

REGISTERED NUMBER: 09902725 (England and Wales)

**TELE-FONIKA HOLDINGS LIMITED**  
**GROUP STRATEGIC REPORT,**  
**DIRECTORS' REPORT AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



Murphy Salisbury Limited  
Chartered Accountants and Statutory Auditors  
15 Warwick Road  
Stratford upon Avon  
Warwickshire  
CV37 6YW

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**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**TELE-FONIKA HOLDINGS LIMITED**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS:**

P M Bak  
Ms M Cupial-Zgryzek  
M P Hassa

**SECRETARY:**

EBS Corporate Services Limited

**REGISTERED OFFICE:**

Innovation Centre  
Gallows Hill  
Warwick  
Warwickshire  
CV34 6UW

**REGISTERED NUMBER:**

09902725 (England and Wales)

**AUDITORS:**

Murphy Salisbury Limited  
Chartered Accountants and Statutory Auditors  
15 Warwick Road  
Stratford upon Avon  
Warwickshire  
CV37 6YW

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their strategic report of the Company and the Group for the year ended 31 December 2019.

**REVIEW OF BUSINESS**

The principal activity of the Group is the design and manufacture of umbilical systems and subsea power cables for the offshore oil and gas and renewable energy industries. These products are some of the essential components for the development and production of offshore oil and gas and the delivery of energy derived from offshore wind farms.

A period of prolonged uncertainty in Oil & Gas appears to be coming to an end and together with continued high levels of activity in the renewable energy sector, 2019 sees the Group growing revenues and carrying record high levels of secured contracts into 2020. Continued investments in our manufacturing facilities and equipment are enabling us to capitalise on this now and in the future.

During 2019, the Group experienced a 20% increase in revenue compared to 2018. Gross margins reduced to 8% (2018: 24%). The Group continues to offer full product lifecycle support for a growing range of product lines and continues to invest in R&D to ensure our products excel technically.

There were challenges in 2019, most notably some commercial claims from our customers for which we have made a provision, impacting our results in the current year. Additionally there are other challenges on the horizon, including the UK's imminent departure from the European Union and the ongoing Coronavirus pandemic, however the Directors consider the Group is prepared for these challenges.

**KEY PERFORMANCE INDICATORS**

Despite a strong order intake and revenue, results in 2019 are disappointing due to provisions being required in relation to commercial disputes for which the outcome is uncertain. Despite these exceptional charges, the Group is considered well set up for the future and confident of returning to profitability.

We measure a range of operational and financial metrics to help us manage our performance and achieve our business plans:

The key financial metrics are Order intake (new contracts won), Revenue and Adjusted EBITDA (measured as earnings before interest, tax, depreciation and amortisation and after adding back exceptional items).

	2019 £'000	2018 £'000
Order intake	158,428	183,132
Revenue	121,915	101,966
Adjusted EBITDA	(20,812)	2,411
<b>Reconciliation of Operating Loss to EBITDA:</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Operating loss	(36,097)	(12,126)
Exceptional administrative expenses	-	233
Amortisation of goodwill	6,284	7,884
Amortisation of development and software costs	1,127	894
Depreciation charges	7,874	5,526
Adjusted EBITDA	(20,812)	2,411

**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and foreign exchange risk and liquidity risk. The use of financial derivatives is controlled by the Board and finance function. The Group does not use derivative financial instruments for speculative purposes.

**a) Foreign exchange risk**

The Group's activities expose it primarily to the financial risks of changes to foreign currency exchange rates, although revenues and costs are matched where possible. The Group uses foreign exchange forward contracts where necessary to hedge residual material exposures.

**b) Credit risk**

The Group's principal financial assets are bank balances and cash, and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers and managed by a robust set of processes to mitigate credit risk, including the use of structured billing arrangements throughout the life of a project as well as financial guarantees or insurance products where appropriate.

**c) Liquidity risk**

The Group manages liquidity risk via revolving credit facilities and long-term debt.

**d) Cash flow risk**

The group manages this risk, where significant, by use of derivatives as explained above.

**e) Revenue recognition**

The Group's management reviews the main projects on a monthly basis through the Project Reports, where estimated costs to complete are reviewed.

**SECTION 172(1) STATEMENT**

As discussed in certain sections of the Directors' report, the Board give considerations to all stakeholder needs when performing their duties.

Key stakeholders include the Group's employees, customers, suppliers and each community in which we operate. The Group uses a range of methods to engage with employees including regular "all-hands" briefings and more regular communications as well as engaging in third parties to carry out engagement surveys and benchmarking. The Group also enjoys close partnership with many of our key suppliers and customers and we carry out regular audit programmes and "mood monitors" as part of these long term relationships.

Results of this feedback are used to help inform the Boards decisions, in particular in relation to key strategic decisions such as investment appraisals, remuneration and commercial matters, where the needs of individual stakeholder groups are balanced against the wider requirement to promote the long term success of the company for the benefit of its members as a whole.

**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**FUTURE DEVELOPMENTS AND OUTLOOK**

The Group has seen recent success in being awarded a number of high value and high profile jobs which will be delivered over the coming months and years and the Directors are confident that this will help drive improved performance. This is supported by continued development of a diverse portfolio products, design engineering and investments in plant and equipment. The Group's commissioned an additional umbilical and cable lay-up machine in 2017, providing further opportunity for growth. Alongside this, the acquisition into the Tele-Fonika Kable family increases the Group's financial stability and market influence, with access to even more diverse products, geographies and customers.

The continued move by European and other global government and utilities towards offshore wind and wave energy, coupled with our relationship with Tele-Fonika Kable, a major global cable supplier, presents the Group with exciting opportunities for growth in this sector.

Additionally, in Oil & Gas, the Group operates in a highly specialised market, and is one of a small number of companies that manufactures subsea production umbilicals and power cables that provide the vital connection between offshore facilities. Significant new energy resources are predominately found offshore in increasingly deeper water, which underpins demand for the Group's products, services and technical innovations. We believe new discoveries of oil and gas, particularly offshore in West Africa, Australia, Asia, Brazil and the Middle East will offer significant growth opportunities for the Group.

**ON BEHALF OF THE BOARD:**

Signature valid

Digitally signed by Paweł Bak  
Date: 2021.05.17 08:46:20  
CEST

.....  
P M Bak - Director

Date: .....

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2019.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2019.

**GOING CONCERN**

As described more fully in the notes to the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**FUTURE DEVELOPMENTS**

Future developments are discussed within the Strategic Report.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

P M Bak  
Ms M Cupial-Zgryzek  
M P Hassa

**DISABLED EMPLOYEES**

Applications for employment for disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as is possible, be identical to that of other employees.

**GENDER PAY GAP**

The Board is committed to fair treatment of all employees and is aware of its obligations with respect to reporting its gender pay gap and this is reviewed periodically. The report is published on its website and appropriate measures have been taken for such publication.

**BRIBERY ACT**

The Group have an anti-bribery policy which introduced robust procedures to ensure full compliance with the Bribery Act 2010 and that ensure that the highest standards of professional ethical conduct are maintained. All employees and those working for, or on behalf of, the company are aware of their legal obligations when conducting group business.

**MODERN SLAVERY ACT**

The Board is aware of the Group's obligation to publish a statement outlining the steps that have been taken to ensure that the Group and its supply chain are operating free from all forms of slavery; a full statement is available at [www.jdrcables.com](http://www.jdrcables.com)

**ENGAGEMENT WITH EMPLOYEES**

The Board believes that the Group's success is due to the quality and commitment of its workforce. The Group's employee management priorities, including its remuneration strategies, are based on recruiting and retaining the best people in the industry and encouraging working practices that improve productivity, reduce costs, develop talent and provide job satisfaction. Further, the Board recognises the need for communication with employees at every level and is committed to on-going interaction with all its employees. This is achieved in a number of ways, including regular newsletters, and frequent "all-hands" presentations by the Executive Management Team to staff at all company locations.

The Group is committed to a policy of equal opportunity in matters relating to employment, training and career development, and is opposed to any form of less favourable treatment afforded on the grounds of age, disability, sex, marital status, sexual orientation, nationality, race or religion.

For more details regarding the Group's employee engagement please see the relevant section of the Strategic Report.

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

The auditors, Murphy Salisbury Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

Signature valid

Digitally signed by Paweł Bak  
Date: 2021.05.19 08:47:12 CEST

.....  
P M Bak - Director

Date: .....



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**TELE-FONIKA HOLDINGS LIMITED**

**Opinion**

We have audited the financial statements of Tele-Fonika Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, 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 affairs as at 31 December 2019 and of the group's loss 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to the going concern basis note within note 2 in the financial statements, which indicates that the Group's ability to continue as going concern is dependent upon it securing continued funding from Tele-Fonika Kable SA, a related company under common ownership. As stated in the going concern basis note within note 2, these events or conditions, along with the other matters as set forth in the going concern basis note within note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**TELE-FONIKA HOLDINGS LIMITED**

**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 where 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 six, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditors' responsibilities for the audit of the financial statements**

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

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

**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 a Report of the Auditors 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.



Mark Bullock FCA (Senior Statutory Auditor)  
for and on behalf of Murphy Salisbury Limited  
Chartered Accountants and Statutory Auditors  
15 Warwick Road  
Stratford upon Avon  
Warwickshire  
CV37 6YW

Date: 19/5/2021

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>TURNOVER</b>	4	121,915	101,966
Cost of sales		<u>112,214</u>	<u>77,144</u>
<b>GROSS PROFIT</b>		9,701	24,822
Administrative expenses		<u>45,798</u>	<u>36,948</u>
<b>OPERATING LOSS</b>	7	(36,097)	(12,126)
Interest payable and similar expenses	10	<u>(2,698)</u>	<u>3,373</u>
<b>LOSS BEFORE TAXATION</b>		(33,399)	(15,499)
Tax on loss	11	<u>(521)</u>	<u>336</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		(32,878)	(15,835)
<b>OTHER COMPREHENSIVE INCOME</b>			
Currency translation differences		(145)	(355)
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<u>(145)</u>	<u>(355)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>(33,023)</u></u>	<u><u>(16,190)</u></u>
Loss attributable to: Owners of the parent		<u><u>(32,878)</u></u>	<u><u>(15,835)</u></u>
Total comprehensive income attributable to: Owners of the parent		<u><u>(33,023)</u></u>	<u><u>(16,190)</u></u>

The notes form part of these financial statements

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**CONSOLIDATED BALANCE SHEET**  
**31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	13	6,452	16,293
Tangible assets	14	81,926	84,303
Investments	15	-	-
		<u>88,378</u>	<u>100,596</u>
<b>CURRENT ASSETS</b>			
Stocks	16	18,413	10,286
Debtors	17	66,271	59,801
Cash at bank		5,751	8,089
		<u>90,435</u>	<u>78,176</u>
<b>CREDITORS</b>			
Amounts falling due within one year	18	94,251	82,687
<b>NET CURRENT LIABILITIES</b>		<u>(3,816)</u>	<u>(4,511)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>84,562</u>	<u>96,085</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	19	(104,678)	(105,810)
<b>PROVISIONS FOR LIABILITIES</b>	21	<u>(36,363)</u>	<u>(13,731)</u>
<b>NET LIABILITIES</b>		<u><u>(56,479)</u></u>	<u><u>(23,456)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	25	25
Retained earnings	23	<u>(56,504)</u>	<u>(23,481)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>(56,479)</u></u>	<u><u>(23,456)</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on ..... and were signed on its behalf by:

Signature valid

Digitally signed by Paweł Bak  
Date: 2021.05.19 08:48:18 CEST

.....  
P M Bak - Director

Signature valid

Digitally signed by MICHAŁ HASSA;  
MICHAŁ HASSA  
Date: 2021.05.19 10:44:23 CEST

.....  
M P Hassa - Director

Signature valid

Digitally signed by Monika Cupiał-Zgryzek;  
Tele-Fonika S.A.  
Date: 2021.05.19 08:42:46 CEST

.....  
Ms M Cupiał-Zgryzek - Director

The notes form part of these financial statements

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**COMPANY BALANCE SHEET**  
**31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>CURRENT ASSETS</b>			
Debtors	17	54,261	51,675
Cash at bank		633	997
		<u>54,894</u>	<u>52,672</u>
<b>CREDITORS</b>			
Amounts falling due within one year	18	2,378	233
<b>NET CURRENT ASSETS</b>		<u>52,516</u>	<u>52,439</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		52,516	52,439
<b>CREDITORS</b>			
Amounts falling due after more than one year	19	51,500	51,355
<b>NET ASSETS</b>		<u>1,016</u>	<u>1,084</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	25	25
Retained earnings	23	991	1,059
<b>SHAREHOLDERS' FUNDS</b>		<u>1,016</u>	<u>1,084</u>
Company's loss for the financial year		<u>(68)</u>	<u>(41)</u>

The financial statements were approved by the Board of Directors and authorised for issue on ..... and were signed on its behalf by:

Signature valid

Digitally signed by Paweł Bak  
Date: 2021.05.19 08:49:12  
CEST

.....  
P M Bak - Director

Signature valid

Digitally signed by MICHAŁ HASSA;  
MICHAŁ HASSA  
Date: 2021.05.19 10:45:44 CEST

.....  
M P Hassa - Director

Signature valid

Digitally signed by Monika Cupiał-Zgryzek;  
Tele-Fonika S.A.  
Date: 2021.05.19 08:43:42 CEST

.....  
Ms M Cupiał-Zgryzek - Director

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	25	(7,291)	(7,266)
Deficit for the year	-	(15,835)	(15,835)
Other comprehensive income	-	(355)	(355)
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	(16,190)	(16,190)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018</b>	25	(23,481)	(23,456)
	<hr/>	<hr/>	<hr/>
Deficit for the year	-	(32,878)	(32,878)
Other comprehensive income	-	(145)	(145)
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	(33,023)	(33,023)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2019</b>	25	(56,504)	(56,479)
	<hr/>	<hr/>	<hr/>

The notes form part of these financial statements

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	25	1,100	1,125
<b>Changes in equity</b>			
Total comprehensive income	-	(41)	(41)
<b>Balance at 31 December 2018</b>	25	1,059	1,084
<b>Changes in equity</b>			
Total comprehensive income	-	(68)	(68)
<b>Balance at 31 December 2019</b>	25	991	1,016

The notes form part of these financial statements

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	4,334	1,584
Tax paid		(42)	(336)
Net cash from operating activities		<u>4,292</u>	<u>1,248</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		-	(1,348)
Purchase of tangible fixed assets		(5,859)	(52,933)
Purchase of fixed asset investments		-	(205)
Net cash from investing activities		<u>(5,859)</u>	<u>(54,486)</u>
<b>Cash flows from financing activities</b>			
Proceeds from related party loans		-	50,697
Proceeds from secured borrowings		-	6,640
Repayment under finance leases		(815)	(817)
Interest paid		44	(233)
Net cash from financing activities		<u>(771)</u>	<u>56,287</u>
(Decrease)/increase in cash and cash equivalents		<u>(2,338)</u>	<u>3,049</u>
Cash and cash equivalents at beginning of year	2	8,089	5,040
Cash and cash equivalents at end of year	2	<u><u>5,751</u></u>	<u><u>8,089</u></u>



**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2019	2018
	£'000	£'000
Loss before taxation	(33,399)	(15,499)
Depreciation charges	7,853	5,526
Loss on disposal of fixed assets	-	24
Amortisation charges and impairment	10,079	8,778
Movement in provisions	-	(1,890)
Government grants	-	(347)
Finance costs	(2,698)	3,373
	<u>(18,165)</u>	<u>(35)</u>
(Increase)/decrease in stocks	(8,127)	3,532
Increase in trade and other debtors	(3,253)	(21,043)
Increase in trade and other creditors	<u>33,879</u>	<u>19,130</u>
<b>Cash generated from operations</b>	<u><u>4,334</u></u>	<u><u>1,584</u></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2019**

	31.12.19	1.1.19
	£'000	£'000
Cash and cash equivalents	<u>5,751</u>	<u>8,089</u>

**Year ended 31 December 2018**

	31.12.18	1.1.18
	£'000	£'000
Cash and cash equivalents	<u>8,089</u>	<u>5,040</u>

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.19	Cash flow	At 31.12.19
	£'000	£'000	£'000
<b>Net cash</b>			
Cash at bank	<u>8,089</u>	<u>(2,338)</u>	<u>5,751</u>
	<u>8,089</u>	<u>(2,338)</u>	<u>5,751</u>
<b>Debt</b>			
Finance leases	<u>(1,427)</u>	<u>815</u>	<u>(612)</u>
	<u>(1,427)</u>	<u>815</u>	<u>(612)</u>
<b>Total</b>	<u><u>6,662</u></u>	<u><u>(1,523)</u></u>	<u><u>5,139</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. STATUTORY INFORMATION**

Tele-Fonika Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the companies Act 2006. The financial statements have been prepared under the historical cost convention, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The Group financial statements are presented in pound sterling (£) and rounded to thousands.

The Company's functional and presentational currency is the pound sterling (£).

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report. In addition, notes a) to c) of the financial risk section of the Strategic Report include the Group's objectives, policies and processes for managing its capital; its financial risk objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries. The Group has also benefited from the continued support of its bankers, its owner and the partnership with Tele-Fonika Kables SA as a related company. The Directors are confident that this support will continue in the future. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

The group has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirement of paragraph 33.7.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. ACCOUNTING POLICIES - continued**

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of the subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences to the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

In the parent financial statements, investments in subsidiaries, are carried cost less impairment.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

All financial statements are made up to 31 December 2019.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

Cable and umbilical projects are accounted for using the percentage-of-completion method. Under the percentage-of-completion method, we recognise contract revenue based on costs incurred to date as a percentage of total estimated costs. Profits are only recognised when the project is at least 25% complete. Otherwise, turnover is recognised to the extent of the cost incurred.

Where the outcome of a project cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Revenue on smaller orders for spare parts, design engineering or offshore technician services is recognised upon delivery.

**Goodwill**

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life, which is estimated to be 3 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

**Other intangible assets**

Other intangible assets include software and licences. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on a straight line basis over its estimated useful life of 5 years, taking into account any residual values expected. Amortisation is recorded in "administrative expenses".

Where factors, such as technological advancement or changes in market price indicate that residual values or useful life have changes, the residual value, useful life or amortisation rate is amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Tangible assets are stated at cost less accumulated depreciation and impairment. Such costs include all costs directly attributable to making the asset capable of operating as intended. Depreciation is provided in equal instalments over their estimated useful lives by using the following rates:

Leasehold improvements: 10-15 years

Plant and machinery: 5-20 years

Office furniture and computer equipment: 5-10 years

Assets in the course of construction: Not depreciated

The Group undertakes a review for impairment of fixed assets if events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount.

**Government grants**

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

**Stocks**

Stock and WIP is stated at the lower of cost and net realisable value. Stock is recognised as an expense in the period in which the related revenue is recognised. Cost is determined using a standard cost model. Cost includes the purchase price, including taxes duties and other directly attributable costs to bring stock to its present location and condition. The cost of manufactured goods and work in progress (WIP) includes design cost, raw materials and direct labour.

At the end of each period, stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its net realisable value and an impairment charge is recognised in the income statement. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. ACCOUNTING POLICIES - continued**

**Financial instruments**

The Group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**Financial assets**

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**Financial liabilities**

Basic financial liabilities, including trade and other payables, finance leases, secured borrowings and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including forward foreign exchange contracts to hedge exposure to foreign currency risk arising from large purchases of key raw materials, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Research and development**

Expenditure on research is written off in the year in which it is incurred.

Expenditure on new product development is capitalised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Capitalised development costs are stated as intangible assets, valued at cost less accumulated amortisation and impairment. Amortisation is provided in equal instalments, over the expected economic life of the new products, of 5 years.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Pension costs and other post-retirement benefits**

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the profit or loss in the period to which they relate.

**Cash and cash equivalents**

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. ACCOUNTING POLICIES - continued**

**Operating leases**

Expenditure on operating leases is charged to the income statement on a basis representative of the benefit derived from the asset, normally on a straight-line basis over the lease period.

**Exceptional costs**

The Group classifies certain one-off charges as 'exceptional costs'. These are material items which derive from events or transactions that falls within the ordinary activities of the reporting entity and which individually, or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. These are disclosed separately, where necessary, to provide further understanding of the financial performance of the Group.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future period where the revision affects both current and future periods.

**Goodwill**

The determination of whether goodwill should be impaired requires the estimation of future cash flows and growth factors adapted by each cash generating unit. Furthermore, discount rates applied to these cash flows are determined by reference to the markets in which they operate. These factors are all affected by prevailing market and economic factors outside the Group's control.

**Investments**

The Group assess the carrying values of investments annually or more frequently if warranted by a change in circumstances. If it is determined that the carrying values of investments cannot be recovered, the unrecoverable amounts are charged to the income statement. Recoverability is dependent upon assumptions and judgements regarding discount rates, future cash flows and profit margins. A material change in assumptions may significantly impact the potential impairment of these assets.

**Useful economic life of non-current assets**

Management estimate the useful economic life of non-current assets based on the period over which the asset is expected to be used and provide for depreciation accordingly. Where an indication of impairment is identified the recoverable value requires estimation.

**Provisions for warranty and other provisions**

Estimates regarding the warranty and other provisions are subject to complex technical and commercial discussions over a relatively long period. In calculating the level of provisions required, judgements have been made on the probability of success in defending claims and estimated outcome of such claims.

**Revenue**

In order to determine the revenue that the Group is able to recognise on its ongoing projects in a specific period, the Group has to estimate costs to complete on such projects, and make estimates relating to future purchase prices of materials and other costs. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values, projects costs and the appropriateness of estimates made.

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**4. TURNOVER**

The turnover and loss before taxation are attributable to the principal activities of the group.

An analysis of turnover by class of business is given below:

	2019	2018
	£'000	£'000
Asset management	4,258	-
Offshore oil & gas services	117,657	101,966
	<u>121,915</u>	<u>101,966</u>

An analysis of turnover by geographical market is given below:

	2019	2018
	£'000	£'000
United Kingdom	30,479	29,194
Europe	35,356	48,383
North America	7,315	9,000
Rest of the World	48,765	15,389
	<u>121,915</u>	<u>101,966</u>

**5. EMPLOYEES AND DIRECTORS**

	2019	2018
	£'000	£'000
Wages and salaries	18,031	18,294
Social security costs	1,917	2,416
Other pension costs	842	738
	<u>20,790</u>	<u>21,448</u>

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

	2019	2018
Production	397	308
Selling and distribution	51	99
Administration	107	42
	<u>555</u>	<u>449</u>

**6. DIRECTORS' EMOLUMENTS**

	2019	2018
	£	£
Directors' remuneration	<u>7,629</u>	<u>6,899</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**7. OPERATING LOSS**

The operating (loss)/profit is stated after charging:

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets	7,874	5,526
Goodwill amortisation	6,284	7,884
Amortisation of other intangibles	1,127	894
Operating lease charges:		
- plant & machinery	265	349
- land & building	3,129	3,689
Exceptional administrative expenses	-	233

**8. AUDITORS' REMUNERATION**

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the parent company and the Group's consolidated financial statements	53	30
Fees payable to the Group's auditor for the audit of the Company's subsidiaries' financial statements	49	51
<u>Fees payable to the Group's auditor and its associates in respect of:</u>		
Tax compliance	19	7
All other services	18	37

**9. EXCEPTIONAL ITEMS**

	2019 £'000	2018 £'000
Exceptional items	-	(233)

Exceptional costs in 2018 relate to restructuring performed following the acquisition of the JDR Group.

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019 £'000	2018 £'000
Bank loan interest	-	6
Other interest & charges	312	228
Related party interest payable	3,706	1,972
Net exchange differences	(4,064)	449
	<hr/>	<hr/>
<b>Total interest payable and similar charges</b>	<b>(46)</b>	<b>2,655</b>
Other interest & income	-	(1)
Fair value movement on derivative contracts	(2,652)	719
	<hr/>	<hr/>
<b>Net interest (receivable)/ payable</b>	<b>(2,698)</b>	<b>3,373</b>

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**11. TAXATION**

**Analysis of tax (credit)/charge**

The tax credit/charge on the loss for the year was as follows:

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax	4	-
Adjustment in respect of previous years	-	(3)
Foreign corporation tax	153	339
<b>Total current tax</b>	<b>157</b>	<b>336</b>
<b>Deferred tax</b>		
Original and reversal of timing differences	(710)	-
Adjustments to prior period	32	-
<b>Total deferred tax</b>	<b>(678)</b>	<b>-</b>
<b>Total tax credit/(charge) for the period</b>	<b>(521)</b>	<b>336</b>

The tax assessed for the year/period varies from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	(33,399)	(15,499)
Loss multiplied by the standard rate of corporation tax in the UK 19% (2018: 19%)	(6,346)	(2,945)
<b>Effects of:</b>		
Expenses not deductible for tax	4,343	239
Fixed assets ineligible depreciation/amortisation	52	1,558
Income not subject for tax	(577)	-
Impact of overseas tax rates	670	623
Adjust deferred tax to average rate	426	90
Adjustments to tax charge in respect of prior periods	36	(3)
Deferred tax not recognised	2,978	774
Group relief	(2,103)	-
<b>Total tax (credit)/charge for the period</b>	<b>(521)</b>	<b>336</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**13. INTANGIBLE FIXED ASSETS**

**Group**

	Goodwill £'000	Development costs £'000	Computer software £'000	Totals £'000
<b>COST</b>				
At 1 January 2019	23,653	3,484	873	28,010
Additions	-	232	6	238
Impairments	(2,668)	-	-	(2,668)
At 31 December 2019	20,985	3,716	879	25,580
<b>AMORTISATION</b>				
At 1 January 2019	10,512	832	373	11,717
Amortisation for year	6,284	880	247	7,411
At 31 December 2019	16,796	1,712	620	19,128
<b>NET BOOK VALUE</b>				
At 31 December 2019	4,189	2,004	259	6,452
At 31 December 2018	13,141	2,652	500	16,293

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**14. TANGIBLE FIXED ASSETS**

**Group**

	Leasehold improvements £'000	Plant and machinery £'000	Office furniture and equipment £'000	Assets under construction £'000	Totals £'000
<b>COST</b>					
At 1 January 2019	4,371	85,561	1,203	534	91,669
Additions	589	3,703	162	1,169	5,623
Disposals	(54)	(18)	(29)	-	(101)
Exchange differences	(4)	(149)	(1)	(15)	(169)
Reclassification/transfer	-	414	-	(414)	-
At 31 December 2019	4,902	89,511	1,335	1,274	97,022
<b>DEPRECIATION</b>					
At 1 January 2019	907	6,266	193	-	7,366
Charge for year	691	6,980	203	-	7,874
Eliminated on disposal	(54)	(18)	(19)	-	(91)
Exchange differences	(4)	(49)	-	-	(53)
At 31 December 2019	1,540	13,179	377	-	15,096
<b>NET BOOK VALUE</b>					
At 31 December 2019	3,362	76,332	958	1,274	81,926
At 31 December 2018	3,464	79,295	1,010	534	84,303

Assets held under finance leases amount to £3,417,000 and are included within plant and machinery (2018: £3,917,000).

**15. FIXED ASSET INVESTMENTS**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiaries**

**Holding JDR Ltd**

Registered office: England and Wales

Nature of business: Holding company

Class of shares:	%
(direct)	holding
	100.00

**BTL Limited**

Registered office: Isle of Man

Nature of business: Asset management

Class of shares:	%
(direct)	holding
	100.00

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**15. FIXED ASSET INVESTMENTS - continued**

**JDR Cable Systems (Holdings) Ltd**

Registered office: Scotland

Nature of business: Holding company

Class of shares:	%
(indirect)	holding 100.00

**JDR Cable Systems Ltd**

Registered office: Scotland

Nature of business: Offshore oil & gas services

Class of shares:	%
(indirect)	holding 100.00

**JDR Cable Systems GmbH**

Registered office: Germany

Nature of business: Not trading

Class of shares:	%
(indirect)	holding 100.00

**JDR Cable Systems (Holdings) Inc**

Registered office: United States

Nature of business: Holding company

Class of shares:	%
(indirect)	holding 100.00

**JDR Cable Systems Inc**

Registered office: United states

Nature of business: Offshore oil & gas services

Class of shares:	%
(indirect)	holding 100.00

**JDR Fabrica O E Comercio de Sistemas de Cabos, Ltda**

Registered office: Brazil

Nature of business: Offshore oil & gas services

Class of shares:	%
(indirect)	holding 100.00

**16. STOCKS**

	<b>Group</b>	
	2019	2018
	£'000	£'000
Raw materials and consumables	14,694	7,869
Work-in-progress	3,719	2,417
	<u>18,413</u>	<u>10,286</u>

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade and other receivables	29,696	50,627	362	205
Amounts owed by group undertakings	-	-	-	240
Other debtors	3,816	52	-	-
Derivatives at fair value	2,049	-	-	-
Tax	-	86	-	-
VAT	2	-	3	-
Deferred tax asset	4,133	3,484	-	-
Prepayments and accrued income	26,374	4,974	2,366	1
	<u>66,070</u>	<u>59,223</u>	<u>2,731</u>	<u>446</u>
Amounts falling due after more than one year:				
Trade debtors	201	480	201	480
Amounts owed by group undertakings	-	-	51,329	50,749
Other debtors	-	98	-	-
	<u>201</u>	<u>578</u>	<u>51,530</u>	<u>51,229</u>
Aggregate amounts	<u>66,271</u>	<u>59,801</u>	<u>54,261</u>	<u>51,675</u>
Deferred tax asset				
	<b>Group</b>		<b>Company</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Deferred tax	<u>4,133</u>	<u>3,484</u>	<u>-</u>	<u>-</u>

Trade debtors are stated after provisions for impairment of £526,000 (2018: £674,000).

Certain amounts owed by group undertakings are unsecured, repayable on 7 November 2028 and carries variable interest rate at 3-month LIBOR plus 1.85% margin (2018: 1-month LIBOR plus 1.0% margin).

Accrued interest on the loans has been included in the amounts owed by group undertakings.

Other amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

The carrying amount of the trade and other receivables includes receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Finance leases (see note 20)	612	816	-	-
Payments on account	23,606	18,807	-	-
Trade creditors	14,735	13,889	1	-
Amounts owed to group undertakings	-	-	2	-
Social security and other taxes	633	590	-	-
Other creditors	2,661	1,245	2,350	233
Secured borrowing	8,509	6,640	-	-
Due to related parties	38,346	36,277	-	-
Accruals and deferred income	5,149	4,423	25	-
	<u>94,251</u>	<u>82,687</u>	<u>2,378</u>	<u>233</u>

Secured borrowings relate to an asset-based factoring arrangement of which £8,509,000 (2018: £6,640,000) had been advanced to the Group against certain sales invoices. The finance provider has full recourse to the Group for sums advanced in the event such sales invoices become ineligible under the terms of the facility.

Amounts due to related parties are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Finance leases (see note 20)	-	611	-	-
Amounts due to related parties	102,266	102,449	51,500	51,355
Deferred government grants	2,412	2,750	-	-
	<u>104,678</u>	<u>105,810</u>	<u>51,500</u>	<u>51,355</u>

Loans due from related parties were advanced by related companies and the investor. The loans carry interest at LIBOR plus various margin and are repayable, together with all accrued interest, on maturity. The maturity of the loans range from dates being more than one year and up to ten years.

The finance lease is over certain Group assets in Hartlepool. The lease amount of £5,000,000 was advanced during 2015 and is being repaid in monthly instalments over 5 years. The loan attracts interest at 3.5% per annum.



**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**20. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

**Group**

	Finance leases	
	2019	2018
	£'000	£'000
Net obligations repayable:		
Within one year	612	816
Between one and five years	-	611
	<u>612</u>	<u>1,427</u>

**21. PROVISIONS FOR LIABILITIES**

	Group	
	2019	2018
	£'000	£'000
Other provisions	<u>36,363</u>	<u>13,731</u>
Aggregate amounts	<u>36,363</u>	<u>13,731</u>

**Group**

	Deferred tax	Other provisions
	£'000	£'000
Balance at 1 January 2019	(3,484)	13,731
Provided during year	-	31,957
Credit to Statement of Comprehensive Income during year	(649)	(1,273)
Utilised during year	-	(8,052)
Balance at 31 December 2019	<u>(4,133)</u>	<u>36,363</u>

**22. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2019	2018
Number:	Class:	Nominal value:	£'000	£'000
25,000	Ordinary	£1	<u>25</u>	<u>25</u>

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**23. RESERVES**

**Group**

	Retained earnings £'000
At 1 January 2019	(23,481)
Deficit for the year	(32,878)
Currency translation	(145)
At 31 December 2019	<u>(56,504)</u>

**Company**

	Retained earnings £'000
At 1 January 2019	1,059
Deficit for the year	(68)
At 31 December 2019	<u>991</u>

**24. PENSION COMMITMENTS**

The Group operates a personal pension scheme which is available to all employees. Currently 426 (2018: 328) employees are members of the scheme. This scheme is administered independently of the Group. The total pension cost which is included in the profit and loss account represents contributions payable by the Group and amounted to £842,000 (2018: £738,000).

**25. CONTINGENT LIABILITIES**

During the course of business, the Group has given certain contract performance guarantees totalling £57,172,000 (2018: £48,315,000).

The Group is party to a bank facility agreement between certain Group and related companies and their bankers. The Group's subsidiaries' share capital and assets are pledged under this agreement. The exposure under this agreement is calculated based on net assets and as at 31 December 2019 is £nil (2018: £nil).

In previous periods the Group received a government grant to assist with the purchase of assets. The aggregated amount of such grants received during the year was £nil (2018: £nil). Grants receivable are credited to long term creditors and released to the income statement over the life of the related assets.

In the event of any breach of grant conditions the full amount of the grant received would be repayable. Since the Group is not aware of any actual, or potential, breaches of conditions, no provision is required for repayment.

**TELE-FONIKA HOLDINGS LIMITED (REGISTERED NUMBER: 09902725)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**26. CAPITAL COMMITMENTS**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Contracted but not provided for in the financial statements	674	228
	<hr/>	<hr/>

**27. RELATED PARTY DISCLOSURES**

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

During the year the Group made purchases from Tele-Fonika Kable S.A. a company related by virtue of common ownership, amounting to £33.7m (2018: £36.5m). The outstanding balance due for payment in relation to these purchases as at 31 December 2019 was £34.9m (2018: £30.9m).

Included within creditors due over one year are unsecured loans from Tele-Fonika Kable S.A. in the amount of £47m (2018: £49m) that accrue interest at LIBOR plus margin. Interest expense of £1.6m (2018: £1.7m) was incurred in the year. At the year end accrued interest relating to these loans was included within creditors due over one year.

In 2017 the Group acquired JDR Cable Systems (Holdings) Limited and its subsidiary undertakings. The Group incurred costs during the year of £538k (2018: £204k) relating to the acquisition, which were paid on its behalf by Tele-Fonika Kable S.A.. The outstanding balance due in relation to these costs at year end is £4.8m (2018: £5.1m).

As at the year end, the Group owed £53.8m (2018: £52.3m) to the controlling party. The loans are unsecured, accrued interest at LIBOR plus margin and are repayable on the 10th anniversary of the loan agreement dates. Interest of £2,116k (2018: £233k) was incurred in the year, which is included within the balance.

**28. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is Boguslaw Cupial, by virtue of his 100% shareholding.