

Registered number: SC183018

STATS (UK) LTD.

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



STATS (UK) LTD.

COMPANY INFORMATION

| | |
|-------------------------|--|
| Directors | Angus Bowie Peter Duguid (resigned 14 August 2023) Leigh Howarth Ronald James (resigned 25 July 2022) Douglas Krokosz Lisa Mitchell Stephen Rawlinson Steven Byers Ross Wallace (appointed 25 May 2022) Graeme Coutts (Non-Executive) Robert Anderson (Non-Executive) (resigned 14 August 2023) Richard Pugh (Non-Executive) (resigned 14 August 2023) Kenichi Mizutani (appointed 14 August 2023) Toshiyuki Tezuka (appointed 14 August 2023) Tomohisa Suzue (appointed 14 August 2023) |
| Company secretary | Lorraine Porter Aberdein Considine Secretarial Services Limited |
| Registered number | SC183018 |
| Registered office | 5 - 9 Bon Accord Crescent Aberdeen AB11 6DN |
| Bankers during the year | Santander UK PLC 301 St. Vincent Street Glasgow G2 5HN |

STATS (UK) LTD.

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GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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 a record trading result for the year, with revenue increasing to £59.0m (2021: £49.7m) and earnings* of £9.1m (2021: £7.8m). Internationalisation remains a key strategic objective for the group with 90% of revenue in the year derived from contracts executed outside of the United Kingdom (2021: 87%).

* 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 employees. In 2022, 543,744 man-hours were worked across the group's operations (2021: 483,824) with no Lost-Time Injuries (LTI) reported in the year (2021: 1). The group continues to prioritise training and competence activities, recognising the safety critical nature of work undertaken and increased staff headcount to support regional growth.

The group achieved several key operational and development milestones in 2022:

- Inaugural sustainability report published, communicating the environmental and social impacts of the group's activities to all stakeholders, including the benefits that STATS proprietary and patented technologies provide to clients in reducing their carbon emissions
- Continued expansion in the North American market, with a substantial increase in trade for the Canadian business, from the provision of large diameter intervention solutions for new and existing customer accounts
- A further year of significant growth in the Middle East, both in terms of revenue and scale of equipment with the development of new large-diameter hot-tap machines, and 42", 48" and 56" BISEPs for subsea deployment
- Within the Qatar market, safe and efficient execution of several complex Remote Tecno Plug applications

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 a broad range of projects during the year whilst continuing to provide technical expertise and operational support to the group's international operating regions.

Key milestones include:

- Securing several contracts for the group's BISEP intervention equipment in the UK onshore gas distribution market
- Supporting operators in the UKCS with maintenance and shutdown activities in provision of equipment under the PPS product line
- Award of multiple Remote Tecno Plug scopes, including solution design for a complex 1.5D scope, for North Sea and SNS clients

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GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Middle East

The Middle East continued to operate in their core markets of Qatar, United Arab Emirates, Oman and the Kingdom of Saudi Arabia (KSA).

Major achievements in the year include:

- Expansion of current Abu Dhabi facility and yard space, in response to growing demand and an increase in fleet of large diameter assets
- Progressing a major subsea bypass project, utilising a range of 48" to 56" intervention equipment, including a newly developed larger capacity hot tapping machine
- Delivering a large volume of Hot Tap and BISEP isolation scopes, from 6" to 48" applications, across the GCC region
- Undertaking several high-pressure Remote Tecno Plug isolations in Qatar and providing site services for client shutdown and turnaround scopes

USA

The US region continued to strengthen relationships with existing clients and develop new customer accounts, across a range of onshore and offshore segments.

Key activities during the year include:

- Delivering a major 48" Remote Tecno Plug isolation project, offshore Trinidad, completing several campaigns for same client over recent years
- Securing significant contract awards in offshore Gulf of Mexico for both BISEP intervention and Remote Tecno Plug deployments
- Completing a range of Hot Tap and BISEP Intervention scopes for clients in the onshore transmission and distribution sectors, with an upturn in the volume of large diameter scopes

Canada

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

Significant achievements in the year include:

- Delivering the third phase of a major intervention contract in support of gas distribution network upgrades throughout British Columbia
- Additional product sale orders from key operators in the region to supplement BISEP technology supplied in previous years
- Continuing to secure and execute a high volume of BISEP and Hot Tap scopes across the client base, with a notable increase in larger applications to up 48" diameter
- Continued growth in the supply of pipeline fittings and other custom repair solutions, both in support of service work and direct supply to clients

Asia

The group continued to make progress with its strategy to extend footprint in this region, particularly into the Australian market.

Key milestones include:

- Completion of multiple Hot Tap and BISEP intervention projects in Australia, continuing to develop track record in the onshore gas market
- Continuing to successfully deliver Remote Tecno Plug isolation projects in Malaysia
- Strengthening business development activities in the region with recruitment of sales resources for the South-East Asia market

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GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Trading Results

Group revenue increased by 19% in the year to £59.0m (2021: £49.7m), with trading EBITDA* increasing to £9.1 m (2021: £7.8m). The increase in revenue is attributable to growth in demand for the group's products and services, particularly in Middle East and North America.

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

Net interest payable in the year is £3.5m (2021: £3.1m), primarily relating to charges on loan notes held by Business Growth Fund (BGF).

The group's pre-tax profit in 2022 is £1.3m (2021: £1.5m).

Net cash inflow from operating activities in the year is £7.2m (2021: £6.7m), excluding currency adjustments, reflecting the increase in operating profits for the year.

Capital expenditure in the year amounted to £9.4m (2020: £6.5m) comprising tangible assets of £9.4m (2021: £6.4m) and intangible assets of £ nil (2021: £0.03m).

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 2022, Board meetings were held on a quarterly basis (2021: quarterly).

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 2022 the Committee co-ordinated the following actions:

- 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.

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GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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:

- *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 prevailing oil and gas prices.

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 in recent years, through investment 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.

- *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.

Mitigation

- The group has a wide international footprint to mitigate geopolitical concentration risks.
- The group monitors potential and emerging political issues closely and seeks guidance from legal advisors as appropriate.
- The group has no financial exposures or carrying value in respect to any work with Russian clients.

- *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 that monitor operational efficiencies, including standardisation of operating procedures.

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GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

- *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.
- The group invests in each of its operating regions to ensure a geographical balance of activities.
- *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 considers the use of trade finance for specific, larger projects to support short term working capital requirements.
- The group has issued loan notes to BGF and management in support of long term financing.
- The group holds regular review meetings with its bankers to update on current trading activities and 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.

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GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 £7,440 (2021: £13,047) and no political contributions (2021: £nil)

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.

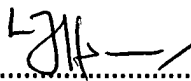
When making these decisions the directors have given regard to:

- 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: 14 August 2023 .

STATS (UK) LTD.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £635,420 (2021 - £1,883,220).

A dividend of £626,381 is proposed for the year ended 31 December 2022 (2021: £570,204) 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 (resigned 14 August 2023)
Leigh Howarth
Ronald James (resigned 25 July 2022)
Douglas Krokosz
Lisa Mitchell
Stephen Rawlinson
Steven Byers
Ross Wallace (appointed 25 May 2022)
Graeme Coutts (Non-Executive)
Robert Anderson (Non-Executive) (resigned 14 August 2023)
Richard Pugh (Non-Executive) (resigned 14 August 2023)

Post Balance Sheet Event - Company Sale

On 5 July 2023 the directors announced a Share Purchase Agreement had been signed to sell 100% of the issued share capital of the company to Mitsui & Co., Ltd, a publicly listed company on the Japanese stock market (prime market). The sale formally completed on 14 August 2023.

The directors have prepared a consolidated statement of financial position, as at 31 December 2022, on a proforma basis to illustrate the financing terms of the Share Purchase Agreement. The proforma statement represents the group's net asset position after completion of the company sale.

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

| | Note | 2022 £ | 2021 £ |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 337,048 | 517,203 |
| Tangible assets | 14 | <u>24,890,718</u> | <u>18,291,680</u> |
| | | 25,227,766 | 18,808,883 |
| Current assets | | | |
| Stocks | 16 | 4,440,807 | 2,197,572 |
| Debtors: amounts falling due within one year | 17 | 23,084,475 | 20,652,524 |
| Cash at bank and in hand | 18 | <u>1,026,891</u> | <u>1,491,372</u> |
| | | 28,552,173 | 24,341,468 |
| Creditors: amounts falling due within one year | | <u>(24,171,197)</u> | <u>(19,371,422)</u> |
| Net current (liabilities)/assets | | <u>4,380,976</u> | <u>4,970,046</u> |
| Total assets less current liabilities | | <u>29,608,742</u> | <u>23,778,929</u> |
| Hire purchase liabilities and finance leases | | (31,961) | (18,700) |
| Net assets | | <u>29,576,781</u> | <u>23,760,229</u> |
| Financed by: | | | |
| Loans | | - | 20,970,115 |
| Parent company loan | | 25,208,848 | |
| 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 | | 1,428,414 | 1,318,414 |
| Profit and loss account | | 2,706,084 | 611,884 |
| | | <u>29,576,781</u> | <u>23,760,229</u> |

STATS (UK) LTD.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

PRO-FORMA COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

| | Note | 2022 £ | 2021 £ |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 306,248 | 460,396 |
| Tangible assets | 14 | 15,268,778 | 11,542,791 |
| Investments | 15 | <u>6,251,711</u> | <u>6,251,711</u> |
| | | 21,826,737 | 18,254,898 |
| Current assets | | | |
| Stocks | 16 | 2,829,081 | 1,242,732 |
| Debtors: amounts falling due within one year | 17 | 23,260,718 | 18,053,621 |
| Cash at bank and in hand | 18 | <u>367,693</u> | <u>468,870</u> |
| | | 26,457,492 | 19,765,223 |
| Creditors: amounts falling due within one year | 19 | <u>(24,403,014)</u> | <u>(15,811,681)</u> |
| Net current (liabilities)/assets | | <u>2,054,478</u> | <u>3,953,542</u> |
| Total assets less current liabilities | | <u>23,881,215</u> | <u>22,208,440</u> |
| Hire purchase liabilities and finance leases | | - | (18,700) |
| Net assets | | <u>23,881,215</u> | <u>22,189,740</u> |
| Financed by: | | | |
| Loans | | - | 20,970,115 |
| Parent Company Loan | | 25,208,848 | - |
| Capital and reserves | | | |
| Called up share capital | | 1,081 | 1,081 |
| Share premium account | | 858,202 | 858,202 |
| Capital redemption reserve | | 533 | 533 |
| Other reserves | | 802,033 | 1,318,414 |
| Profit and loss account | | <u>(2,989,482)</u> | <u>(958,605)</u> |
| | | <u>23,881,215</u> | <u>22,189,740</u> |

STATS (UK) LTD.

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Future developments

With growth in the pipeline integrity market, 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 2022. There are no plans to significantly alter the group's geographic footprint or operating locations, although staff levels are expected to increase, to meet the anticipated growth in customer demand.

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 £7.0m has been approved by the directors for 2023, reflecting the need to continue to increase the scale of the group's operational asset base in certain locations.

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.

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 to align the group's core values and strategy based on central pillars of people and society, economic, environment and innovation. The policy establishes priority areas of focus towards achieving the group's principal sustainability goals, including its environmental performance. The directors publish an annual sustainability report to inform stakeholders of the assessment and measurement of the group's social and environmental impacts.

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 2022 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.

| | Intensity Ratios | | | | | | | |
|----------------|--------------------------|---------|-----------------------------------|------|--------------------------------------|------|---------------------------------|------|
| | Energy Consumption (kWh) | | Tonnes CO ₂ equivalent | | t CO ₂ W per £1m Turnover | | t CO ₂ W per manhour | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| STATS (UK) Ltd | 465,116 | 469,538 | 118 | 148 | 5.87 | 6.03 | 0.00 | 0.00 |

STATS (UK) LTD.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

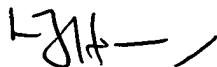
Each of the persons who are directors at the time when this Director's report is approved has confirmed that:

- 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.

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: 14 August 2023 .

STATS (UK) LTD.

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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.

STATS (UK) LTD.

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

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 2022, 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 2022 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.

STATS (UK) LTD.

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 12, 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.

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

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 obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the company's key performance indicators to meet targets
- Timing and completeness of revenue recognition
- Management judgement applied in calculating provisions
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the company needs to comply with for the purpose of trading

Our audit procedures to respond to these risks included:

- Testing of journal entries and other adjustments for appropriateness
- Evaluating the business rationale of significant transactions outside the normal course of business
- Reviewing judgments made by management in their calculation of accounting estimates for potential management bias
- Enquiries of management about litigation and claims and inspection of relevant correspondence
- Reviewing legal and professional fees to identify indications of actual or potential litigation, claims and any non-compliance with laws and regulations

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 auditor's report.

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.

STATS (UK) LTD.

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

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.

Anderson Anderson & Brown Audit LLP

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: *14th August 2023*

STATS (UK) LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Note | 2022 £ | 2021 £ |
|---|------|-----------------------|-------------------------|
| Turnover | 4 | 59,013,831 | 49,683,402 |
| Cost of sales | | (36,011,141) | (29,823,948) |
| Gross profit | | <u>23,002,690</u> | <u>19,859,454</u> |
| Administrative expenses | | (18,245,701) | (15,278,090) |
| Operating profit | 5 | <u>4,756,989</u> | <u>4,581,364</u> |
| Interest payable and similar expenses | 10 | (3,488,511) | (3,067,880) |
| Profit before tax | | <u>1,268,478</u> | <u>1,513,484</u> |
| Tax on profit | 11 | (633,058) | 369,736 |
| Profit for the financial year | | <u><u>635,420</u></u> | <u><u>1,883,220</u></u> |
| Profit for the year attributable to: | | | |
| Owners of the parent | | <u>635,420</u> | <u>1,883,220</u> |
| | | <u><u>635,420</u></u> | <u><u>1,883,220</u></u> |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | 2022 £ | 2021 £ |
|--|-------------------------|-------------------------|
| Profit for the financial year | <u>635,420</u> | <u>1,883,220</u> |
| Other comprehensive income | | |
| Currency translation differences | <u>1,458,780</u> | <u>166,693</u> |
| Other comprehensive income for the year | <u>1,458,780</u> | <u>166,693</u> |
| Total comprehensive income for the year | <u><u>2,094,200</u></u> | <u><u>2,049,913</u></u> |

The notes on pages 24 to 48 form part of these financial statements.

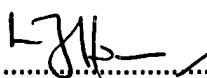
STATS (UK) LTD.

REGISTERED NUMBER:SC183018

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

| | Note | 2022 £ | 2021 £ |
|--|------|-------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 337,048 | 517,203 |
| Tangible assets | 14 | 24,890,718 | 18,291,680 |
| | | <u>25,227,766</u> | <u>18,808,883</u> |
| Current assets | | | |
| Stocks | 16 | 4,440,807 | 2,197,572 |
| Debtors: amounts falling due within one year | 17 | 23,084,475 | 20,652,524 |
| Cash at bank and in hand | 18 | 1,026,891 | 1,491,372 |
| | | <u>28,552,173</u> | <u>24,341,468</u> |
| Creditors: amounts falling due within one year | 19 | (49,380,045) | (19,371,422) |
| | | <u>(20,827,872)</u> | <u>4,970,046</u> |
| Net current (liabilities)/assets | | | |
| | | <u>4,399,894</u> | <u>23,778,929</u> |
| Total assets less current liabilities | | | |
| Hire purchase liabilities and finance leases | | (31,961) | (18,700) |
| | | <u>4,367,933</u> | <u>23,760,229</u> |
| Net assets | | | |
| | | <u><u>4,367,933</u></u> | <u><u>23,760,229</u></u> |
| Financed by: | | | |
| Loans | | - | 20,970,115 |
| 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 | | 802,033 | 1,318,414 |
| Profit and loss account | | 2,706,084 | 611,884 |
| | | <u>4,367,933</u> | <u>23,760,229</u> |

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



Leigh Howarth
 Director

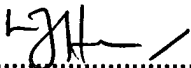
Date: 14 August 2023.

The notes on pages 24 to 48 form part of these financial statements.

STATS (UK) LTD.**REGISTERED NUMBER:SC183018****COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

| | Note | 2022 £ | 2021 £ |
|--|------|---------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 306,248 | 460,396 |
| Tangible assets | 14 | 15,268,778 | 11,542,791 |
| Investments | 15 | 6,251,711 | 6,251,711 |
| | | <u>21,826,737</u> | <u>18,254,898</u> |
| Current assets | | | |
| Stocks | 16 | 2,829,081 | 1,242,732 |
| Debtors: amounts falling due within one year | 17 | 23,260,718 | 18,053,621 |
| Cash at bank and in hand | 18 | 367,693 | 468,870 |
| | | <u>26,457,492</u> | <u>19,765,223</u> |
| Creditors: amounts falling due within one year | 19 | <u>(49,611,862)</u> | <u>(15,811,681)</u> |
| Net current (liabilities)/assets | | <u>(23,154,370)</u> | <u>3,953,542</u> |
| Total assets less current liabilities | | <u>(1,327,633)</u> | <u>22,208,440</u> |
| Hire purchase liabilities and finance leases | | - | (18,700) |
| Net (liabilities)/assets | | <u><u>(1,327,633)</u></u> | <u><u>22,189,740</u></u> |
| Financed by: | | | |
| Loans | | - | 20,970,115 |
| 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 | | 802,033 | 1,318,414 |
| Profit and loss account | | <u>(2,989,482)</u> | <u>(958,605)</u> |
| | | <u><u>(1,327,633)</u></u> | <u><u>22,189,740</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: 14 August 2023.

The notes on pages 24 to 48 form part of these financial statements.

STATS (UK) LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Called up share capital | Share premium account | Capital redemption reserve | Other reserves | Profit and loss account | Total equity |
|---|-------------------------------|-----------------------------|----------------------------------|-------------------|-------------------------------|------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 January 2022 | 1,081 | 858,202 | 533 | 1,318,414 | 611,884 | 2,790,114 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 635,420 | 635,420 |
| Currency translation | - | - | - | - | 1,458,780 | 1,458,780 |
| Total comprehensive income for the year | - | - | - | - | 2,094,200 | 2,094,200 |
| Contributions by and distributions to owners | | | | | | |
| Dividend payable | - | - | - | (626,381) | - | (626,381) |
| Share based payment | - | - | - | 110,000 | - | 110,000 |
| Total transactions with owners | - | - | - | (516,381) | - | (516,381) |
| At 31 December 2022 | <u>1,081</u> | <u>858,202</u> | <u>533</u> | <u>802,033</u> | <u>2,706,084</u> | <u>4,367,933</u> |

The notes on pages 24 to 48 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 | <u>1,081</u> | <u>858,202</u> | <u>533</u> | <u>1,318,414</u> | <u>611,884</u> | <u>2,790,114</u> |

The notes on pages 24 to 48 form part of these financial statements.

STATS (UK) LTD.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Called up share capital | Share premium account | Capital redemption reserve | Other reserves | Profit and loss account | Total equity |
|---|-------------------------------|-----------------------------|----------------------------------|-------------------|-------------------------------|--------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 January 2022 | 1,081 | 858,202 | 533 | 1,318,414 | (958,605) | 1,219,625 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | (2,700,317) | (2,700,317) |
| Currency translation | - | - | - | - | 669,440 | 669,440 |
| Contributions by and distributions to owners | - | - | - | - | (2,030,877) | (2,030,877) |
| Contributions by and distributions to owners | | | | | | |
| Dividend payable | - | - | - | (626,381) | - | (626,381) |
| Share based payment | - | - | - | 110,000 | - | 110,000 |
| Total transactions with owners | - | - | - | (516,381) | - | (516,381) |
| At 31 December 2022 | 1,081 | 858,202 | 533 | 802,033 | (2,989,482) | (1,327,633) |

The notes on pages 24 to 48 form part of these financial statements.

**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 24 to 48 form part of these financial statements.

STATS (UK) LTD.**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | 2022 £ | 2021 £ |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 635,420 | 1,883,220 |
| Adjustments for: | | |
| Amortisation of intangible assets | 184,187 | 214,183 |
| Depreciation of tangible assets | 3,437,345 | 2,691,350 |
| Loss on disposal of tangible assets | 14,997 | 78,468 |
| Interest charge | 3,492,208 | 3,067,880 |
| Taxation charge | 633,058 | (369,736) |
| (Increase) in stocks | (2,243,235) | (700,611) |
| (Increase) in debtors | (2,651,358) | (1,125,575) |
| Increase in creditors | 4,286,345 | 1,532,433 |
| Corporation tax (paid) | (963,065) | (683,436) |
| Share based payment | 110,000 | 110,000 |
| Foreign exchange movements | 264,559 | 17,265 |
| Other non cash movements | - | 26,404 |
| Net cash generated from operating activities | <u>7,200,461</u> | <u>6,741,845</u> |
| Cash flows from investing activities | | |
| Purchase of intangible fixed assets | - | (33,443) |
| Purchase of tangible fixed assets | (9,362,886) | (6,430,790) |
| Sale of tangible fixed assets | 501,634 | 43,036 |
| Hire purchase interest paid | (3,697) | (4,943) |
| Net cash from investing activities | <u>(8,864,949)</u> | <u>(6,426,140)</u> |
| Cash flows from financing activities | | |
| Revolving credit facility | 1,244,620 | 907,662 |
| Repayment of/new finance leases | 17,974 | (64,232) |
| Movements on invoice discounting | 225,598 | 1,725 |
| Dividends paid | - | (451,461) |
| Interest paid | (288,185) | (1,081,037) |
| Net cash used in financing activities | <u>1,200,007</u> | <u>(687,343)</u> |
| Net (decrease) in cash and cash equivalents | (464,481) | (371,638) |
| Cash and cash equivalents at beginning of year | 1,491,372 | 1,863,010 |
| Cash and cash equivalents at the end of year | <u>1,026,891</u> | <u>1,491,372</u> |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 1,026,891 | 1,491,372 |
| | <u>1,026,891</u> | <u>1,491,372</u> |

STATS (UK) LTD.

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | At 1 January 2022 £ | Cash flows £ | New finance leases £ | At 31 December 2022 £ |
|--------------------------|---------------------------|--------------------|----------------------------|--------------------------------|
| Cash at bank and in hand | 1,491,372 | (464,481) | - | 1,026,891 |
| Debt due within 1 year | (25,594,444) | (4,466,685) | - | (30,061,129) |
| Finance leases | (41,606) | 26,623 | (44,597) | (59,580) |
| | <u>(24,144,678)</u> | <u>(4,904,543)</u> | <u>(44,597)</u> | <u>(29,093,818)</u> |

The notes on pages 24 to 48 form part of these financial statements.

See note 31 - Debt due within one year includes £25,208,847 of loan notes and accumulated interest. The balance was fully repaid on 14 August 2023 at completion of company sale to Mitsui & Co., Ltd.

STATS (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income statement in these financial statements. The loss after tax of the parent company for the year was £2,700,317 (2021 - profit £422,821).

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 2022**

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 2022**

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 2022**

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 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 2022**

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 2022**

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 2022**

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 2022**

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 2022**

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 2022****4. Turnover**

Analysis of turnover by country of destination:

| | 2022 £ | 2021 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 6,075,435 | 6,692,917 |
| Canada | 12,520,990 | 7,755,778 |
| USA | 14,855,020 | 9,526,774 |
| Middle East | 19,726,034 | 11,609,454 |
| Malaysia | 624,307 | 1,436,411 |
| Rest of world | 5,212,045 | 12,662,068 |
| | <u>59,013,831</u> | <u>49,683,402</u> |

5. Operating profit

The operating profit is stated after charging:

| | 2022 £ | 2021 £ |
|---|----------------|----------------|
| Loss on disposal of fixed assets | 14,997 | 78,468 |
| Depreciation of tangible fixed assets - owned by group | 3,385,914 | 2,656,539 |
| Depreciation of tangible fixed assets - held under finance leases | 51,431 | 34,811 |
| Intangible fixed assets - amortisation | 184,187 | 214,183 |
| Operating lease rentals - other | 253,184 | 225,064 |
| Operating lease rentals - land and buildings | 2,050,352 | 1,731,637 |
| Foreign currency exchange differences | (298,615) | 81,734 |
| Defined contribution pension cost | 858,313 | 840,556 |
| | <u>858,313</u> | <u>840,556</u> |

6. Auditors' remuneration

During the year, the Group obtained the following services from the company's auditors:

| | 2022 £ | 2021 £ |
|--|---------------|---------------|
| Fees payable to the company's auditors for the audit of the consolidated and parent company's financial statements | <u>32,950</u> | <u>30,000</u> |

STATS (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Employees

| | 2022 £ | 2021 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 19,473,031 | 16,784,585 |
| Social security costs | 1,313,722 | 1,257,029 |
| Share-based payments | 110,000 | 110,000 |
| Other pension costs | 924,159 | 840,556 |
| | <u>21,820,912</u> | <u>18,992,170</u> |

8. Average number of employees

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

| | 2022 No. | 2021 No. |
|----------------------------|-------------|-------------|
| Directors | 11 | 11 |
| Administration | 67 | 61 |
| Engineering and operations | 261 | 239 |
| | <u>339</u> | <u>311</u> |

As at 31 December 2022 the number of employees employed by the group was 334 (2021 - 321).

9. Directors' remuneration

| | 2022 £ | 2021 £ |
|-------------------------|-----------|-----------|
| Directors' emoluments | 1,359,008 | 1,315,696 |
| Directors pension costs | 45,233 | 41,827 |

During the year retirement benefits were accruing to 5 directors (2021 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £278,107 (2021 - £240,294).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2021 - £NIL).

STATS (UK) LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****10. Interest payable and similar expenses**

| | 2022 £ | 2021 £ |
|--|------------------|------------------|
| Bank interest payable | 243,636 | 146,431 |
| Other loan interest payable | 3,239,346 | 2,879,502 |
| Finance leases and hire purchase contracts | 3,697 | 4,943 |
| Other interest payable | 1,832 | 37,004 |
| | <u>3,488,511</u> | <u>3,067,880</u> |

11. Taxation

| | 2022 £ | 2021 £ |
|--|----------------|------------------|
| Corporation tax | | |
| Current tax on profits for the year | (563,701) | (318,294) |
| Adjustments in respect of previous periods | (173,859) | (252,767) |
| Foreign tax on income for the year | 1,039,348 | 473,332 |
| Foreign tax in respect of prior periods | (25,855) | (398,254) |
| Total current tax | <u>275,933</u> | <u>(495,983)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 289,179 | (113,920) |
| Adjustments in respect of prior periods | 148,883 | 240,167 |
| Change of tax rates on opening balance | (80,937) | - |
| Total deferred tax | <u>357,125</u> | <u>126,247</u> |
| Taxation on profit on ordinary activities | <u>633,058</u> | <u>(369,736)</u> |

STATS (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporate tax in the UK of 19% (2021 - 19%). The differences are explained below:

| | 2022 £ | 2021 £ |
|--|----------------|------------------|
| Profit on ordinary activities before tax | 1,268,478 | 1,513,484 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | 256,867 | 306,481 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 265,406 | 259,142 |
| Fixed asset differences | (157,387) | (203,650) |
| Foreign taxes and losses, net of relief | 672,388 | 463,587 |
| Effect of permanent differences | (123,350) | (84,554) |
| Differences in overseas tax and exchange rates | 103,907 | (255,289) |
| Adjustments to tax charge in respect of prior periods | (198,494) | (410,854) |
| Changes in temporary differences | (16,672) | 154 |
| Additional deduction for R&D expenditure | (417,494) | (248,021) |
| Surrender of losses - R&D | 738,643 | 438,806 |
| R&D repayment | (563,701) | (334,876) |
| Impact of change in tax rates on deferred tax assets | (79,684) | (506,024) |
| Adjustments to deferred tax charge in respect of prior periods | 148,883 | - |
| Transfer pricing adjustments | - | 205,362 |
| Foreign exchange difference | 3,746 | - |
| Total tax charge for the year | 633,058 | (369,736) |

12. Dividends

| | 2022 £ | 2021 £ |
|--|----------------|----------------|
| Dividends proposed - A ordinary shares | 626,381 | 570,204 |
| | 626,381 | 570,204 |

On 31 December 2022 the directors proposed a dividend payable of £626,381 on the A ordinary shares of the company, held by BGF (2021 - £570,204).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Intangible assets

Group

| | Patents £ | Development costs £ | Software £ | Goodwill £ | Total £ |
|--|----------------|---------------------------|------------------|----------------|------------------|
| Cost | | | | | |
| At 1 January 2022 | 828,885 | 1,762,913 | 1,174,322 | 105,839 | 3,871,959 |
| Foreign exchange movement | - | 3,969 | 7,502 | - | 11,471 |
| At 31 December 2022 | <u>828,885</u> | <u>1,766,882</u> | <u>1,181,824</u> | <u>105,839</u> | <u>3,883,430</u> |
| Amortisation | | | | | |
| At 1 January 2022 | 637,852 | 1,457,703 | 1,161,477 | 97,724 | 3,354,756 |
| Charge for the year on owned assets | 51,224 | 122,645 | 4,234 | 6,084 | 184,187 |
| Foreign exchange movement | - | - | 7,439 | - | 7,439 |
| At 31 December 2022 | <u>689,076</u> | <u>1,580,348</u> | <u>1,173,150</u> | <u>103,808</u> | <u>3,546,382</u> |
| Net book value | | | | | |
| At 31 December 2022 | <u>139,809</u> | <u>186,534</u> | <u>8,674</u> | <u>2,031</u> | <u>337,048</u> |
| At 31 December 2021 | <u>191,033</u> | <u>305,210</u> | <u>12,845</u> | <u>8,115</u> | <u>517,203</u> |

STATS (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Intangible assets (continued)

Company

| | Patents £ | Development costs £ | Software £ | Total £ |
|---------------------------|----------------|---------------------------|------------------|------------------|
| Cost | | | | |
| At 1 January 2022 | 828,885 | 1,680,075 | 1,103,105 | 3,612,065 |
| Foreign exchange movement | - | - | 673 | 673 |
| At 31 December 2022 | <u>828,885</u> | <u>1,680,075</u> | <u>1,103,778</u> | <u>3,612,738</u> |
| Amortisation | | | | |
| At 1 January 2022 | 637,852 | 1,423,565 | 1,090,252 | 3,151,669 |
| Charge for the year | 51,224 | 99,307 | 4,008 | 154,539 |
| Foreign exchange movement | - | - | 282 | 282 |
| At 31 December 2022 | <u>689,076</u> | <u>1,522,872</u> | <u>1,094,542</u> | <u>3,306,490</u> |
| Net book value | | | | |
| At 31 December 2022 | <u>139,809</u> | <u>157,203</u> | <u>9,236</u> | <u>306,248</u> |
| At 31 December 2021 | <u>191,033</u> | <u>256,510</u> | <u>12,853</u> | <u>460,396</u> |

STATS (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Tangible fixed assets

Group

| | Leasehold improvements £ | Plant & machinery £ | Motor vehicles £ | Total £ |
|--------------------------|--------------------------------|---------------------------|------------------------|-------------------|
| Cost or valuation | | | | |
| At 1 January 2022 | 971,004 | 36,529,237 | 229,480 | 37,729,721 |
| Additions | - | 9,319,394 | 43,512 | 9,362,906 |
| Disposals | (3,235) | (728,276) | - | (731,511) |
| Exchange adjustments | 62,021 | 2,013,680 | 15,078 | 2,090,779 |
| At 31 December 2022 | <u>1,029,790</u> | <u>47,134,035</u> | <u>288,070</u> | <u>48,451,895</u> |
| Depreciation | | | | |
| At 1 January 2022 | 724,057 | 18,492,893 | 221,091 | 19,438,041 |
| Charge for the year | 43,994 | 3,384,715 | 8,636 | 3,437,345 |
| Disposals | (2,266) | (212,594) | - | (214,860) |
| Exchange adjustments | 56,057 | 830,851 | 13,743 | 900,651 |
| At 31 December 2022 | <u>821,842</u> | <u>22,495,865</u> | <u>243,470</u> | <u>23,561,177</u> |
| Net book value | | | | |
| At 31 December 2022 | <u>207,948</u> | <u>24,638,170</u> | <u>44,600</u> | <u>24,890,718</u> |
| At 31 December 2021 | <u>246,947</u> | <u>18,036,344</u> | <u>8,389</u> | <u>18,291,680</u> |

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

| | 2022 £ | 2021 £ |
|---------------------|---------------|----------------|
| Plant and machinery | 38,776 | 51,130 |
| Motor vehicles | 57,143 | 61,938 |
| | <u>95,919</u> | <u>113,068</u> |

STATS (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Tangible fixed assets (continued)

Company

| | Plant & machinery £ | Motor vehicles £ | Other fixed assets £ | Total £ |
|--------------------------|---------------------------|------------------------|----------------------------|-------------------|
| Cost or valuation | | | | |
| At 1 January 2022 | 24,454,257 | 64,241 | 383,958 | 24,902,456 |
| Additions | 5,019,584 | - | - | 5,019,584 |
| Transfers intra group | (213,871) | - | - | (213,871) |
| Disposals | (38,804) | - | - | (38,804) |
| Exchange adjustments | 1,004,813 | 3,010 | 3,257 | 1,011,080 |
| At 31 December 2022 | <u>30,225,979</u> | <u>67,251</u> | <u>387,215</u> | <u>30,680,445</u> |
| Depreciation | | | | |
| At 1 January 2022 | 13,113,865 | 58,605 | 187,195 | 13,359,665 |
| Charge for the year | 1,902,663 | 5,635 | 22,908 | 1,931,206 |
| Transfers intra group | (187,619) | - | - | (187,619) |
| Disposals | (24,976) | - | - | (24,976) |
| Exchange adjustments | 330,381 | 3,010 | - | 333,391 |
| At 31 December 2022 | <u>15,134,314</u> | <u>67,250</u> | <u>210,103</u> | <u>15,411,667</u> |
| Net book value | | | | |
| At 31 December 2022 | <u>15,091,665</u> | <u>1</u> | <u>177,112</u> | <u>15,268,778</u> |
| At 31 December 2021 | <u>11,340,392</u> | <u>5,636</u> | <u>196,763</u> | <u>11,542,791</u> |

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

| | 2022 £ | 2021 £ |
|---------------------|---------------|----------------|
| Plant and machinery | 35,700 | 51,130 |
| Motor vehicles | 57,143 | 59,186 |
| | <u>92,843</u> | <u>110,316</u> |

STATS (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Fixed asset investments

Company

| | Investments in subsidiary companies £ |
|--------------------------|--|
| Cost or valuation | |
| At 1 January 2022 | 6,251,711 |
| At 31 December 2022 | <u>6,251,711</u> |
| Net book value | |
| At 31 December 2022 | <u>6,251,711</u> |
| At 31 December 2021 | <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 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.

16. Stocks

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Raw materials and consumables | 698,177 | 372,957 | 152,247 | 142,808 |
| Work in progress (goods to be sold) | 3,632,477 | 1,549,497 | 2,379,232 | 869,924 |
| Finished goods and goods for resale | 110,153 | 275,118 | 297,602 | 230,000 |
| | <u>4,440,807</u> | <u>2,197,572</u> | <u>2,829,081</u> | <u>1,242,732</u> |

STATS (UK) LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****17. Debtors**

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade debtors | 10,395,673 | 9,185,458 | 7,397,887 | 5,513,087 |
| Amounts owed by group undertakings | - | - | 5,772,238 | 6,150,693 |
| Other debtors | 1,002,370 | 653,610 | 1,179,623 | 565,701 |
| Prepayments and accrued income | 10,516,820 | 9,241,521 | 6,614,183 | 3,715,706 |
| Deferred taxation | 1,169,612 | 1,571,935 | 2,296,787 | 2,108,434 |
| | <u>23,084,475</u> | <u>20,652,524</u> | <u>23,260,718</u> | <u>18,053,621</u> |

Included in prepayments and accrued income is accrued income of £9,735,582 (2021 - £8,550,308) relating to customer contracts.

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

18. Cash and cash equivalents

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--------------------------|--------------------|--------------------|----------------------|----------------------|
| Cash at bank and in hand | 1,026,891 | 1,491,372 | 367,693 | 468,870 |
| | <u>1,026,891</u> | <u>1,491,372</u> | <u>367,693</u> | <u>468,870</u> |

STATS (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. Creditors: Amounts falling due within one year

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Bank loans | 4,852,282 | 3,607,662 | 4,852,282 | 3,607,662 |
| Other loans | 25,208,847 | 1,016,667 | 25,208,847 | 1,016,667 |
| Trade creditors | 9,756,152 | 6,725,223 | 6,158,054 | 4,281,399 |
| Amounts owed to group undertakings | - | - | 5,378,070 | - |
| Other taxation and social security | 788,850 | 844,203 | 424,861 | 431,220 |
| Obligations under finance lease and hire purchase contracts | 27,619 | 22,906 | 18,700 | 20,400 |
| Proceeds of factored debts | 2,196,679 | 1,971,081 | 2,196,679 | 1,971,081 |
| Accruals and deferred income | 6,549,616 | 5,183,680 | 5,374,369 | 4,483,252 |
| | <u>49,380,045</u> | <u>19,371,422</u> | <u>49,611,862</u> | <u>15,811,681</u> |

Included within accruals and deferred income is deferred income of £821,145 (2021 - £177,944) in relation to customer contracts.

Other loans are stated net of debt acquisition costs and include £11,853,859 interest payable on the loan notes (2021 - £1,016,667). All other loans were fully repaid on 14 August 2023 as part of the company's acquisition by Mitsui & Co. Ltd.

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 £3,295,770 (2021 - £3,116,040).

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

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| Other loans - loan notes | - | 20,970,115 | - | 20,970,115 |
| Net obligations under finance leases and hire purchase contracts | 31,961 | 18,700 | - | 18,700 |
| | <u>31,961</u> | <u>20,988,815</u> | <u>-</u> | <u>20,988,815</u> |

Other loans are stated net of debt acquisition costs and include £NIL interest payable (2021 - £11,158,345).

STATS (UK) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. Loans

The group's loan notes and accumulated interest were repayable in a final balance repayment scheduled for 1 November 2023. This balance was fully repaid on 14 August 2023 as part of the Company's acquisition by Mitsui & Co. Ltd.

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Amounts falling due with one year | | | | |
| Bank revolving credit facility | 4,852,282 | 3,607,662 | 4,852,282 | 3,607,662 |
| Other loans | 25,208,847 | 1,016,667 | 25,208,847 | 1,016,667 |
| | <u>30,061,129</u> | <u>4,624,329</u> | <u>30,061,129</u> | <u>4,624,329</u> |

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Amounts falling due within one year | | | | |
| Other loans | 25,208,847 | 1,016,667 | 25,208,847 | 1,016,667 |
| Amounts falling due 1-2 years | | | | |
| Other loans | - | 20,970,115 | - | 20,970,115 |
| Amounts falling due 2-5 years | | | | |
| | <u>25,208,847</u> | <u>21,986,782</u> | <u>25,208,847</u> | <u>21,986,782</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.

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 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|-------------------|--------------------|--------------------|----------------------|----------------------|
| Within one year | 27,619 | 22,906 | 18,700 | 20,400 |
| Between 1-5 years | 31,961 | 18,700 | - | 18,700 |
| | <u>59,580</u> | <u>41,606</u> | <u>18,700</u> | <u>39,100</u> |

STATS (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

23. Financial instruments

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | 1,026,890 | 1,491,372 | 367,692 | 468,869 |
| Financial assets that are debt instruments measured at amortised cost | 21,573,343 | 17,893,084 | 15,424,459 | 15,097,885 |
| | <u>22,600,233</u> | <u>19,384,456</u> | <u>15,792,151</u> | <u>15,566,754</u> |
| Financial liabilities | | | | |
| Financial liabilities measured at amortised cost | (44,947,795) | (36,755,193) | (40,574,987) | (33,610,937) |

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

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

24. Deferred taxation

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| At beginning of year | 1,571,935 | 1,700,775 | 2,108,434 | 1,822,070 |
| Credit / (charge) to income statement during the year | (357,125) | (126,247) | 188,353 | 286,364 |
| Other movement – foreign exchange | (45,198) | (2,593) | | - |
| At end of year | <u>1,169,692</u> | <u>1,571,935</u> | <u>2,296,787</u> | <u>2,108,434</u> |

The deferred tax asset comprises of:

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| (Accelerated)/deferred capital allowances | (4,082,464) | (1,998,344) | (2,409,916) | (1,148,415) |
| Tax losses | 4,676,262 | 2,957,094 | 4,140,831 | 2,643,836 |
| Other timing differences | 565,872 | 613,185 | 565,872 | 613,013 |
| | <u>1,169,692</u> | <u>1,571,935</u> | <u>2,296,787</u> | <u>2,108,434</u> |

STATS (UK) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25. Share capital

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 34,179 (2021 - 34,179) A Ordinary shares of £0.01 each | 342 | 342 |
| 15,911 (2021 - 15,911) B Ordinary shares of £0.01 each | 159 | 159 |
| 9,000 (2021 - 9,000) A1 Ordinary shares of £0.01 each | 90 | 90 |
| 49,010 (2021 - 49,010) B1 Ordinary shares of £0.01 each | 490 | 490 |
| | <hr/> | <hr/> |
| | 1,081 | 1,081 |
| | <hr/> | <hr/> |

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 2022 no options had been exercised (2021 - NIL). At 31 December 2022, the maximum number of B Ordinary shares exercisable under the EMI scheme, from awards made to employees, was 46,331 (2021 - 46,331). The exercise price for 42,741 of the options granted is £51.25 (2021 - £51.25 per share) with the balance of 3,590 options exercisable at £1 per share (2021 - £1 per share). The maximum number of B Ordinary shares exercisable under the scheme is 46,331 shares.

During the previous 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 2022 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 2022 | Number 2021 |
|--|----------------|----------------|
| Outstanding at the beginning of the year | 59,363 | 42,741 |
| Granted during the year: EMI scheme | - | 3,590 |
| Granted during the year: Unapproved scheme | - | 13,032 |
| | <hr/> | <hr/> |
| | 59,363 | 59,363 |
| | <hr/> | <hr/> |

STATS (UK) LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****27. Capital commitments**

At 31 December 2022 the Group and company had capital commitments as follows:

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| Contracted for but not provided in these financial statements | 66,102 | 757,727 | 53,000 | 88,468 |
| | <u>66,102</u> | <u>757,727</u> | <u>53,000</u> | <u>88,468</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 £858,313 in the year (2021 - £840,556).

29. Commitments under operating leases

At 31 December 2022 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Not later than 1 year | 2,112,590 | 1,713,961 | 1,107,781 | 762,252 |
| Later than 1 year and not later than 5 years | 4,525,531 | 4,945,210 | 2,606,300 | 2,324,094 |
| Later than 5 years | 349,922 | 2,808,070 | 349,922 | 2,808,070 |
| | <u>349,922</u> | <u>2,808,070</u> | <u>349,922</u> | <u>2,808,070</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 | 354,426 | 90,287 |
| Related company | Fees | 40,000 | - |

31. Post balance sheet events

On 5 July 2023 the directors announced a Share Purchase Agreement had been signed to sell 100% of the issued share capital of the company to Mitsui & Co., Ltd, a publicly listed company on the Japanese stock market (prime market). The transaction formally completed on 14 August 2023.

The directors have prepared a consolidated statement of financial position, as at 31 December 2022, on a proforma basis to illustrate the financing terms of the Share Purchase Agreement. The proforma statement represents the group's net asset position after completion of company sale. The proforma consolidated statement of financial position as at 31 December 2022 can be found in the Directors Report.

32. 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 July 2023 to sell 100% of the issued share capital of the company to Mitsui & Co., Ltd. The transaction completed on 14 August 2023 at which time the group became wholly owned and controlled by Mitsui & Co., Ltd.

A proforma statement of financial position, as at 31 December 2022, has been prepared to illustrate the net asset position of the group based on financing terms included within the Share Purchase Agreement.