	874
Bank interest	172	35
Interest on lease liabilities	607	550
	1,651	1,459
	1,651	1,459

Notes (continued)

10 Tax credit for the year

	2021 £000	2020 £000
<i>UK corporation tax</i>		
Current tax on profit / (loss) for the year	-	(1,045)
Adjustments in respect of prior years	226	360
	<u>226</u>	<u>(685)</u>
<i>Foreign tax</i>		
Current tax for the year	569	759
Adjustments in respect of previous years	426	(343)
	<u>995</u>	<u>416</u>
Total current tax	1,221	(269)
<i>Deferred tax</i>		
Reversal of timing differences	(58)	(973)
Change in rate of taxation	(4,275)	(1,300)
Adjustment in respect of previous years	(153)	44
Total deferred tax	<u>(4,486)</u>	<u>(2,229)</u>
Tax credit on profit / (loss) on ordinary activities	<u>(3,265)</u>	<u>(2,498)</u>

(b) Factors affecting tax credit for the year

The tax assessed on the profit / (loss) on ordinary activities for the year is different from the standard rate of tax in the UK of 19% (2020 19%):

	2021 £000	2020 £000
Profit / (loss) before tax	3,672	(10,020)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2020: 19%)	698	(1,904)
<i>Effects of:</i>		
Income not taxable	(756)	(115)
Higher tax rates on overseas earnings (net of expense relief)	568	759
Adjustments in respect of prior year - deferred tax	(153)	44
Adjustments in respect of prior year - UK	226	359
Adjustment in respect of prior year – foreign tax	425	(343)
Deferred tax rate change	(4,275)	(1,300)
	<u>(3,267)</u>	<u>(2,500)</u>

**Notes** *(continued)*

**10 Taxation** *(continued)*

*(c) Factors affecting the future tax*

The UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. This change was substantively enacted on 24 May 2021 within the Finance Bill 2021 and as a result the relevant deferred tax balances have been remeasured.

*(d) Deferred tax*

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

	2021	2020
	£000	£000
Difference between accumulated depreciation and capital allowances	8,301	5,921
Other timing differences	54	20
Tax losses	9,456	7,384
	17,811	13,325
	17,811	13,325

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:

	2021	2020
	£000	£000
<i>Deferred tax asset</i>		
At the start of the year		11,095
Credit to the profit and loss account	13,325	2,230
	4,486	2,230
At the end of the year	17,811	13,325
	17,811	13,325

**Notes** (continued)

**11 Tangible fixed assets**

	<b>Land &amp; buildings £000</b>	<b>Plant &amp; equipment £000</b>	<b>Office equipment £000</b>	<b>Motor vehicles £000</b>	<b>Total £000</b>
<i>Cost</i>					
At 1 January 2021	6,661	64,382	8,048	41	79,132
Additions	286	12,876	148	-	13,310
Disposals	-	(21,676)	-	-	(21,676)
At 31 December 2021	<u>6,947</u>	<u>55,582</u>	<u>8,196</u>	<u>41</u>	<u>70,766</u>
<i>Depreciation</i>					
At 1 January 2021	3,327	58,948	7,809	41	70,125
Charge for the year	1,170	11,558	151	-	12,879
Disposals	-	(21,664)	-	-	(21,664)
At 31 December 2021	<u>4,497</u>	<u>48,842</u>	<u>7,960</u>	<u>41</u>	<u>61,340</u>
<i>Net book value</i>					
At 31 December 2021	<u>2,450</u>	<u>6,740</u>	<u>236</u>	<u>-</u>	<u>9,426</u>
At 1 January 2021	<u>3,334</u>	<u>5,434</u>	<u>239</u>	<u>-</u>	<u>9,007</u>

*Right-of-use assets*

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

	<b>Land and buildings £000</b>	<b>Plant and equipment £000</b>	<b>Total £000</b>
At 1 January 2021	2,448	1,888	4,336
Additions	-	11,836	11,836
Depreciation charge for the year	(762)	(9,998)	(10,760)
At 31 December 2021	<u>1,686</u>	<u>3,726</u>	<u>5,412</u>

**Notes** (continued)

**12 Intangible assets**

	<b>Computer software £000</b>
<b>Cost</b>	
At 1 January 2021 and 31 December 2021	223
	<hr/>
	<b>223</b>
	<hr/> <hr/>
<b>Depreciation</b>	
At 1 January 2021 and 31 December 2021	223
	<hr/>
	<b>223</b>
	<hr/> <hr/>
<b>Net book value</b>	
At 1 January 2021 and 31 December 2021	-
	<hr/> <hr/>

**Notes** (continued)

**13 Stocks and work in progress**

	2021 £000	2020 £000
Raw materials and consumables.	1,314	1,068

**14 Debtors**

	2021 £000	2020 £000
Trade debtors	11,894	8,905
Amounts recoverable on long-term contracts	8,104	5,197
Amounts owed by group undertakings	14,259	10,552
Deferred tax asset (see note 10)	17,811	13,325
Corporation tax receivable	484	1,349
Other debtors	4	179
Prepayments and accrued income	553	458
	<u>53,109</u>	<u>39,965</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 £8,483,000 (2020: £4,407,000) 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 2022 (2020: January 2021). 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**

	2021 £000	2020 £000
Trade creditors	6,775	3,635
Amounts owed to group undertakings	17,220	17,062
Other taxes and social security costs	1,915	1,535
Accruals	9,045	6,488
Other creditors	23	65
Overseas tax creditor	534	383
Lease liabilities (see note 18)	3,896	2,273
	<u>39,408</u>	<u>31,441</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**

	2021 £000	2020 £000
Lease liabilities (see note 18)	<u>846</u>	<u>1,731</u>

**Notes (continued)**

**17 Provisions**

	<b>2021</b> <b>Dilapidations</b> <b>£000</b>
At 1 January 2021	705
Additions in the year	176
	881
At 31 December 2021	881

The dilapidation provision relates to a make good provision for the lease of: 1) Survey House building in Denmore Road, Aberdeen (£731,000) when the lease ends 2024; 2) Unit 1 Denmore Place, Aberdeen (£150,000).

**18 Leases**

The company's lease portfolio as a lessee consists of land and buildings mentioned above in note 11.

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 within tangible fixed assets (see note 11):

Lease liabilities

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Lease liabilities included in the Balance sheet at 31 December:</b>		
Current (note 15)	3,896	2,273
Non-current (note 16)	846	1,731
	4,742	4,004
<b>Total discounted lease liabilities in the Balance Sheet at 31 December</b>	<b>4,742</b>	<b>4,004</b>

## Notes (continued)

### 19 Financial guarantees

There were £240,000 (2020: £240,000) of bank guarantees and £nil (2020: nil) of company guarantees in place at the balance sheet date.

### 20 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 (2020: £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 2019 and has been updated for IAS 19 (Revised) purposes to 31 December 2021 by a qualified actuary. This valuation showed the deficit in the scheme to be £6,201,000 (2020: £39,990,000).

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 for the year is the amount of contributions payable by the company to the scheme in respect of the financial year and amounted to £2,169,000 (2020: £1,528,000).

### 21 Share based payments

Fugro's share option scheme allows some assigned group employees to acquire shares in Fugro. A share option entitles the employee to purchase ordinary shares in Fugro. The vesting period of the options granted is three years starting at the grant date. The maximum contractual option life is six years. The options granted are not subject to any further conditions of vesting, except that the option holder remains employed by Fugro or one of its subsidiaries.

A new discretionary restricted share unit plan was introduced in 2021 (see below). As a result, no share options were granted in 2021.

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.

The exercise price for the options granted was determined based on the average closing price of 5 days preceding the grant date. A summary of movements during the year of options and balances outstanding as at 31 December is presented below:

**Notes (continued)**

	2021		2020	
	Number of Options	Weighted Average Exercise Price (EUR)	Number of Options	Weighted Average Exercise Price (EUR)
<b>Options outstanding at 1 January</b>	117,250	22.38	151,139	27.35
Forfeited during the period	28,400	21.92	29,350	26.02
Expired during the period	48,800	30.12	36,639	34.52
Options granted during the period	-	-	32,100	13.12
<b>Options outstanding at 31 December</b>	<b>40,050</b>	<b>21.02</b>	<b>117,250</b>	<b>22.38</b>
<b>Options exercisable at 31 December</b>	<b>17,675</b>	<b>26.59</b>	<b>40,100</b>	<b>29.58</b>

The total expense recognised in 2021 related to share options amounted to £ 42,000.

**RSU Plan**

In February 2021, Fugro replaced the discretionary share option plan for eligible employees with a new discretionary restricted share (RSU) plan.

A RSU entitles the employee to receive a number of Fugro shares. RSU's vest when an employee remains employed by Fugro for three years following the grant date. There are no other vesting conditions. The Board of Management and the Supervisory Board decide annually on the granting of the RSU's. The grant date fair value of the RSU's is the share price at date of grant (2021:EUR 9.08).

A summary of RSU movements and the outstanding balance as at 31 December is presented below:

	2021	
	Number of Shares	Weighted Average Exercise Price (EUR)
<b>RSUs outstanding at 1 January</b>		
Granted during the period	19,425	9.08
Forfeited during the period	1,625	9.08
Vested during the period	-	-
<b>RSUs outstanding at 31 December</b>	<b>17,800</b>	<b>9.08</b>

The total expense recognised in 2021 related to RSU Plan amounted to £33,000

**Notes** *(continued)*

**22 Capital commitments**

	2021 £000	2020 £000
Capital expenditure contracted but not provided for in the financial statements	209	299
	<u>          </u>	<u>          </u>

**23 Share capital**

	2021 £	2020 £
<i>Authorised, allotted, called up and fully paid</i>	100	100
308,970 Ordinary shares of £0.00032365 each	<u>          </u>	<u>          </u>

**24 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.

**25 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.