

Forum Energy Technologies (UK) Limited
Annual report and financial statements
for the year ended 31 December 2019

Registered no: SC238859



Forum Energy Technologies (UK) Limited

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Forum Energy Technologies (UK) Limited

Directors and advisors for the year ended 31 December 2019

Officers and professional advisors

Directors

D L Williams

T K Schmitt

Company secretaries

J C Ivascu

Burness Paull LLP

Registered Office

Union Plaza, 6th Floor

1 Union Wynd

Aberdeen

AB10 1DQ

Bankers

HSBC plc

95-99 Union Street

Aberdeen

AB11 6BD

Solicitors

Burness Paull LLP

Union Plaza

1 Union Wynd

Aberdeen

AB10 1DQ

Independent Auditor

Deloitte LLP

Chartered Accountants and Statutory Auditor

Union Plaza

1 Union Wynd

Aberdeen

Scotland

AB10 1SL

Forum Energy Technologies (UK) Limited

Strategic report for the year ended 31 December 2019

The directors present their strategic report with the audited financial statements for the year ended 31 December 2019.

Principal activities

The company is involved in the design, manufacture and provision of subsea and drilling related products for the oil and natural gas industry and subsea energy construction and services markets as well as other sectors such as alternative energy, defence and communications.

Business review and results

The directors consider turnover, gross profit and operating profit / (loss) to be the key performance indicators in their ability to monitor the company's strategic and operational effectiveness. Turnover for the year was £50,139k (2018: £38,397k), a 31% increase driven mainly by the Subsea Product Line activity which benefitted from further diversifying its customer base outside of the oil and natural gas market in 2019.

The operating loss for the year was £1,953k (2018: loss of £4,467k). The operating loss for 2019 is impacted by an increase in dilapidations of £904k and the impairment of leasehold improvements of £1,540k associated with the consolidation of UK facilities. The loss for the financial year was £3,062k (2018: loss of £9,725k) which includes impairments on investments in 2019 of £2,588k (2018 £2,699k).

The directors are satisfied with the company's financial performance and position in 2019 as compared to 2018 with the increase in turnover, and the decrease in overall loss despite the continued downturn in the oil and natural gas industry. The company has maintained its focus on cost reductions along with increasing manufacturing efficiency and diversifying its customer base in order to maintain margins and respond to the continued market challenges.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company's subsidiary undertakings are considered to relate to demand for products, competition, retention of employees and product availability. Management manages these risks by having a diverse product offering.

The level of demand for our products and services is directly related to activity levels and the capital and operating budgets of our customers, which in turn are influenced heavily by energy prices and the expectation as to future trends in those prices. The disruptions caused by the COVID-19 pandemic and the resulting collapse in energy demand has been dramatic. As a result, work for drilling and completions services decreased significantly and customer spending has been exceptionally weak, impacting demand for many of the Forum group's products.

The pace and strength of a recovery in energy markets and in our results remain uncertain for 2021. The impact of the global COVID-19 pandemic on the world economy caused operational and manufacturing disruptions, logistical constraints and travel restrictions and thereby reduced demand for energy. This had a negative impact on revenues for the company and its subsidiaries listed in Note 11. In July 2020, the Organization of Petroleum Exporting Countries ("OPEC") and other unaffiliated countries announced an agreement to extend group production cuts as the outlook for our industries and markets has become increasingly uncertain. Early in the second quarter 2020, Forum Energy Technologies, Inc., the parent company, completed significant structural cost reductions, which represent a step change in the rate of continuous cost actions undertaken since the downturn began in 2014. The swift and significant actions allowed Forum to significantly offset lower sales volume and pricing. Forum now has a much leaner cost structure to weather the downturn and benefit from any incremental activity increases.

Forum Energy Technologies (UK) Limited

Strategic report for the year ended 31 December 2019 (continued)

Brexit

There is a new EU-UK Trade and Cooperation Agreement which took effect from 1 January 2021. Trade will continue to be tariff free and zero quota trade can continue between the UK and the EU. However there may be restrictions on transportation with hauliers and additional documentation requirements which could impact the shipment of goods. The company considers the direct impact will be limited for a short period of time. It continues to seek guidance and support from consulting with external subject matter experts and government regulatory bodies.

Section 172 (1) Statement

The Company sets out it has acted in a way that promotes the success of the Company and its subsidiaries for the benefit of its members as a whole. This is in accordance with the requirements of the Section 414CZA of the Companies Act 2006, having regard to the following matters set out in section 172(1) of the Act:

- The likely consequence of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the company.

Consequence of any decision in the long term

The Board remains mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed. The performance is monitored with quarterly formal business reviews at a parent company level and which assist in the evaluation of any decision that will impact the long-term performance of the company.

The company understands that it is important for the business at all levels, including the Board, to engage with its stakeholders. By engaging with the company's stakeholders, the company gains a better understanding of the areas the stakeholders are interested in or concerned about and how the company's decisions have impacted them. Healthy engagement with the company's stakeholders underpins the company's governance framework, which is embedded throughout the business and helps to ensure the maintenance of high standards of business conduct.

The Company Core Values for Forum Energy Technologies, Inc are applied across all its subsidiaries including Forum Energy Technologies (UK) Limited and its stakeholders. These Company Core Values are:

- **No one gets hurt:** The safety of our employees and customers is our first priority, coupled with a healthy respect for the environment.
- **Integrity:** In everything we do, in every interaction, both internally and externally, we strive to operate with the utmost integrity and mutual respect.
- **Customer focused:** Our products enhance our customer's performance. We listen to their needs and work with them to solve their challenges.
- **Good place to work:** We are committed to creating a workplace that fosters innovation, teamwork and pride. Every team member is integral to our success, and is treated equally and fairly.

Forum Energy Technologies (UK) Limited

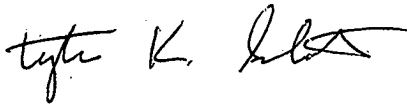
Strategic report for the year ended 31 December 2019 (continued)

Section 172 (1) Statement (Continued)

Stakeholders

- **Customers**
The company has customers that it wants to continue to build and maintain strong working relationships with. This is done by the company spending time with the customer to understand their needs and views. This is emphasised in the core value above of Customer Focused.
- **Suppliers**
The company has hundreds of suppliers who provide goods and services that support it in delivering a reliable supply of high-quality goods and services to the company's end customers. We ensure a regular payments schedule is maintained with these suppliers. The company conducts business with suppliers who share the company's values and high quality and ethical standards to ensure security of supply. This is emphasised in the core value above of Integrity.
- **Employees**
The company involves and listens to employees to help the company maintain strong employee engagement and retain talented people. It also wants to ensure it is a safe environment for all employees. This is emphasised in the core value above of Good Place to Work and No One Gets Hurt.

Approved by the Board of Directors and signed on behalf of the Board.



T K Schmitt
Director

12 February 2021

Forum Energy Technologies (UK) Limited

Directors' report for the year ended 31 December 2019

The directors present their report with the audited financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the financial year was £3,062k (2018: loss of £9,725k). There was an investment impairment of £2,588k in 2019 (2018: £2,699k). No dividends were paid to the parent company during the year (2018: Nil) and no dividends were received from subsidiaries during the year (2018: Nil). There are no proposed dividends related to 2019.

Directors

The directors who have held office during the year and up to the date of signing the financial statements were as follows:

D L Williams Jr.

T K Schmitt

Directors Indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third-party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are summarised in the Strategic report on page 2.

Key performance indicators

The company has no key performance indicators beyond reported turnover and results for the year. Also, its performance is partly determined by its investments in subsidiaries.

Future developments

The strategy of the directors is to improve market share in existing markets and to develop new geographical markets and sales to new customers. The directors aim to maximise profit margins by making improvements in operational performance. The company continues to invest in research and development. The directors regard investment in this area as a prerequisite for success in the medium and long-term. As detailed in principal risks and uncertainties in the Strategic Report on page 2, we expect the current market conditions to continue to impact on our business in 2021. We intend to manage this risk by being proactive with our cost reduction efforts to help preserve our operating margins.

Engagement with customers, suppliers and employees

The S172 statement on pages 3 and 4 in the Strategic report details the core values of the company and how the directors of the company engage with its key stakeholders; customers, suppliers and employees.

Post Balance Sheet Events

The impact of the global COVID-19 pandemic on the world economy caused operational and manufacturing disruptions, logistical constraints and travel restrictions and thereby reduced demand for energy. In July 2020, the Organization of Petroleum Exporting Countries ("OPEC") and other unaffiliated countries announced an agreement to extend group production cuts as the outlook for our industries and markets has become increasingly uncertain. Early in the second quarter 2020, Forum Energy Technologies, Inc., the parent company, completed significant structural cost reductions, which represent a step change in the rate of continuous cost actions undertaken since the downturn began in 2014. The swift and significant actions allowed Forum to significantly offset lower sales volume and pricing. Forum now has a much leaner cost structure to weather the downturn and benefit from any incremental activity increases. The directors do not believe that the COVID-19 pandemic nor the risk associated with Brexit impact the balance sheet presented in these financial statements.

Forum Energy Technologies (UK) Limited

Directors' report for the year ended 31 December 2019 (continued)

Financial risk management

The company's international operations expose it to a variety of risks, including liquidity risk, foreign exchange risk, interest rate risk and credit risk.

Liquidity risk

To ensure that sufficient funds are available for on-going operations, the company has access to both long and short-term borrowing facilities, via its ultimate parent company Forum Energy Technologies Inc.

Foreign exchange and interest rate risk

The company's activities expose it to the financial risks of movements in foreign currency exchange rates. Net currency exposures are monitored by the parent company. The company does not, at this time, enter into derivative financial instruments. In order to manage interest rate risk, the company minimises external borrowings.

Credit risk

The company's credit risk is primarily attributable to trade debtors. The amounts presented in the balance sheet are net of provision for doubtful debts. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. The company has no significant concentration of credit risk, with exposure spread over a number of customers.

Staff development

As part of the Forum Energy Technologies Group, the Company places a strong emphasis on employee communication and involvement. Individual employee annual reviews are conducted to ensure continuous development. Town hall meetings are conducted by Senior Management to update employees on the Group's progress.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company 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 possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the group. This is achieved through regular communication and both formal and informal meetings.

Equal opportunities

It is the company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, gender, colour, ethnic or national origin, disability, hours of work, nationality, religion or belief, marital or civil partner status, disfigurement, political opinions or sexual orientation. All decisions relating to employment practices will be objective, free from bias and based solely on work criteria and individual merit.

Policy and practice on the payment of creditors

For all trade creditors, it is the company's policy to agree terms of payment at the start of business with a supplier, to ensure that suppliers are aware of the terms of payment and to pay in accordance with the terms and conditions agreed.

Going concern

The directors remain confident of the future prospects for the company. Although inherent uncertainties exist within future projections, having considered forecast results, the directors expect the company and its subsidiaries to be profitable and cash generative for the foreseeable future.

Forum Energy Technologies (UK) Limited

Directors' report for the year ended 31 December 2019 (continued)

Going concern (continued)

The Company is a member of the Forum Energy Technologies Inc. group of companies and is a party to group banking arrangements. The group's ability to continue as a going concern is affected by the ability of the group headed by Forum Energy Technologies Inc. to comply with its continuing banking terms and conditions. The directors have obtained information from Forum Energy Technologies Inc., and following due consideration concluded that the banking terms and conditions are expected to be met for the foreseeable future.

The company has received confirmation from the parent company of continued support for the next 12 months. As a consequence, the directors believe that the company is well placed to manage its business risks successfully and therefore continue to adopt the going concern basis in the preparation of these financial statements.

In 2020, with the impact of the global COVID-19 pandemic, the outlook for our industries and markets has become increasingly uncertain. The full global impacts surrounding the COVID-19 pandemic, including operational and manufacturing disruptions, logistical constraints and travel restrictions and any impact on the company's balance sheet or the Group is as yet unknown. Whilst taking precautions in relation the health and safety of our employees, Forum Energy Technologies Inc. continues to provide essential services to oil and gas and other industries. The Group has assessed the impact of different scenarios but given its robust balance sheet and liquidity position it believes it is in a strong position as the crisis evolves.

Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Registered Number

The Company registered no is SC238859.

Independent Auditor

PWC LLP resigned as auditor of the company during 2020. A resolution proposing the appointment of Deloitte LLP was put in place in the absence of the annual general meeting. Deloitte LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of a board meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Forum Energy Technologies (UK) Limited

Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities (continued)

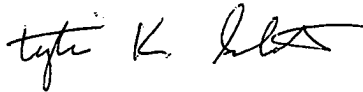
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

Approved by the Board of Directors and signed on behalf of the Board.



T K Schmitt
Director

12 February 2021

Forum Energy Technologies (UK) Limited

Independent auditors' report to the members of Forum Energy Technologies (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Forum Energy Technologies (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive loss;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 21.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Forum Energy Technologies (UK) Limited

Independent auditors' report to the members of Forum Energy Technologies (UK) Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Forum Energy Technologies (UK) Limited

Matters on which we are required to report by exception

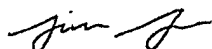
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Aberdeen
12 February 2021

Forum Energy Technologies (UK) Limited

Statement of comprehensive loss for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	5	50,139	38,397
Cost of sales		<u>(38,996)</u>	<u>(32,523)</u>
Gross profit		11,143	5,874
Administrative expenses		<u>(13,096)</u>	<u>(10,341)</u>
Operating loss	6	(1,953)	(4,467)
Impairment of investments	11	(2,588)	(2,699)
Interest receivable and similar income	7	164	60
Interest payable and similar expenses		<u>(3)</u>	<u>-</u>
Loss before taxation		(4,380)	(7,106)
Tax credit (charge) on loss	9	<u>1,318</u>	<u>(2,619)</u>
Loss and total comprehensive loss for the financial year		<u>(3,062)</u>	<u>(9,725)</u>

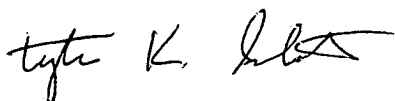
All amounts relate to continuing operations.

Forum Energy Technologies (UK) Limited

Balance Sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	10	3,238	5,059
Investments	11	1,619	4,207
		<u>4,857</u>	<u>9,266</u>
Current assets			
Stocks	12	14,973	13,853
Debtors - amounts falling due within one year	13	104,219	106,116
Cash at bank and in hand		-	181
		<u>119,192</u>	<u>120,150</u>
Creditors: amounts falling due within one year	14	<u>(65,344)</u>	<u>(67,621)</u>
Net current assets		<u>53,848</u>	<u>52,529</u>
Total assets less current liabilities		<u>58,705</u>	<u>61,795</u>
Creditors: amounts falling due more than one year	15	<u>(95)</u>	<u>-</u>
Provisions for liabilities	16	<u>(4,008)</u>	<u>(4,131)</u>
Net Assets		<u>54,602</u>	<u>57,664</u>
Capital and reserves			
Called up share capital	17	500	500
Profit and loss account		<u>54,102</u>	<u>57,164</u>
Total capital and reserves		<u>54,602</u>	<u>57,664</u>

The financial statements on pages 12 to 27 were approved by the board of directors on 12 February 2021 and were signed on its behalf by:



T K Schmitt
Director

Forum Energy Technologies (UK) Limited

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

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' funds £'000
At 1 January 2018	500	66,889	67,389
Loss for the financial year	-	(9,725)	(9,725)
At 31 December 2018	500	57,164	57,664
At 1 January 2019	500	57,164	57,664
Loss for the financial year	-	(3,062)	(3,062)
At 31 December 2019	500	54,102	54,602

Retained earnings represents accumulated comprehensive profits and losses.

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1. General information

Forum Energy Technologies (UK) Limited is involved in the design, manufacture and provision of subsea and drilling related products from its manufacturing plants based in the UK. The company serves the oil and natural gas industry and subsea energy construction and services markets as well as other sectors such as alternative energy, defence and communications

The company is a private company limited by shares and is incorporated in Scotland, the United Kingdom. The address of its registered office is Union Plaza, 6th Floor, 1 Union Wynd, Aberdeen, AB10 1DQ.

2. Statement of compliance

The individual financial statements of Forum Energy Technologies (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) and the Companies Act 2006.

3. Summary of significant accounting policies

Basis of accounting preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland" (FRS 102). The principal accounting policies, which have been applied consistently throughout the period, are set out below:

Going Concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the financial position and forecasted profitability of the company and the factors below.

The Company is a member of the Forum Energy Technologies Inc. group of companies and is a party to group banking arrangements. The group's ability to continue as a going concern is affected by the ability of the group headed by Forum Energy Technologies Inc. to comply with its continuing banking terms and conditions. The directors have obtained information from Forum Energy Technologies Inc., and following due consideration, concluded that the banking terms and conditions are expected to be met for the foreseeable future.

The company has received confirmation from Forum Energy Technologies, Inc. of continued support for the next 12 months. As a consequence, the directors believe that the company is well placed to manage its business risks successfully and therefore continue to adopt the going concern basis in the preparation of these financial statements.

In 2020, with the impact of the global COVID-19 pandemic, the outlook for our industries and markets has become increasingly uncertain. The global impacts surrounding the COVID-19 pandemic, including operational and manufacturing disruptions, logistical constraints and travel restrictions and any impact on the company's balance sheet is yet unknown. Whilst taking precautions in relation the health and safety of our employees, Forum Energy Technologies Inc. continues to provide essential services to oil and gas and other industries. Forum Energy Technologies, Inc. has assessed the potential impact of different scenarios on its ability to provide financial support, but given its robust balance sheet and liquidity position, it believes it is in a strong position as the crisis evolves.

Consolidated financial statements

The financial statements contain information about Forum Energy Technologies (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Forum Energy Technologies Inc., a company incorporated in the USA and whose financial statements are publicly available.

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Forum Energy Technologies Inc., includes the company's cash flows in its own consolidated financial statements.

The company is a wholly owned subsidiary of Forum Energy Technology Inc. and is included in the consolidated financial statements of Forum Energy Technology Inc., which are publicly available. Consequently, the company has taken advantage of the exemption from disclosing related party transactions under the terms of paragraph 33.1A of FRS 102.

The company has taken advantage of the exemption, under FRS 102 paragraph 26.18(b), from disclosing the number and weighted average exercise prices of share options, FRS 102 paragraph 2.19 – 26.21, determination of fair values and information about modifications of share options and FRS 102 paragraph 26.23, impact on profit and loss.

The company has also taken advantage of the exemption, under FRS 102 paragraph 33.7, for the non-disclosure of key management personnel compensation in total.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. An impairment loss is recognised when the recoverable amount of an investment is less than its carrying value. The recoverable amount of an investment is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. Fair value is determined either through the use of an external valuation, or by means of an analysis of discounted future cash flows. An impairment loss represents the excess of carrying value over estimated recoverable amount.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its expected useful life, at the following annual rates. Each category noted in note 10 is depreciated on a straight-line basis over 10-33%.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost of work in progress represents materials and other direct costs of production. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and any marketing, selling and distribution costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Turnover

Turnover represents the value of goods and services provided in the normal course of business, net of VAT and discounts. Turnover is recognised when goods are sold, being the point at which risks and rewards of ownership are transferred to the customer. Turnover is recognised on long-term contracts and operating lease rental income, as set out in the respective accounting policies below.

Long-term contracts

Turnover and profit are recognised on long-term contracts as contract activity progresses and is calculated by reference to the cost of work performed to date as a proportion of the total contract cost where the outcome can be assessed with reasonable certainty. Provisions for foreseeable losses are recognised in full when identified. Turnover derived from variations on long-term contracts is recognised only when they have been accepted by the customer.

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

Where the invoiced value of work performed on a long-term contract is less than the actual value of work performed by reference to the proportion of overall estimated contract costs incurred, the difference is recorded as amounts recoverable on long-term contracts and included within debtors due within one year. Where the invoiced value of work performed on a long-term contract is more than the actual value of work performed by reference to the proportion of overall estimated contract costs incurred, the difference is recorded as amounts due on long-term contracts and included within creditors due within one year.

Leases

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight-line basis over the lease term.

Operating lease rental income is credited to turnover in the statement of comprehensive income on a straight-line basis. The book value of rental assets subsequently sold are recognised in cost of sales with the associated proceeds recognised in turnover.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between taxable profits and results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

The company is part of a group that surrenders the benefit of any tax losses to other group companies in the form of group relief. Consideration for the full amount of the tax loss surrendered is payable by the claimant company and is recognised as group relief receivable or group relief payable within the balance sheet of the company.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are included in the statement of comprehensive loss. The functional and presentational currency is GBP.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable and paid in the year are shown as either accruals or prepayments in the balance sheet.

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

Share based payments

The ultimate parent company issues equity-settled share based payments to certain employees and directors of the company and its subsidiaries. The parent company recharges Forum Energy Technologies (UK) Limited for any expense relating to share-based payment transactions, which is in line with the alternative treatment set out in the standard, to recognise and measure the share-based payment expense on the basis of a reasonable allocation of the expense from the group.

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments:

i) *Financial assets*

Basic financial assets, including trade and other receivables, cash and bank 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 assets original effective interest rate. The impairment loss is recognised in profit or loss.

ii) *Financial liabilities*

Basic financial liabilities, including trade and other payables 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 rate of interest.

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.

Dividend distributions

Dividend distributions to the company's shareholders are recognised as liabilities in the company's financial statements in the period in which the dividends are approved by the company's shareholders and are dealt with in the Statement of Changes in Equity. Interim dividends are recognised when paid.

Dividend income

Dividend income received from subsidiary undertakings are recognised in the financial statements in the period that they are received and are dealt with in the Statement of Comprehensive Income.

4. Critical accounting judgements and estimation uncertainty

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.

Critical accounting judgements

i) *Turnover recognised under long-term contracts:*

Turnover and profit are recognised on long-term contracts as contract activity progresses by measuring the proportion of costs incurred for work performed to total estimated costs. Estimating the costs to completion and therefore, the total contract costs, is a key estimate in respect of the revenue recognition on these contracts. In 2019, 28% of total revenue was accounted for as long-term contracts (2018: 15%). See note 3 above for the long-term contract accounting policies.

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. Critical accounting judgements and estimation uncertainty (continued)

Key Accounting Estimates and Assumptions

The company makes estimates and assumptions concerning the future. This is done as part of the quarterly business management review process. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) *Inventory provisioning:*

The company designs and manufactures subsea and drilling related products primarily for the oil and natural gas industry. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision on a quarterly basis, management considered the nature and condition of the inventory, as well as applying assumptions around anticipated saleability. The provision review is in compliance with the company's group inventory policy on utilisation and ageing of the inventory and also the business review of saleability. The provision was reduced in 2019 to £3,518k (2018 £5,373k), which was partly due to the scrapping of obsolete parts and high consumption of inventory.

ii) *Provision for onerous contracts*

The company makes a provision for contracts in which the unavoidable costs of meeting the contractual obligation outweighs the expected benefits. This provision has been calculated using a discount rate of 6.5% (2018: 6.5%) to establish the net present value of the obligations. The provision is reassessed whenever there are any contractual obligation changes, like changes in subletting or vacating of properties. The provision was reduced in 2019 to £2,676k (2018 £3,703k) due to the subletting of a vacant facility (See Note 16).

iii) *Provision for Dilapidations*

The company makes a provision for dilapidations related to its lease obligations for some of its UK facilities using its best estimate as at 31 December 2019. The provision is based on dilapidations report valuations or estimates based on guidance from management on contractual requirements. There is an exposure in the provision at it might change when the final dilapidations assessments are made prior to the termination of the lease. The provision increased to £1,332k (2018 £428k) due to the announced closure of one manufacturing facility during the year and an increase in the cost estimates for other UK facilities (See Note 16).

iv) *Impairments*

The company reviews investments and tangible assets for impairments when events or changes in circumstances indicate the carrying values may not be recoverable. The carrying value of investments in subsidiary undertakings is reviewed annually for impairment when events or circumstances indicate the carrying value may not be recoverable. Determining whether investments in subsidiaries are impaired requires an estimation of their recoverable values, compared to the cost of investment on an individual basis. In 2019, the company recognised an impairment of investments of £2,588k (2018: 2,699k, Note 11). In addition, the company also recognised an impairment of £1,540k (2018: nil) on leasehold improvements related to a UK facility that was sublet at a lower rate (Note 10).

5. Turnover

Analysis of turnover by geography:

	2019	2018
	£'000	£'000
North America	9,498	6,135
Latin America	969	964
Europe & Africa	24,214	20,047
Middle East	2,654	2,026
Asia Pacific	12,804	9,225
	<u>50,139</u>	<u>38,397</u>

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5. Turnover (Continued)

Analysis of turnover by geography:

	2019	2018
	£'000	£'000
North America	9,498	6,135
Latin America	969	964
Europe & Africa	24,214	20,047
Middle East	2,654	2,026
Asia Pacific	12,804	9,225
	50,139	38,397

Analysis of turnover by category:

	2019	2018
	£'000	£'000
Sales of goods	45,346	34,863
Rendering of services	3,732	3,473
Other	1,061	61
	50,139	38,397

6. Operating loss

Operating loss is stated after charging/(crediting):

	Notes	2019	2018
		£'000	£'000
Other operating expenses		398	3,641
Provisions	16	(123)	2,025
Impairment of investments	11	2,588	2,699
Leasehold improvements impairment	10	1,540	-
Depreciation – owned assets	10	598	1,066
Loss on sale of assets		3	16
Fees payable to the company's auditor for the audit of the company's financial statements		131	135
Operating leases:			
- land and buildings		845	812
- plant and machinery		46	106
Foreign exchange differences		2,214	(4,484)

Other operating expenses includes restructuring costs incurred and accrued for during the year. In 2019, these expenses included £274k of costs to close a manufacturing facility and £124k for associated staff redundancy costs.

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7. Interest receivable and similar income

	2019	2018
	£'000	£'000
Other interest	<u>164</u>	<u>60</u>

8. Staff costs

	2019	2018
	£'000	£'000
Wages and salaries	8,891	9,948
Social security costs	921	1,042
Other pension costs	<u>420</u>	<u>468</u>
Staff costs	<u>10,232</u>	<u>11,458</u>

The average monthly number of persons (including directors) employed by the company during the year was:

	2019	2018
	Number	Number
Production	144	135
Selling and distribution	13	29
Administration	<u>39</u>	<u>46</u>
	<u>196</u>	<u>210</u>

All of directors' remuneration is borne by Forum US Inc. within the group. For both directors, it is not considered possible to apportion their remuneration to this entity on the basis of the services provided and accordingly no allocation has been made. The remuneration paid by other group companies has been disclosed in the financial statements of the companies concerned.

9. Tax on loss

The tax (credit) charge comprises:

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax on loss for the year	-	23
Adjustments in respect of prior years	<u>(1,318)</u>	<u>-</u>
Total current tax	<u>(1,318)</u>	<u>23</u>
Deferred tax		
Origination and reversal of timing differences	-	457
Deferred Tax Write Off	<u>-</u>	<u>2,139</u>
Total deferred tax	<u>-</u>	<u>2,596</u>
Tax (credit)/charge on loss	<u>(1,318)</u>	<u>2,619</u>

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

9. Tax on loss (continued)

The standard rate of tax for the year, based on the UK standard rate is 19% (2018: 19%). The actual tax charge for the year differs (2018: differs) from the standard rate for the reasons set out in the following reconciliation:

	2019 £'000	2018 £'000
Loss before taxation	(4,380)	(7,106)
Loss before taxation at the standard rate of corporation tax in the UK of 19% (2018: 19%)	(832)	(1,350)
Effects of:		
Expenses disallowable for taxation purposes	540	585
Difference between depreciation and capital allowances	405	3,711
Other timing differences	(113)	(848)
Chargeable Gains	-	19
Property Income	-	75
Deferred Tax Not Recognised	-	2,139
R&D Relief	-	(85)
Group Relief	-	(1,627)
Adjustments in respect of prior years	(1,318)	-
Total tax (credit) charge for year	(1,318)	2,619

Factors affecting current and future tax charges

The main rate of corporation tax from 1 April 2019 is 19%. The 2020 UK Budget announced that the UK corporation tax rate would remain at 19% from 1 April 2020.

Deferred tax

No deferred tax assets were recognised at 31 December 2019 (2018: nil) given the ongoing losses of the company and the uncertainty of utilisation of such losses. Unrecognised deferred tax assets at 31 December 2019 amount to £158k (2018: nil).

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for further reduction in the main rate of corporation tax to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

In the Government's Budget on 11 March 2020, it was announced that the reduction in the UK rate to 17% will not occur and the Corporation Tax rate will be held at 19%. As substantive enactment (17 March 2020) is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the net deferred tax assets would increase to £177k.

Forum Energy Technologies (UK) Limited

Notes to the financial Statements for the year ended 31 December 2019 (continued)

10. Tangible assets

	Freehold Land £'000	Leasehold improvement £'000	Plant and machinery £'000	Rental assets £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2019	1,261	5,370	6,284	363	10	13,288
Additions	-	3	392	45	-	440
Disposals	-	(715)	(1,368)	(7)	-	(2,090)
At 31 December 2019	1,261	4,658	5,308	401	10	11,638
Accumulated depreciation						
At 1 January 2019	-	2,548	5,488	183	10	8,229
Charge for the year	-	210	292	96	-	598
Disposals	-	(715)	(1,248)	(4)	-	(1,967)
Impairment	-	1,540	-	-	-	1,540
At 31 December 2019	-	3,583	4,532	275	10	8,400
Net book value						
At 31 December 2019	1,261	1,075	776	126	-	3,238
At 31 December 2018	1,261	2,822	796	180	-	5,059

A vacated property was sublet in December 2019 at a lower amount of sublease income for the remaining term of the lease. As a result, the leasehold improvements were no longer recoverable and therefore, a £1,540k impairment was recognised. Additions of plant and machinery includes additions associated with a 3-year finance lease for IT network and phone hardware at the UK facilities (Note 15).

11. Investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2019	79,350
Additions	-
At 31 December 2019	79,350
Provision for impairment	
At 1 January 2019	75,143
Increase in provision	2,588
At 31 December 2019	77,731
Net book value	
At 31 December 2019	1,619
At 31 December 2018	4,207

The impairment of investment of £2,588k in 2019 relates to one of the Company's subsidiaries, Oilfield Bearing International Limited, which is a dormant entity. The impairment was due to the write off of an intercompany receivable with this dormant entity (2018: impairment of £2,699k associated with Multilift Wellbore Technology Limited).

The directors believe that the carrying value of the remaining investments is supported by the value that could be realised from the entities.

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11. Investments (continued)

Entity	Country of Incorporation	Registered Office Address	Percentage Ownership in Ordinary Shares	Principal Activity
Direct subsidiaries:				
Oilfield Bearing International Ltd	Scotland	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ	100%	Dormant company
Forum Germany Holdings Limited (formerly Tube Tec (Tubular Protection Services) Limited)	Scotland	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ	100%	Holding company
Multilift Wellbore Technology Limited	UK	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ	100%	These companies are involved in the design, manufacture and provision of subsea and drilling related products for the oil and gas industry
Indirect subsidiaries:				
Forum B+V Oil Tools GmbH	Germany	Hermann-Blohm-Strasse 2 20457 Hamburg Germany	95%	

12. Stocks

	2019	2018
	£'000	£'000
Work in progress	4,041	2,653
Finished goods and goods for resale	10,932	11,200
	<u>14,973</u>	<u>13,853</u>

13. Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Trade debtors	6,657	5,117
Amounts owed by group undertakings	93,484	94,426
Other debtors	1,342	1,372
Prepayments and accrued income	2,736	5,201
	<u>104,219</u>	<u>106,116</u>

Amounts owed by group undertakings are all inter-company trade receivables from various related companies which are unsecured, interest free and are repayable on demand.

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

14. Creditors: Amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	7,045	6,225
Amounts owed to group undertakings	49,798	49,398
Corporation tax	-	6,460
Finance Lease	89	-
Other creditors	251	191
Accruals and deferred income	8,161	5,347
	<u>65,344</u>	<u>67,621</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

15. Finance Lease

Finance leases are repayable as follows:

	2019	2018
	£'000	£'000
Minimum lease payments:		
Within 1 year	100	-
Within 1-5 years	99	-
	<u>199</u>	<u>-</u>
Less: future finance charges	(15)	-
Present value of lease obligations	<u>184</u>	<u>-</u>
	2019	2018
	£'000	£'000
Present value of lease obligations:		
Within 1 year	89	-
Within 1-5 years	95	-
Present value of lease obligations	<u>184</u>	<u>-</u>

16. Provisions for liabilities

	Dilapidations	Onerous Contract	Total
	£'000	£'000	£'000
At 1 January 2019	428	3,703	4,131
Provision movement in the year	904	(1,027)	(123)
At December 2019	<u>1,332</u>	<u>2,676</u>	<u>4,008</u>

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16. Provisions for liabilities (continued)

The increase in dilapidations provision of £904k is due to the consolidation of UK facilities. In 2019, management announced a planned closure of a manufacturing facility in Ashington which resulted in a £325k increase in dilapidation costs. The remaining movement of £579k is associated with leases which are due to expire in 2 to 10 years.

The £1,027k decrease in onerous contract provision is related to a £1,095k partial release of the prior year provision due to the subletting in December 2019 of a facility in Aberdeenshire for the remaining term of the lease to 2030. This was partially offset by a £68k increase in the onerous contract provision due to the announced closure of a manufacturing facility in Ashington which was subsequently exited in 2020.

17. Called up share capital

	2019 £'000	2018 £'000
Authorised:		
500,000 (2019: 500,000) Ordinary shares of £1 each	500	500
Allotted and full paid		
500,000 (2019: 500,000) Ordinary shares of £1 each	500	500

18. Other Financial commitments

At 31 December 2019 the company had total commitments under non-cancellable operating leases as set out below:

	2019 £'000	2018 £'000
Land and buildings		
Operating leases which expire:		
Within 1 year	1,207	1,336
Within 1-5 years	2,273	3,082
More than 5 years	3,033	3,486
	<u>6,613</u>	<u>7,904</u>
Other		
Operating leases which expire:		
Within 1 year	25	55
Within 1-5 years	26	21
More than 5 years	-	24
	<u>51</u>	<u>100</u>

19. Pension scheme

The company operates a defined contribution pension scheme for eligible employees. Pension costs charged in the year amounted to £420k (2018: £468k). Total outstanding contributions payable to the scheme at 31 December 2019 were £78k (2018: £81k).

Forum Energy Technologies (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

20. Ultimate parent company

The company's immediate parent undertaking is FET Global Holdings Limited, incorporated in the United Kingdom. The company's ultimate parent and controlling party is Forum Energy Technologies Inc., a company incorporated in the United States of America which was listed on the New York Stock Exchange on 12 April 2012 with registered office at 10344 Sam Houston Park Dr, Suite 300, Houston, TX 77064, USA.

Forum Energy Technologies Inc is the parent undertaking of the smallest and the largest group to consolidate these financial statements. Consolidated financial statements are available on the company's website, www.f-e-t.com.

21. Post Balance sheet events

In response to the COVID-19 outbreak, the Forum Group has mobilised its Business Continuity Teams through which the business operations are managed with the top priority being the safety of the workforce. The Group has undertaken a review of operational activities for the year and will reduce the level of work to undertake only what is necessary to keep the workforce safe and to maintain continuing safe operations in all locations for as long as is necessary.

The disruption caused by the COVID-19 pandemic and the resulting collapse in energy demand has been dramatic. With little ongoing work for drilling and completions services, customer spending has been exceptionally weak, impacting demand for many of Forum group's products. Commodity prices have fallen significantly during 2020. As noted in the Strategic report, the Group completed significant structural cost reductions in the second quarter of 2020. This allowed the Forum group to significantly offset lower sales volume and pricing. The Group now has a much leaner cost structure to weather the downturn and benefit from any incremental activity increases.