Registered Number: SC583752

Centurion 3 Limited

Annual Report and Consolidated Financial Statements For the Year Ended 31 December 2019

Directors and Advisors

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Mr M Raper

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Strategic Report

Centurion 3 Limited ("the Company") and its subsidiary undertakings, collectively referred to as "the Group", is a global leader in the supply of critical rental, infrastructure and support services to a number of end-markets including the energy, mining, infrastructure, power, environmental and renewable energy industries. The Group has a global reach with operations in key service locations: Canada, America, UK & Europe, Caspian, Australia and South East Asia.

The Company is a wholly owned subsidiary of Centurion Group Limited, a Cayman registered company ("the Parent"). The Company's principal activity is to act as a holding company for its subsidiary undertakings.

Business review

Our vision is to build ***a successful, global and sustainable services company*** supporting our chosen end-markets including energy, mining, infrastructure, power, environmental and renewable sectors. The focus is on improving market recognition, adding more valuable services and getting closer to the customer through the development of stronger institutional relationships.

Successful refers to our commitment to safety, quality and to consistently delivering superior results vs market peers. ***Global*** refers to the strong presence in key markets that creates reach and market access while providing stability and optionality. ***Sustainable*** refers to employee satisfaction, environmental consciousness and a commitment to profitability, cash generation and financial prudence that creates cycle resilience.

This vision is supported through our core values:

- **We Do The Right Thing:** Centurion people are proud of what they do, because we do the right thing every time. We are safe. We are open, transparent and professional. We create value. **We care.**
- **We Do What We Say:** Centurion people are honest, supportive, responsive and easy to work with. We honour every commitment and expect the same from others. We listen. We respect differences. **We develop and deliver fit-for-purpose solutions.**
- **We Work Together:** Centurion people use their skills, knowledge and experience to build positive relationships wherever they can. We work as one team, locally and globally. We learn. We teach. **We actively share knowledge and insight.**
- **We Go The Extra Mile:** Centurion people are hard working, committed and innovative. Always looking for new ways and new opportunities to improve, large and small. We drive change. **We challenge the status quo.**

Our goal is to create a highly integrated Group that delivers innovative and differentiated solutions to our customers. To maximise our chances of success and to allow us to remain highly focussed, we have defined five strategic initiatives to use as initial building blocks:

1. ***Execution Excellence:*** *We seek to deliver "Innovative Solutions, Any Time, Anywhere" via our global footprint whilst maintaining the highest level of safety, quality and ethical standards.*
2. ***Customer Relationships:*** *We will strengthen and leverage our customer relationships across all locations and segments within the Group to ensure our customers have access to full suite of products and services.*
3. ***Integrated Offerings:*** *Our breadth of equipment and service offering is unique with limited competition across all our offerings. The more we integrate, the more value we create for our customers and us and the more we differentiate in the market place.*
4. ***Acquisitions:*** *Acquisitions are in our DNA and are often an effective way to accelerate growth. We will continue to seek to broaden our product and service offering, our geographic footprint and incorporate more technical offerings through acquisitions.*
5. ***Stability through Optionality:*** *We are building an operating platform that seeks to be resilient throughout cycles and that has opportunities for growth during most market conditions. To achieve this, it is important that we not only protect but constantly expand our multi-segment business and our multi-market footprint. Such large multi-segment, multi-market exposure should create long term stability and provide the optionality need to perform during most market conditions.*

Strategic Report (continued)

Business review (continued)
2019 was the second full year for the enlarged Group, following the combination of Centurion 1 Limited with Oil Patch on 3 January 2018 and SITE Energy Services Partnership ("SITE") and 1844251 Alberta Limited ("WTS Rentals") on 29 December 2017. The combination created a market leading global rental, infrastructure and support services business with scale, segmental and geographic diversification that is EBITDA positive and cash generative and provides downside protection with upside potential.

The Group continued to pursue its long-term strategic initiatives described above, with particular focus on developing a strong culture with emphasis on Safety, Quality and Responsiveness, increasing cross-selling and bundling of offerings, increasing the pace of integration, conscious deployment of capital expenditure partial self-funded with disposals of under-utilised assets and incorporation of additional strategic acquisitions.

The Group's financial performance was strong reflecting the robust nature of the Centurion platform.

Revenue, before exceptional and adjusting items, for the year ending 31 December 2019 was $458.0m which is an increase of 4% on 2018 results. Gross profit before exceptional and adjusting items increased by $4.4m to $111.8m with Gross margin before exceptional and adjusting items stable at 24.4% against 24.3% in 2018. During 2019, the Group invested in its operations for future growth, as a result EBITDA, before IFRS 16, exceptional and adjusting items was $62.2m, a decrease of 12% from 2018.

The loss after tax of $8.7m is stated after $22.6m of exceptional and adjusting items.

Included within the exceptional and adjusting items are estimated losses of $20.6m arising from three large lump sum underground pipeline contracts reported within the Infrastructure Segment that were contracted in 2018. The Group no longer undertakes large lump sum underground pipeline contracts. One contract has been fully closed out with $4.9m of contract variations recovered in 2019. Commercial negotiations to recover contract variations are continuing with the same client on two of these contracts. The recognised loss of $20.6m reflects the estimated loss on these contracts, at 31 December 2019, and excludes any potential contract variations recovered in the future.

Refer to note 6 of the financial statements, for further details of exceptional and adjusting items.

The Group continued to invest through 2019, with $50m invested in capital equipment and acquisitions with a focus on technical and value add offerings to support customers and operations. The investment in technical and value add offerings continues to support our strategy of increasing our scale, segmental and geographic diversification.

The Group is organised into three business segments and four geomarkets:

Business Segments
- *Accommodation and Modular Solutions ("AMS")*: AMS delivered 45% of Group EBITDA in 2019 and operates three main sub-segment product and service lines: Accommodation & Ancillaries, Tanks & Containers, and Waste & Water Treatment.

- *Drilling, Completion and Production ("DCP")*: DCP accounted for 37% of Group EBITDA in 2019 and operates three main sub-segment service lines: Drilling & Completions, Production & Testing, and Subsea.

- *Infrastructure ("INF")*: INF delivered 18% of Group EBITDA in 2019 and operates three main sub-segment service lines: Access & Environmental, Piling & Foundations and Project Management.

Strategic Report (continued)

Business review (continued)
Geomarkets

- US Land ("USL"): USL geomarket delivered 48% of Group EBITDA in 2019 and operates four main sub-segment product and services lines: Accommodation & Ancillaries, Waste & Water Treatment, Drilling & Completions and Production & Testing.

- Canada Rentals & Services ("CRS"): CRS geomarket delivered 11% of Group EBITDA in 2019 and operates three main sub-segment product and services lines: Accommodation & Ancillaries, Waste & Water Treatment and Drilling & Completions.

- Canada Infrastructure ("CINF"): CINF delivered 18% of Group EBITDA in 2019 and operates three main sub-segment service lines: Access & Environmental, Piling & Foundations and Project Management.

- Rest of World ("RoW"): RoW delivered 23% of Group EBITDA in 2019 and operates three main sub-segment service lines: Accommodation & Ancillaries, Tanks & Containers, Waste & Water Treatment, Production & Testing.

The Group has also continued to build on the established track record of acquisition-led growth with the purchase of several businesses providing more technical, safer and environmentally friendly products and services:

- Tango Delta Rentals Ltd
  Purchase of 100% of the share capital of Tango Delta Rentals Ltd ("Tango Delta") on 11 February 2019; Tango provides rental of communication products and services.

- Top Frac Industries LLC (trading as TotalFrac)
  Purchase of trade and certain assets of Top Frac Industries LLC doing business as TotalFrac ("TotalFrac") on 17 May 2019; TotalFrac provides technical solutions for onshore energy production.

- G5S Energy Services LLC
  Purchase of 100% of the share capital of G5S Energy Services LLC ("G5S") on 18 October 2019; G5S provides safer technical solutions that control the flow of high pressure and corrosive fluids used in onshore energy production.

- Osprey3 Limited
  Purchase of 100% of the share capital of Abenco Ltd and its subsidiary Osprey3 Limited ("Osprey3") on 15 November 2019; Osprey3 provides environmental solutions and equipment that recycles water and other production and completion fluids used in energy production.

On 20 December 2019 the Group extended its existing multi-currency Revolving Credit Facility by approximately $20m taking the Group's total committed facilities to $270m. The extended facility will be used for acquisitions, capital expenditure and working capital requirements. On 3 November 2020, the term of the credit facility was extended from 31 December 2021 to 31 December 2022 with the existing consortium of banks comprising, Amegy Bank National Association, ATB Financial, Clydesdale Bank, HSBC plc, Iberia Bank Corporation, Royal Bank of Scotland plc and Wells Fargo Bank NA. The extended facilities are required to be repaid over a longer term and provide the Group with $107.4m of undrawn facilities as at the date of this report for acquisitions, capital expenditure and working capital subject to customary bank covenants and credit agreement conditions.

Strategic Report (continued)

Business review (continued)
Net debt (comprising gross debt excluding exchangeable shares and unamortised issue costs less cash) at 31 December 2019 was $158.9m, $1.9m lower than the prior year despite a $50m investment in capital equipment and acquisitions. Group net debt to adjusted EBITDA leverage ratio before exceptional and adjusting items is 2.56x at 31 December 2019 compared to 2.28x at 31 December 2018.

Future Developments
The Group has cash and cash resources of $12.8m, and the ability to draw down a further $107.4m of debt funding under the existing Revolving Credit Facility ("RCF") as of the date of this report to fund continuing investment in capital equipment, acquisitions and working capital.

As a result, the directors believe that the Group is well positioned to enhance its position as a global leader in the supply of critical rental, infrastructure and support services to a number of end-markets including the energy, mining, infrastructure, power, environmental and renewable energy industries and to continue to remain a strong and robust platform ideally positioned to capitalise on market conditions.

The Group is focussed on continuing to build a highly integrated business that combines the Group's global strengths with a strong local presence to become more globally recognised, but also more locally relevant across all its markets.

The COVID-19 pandemic presents a challenge to all businesses including the Group. The Directors consider the implications of COVID-19 to be a subsequent event occurring after the balance sheet date of 31 December 2019, which is discussed further in *Principal risks and uncertainties*.

Key performance indicators (KPIs)
The directors consider the following as key performance indicators (KPIs).

	2019	2018
Revenue (*) ($000)	**458,017**	**442,371**
Gross margin (*) (%)	**24.4%**	**24.3%**
Adjusted EBITDA ($000)	**62,159**	**70,503**
Adjusted EBIT ($000)	**19,619**	**24,279**
Adjusted PAT ($000)	**13,977**	**18,401**
Unlevered Free cash flow ($000)	**51,354**	**7,891**
Net debt ($000)	**158,871**	**160,787**

*Pre-exceptional and adjusting items

- Adjusted EBITDA is defined as Earnings before IFRS 16, Interest, Tax, Depreciation, Amortisation and Exceptional and Adjusting Items.
- Adjusted EBIT is defined as Adjusted EBITDA after Depreciation and Amortisation.
- Unlevered Free Cash Flow is defined as Adjusted EBITDA plus or minus operating cashflow movements, plus or minus working capital movements, minus capital expenditures plus disposal proceeds.
- Adjusted PAT is defined as Profit after Tax before Exceptional and Adjusting Items.
- Net Debt is defined as Gross Debt (excluding Exchangeable Shares and Unamortised Issue Costs) less Cash.

These KPIs are monitored and tracked to budget and reviewed monthly. These measures are influenced by external factors such as global economic activity and commodity prices (energy and minerals).

Strategic Report (continued)

Principal risks and uncertainties
Principal risks and uncertainties faced by the Group include geographical, political, fiscal, operational, commodity price volatility and financial risks. The Group's compliance framework, policies and management processes seek to mitigate adverse effects of these on the performance of the Group.

COVID-19 Virus
The COVID-19 pandemic presents a challenge to all businesses including the Group. The Directors consider the implications of COVID-19 to be a subsequent event occurring after the balance sheet date of 31 December 2019, and which is therefore a non-adjusting event to the Group.

The COVID-19 pandemic presents a challenge to all businesses including the Group. In addition to the health risks posed to our employees and the employees of our customers and suppliers, the consequences of COVID-19 include, but are not limited to, global supply and manufacturing disruptions, workforce restrictions and global travel restrictions.

The Group is a global business with locations in a number of jurisdictions. The health and safety of our employees is our priority and we are following government and regional guidelines closely in the locations that we operate in. This advice has included migrating all non-critical office-based workforce globally to work from home, wherever possible, leveraged off the Group's investment in IT services. The Group has put in place effective social distancing measures across all key operational bases to ensure key employees can operate and work effectively. The Group and its customer base have worked collaboratively to be able to continue to provide its essential services, in a safe manner, whilst ensuring it protects the health and well-being of its own and its customers employees, suppliers and assets.

The COVID-19 pandemic and lower global economic activity levels are having an adverse impact on the Group's customers in 2020. Management have taken proactive steps to systematically reduce the direct and indirect cost base to mitigate reduced revenues and have focussed on cash generation through active working capital management.

The Group is confident that the measures already taken and will continue to take, together with its financial strength, including cash and cash reserves of $12.8m, and the ability to draw down a further $107.4m of debt funding under the existing Revolving Credit Facility, as of the date of this report results, provide a solid foundation for the future success of the Group.

Geographical, political and fiscal risks
As a global business operating in a number of international locations, the Group has regard to the countries in which it does business. In conducting its business in a country, the Group considers the country in which business is proposed; the customers, agents and/or other prospective business partners who would be involved; and assesses this information against the legal, compliance and ethical framework within which it seeks to conduct business. The Group also considers each of these countries' fiscal regimes, enabling assessment of the anticipated effects of taxes on the overall tax burden borne by the Group.

The Group generates approximately 2% of its revenues from EU, excluding the UK, and as such does not believe that the UK's departure from the EU will have a material impact on the Group's performance.

Strategic Report (continued)

Operational risks
The nature of the Group's activities gives rise to a variety of operational risks:

- Health, safety & welfare risks arise from the nature of the services provided and the locations in which these are undertaken. The welfare of personnel is paramount and careful research is undertaken before individuals are deployed to locations, including assessing the level of support that customers will provide. The Group has an uncompromising commitment to health, safety and welfare.

- Operational contracting risks arise from the nature of agreements with some customers, including lump sum or fixed price agreements. In addition, where customers request work at short notice, the timing and quantum of work over the life of such contracts is difficult to predict and can provide operational challenges. In some geographies, the Group operates in harsh environments and contract outcomes can be adversely affected by extreme weather conditions.

- Acquisition risks arise from the strategy involving the undertaking of business combinations. The Group's policy is to conduct an appropriate level of due diligence on any business purchase to assist in mitigating the risks that such purchases may bring.

Commodity price volatility
Reduction in the price of energy impacts the willingness of companies to invest, which in turn impacts the level of activity by our customers and potential customers. Energy prices are primarily determined by supply, demand, government regulations relating to oil and natural gas production and processing, and international political events, none of which can be accurately predicted. The Group's geographic and segmental diversification provides a level of risk mitigation to commodity price volatility.

All of the above-mentioned risk factors should be considered in connection with any forward looking statements in these financial statements.

The Group's financial risks are discussed in the Directors' Report on page 11.

Going concern
The Group has cash and cash reserves of $12.8m, and the ability to draw down a further $107.4m of debt funding under the existing RCF subject to customary bank covenants and credit agreement conditions. In November 2020 the Group extended its existing bank facilities to 31 December 2022. Having assessed the financial position and trading prospects for the Group, including possible downside scenarios as a result of COVID -19, through the going concern period, the directors have developed a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in their preparation of the annual financial statements.

Events after the balance sheet date
On 9 October 2020 the Group purchased the trade and certain assets of Pressure Test Solutions Limited, a business based in the United Kingdom. The total consideration of the trade and asset purchase was approximately $0.4m.

As noted above, included within the exceptional and adjusting items are estimated losses of $20.6m arising from three large lump sum underground pipeline contracts undertaken by SITE and reported within the Infrastructure Segment. One contract has been fully closed out with $4.9m of contract variations recovered in 2019. Commercial negotiations to recover contract variations are continuing with the same client on two of these contracts. The recognised loss of $20.6m reflects the estimated loss on these contracts, at 31 December 2019, and excludes any potential contract variations recovered in the future.

Strategic Report (continued)

Events after the balance sheet date (continued)
As noted above, on 3 November 2020, the term of the credit facility was extended from 31 December 2021 to 31 December 2022 with the existing consortium of banks comprising, Amegy Bank National Association, ATB Financial, Clydesdale Bank, HSBC plc, Iberia Bank Corporation, Royal Bank of Scotland plc and Wells Fargo Bank NA. The extending facilities are required to be repaid over a longer term and provide the Group with $107.4m of undrawn facilities as at the date of this report for acquisitions, capital expenditure and working capital.

The COVID-19 pandemic presents a challenge to all businesses including the Group. The COVID -19 pandemic and lower global economic activity levels are having an adverse impact on the Group's customers in 2020. Management have taken proactive steps to systematically reduce the direct and indirect cost base to mitigate reduced revenues and have focussed on cash generation through active working capital management. Like many other businesses, the Group has taken steps to preserve short-term liquidity and access to available government reliefs in certain countries, including in the UK the Government Job Retention Scheme.

Whilst the Directors consider the implications of COVID-19 to be a non-adjusting post balance sheet event, they note that due to continuing COVID-19 uncertainty there is the potential that certain non-current assets held as at 31 December 2019 may be exposed to future impairment in the year ending 31 December 2020. Given the recent COVID-19 developments and the progress and launch of vaccines it is not considered practicable to provide an estimate of any future impairment that may occur at this time. A sensitivity analysis has been performed on the value in use determined at 31 December 2019 for certain CGUs as set out in note 12 to the financial statements.

Directors' statement in performance of their duties under Section 172(1)
The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, to be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year.

This includes considering the interests of our customers, suppliers, and employees, maintaining high standards of business ethics and conduct and considering the Group's impact on local communities and the environment.

Employees
The Group's employees are a key component and asset of the business.

All our employees are encouraged to take an active role in health, safety and environmental issues and in maintaining and continually developing excellence in service delivery. In addition to actively promoting safety and operational best practice, regular safety notices are distributed to all employees. In addition, group meetings are held and contract specific notices circulated to all relevant personnel in order to achieve a common awareness of all employees in relation to strategy of the Group and the relevant financial and economic factors that affect the performance of the Group.

The Group has established an employee intranet, Centurion Connect, to further improve the dissemination of information and encourage greater collaboration across its workforce.

Business relationships
The Group works closely to manage the important relationships it has with its customers, regularly engaging with them, and delivering high quality services to high standards of safety and reliability to consistently meet their requirements. The Group also works closely with its suppliers that embrace standards of ethical behaviour that are consistent with our own. The Group work with suppliers and their supply chains to provide fully compliant, cost-effective goods, services and solutions.

Strategic Report (continued)

Impact on community and environment

The Group continues to be committed to operating its business in an environmentally responsible way, and environmental sustainability constitutes a key part of the Group's vision. This is centred on the following:

- *making Centurion greener*: through reducing, reusing and recycling waste, water and power usage in our operations.
- *helping our customers become greener:* helping our customers on their decarbonisation journey to zero emissions by providing more environmental solutions.
- *strengthen community relationships:* our goal is to build trust and respect whilst providing sustainability and economic opportunities in the communications in which we operate.

Reputations for high standards of business conduct

Responsible business conduct is fundamental to the long term-success of the Group. Centurion is committed to the highest standards of business ethics and corporate social responsibility toward the Group's clients, staff, suppliers and the communities in which it operates in. The Group's Business Ethics and Conduct Policy and the Anti Bribery and Corruption Policy sets out the standards and behaviours expected of all employees, contractors, and consultants, and details the guidance and support that the Group provides to help meet the high standards of business conduct, legally and ethically, that we expect.

Approved by the Board and signed on its behalf by:

E Leask
Director
22 December 2020

Directors' Report

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

Information on the principal activities, review of business, future developments, going concern, principal risks and uncertainties and events after the balance sheet date is included in the Strategic Report on pages 3 to 10.

Directors
The directors who served during the year and to the date of the approval of the financial statements are:

Mr P Stuart (resigned 25 September 2019)
Mr E Leask
Mr M Raper (appointed 25 September 2019)

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. The indemnity provisions also cover the directors in their roles as directors of subsidiary entities.

Charitable and political donations
During the year the Group made charitable donations of $4k (2018: $16k) There were no political donations during the current or prior year

Research and development expenditure
During the year, the Group incurred $27k (2018: $23k) in research and development expenditure in respect of subsea engineering activities.

Dividends
No dividends were declared during the year (2018: nil).

Financial risk management policies and objectives
The Group's activities expose it to a number of financial risks including currency risk, credit risk, liquidity risk and interest rate risk. The Group does not use derivative financial instruments for speculative purposes:

Currency risk
The Group's activities primarily expose it to the movement of the British Pound ("GBP"), Canadian Dollar ("CAD"), Australian Dollar ("AUD") and Singapore Dollar ("SGD"). The Group seeks to naturally hedge such exposures and considers forward or fixed exchange rate contracts as deemed appropriate.

Credit risk
The Group's principal financial assets are trade and other receivables and cash and bank balances. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. The credit risk on trade and other receivables is managed through maintaining good customer relationships and the monitoring of credit levels and settlement periods. The credit risk on liquid funds is considered limited with the counterparties being with banks with recognised credit ratings assigned by international credit rating agencies.

Liquidity risk
In order to maintain liquidity and to ensure sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long term and short-term finance.

Directors' Report (continued)

Financial risk management policies and objectives (continued)
Interest rate risk
The Group borrows in desired currencies at floating rates of interest, with consideration being given to fixed rate arrangements as considered appropriate. At 31 December 2019, no interest rate swap instruments were in place.

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members 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 possible, be identical to that of other employees.

Employee consultation
The Group places considerable value on the involvement of its employees and has sought to keep them informed of matters affecting them as employees and on the various factors affecting the performance of the Group. This is currently achieved through formal and informal means, including staff meetings, notice boards, bulletins and the use of email.

Auditor
Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte have expressed their willingness to be reappointed and appropriate arrangements are being made in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

E Leask
Director

22 December 2020

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation. The directors have also chosen to prepare the company financial statements in accordance with these requirements (with certain exemptions adopted). 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 group and company financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of Centurion 3 Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Centurion 3 Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and company statement of cash flows; and
- the notes to the consolidated financial statements 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the group and the parent 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 group's or the parent 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.

Independent Auditor's Report (continued)

to the members of Centurion 3 Limited

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 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.

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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report (continued)

to the members of Centurion 3 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 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.

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.

Graeme A Sheils, CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom

22 December 2020

Consolidated Income Statement

For the year ended 31 December 2019

		2019			2018		
	Notes	Before exceptional and adjusting items $000	Exceptional and adjusting items (Note 6) $000	Total $000	Before exceptional and adjusting items $000	Exceptional and adjusting items (Note 6) $000	Total $000
Revenue	4	458,017	43,674	501,691	442,371	11,363	453,734
Existing operations		452,503	43,674	496,177	428,318	11,363	439,681
Acquisitions	11	5,514	-	5,514	14,053	-	14,053
Cost of sales		(346,246)	(64,306)	(410,552)	(335,044)	(17,942)	(352,986)
Gross profit/(loss)		111,771	(20,632)	91,139	107,327	(6,579)	100,748
Administrative expenses		(90,975)	(3,374)	(94,349)	(83,049)	(7,242)	(90,291)
Profit/(loss) from operating activities		20,796	(24,006)	(3,210)	24,279	(13,821)	10,457
Existing operations		19,606	(24,006)	(4,400)	20,834	(13,821)	7,013
Acquisitions	11	1,190	-	1,190	3,444	-	3,444
Finance income	7	27	-	27	39	-	39
Finance expense	7	(12,542)	-	(12,542)	(12,171)	-	(12,171)
Other gains and losses	8	627	-	627	2,311	-	2,311
Profit/(loss) before tax		8,908	(24,006)	(15,098)	14,457	(13,821)	636
Income tax credit	10	5,069	1,372	6,441	3,944	378	4,322
Profit/(loss) for the year	5	13,977	(22,634)	(8,657)	18,401	(13,443)	4,958
Profit/(loss) attributable to:							
Owners of the Company		13,977	(22,634)	(8,657)	18,385	(13,443)	4,942
Non-controlling interest	20	-	-	-	16	-	16
		13,977	(22,634)	(8,657)	18,401	(13,443)	4,958

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 $000	2018 $000
(Loss)/profit for the year	**(8,657)**	4,958
Other comprehensive gains/(losses)		
Items that may be reclassified to the income statement in subsequent periods:		
Gain/(loss) on translation of overseas operations	**4,031**	(13,254)
Total comprehensive loss for the year	**(4,626)**	(8,296)
Total comprehensive loss attributable to:		
Owners of the Company	**(4,626)**	(8,312)
Non-controlling interest	**-**	16
	(4,626)	(8,296)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 $000	2018 $000
NON-CURRENT ASSETS			
Goodwill	12	**120,482**	103,541
Other intangible assets	13	**25,288**	24,550
Deferred tax assets	10	**8,675**	2,254
Property, plant and equipment	15	**184,386**	185,944
Right of use asset	16	**39,802**	-
Total non-current assets		**378,633**	316,289
CURRENT ASSETS			
Inventories	17	**19,652**	20,240
Trade and other receivables	18	**123,818**	141,005
Amounts due from parent company	29	**-**	567
Current tax assets		**1,705**	3,245
Cash and bank balances		**27,912**	10,806
Total current assets		**173,087**	175,863
TOTAL ASSETS		**551,720**	492,152
EQUITY			
Share capital	19	**263,112**	252,640
Other equity reserves	19	**(25,587)**	(30,129)
Merger reserve	19	**94,775**	94,775
Accumulated losses	19	**(120,642)**	(107,247)
Total equity attributable to owners of the Company		**211,658**	210,039
Non-controlling interests	20	**-**	-
TOTAL EQUITY		**211,658**	210,039
NON-CURRENT LIABILITIES			
Borrowings	21	**110,242**	123,169
Lease liabilities	16	**38,630**	-
Finance lease arrangements	23	**-**	159
Provisions	24	**770**	551
Deferred tax liabilities	10	**15,020**	12,750
Total non-current liabilities		**164,662**	136,629
CURRENT LIABILITIES			
Provisions	24	**-**	7,134
Trade and other payables	25	**69,822**	68,171
Amounts due to parent company	29	**96**	-
Current tax liabilities		**422**	802
Borrowings	21	**98,567**	69,232
Lease liabilities	16	**6,493**	-
Finance lease arrangements	23	**-**	145
Total current liabilities		**175,400**	145,484
TOTAL LIABILITIES		**340,062**	282,113
TOTAL EQUITY AND LIABILITIES		**551,720**	492,152

The financial statements of Centurion 3 Limited, registered number SC583752, were approved on 22 December 2020 by the Board of Directors and signed on its behalf by:

E Leask
Director

Company Statement of Financial Position

As at 31 December 2019

	Notes	2019 $000	2018 $000
NON-CURRENT ASSETS			
Investment in subsidiaries	**14**	**263,112**	252,640
Total non-current assets		**263,112**	252,640
CURRENT ASSETS			
Trade and other receivables	**18**	**318**	34
Cash and bank balances		**64**	-
Total current assets		**382**	34
TOTAL ASSETS		**263,494**	252,674
EQUITY			
Share capital	**19**	**263,112**	252,640
Accumulated losses	**19**	**(2,454)**	(1,647)
TOTAL EQUITY		**260,658**	250,993
CURRENT LIABILITIES			
Trade and other payables	**25**	**270**	379
Amounts due to subsidiaries	**29**	**2,566**	1,302
Total current liabilities		**2,836**	1,681
TOTAL LIABILITIES		**2,836**	1,681
TOTAL EQUITY AND LIABILITIES		**263,494**	252,674

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these financial statements. The Company's loss for the year was $807k (2018: $757k).

The financial statements of Centurion 3 Limited registered number SC583752 were approved on 22 December 2020 by the Board of Directors and signed on its behalf by:

E Leask.
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital $000	Other equity reserves $000	Merger reserve $000	Accumulated losses $000	**Attributable to owners of the Company $000**	Non-controlling interests $000	**Total $000**
Balance at 1 January 2018	215,600	(17,309)	66,356	(112,189)	**152,458**	22,361	**174,819**
Profit for the year	-	-	-	4,942	**4,942**	16	**4,958**
Loss on translation of overseas operations	-	(13,254)	-	-	**(13,254)**	-	**(13,254)**
Total comprehensive (loss)/income for the year	-	(13,254)	-	4,942	**(8,312)**	16	**(8,296)**
Issuance of share capital prior to re-organisation	108,535	-	(46,480)	-	**62,055**	(18,973)	**43,082**
Share based payments	-	434	-	-	**434**	-	**434**
Eliminated on group re-organisation	(71,495)	-	71,495	-	**-**	-	**-**
Gain on change in control	-	-	3,404	-	**3,404**	(3,404)	**-**
Balance at 31 December 2018	252,640	(30,129)	94,775	(107,247)	**210,039**	-	**210,039**
Adjustment on initial application of IFRS 16 (note 2.3)	-	-	-	(4,738)	**(4,738)**	-	**(4,738)**
Adjusted balance at 1 January 2019	**252,640**	**(30,129)**	**-**	**(111,985)**	**205,301**	**-**	**205,301**
Loss for the year	-	-	-	(8,657)	**(8,657)**	-	**(8,657)**
Gain on translation of overseas operations	-	4,031	-	-	**4,031**	-	**4,031**
Total comprehensive income/(loss) for the year	-	4,031	-	(8,657)	**(4,626)**	-	**(4,626)**
Issuance of share capital	10,472	-	-	-	**10,472**	-	**10,472**
Share based payments	-	511	-	-	**511**	-	**511**
Balance at 31 December 2019	**263,112**	**(25,587)**	**94,775**	**(120,642)**	**211,658**	**-**	**211,658**

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital $000	Accumulated losses $000	**Total $000**
Balance at 1 January 2018	144,105	(890)	**143,215**
Loss for the year	-	(757)	**(757)**
Total comprehensive loss for the year	-	(757)	**(757)**
Issuance of share capital	108,535	-	**108,535**
Balance at 31 December 2018	252,640	(1,647)	**250,993**
Loss for the year	-	(807)	**(807)**
Total comprehensive loss for the year	-	(807)	**(807)**
Issuance of share capital	10,472	-	**10,472**
Balance at 31 December 2019	**263,112**	**(2,454)**	**260,658**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 $000	2018 $000
Cash generated from operations	31	**63,669**	29,447
Tax refunded/(paid)		**68**	(3,229)
Finance costs paid		**(9,154)**	(13,146)
Net cash generated from operating activities		**54,583**	13,072
Cash flows from investing activities			
Payments to acquire plant, property and equipment	15	**(24,861)**	(25,870)
Acquisition of subsidiary investments	11	**(25,274)**	(11,638)
Receipts from disposal of property, plant and equipment	31	**12,546**	4,314
Interest received	7	**27**	39
Net cash used in investing activities		**(37,562)**	(33,155)
Cash flows from financing activities			
Proceeds from borrowings		**65,102**	250,478
Repayment of borrowings		**(53,787)**	(260,266)
Payment of debt issue costs		**(1,521)**	-
Proceeds from issue of shares		**-**	30,000
Payment of lease liabilities (2018: repayment of finance leases)		**(9,709)**	(198)
Net cash generated from financing activities		**85**	20,014
Net increase/(decrease) in cash and cash equivalents		**17,106**	(69)
Opening cash and cash equivalents		**10,806**	10,875
Closing cash and cash equivalents		**27,912**	10,806

Company Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 $000	2018 $000
Cash generated from operating activities	**31**	**64**	-
Net increase in cash and cash equivalents		**64**	-
Opening cash and cash equivalents		-	-
Closing cash and cash equivalents		**64**	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. General information

The Consolidated Financial Statements of Centurion 3 Limited and its subsidiary undertakings (collectively referred to as "the Group") were approved by the Board and authorised for issue on 22 December 2020.

Centurion 3 Limited ("the Company") is a private company limited by shares incorporated in Scotland and is a wholly owned subsidiary of Centurion Group Limited ("the Parent"), a company registered in the Cayman Islands. The address of the Company's registered office is disclosed on page 2.

The principal activities of the Company are described in the Strategic Report on page 3.

Further information about the Group structure is provided in Note 28 and related party transactions are outlined in Note 29.

2. Significant accounting policies

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Consolidated Financial Statements have been prepared on a historical cost basis.

The principal accounting policies are set out below. Other than as discussed at Note 2.3 below the principal accounting policies have been applied consistently for all years presented in these Consolidated Financial Statements.

The financial statements are presented in United States Dollars ($), which is the Group's presentational currency. The Company's functional currency is United States Dollars ($), while the subsidiaries' functional currencies vary dependent on the currency in which they generate and spend their cash flows and largely reflect the respective geographic locations of the subsidiaries.

Subsidiary audit exemption

Centurion 3 Limited has issued parental company guarantees under s479C of the Companies Act 2006. As a result, for the year ended 31 December 2019, the following subsidiaries of the Group were entitled to exemption from audit:

- Centurion 1 Limited (SC540138)
- Centurion 2 Limited (SC540315)
- Centurion Group Holdings Limited (SC435504)
- ATR Overseas Limited (SC317260)
- STH Holdings Limited (SC506774)
- 123456 Aberdeen Limited (formerly known as ATR Equipment Solutions Limited) (SC153427)
- ATR Holdings Limited (SC305588)
- Osprey3 Limited (SC205751)
- Abenco Limited (SC253370)

2.2 Going concern

The Group has cash and cash reserves of $12.8m, and the ability to draw down a further $107.4m of debt funding under the existing RCF subject to customary bank covenants and credit agreement conditions. In November 2020 the Group extended its existing bank facilities to 31 December 2022. Having assessed the financial position and trading prospects for the Group, including possible downside scenarios as a result of COVID -19, through the going concern period, the directors have developed a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in their preparation of the annual financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.3 Adoption of new and revised standards

2.3.1 New and revised standards adopted in the period

In the current year, the Group has adopted a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for annual periods that begin on or after 1 January 2019. Their adoption has not had any impact on the disclosures or on the amounts reported in these financial statements. The standards adopted are:

IFRS 16 – Leases

In the current year, the Group, has adopted IFRS 16 Leases (as issued by the IASB in January 2016), with a date of initial application of 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 2.15. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group has adopted IFRS 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group has recognised new assets and liabilities for its operating leases of property, vehicles, equipment and IT equipment. The nature of expenses related to those leases has changed because the Group now recognises a depreciation charge for right of use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease charges on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous, and instead performs an impairment assessment on the right of use assets.

On transition to IFRS 16, the Group recognised a right of use assets and lease liabilities, recognising the difference in retained earnings. The impact is summarised below:

At 1 January 2019	$000
Right of use assets recognised (note 16)	37,131
Lease liabilities recognised (note 16)	(41,520)
Provisions (note 24)	(322)
Trade and other receivables	(27)
Opening reduction to retained earnings	**(4,738)**

When measuring liabilities for leases that were classified as operating leases, the Group discounted payments using its incremental borrowing rate ("IBR") as at 1 January 2019. The IBR ranged from 4.07% to 8.93%. Right of use assets were measured at their carrying amount as if IFRS 16 had been applied since commencement date, discounted at the Group's IBR at the date of transition.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.3 Adoption of new and revised standards (continued)

Reconciliation of lease liabilities

At 1 January 2019	$000
Operating lease commitment at 31 December 2018	55,544
Impact of discounting	(12,749)
Commitment discounted using the IBR at 1 January 2019	42,795
Recognition exemption for leases of low value and short term assets	(845)
Other	(431)
Lease liability recognised at 1 January 2019	**41,520**

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- the Group has applied the exemption not to recognise right of use assets and liabilities for property leases with less than 12 months of lease term;
- the Group has applied the exemption not to recognise right of use assets and liabilities for long-term operating leases with a remaining lease term of 12 months or less at 1 January 2019;
- The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The Group relies on previous assessments on whether leases are onerous;
- The Group has applied the exemption not to recognise right of use assets and liabilities for low value assets;
- The Group has excluded initial direct costs in measuring the right of use asset at the date of initial application; and
- The Group has used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

2.4 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings for the financial year ended 31 December 2019. Acquisition accounting has been adopted unless otherwise indicated.

The Company reassesses at least annually whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed below.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transitions between the members of the Group are eliminated on consolidation.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.4 Basis of consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration payable or receivable is recognised directly in equity and attributed to the owners of the Company.

2.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method, unless under common control. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete at the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Where it is probable that deferred consideration is payable on the acquisition of a business based on an earn out arrangement, an estimate of the amount payable is made at the date of acquisition and reviewed regularly thereafter, with any change in the estimated liability being reflected in the income statement. Changes in the estimated liability in respect of acquisitions completed before 31 December 2018 are reflected in the income statement.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.6 Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortised but is reviewed for impairment at least annually. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.7 Revenue recognition

The Group recognises revenue from the following major sources:

- Hire of equipment and personnel;
- Labour and inspection;
- Sale of equipment; and
- Infrastructure construction services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer and if the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.7.1 Revenue from hire of equipment and personnel

Revenue in respect of tool rental and associated personnel is recognised over the period which the rentals occur at the rates contracted with customers.

2.7.2 Revenue from labour and inspection

Revenue in respect of labour and inspection contracts is recognised over the period which the service is performed at the rates contracted with customers.

2.7.3 Revenue from sale of equipment

Revenue from the sale of equipment is recognised at a point in time when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the equipment;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the equipment sold.

2.7.4 Revenue from infrastructure and construction contracts

Revenue from infrastructure and construction contracts is recognised when the services are performed. Revenue from fixed price infrastructure projects and construction contracts is determined on the percentage of completion basis against individual performance obligations. Percentage complete is estimated based on the costs incurred to date and the forecast cost to completion of that performance obligation. Fixed price contract revenues are adjusted to reflect change orders that are highly probable. Where projects are forecast to incur a loss on completion, the full estimated loss is recognised immediately in the income statement when identified.

2.8 Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred, unless they are directly attributable to qualifying assets in which case they are capitalised.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.9 Foreign currencies

2.9.1 Functional and presentation currency

For the purpose of the Consolidated financial statements, the results and the Group's financial position are expressed in US Dollars ("$"). The individual financial statements of each of the subsidiaries are prepared using the currency of the primary economic environment in which the entity operates (its functional currency). The functional currencies are United States Dollar, Canadian Dollar ("CAD"), Australian Dollar ("AUD"), Singapore Dollar ("SGD") and UK Sterling ("GBP") for the subsidiaries located in the United States of America, Canada, Australia, Singapore and the United Kingdom respectively.

At 31 December 2019, the exchange rates of the functional currencies used throughout the Group, compared to the US Dollar, were as follows:

CAD	1.3023
AUD	1.4257
SGD	1.3454
GBP	0.7570

2.9.2 Transaction and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.9.3 Group companies

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

2.10 Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to contributions.

2.11 Taxation

2.11.1 Current tax

Current tax payable or receivable is based on taxable result for the year. Taxable profit or loss differs from the result as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.11.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.11 Taxation (continued)

2.11.2 Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.11.3 Current and deferred tax

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items that are recognised outside the income statement (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside the income statement, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

2.12 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Leasehold land and buildings	lower of 25 years or lease period
Hire fleet	1 to 15 years
Equipment	3 to 8 years

Assets under construction are capitalised as costs are incurred. Once complete the assets are transferred to the appropriate asset category and depreciated when ready for use.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.13 Right of use asset

The right of use assets comprise the initial measurement of the corresponding lease liability (see note 2.15), lease payments made at or before the commencement day, any initial direct costs and any costs associated with returning the asset to a standard specified in the lease. They are subsequently measured at cost less accumulated depreciation and impairment.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right of use asset, unless those costs are incurred to produce inventories.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 Impairment of Assets to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in Note 2.16.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss.

2.14 Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and impairment. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following useful lives are used in the calculation of amortisation:

Customer relationships	5 to 10 years
Trade names	5 years
Other intangible assets	1 to 5 years

2.15 Leases

2.15.1 The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as a lease with total payments less than $5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by reference to the risk free interest rate as adjusted by the Group's external borrowing rate.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.15 Leases (continued)

2.15.1 The Group as lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease;
- payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the year presented.

The right of use assets are presented as a separate line in the consolidated statement of financial position.

2.15.2 The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.16 Impairment

2.16.1 Tangible and intangible assets (other than goodwill)

During each reporting period the carrying amounts of tangible and intangible assets (other than goodwill) are reviewed to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2.16.2 Goodwill

Goodwill is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit. Cash-generating units to which goodwill is allocated are tested for impairment at least annually. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

2.16.3 Recoverable amount

Recoverable amount is the higher of fair value less costs to dispose and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

2.16.4 Subsequent reversal of impairment

Where an impairment loss for tangible or intangible assets subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.17 Inventory

Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated for each category of inventories using the weighted average method (consumables, raw materials and finished goods) or the First in First Out (FIFO) method (gravel). Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.18 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, 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 present value of the expenditures required to settle the obligation using a pre-tax rate that reflects the current assessment of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.19 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.19.1 Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). The nature of the Group's financial assets is such that they largely meet the above conditions and therefore are subsequently measured at amortised cost.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.19 Financial instruments (continued)

2.19.1 Financial assets (continued)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "finance income" line item (note 7).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL"). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.19 Financial instruments (continued)

2.19.1 Financial Assets (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.19 Financial instruments (continued)

2.19.1 Financial Assets (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.20 Financial liabilities and equity

2.20.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.20.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.20.3 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

2.20.4 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 8) in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.20 Financial liabilities and equity (continued)

2.20.4 Financial liabilities at FVTPL (continued)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

2.20.5 Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2.20.6 Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

2.20.7 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss (note 8) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

2.20.8 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

2.20 Financial liabilities and equity (continued)

2.20.8 Derecognition of financial liabilities (continued)

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification; and (ii) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

2.21 Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term bank deposits with maturities of three months or less and bank overdrafts where there is a right of set-off.

2.22 Share based payments

The Company's parent company has granted rights to its equity instruments to certain employees of the Group. Such arrangements are accounted for as equity-settled share-based payment arrangements.

2.23 Exceptional and adjusting items

Items that are considered material either because of their size or their nature, are shown as exceptional and adjusting items, to assist the understanding of the Group's underlying performance within their relevant consolidated income statement category and are explained in the notes to the financial statements.

2.24 Segmental reporting

The Group has determined three operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM"), the Group's Chief Executive Officer. The Group's reportable segments are:

Accommodation and Modular Solutions ("AMS")	Rental, sale and service of accommodation and ancillaries, tanks and containers, and waste and water treatment.
Drilling, Completion & Production ("DCP")	Rental, sale and service of drilling, completion, production, testing and subsea equipment.
Infrastructure ("INF")	Project management, access and environmental, piling and foundation services.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. Key sources of estimation uncertainty and critical judgments

In the application of the accounting policies, outlined in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 to be relevant. Actual results may differ from these estimates.

3.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in financial statements.

3.1.1 Lumpsum contracts revenue recognition

The Group has a number of fixed price projects that are accounted for in accordance with IFRS 15. These projects require identification of performance obligations and associated stage of completion. Identification of performance obligations is judgemental and requires identification of distinct deliverables under the customer contract. The deliverable is defined as distinct if the customer can benefit from use of it on its own or with other resources that are readily available to them and it is separately identifiable from other deliverables in the contract.

Estimating the stage of completion and final outcome for the performance obligations requires estimation of contract revenues and contract costs that depend on the outcome of future events. Uncertainties include the estimation of forecast costs to complete the contract, timing and recoverability of unagreed income from variations to the contract scope and claims. Estimates are updated regularly and significant changes are highlighted through established internal review procedures. The contract reviews focus on the timing and recognition of revenue income from scope variations and claims and projected costs to complete.

3.1.2 Useful lives of hire fleet

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. At 31 December 2019 the carrying amount of property plant and equipment is $184,386k (2018: $185,944k) and depreciation charge for the year is $34,730k (2018: $38,284k). Management's assessment concluded that there is no material change in circumstance that requires the useful lives of assets to be reassessed during 2019.

3.1.3 Classification of exceptional and adjusting items

Exceptional items are items which individually, or of a similar type in aggregate, by virtue of their size are considered to require separate disclosure to assist a reader's understanding of the financial statements. Adjusting items are items that are identified to be out with the ordinary trading activities of the Group and require separate disclosure from the Group's ordinary trading performance (Note 6). The identification of items as exceptional and adjusting involves management judgement.

3.1.4 Incremental borrowing rate

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate ("IBR") is used. The IBR is obtained from various external financing sources and makes adjustments to reflect the terms of the lease and the type if asset leased.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3.2 Key sources of estimation uncertainty

The following are key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2.1 Impairment of goodwill and other intangible assets

Assessment of the recoverability of the carrying value of goodwill and other intangible assets attributable to each CGU requires of an estimation of the value in use. The value in use calculation requires Management to estimate the future cash flows expected to arise from each CGU and apply a suitable discount rate in order to calculate present value.

No impairment is identified in 2019 (2018: nil) and the carrying amount of goodwill at 31 December 2019 is $120,482k (2018: $103,541k).

The cash flow projections for each CGU are identified as a key sources of estimation uncertainty. Whilst the directors consider the implications of COVID-19 to be a subsequent event occurring after the balance sheet date of 31 December 2019, and which is therefore a non-adjusting event to the Group, a sensitivity analysis has been performed allowing for a possible change in the projected cashflows. Refer to Note 12 for further details.

3.2.2 Impairment of property, plant and equipment

Determining whether property, plant and equipment is impaired assessment for indicators of impairment and if required, estimation of the recoverable amount which is the higher of value in use or realisable value. In assessing whether there are indicators of impairment, management consider activity levels, including utilisation of fixed assets, and the net cash flows generated

No impairment charge or reversal of previous impairment has been recognised in 2019 (2018: nil) and the carrying amount of property, plant and equipment at 31 December 2019 is $184,386k (2018: $185,944k) per Note 15.

Whilst the Directors consider the implications of COVID-19 to be a non-adjusting post balance sheet event , they note that due to continuing COVID-19 uncertainty there is the potential that certain property, plant and equipment held as at 31 December 2019 may be exposed to future impairment in the year ending 31 December 2020. Given the recent COVID-19 developments and the progress and launch of vaccines it is not considered practicable to provide an estimate of any future impairment that may occur at this time. Refer to note 33 for further information on this matter.

3.2.3 Revenue and profit recognition on contracts in progress

In applying the revenue recognition accounting policy, the Group estimates the percentage complete and likely outcome of fixed price contracts ongoing at year-end.

The Group completed three large lump sum underground pipeline contracts within the Infrastructure Segment that were contracted in 2018. The total estimated loss on completion is $20.6m and is recognised in full in these financial statements, see note 6. The Group no longer undertakes large lump sum underground pipeline contracts. One contract has been fully closed out with $4.9m of contract variations recovered in 2019. Commercial negotiations to recover contract variations are continuing with the same client on two of these contracts. The recognised loss of $20.6m reflects the estimated loss on these contracts, at 31 December 2019. The final loss on these contracts will likely differ due to the potential agreement of further revenue variations with the customer.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

4. Revenue

Analysis by category

	Group	
	2019	2018
	$000	$000
Hire of equipment and personnel	**194,242**	194,113
Labour and inspection	**28,034**	39,769
Sale of equipment	**34,973**	46,046
Infrastructure/construction services	**236,895**	170,909
Other	**7,547**	2,897
	501,691	453,734

Analysis by geographical location

	Group	
	2019	2018
	$000	$000
United States of America	**163,077**	172,061
Canada	**258,936**	196,513
Europe	**53,041**	57,421
Asia Pacific	**23,214**	22,726
Rest of World	**3,423**	5,013
	501,691	453,734

Analysis by operating segment

	Group	
	2019	2018
	$000	$000
AMS	**98,320**	101,407
DCP	**173,811**	181,418
INF	**229,560**	170,909
	501,691	453,734

Timing of revenue recognition

	Group	
	2019	2018
	$000	$000
At a point in time	**261,571**	277,732
Transferred over time	**240,120**	176,002
	501,691	453,734

Included within the infrastructure services segment in the Canadian geographical location and INF operating segment is revenue transferred over time is $43,674k identified as exceptional and adjusting. The revenue relates to loss making large lump sum underground pipeline contracts and is identified as exceptional due to size and nature. Refer to note 6 for further details.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

5. Profit/(loss) for the year

Profit/(loss) for the year is stated after charging/(crediting):

		Group	
		2019	2018
	Notes	**$000**	$000
Employee benefits expense	**9**	**160,023**	136,371
Amortisation of intangible assets	**13**	**7,810**	7,941
Depreciation of property, plant and equipment	**15**	**34,730**	38,284
Depreciation of right of use assets	**16**	**8,316**	-
Short term and low value leases		**148**	-
Inventory recognised as an expense		**19,614**	20,007
Gain on disposal of property, plant and equipment		**(5,063)**	(2,473)
Research and development expense		**28**	23

The (loss)/profit for the year includes $22,634k (2018: $13,443k) of exceptional and adjusting items (note 6)

Adjusted EBITDA as discussed in the Strategic Report is a non GAAP measure which is determined as follows:

	Group	
	2019	2018
	$000	$000
(Loss)/profit from operating activities	**(3,210)**	10,457
Adjustments for:		
Depreciation of property, plant and equipment	**34,730**	38,284
Depreciation of right of use assets	**8,316**	-
Amortisation of intangible assets	**7,810**	7,941
IAS 17 rental expense	**(9,493)**	-
Exceptional and adjusting items (pre-tax)	**24,006**	13,821
Adjusted EBITDA	**62,159**	70,503

The analysis of the auditor's remuneration is as follows:

	2019	2018
	$000	$000
Fees payable to the Company's auditor for the audit of the Company's financial statements	**87**	149
Fees payable to the Company's auditor for other services to the Group		
- The audit of the Company's subsidiaries	**391**	323
Total audit fees	**478**	472
- Taxation compliance services	**140**	72
- Other taxation advisory services	**399**	399
- Corporate finance services	**112**	2,195
Total non-audit fees	**651**	2,666
Total remuneration	**1,129**	3,138

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

6. Exceptional and adjusting items

Exceptional and adjusting items have been identified in line with Group accounting policies as follows:

	Group	
	2019	2018
	$000	$000
Acquisition related expenses	**1,367**	1,038
Group restructuring costs	**314**	2,650
Transaction costs	**1,017**	3,554
Reversal of loss provision on 'one off' contract	**-**	(900)
Estimated loss on large lump sum underground pipeline contracts	**20,632**	7,479
Issuance of restricted shares	**676**	-
	24,006	13,821

Acquisition related expenses arise from the Group's business combinations comprising the acquisitions of Tango Delta Rentals Inc, G5S Energy Services LLC, Osprey3 Ltd and TopFrac Industries LLC (note 11) and investigation of other identified opportunities. These expenses are identified as exceptional and adjusting items as they do not relate to the Group's ordinary trading activities.

Group restructuring costs comprise professional costs incurred as part of the group combination, rationalising headcount and rebranding. While such reorganisations occur periodically, they are not part of ordinary trading and therefore are presented as exceptional and adjusting items.

Transaction costs relate to the costs associated with advance planning and preparation to be able to contemplate the option of a future public listing if considered desirable. These expenses are identified as exceptional and adjusting items as they do not relate to ordinary trading activities.

The estimated loss on large lump sum underground pipeline contracts of $20.6m relates to three contracts reported within the Infrastructure Segment that were contracted in 2018. The Group no longer undertakes large lump sum underground pipeline contracts. One contract has been fully closed out with $4.9m of contract variations recovered in 2020. Commercial negotiations to recover contract variations are continuing with the same client on two of these contracts. The recognised loss of $20.6m reflects the estimated loss on these contracts, at 31 December 2019, and excludes any potential contract variations recovered in the future.

During the year the Group issued restricted shares in the ultimate parent company to certain members of the executive management team. These expenses are identified as exceptional and adjusting items as they do not relate to ordinary trading activities.

7. Finance income and expense

	Group	
	2019	2018
	$000	$000
Finance income		
Interest on short term bank deposits	**(22)**	(34)
Other interest	**(5)**	(5)
Total finance income	**(27)**	(39)
Finance expense		
Interest on borrowings	**9,021**	10,988
Finance lease charges	**6**	14
Lease interest expense	**1,972**	-
Amortisation of debt arrangement fees	**1,416**	1,142
Other interest	**127**	27
Total finance expense	**12,542**	12,171
Net finance costs	**12,515**	12,132

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

8. Other gains and losses

Other gains and losses comprise the following:

	Group	
	2019	2018
	$000	$000
Net foreign currency gains	**627**	2,311
Total other gains and losses	**627**	2,311

Arising from:

	Group	
	2019	2018
	$000	$000
Financial assets and liabilities at amortised cost	**627**	2,311
Total other gains and losses	**627**	2,311

9. Employee benefits expense

	Group	
	2019	2018
	$000	$000
Wages and salaries, including termination benefits	**151,799**	129,243
Social security costs	**7,312**	6,333
Pension costs (note 26)	**912**	795
	160,023	136,371
Included in:		
Cost of sales	**119,210**	98,798
Administrative expenses	**40,813**	37,573
	160,023	136,371

The average number of employees (including executive directors) was:

	2019	2018
	Number	Number
Operations	**1,296**	1,066
Sales, marketing and administrative	**410**	379
	1,706	1,445

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

10. Taxation

Tax recognised in the consolidated income statement

	2019 $000	2018 $000
Current tax		
Current tax	-	-
Adjustments in respect of prior year	(1,019)	(56)
Foreign tax	2,023	641
Total current tax charge	**1,004**	585
Deferred tax		
Current year	(7,144)	(1,043)
Change in tax rates	-	-
Adjustments in respect of previous periods	(301)	(3,864)
Total deferred tax credit	**(7,445)**	(4,907)
Total income tax credit	**(6,441)**	(4,322)

UK corporation tax is calculated at 19% (2018: 19%) of the estimated taxable (loss)/profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of income tax credit

The income tax credit for the year is reconciled to the accounting loss/(profit) as follows:

	2019 $000	2018 $000
(Loss)/profit before tax	**(15,098)**	636
Income tax (credit)/charge calculated at 19% (2018: 19%)	**(2,868)**	121
Expenses not deductible	**680**	1,735
Movement in un-provided deferred tax	**(3,197)**	(2,393)
Withholding taxes and unrelieved overseas taxes	**1,357**	883
Different tax rates of subsidiaries operating in other jurisdictions	**(1,217)**	(758)
Adjustments recognised in the current year in respect of prior year tax	**(1,320)**	(3,920)
Effect of changes in tax rates	**40**	33
Other	**84**	(23)
Total income tax credit	**(6,441)**	(4,322)

Changes to the UK main rate of corporation tax were announced in the Budget on 11 March 2020 to maintain the corporation tax at 19% from 1 April 2020 instead of reducing to 17% as previously legislated. The change in tax rate was substantively enacted on 17 March 2020. Given that this change occurred after the balance sheet date, the UK enacted tax rates 19% and 17% have been applied at the balance sheet date.

The provincial government of Alberta (Canada) enacted legislation to decrease the general corporate income tax rate to 11% (from 12%) on 1 July 2019, with further 1% rate reductions every year, effective 1 January, until the general corporate tax rate reached 8% on 1 January 2022. The combined federal and Alberta province rate is 25% from 1 January 2020. This tax rate has been applied in respect of the Canadian deferred tax assets and liabilities. On 29 July 2020, the Alberta provincial government announced that the corporate tax rate will reduce to 8%, resulting in a combined federal and province rate of 23% with effect from 1 July 2020.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

10. Taxation (continued)

Deferred tax liabilities

The deferred tax liabilities and assets recognised by the Group and the movement during the current and prior year is as follows:-

	2019 **$000**	2018 $000
Balance at 1 January	**10,496**	13,602
Credit for the year	**(7,445)**	(4,907)
- Credit in the year	**(7,144)**	(1,043)
- Adjustments in respect of prior years	**(301)**	(3,864)
On acquisition	**2,947**	2,456
Foreign exchange	**347**	(655)
Balance at 31 December	**6,345**	10,496

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. Deferred tax as presented on the statement of financial position is:

	2019 **$000**	2018 $000
Deferred tax liabilities	**15,020**	12,750
Deferred tax assets	**(8,675)**	(2,254)
	6,345	10,496

Arising from:	**2019** **$000**	2018 $000
Intangible assets other than goodwill	**(1,659)**	(2,850)
Property, plant and equipment	**26,755**	23,324
Other temporary differences	**3,391**	3,277
Estimate tax losses	**(22,142)**	(13,255)
Total deferred tax	**6,345**	10,496

At the balance sheet date, a deferred tax asset arising from losses and other temporary differences, in the UK, of $22.2m (2018: $44.9m) has not been recognised as its recoverability is subject to future profitability and is uncertain. The tax losses may be carried forward indefinitely.

No deferred tax liability is recognised on the unremitted earnings of overseas subsidiaries, as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. Business combinations

Group

Tango Delta Rentals Inc

On 11 February 2019, the Group purchased 100% of the shareholding of Tango Delta Rentals Inc ("Tango Delta"), a business based in Canada. The purchase consideration was settled through a combination of cash and issuance of shares in the Group's ultimate parent, Centurion Group Limited. The fair value of the total consideration is $3,203k.

Tango Delta provides an extensive range of remote communication offerings, including cell tower technologies, remote internet equipment, radio and satellite communication solutions, along with lighting solutions and other speciality rentals for the Canadian energy services industry. The transaction is complimentary to the Group's existing DCP segment and extends the integrated customer offering.

The following table sets out the book values of the separately identifiable assets and liabilities acquired and their fair values on acquisition.

	Book Value $000	Accounting Policy Alignment $000	Adjusted Book Value $000	Fair value adjustment $000	Fair value to the Group $000
NON-CURRENT ASSETS					
Intangible assets	-	-	-	711	711
Property, plant and equipment	671	22	693	-	693
Total non-current assets	**671**	**22**	**693**	**711**	**1,404**
CURRENT ASSETS					
Trade and other receivables	609	-	609	-	609
Cash	103	-	103	-	103
Total current assets	**712**	**-**	**712**	**-**	**712**
TOTAL ASSETS	**1,383**	**22**	**1,405**	**711**	**2,116**
CURRENT LIABILITIES					
Trade and other payables	127	-	127	-	127
Total current liabilities	**127**	**-**	**127**	**-**	**127**
NON-CURRENT LIABILITIES					
Borrowings	94	22	116	-	116
Deferred tax	-	-	-	191	191
Total non-current liabilities	**94**	**-**	**116**	**191**	**307**
TOTAL LIABILITIES	**221**	**22**	**243**	**191**	**434**
Net assets acquired	**1,162**	**-**	**1,162**	**520**	**1,682**

Cash on completion	1,718
Working capital adjustment	62
Fair value of shares issued	1,423
Total consideration	**3,203**
Resultant goodwill	**1,521**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. Business combinations (continued)

Cash outflow from acquisition	**$000**
Cash	103
Cash paid on completion	(1,718)
Net cash outflow from acquisition	(1,615)

Tango Delta's summarised income statement for the period from 1 January 2019 to 10 February 2019 is as follows:

Income statement	**$000**
Revenue	198
Cost of sales	(89)
Gross profit	109
Administrative expenses	(25)
Profit from operating activities	84
Finance cost (net)	-
Profit on ordinary activities before taxation	84

The summarised income statement for the period from acquisition, 11 February 2019, to 31 December 2019 is as follows:

Income statement	**$000**
Revenue	1,650
Cost of sales	(996)
Gross profit	654
Administrative expenses	(375)
Profit from operating activities	279
Finance cost (net)	-
Profit on ordinary activities before taxation	279

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. Business combinations (continued)

TopFrac Industries LLC

On 17 May 2019, the Group purchased the trade and certain assets of TopFrac Industries LLC ("TotalFrac"), a business based in Texas, United States of America. The purchase consideration was settled through cash payable on completion and deferred consideration. The fair value of the total consideration is $1,469k.

Totalfrac provides technical solutions for onshore energy production. The transaction expanded the Group's package of surface rental equipment.

The following table sets out the book values of the separately identifiable assets and liabilities acquired and their fair values on acquisition.

	Book Value $000	Accounting Policy Alignment $000	Adjusted Book Value $000	Fair value adjustment $000	Fair value to the Group $000
NON-CURRENT ASSETS					
Intangible assets	500	-	-	-	500
Property, plant and equipment	1,456	-	1,456	-	1,456
Total non-current assets	**1,956**	-	**1,456**	-	**1,956**
CURRENT ASSETS					
Inventories	153	-	153	-	153
Trade and other receivables	1,006	-	1,006	-	1,006
Cash	-	-	-	-	-
Total current assets	**1,159**	-	**1,159**	-	**1,159**
TOTAL ASSETS	**3,115**	-	**3,115**	-	**3,115**
CURRENT LIABILITIES					
Trade and other payables	1,780	-	1,780	-	1,780
Total current liabilities	**1,780**	-	**1,780**	-	**1,780**
TOTAL LIABILITIES	**1,780**	-	**1,780**	-	**1,780**
Net assets acquired	**1,335**	-	**1,335**	-	**1,335**
Cash on completion					1,169
Deferred payment					300
Total consideration					**1,469**
Resultant goodwill					**134**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. Business combinations (continued)

Cash outflow from acquisition	**$000**
Cash paid on completion	(1,169)
Net cash outflow from acquisition	(1,169)

TotalFrac's summarised income statement for the period from 1 January 2019 to 16 May 2019 is as follows:

Income statement	**$000**
Revenue	1,667
Cost of sales	(892)
Gross profit	775
Administrative expenses	(291)
Profit from operating activities	484
Finance cost (net)	-
Profit on ordinary activities before taxation	484

The TotalFrac business activities have been absorbed into one of the Group's subsidiaries, Oil Patch Inc., and performance is not monitored separately. Accordingly, the results for the period from acquisition to year end are not shown separately.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. Business combinations (continued)

G5S Energy Services LLC

On 18 October 2019, the Group purchased 100% of the shareholding of G5S Energy Services LLC ("G5S"), a business based in Texas, United States of America. The purchase consideration was settled through a combination of cash and issuance of shares in the Group's ultimate parent, Centurion Group Limited. The fair value of the total consideration is $14.2m.

G5S provides safer technical solutions that control the flow of high pressure and corrosive fluids used in onshore energy production. The transaction extended the Group's service offering to customers and provides more technical and safer products and services.

The following table sets out the book values of the separately identifiable assets and liabilities acquired and their fair values on acquisition.

	Book Value $000	Accounting Policy Alignment $000	Adjusted Book Value $000	Fair value adjustment $000	Fair value to the Group $000
NON-CURRENT ASSETS					
Intangible assets	-	-	-	5,542	5,542
Property, plant and equipment	2,976	-	2,976	5,424	8,400
Total non-current assets	**2,976**	-	**2,976**	**10,966**	**13,942**
CURRENT ASSETS					
Inventories	175	-	175	-	175
Trade and other receivables	3,266	-	3,266	-	3,266
Cash	553	-	553	-	553
Total current assets	**3,994**	-	**3,994**	-	**3,994**
TOTAL ASSETS	**6,970**	-	**6,970**	**10,966**	**17,936**
CURRENT LIABILITIES					
Trade and other payables	1,843	-	1,843	-	1,843
Total current liabilities	**1,843**	-	**1,843**	-	**1,843**
NON-CURRENT LIABILITIES					
Deferred tax	-	-	-	2,303	2,303
Total non-current liabilities	-	-	-	**2,303**	**2,303**
TOTAL LIABILITIES	**1,843**	-	**1,843**	**2,303**	**4,146**
Net (liabilities) / assets acquired	**5,127**	-	**5,127**	**8,663**	**13,790**

Cash on completion	11,552
Deferred Consideration	1,500
Fair value of shares issued	9,200
Total consideration	**22,252**
Resultant goodwill	**8,462**

Goodwill comprises the value of intangible assets which do not meet the criteria for separate recognition including the assembled workforce, the diversification of the fleet and complementary service capabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. Business combinations (continued)

Cash outflow from acquisition	**$000**
Cash	553
Cash paid on completion	(11,552)
Net cash outflow from acquisition	10,999

G5S's summarised income statement for the period from 1 January 2019 to 17 October 2019 is as follows:

Income statement	**$000**
Revenue	14,765
Cost of sales	(8,344)
Gross profit	6,421
Administrative expenses	(3,179)
Profit from operating activities	3,242
Finance cost (net)	-
Profit on ordinary activities before taxation	3,242

The summarised income statement for the period from acquisition, 18 October 2019, to 31 December 2019 is as follows:

Income statement	**$000**
Revenue	2,889
Cost of sales	(1,663)
Gross profit	1,226
Administrative expenses	(575)
Profit from operating activities	651
Finance cost (net)	(6)
Profit on ordinary activities before taxation	645

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. Business combinations (continued)

Osprey3 Ltd

On 15 November 2019, the Group purchased 100% of the shareholding of Abenco Ltd and its subsidiary Osprey3 Ltd ("Osprey3"), a business based in Aberdeen, United Kingdom. The purchase consideration was settled through a combination of cash and the issuance of shares in the Group's ultimate parent, Centurion Group Limited. The fair value of the total consideration is estimated at $21.6m.

Osprey3 provides environmental solutions and equipment that recycles water and other production and completions fluids used in energy production. The transaction provided the Group with increased cross selling opportunities and provides a more technical and environmentally friendly product offering.

The following table sets out the book values of the separately identifiable assets and liabilities acquired and their fair values on acquisition.

	Book Value $000	Accounting Policy Alignment $000	Adjusted Book Value $000	Fair value adjustment $000	Fair value to the Group $000
NON-CURRENT ASSETS					
Intangible assets	-	-	-	1,435	1,435
Property, plant and equipment	1,151	-	1,151	-	1,151
Total non-current assets	**1,151**	**-**	**1,151**	**1,435**	**2,586**
CURRENT ASSETS					
Inventories	1,596	-	1,596	-	1,596
Trade and other receivables	7,221	-	7,221	-	7,221
Cash	6,955	-	6,955	-	6,955
Total current assets	**15,772**	**-**	**15,772**	**-**	**15,772**
TOTAL ASSETS	**16,923**	**-**	**16,923**	**1,435**	**18,358**
CURRENT LIABILITIES					
Trade and other payables	689	(52)	637	-	637
Total current liabilities	**689**	**(52)**	**637**	**-**	**637**
NON-CURRENT LIABILITIES					
Provisions	241	-	241	-	241
Deferred tax	209	-	209	244	453
Total non-current liabilities	**450**	**-**	**450**	**244**	**694**
TOTAL LIABILITIES	**1,139**	**(52)**	**1,087**	**244**	**1,331**
Net assets acquired	**15,784**	**52**	**15,836**	**1,191**	**17,027**

Cash on completion	18,446
Deferred payment	1,939
Fair value of shares issued	1,264
Total consideration	**21,649**
Resultant goodwill	**4,622**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

11. Business combinations (continued)

Cash outflow from acquisition	$000
Cash	6,955
Cash paid on completion	(18,446)
Net cash outflow from acquisition	(11,491)

Osprey3's summarised income statement for the period from 1 January 2019 to 14 November 2019 is as follows:

Income statement	$000
Revenue	6,984
Cost of sales	(4,105)
Gross profit	2,879
Administrative expenses	(873)
Profit from operating activities	2,006
Finance cost (net)	-
Profit on ordinary activities before taxation	2,006

The summarised income statement for the period from acquisition, 15 November 2019, to 31 December 2019 is as follows:

Income statement	$000
Revenue	975
Cost of sales	(567)
Gross profit	408
Administrative expenses	(148)
Profit from operating activities	(260)
Finance cost (net)	(10)
Profit on ordinary activities before taxation	(250)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

12. Goodwill

	$000
Balance at 1 January 2018	**100,540**
Foreign exchange	(4,156)
On acquisition	7,157
Balance at 31 December 2018	**103,541**
Foreign exchange	2,084
On acquisition (note 11)	14,739
Fair value adjustment on finalisation of provisional values	118
Balance at 31 December 2019	**120,482**

Goodwill acquired in a business combination is allocated, on acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

The goodwill attached to each CGU is as follows:

Segment	Brand	2019 $000	2018 $000
AMS	Conserve Oilfield Services	**23,868**	23,072
AMS	Tristar Water Solutions	**35**	37
AMS	Oil Patch Accommodation	**23,063**	23,063
AMS	WTS Rentals	**15,395**	14,742
DCP	ATR Offshore Holdings	**3,168**	2,450
DCP	Safety & Technical Hydraulics	**1,823**	1,762
DCP	Jacks Winches	**6,735**	6,831
DCP	Rentair	**1,285**	1,242
DCP	Seanic	**1,024**	1,581
DCP	Osprey3	**4,749**	-
DCP	Prospector	**1,913**	1,681
DCP	Arctic Crane	**1,109**	1,185
DCP	Tango Delta	**1,552**	-
DCP	Oil Patch Production & Downhole	**15,510**	15,376
DCP	Twilight	**7,275**	7,157
DCP	G5S	**8,462**	-
INF	SITE	**3,516**	3,362
Total goodwill		**120,482**	103,541

The Group performed an impairment assessment as at 31 December 2019. In considering goodwill, the recoverable amounts of the CGU's are determined from value in use calculations. Key assumptions include forecast operational cash flows, future growth rates and the application of appropriate discount rates. Management estimate the discount rates using pre-tax rates that reflect market assessment of the time value of money and the risks specific to the CGUs.

Management has prepared cash flow projections for the five years ending 31 December 2024. These projections reflect the latest approved Group full-year forecast for the year ending 31 December 2020 with projections for future years. Assumptions are developed using a combination of external industry outlook reports, management judgement, historical information and analysis. In the period, up to 31 December 2024 annual growth is anticipated as CGU's benefit from an expected market growth, reflecting the cyclical nature of the oil and gas market as oil supply and demand rebalances. EBITDA annual growth rates ranging from -5% to 22% have been assumed in each CGU in the financial years 2020 to 2024. These annual growth rates are based on industry outlook reports and are specific to each geography and market. Events subsequent to year end set out in note 33 will be considered in the year ending 31 December 2020.

Pre-tax discount rates ranging from 10.8% to 12.2% (2018: 11.5% to 12.8%) were applied in determining the value in use of each CGU, the rates vary by geographical market due to specific risks in the respective market.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

12. Goodwill (continued)

The annual impairment assessment did not identify any impairment at 31 December 2019 (31 December 2018: $nil)

Whilst the directors consider the implications of COVID-19 to be a subsequent event occurring after the balance sheet date of 31 December 2019, and which is therefore a non-adjusting event to the Group, a sensitivity analysis has been performed to determine the percentage reduction in the projected cashflows required for a CGUs recoverable amount to be equal to its carrying value, with all other assumptions used remaining constant. The following CGU's require a reduction of less than 20% in 2020 projected cashflows for the recoverable amount of the CGU to be equal to its carrying value:

Segment	Brand	Total balance sheet $000	Value in use $000	Required reduction in 2020 projected cash flow
AMS	WTS	30,089	33,913	8%
DCP	Rentair	17,277	18,635	7%
DCP	US Land Downhole and Production	40,117	42,521	15%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

13. Other intangible assets

Group

	Customer relationships $000	Trade names $000	Other intangibles $000	Total $000
Cost				
Balance at 1 January 2018	**65,262**	**4,521**	**3,673**	**73,456**
Acquisition through business combinations	6,487	575	2,052	9,114
Foreign exchange	(3,774)	(297)	(191)	(4,262)
Balance at 31 December 2018	**67,975**	**4,799**	**5,534**	**78,308**
Acquisition through business combinations (note 11)	6,483	384	1,321	8,188
Foreign exchange	1,589	172	84	1,845
Balance at 31 December 2019	**76,047**	**5,355**	**6,939**	**88,341**
Accumulated amortisation and impairment				
Balance at 1 January 2018	**42,552**	**3,250**	**3,111**	**48,913**
Charge for the year	7,473	375	93	7,941
Foreign exchange	(2,668)	(241)	(187)	(3,096)
Balance at 31 December 2018	**47,357**	**3,384**	**3,017**	**53,758**
Charge for the year	6,505	386	919	7,810
Foreign exchange	1,258	140	87	1,485
Balance at 31 December 2019	**55,120**	**3,910**	**4,023**	**63,053**
Net book value				
At 31 December 2019	**20,927**	**1,445**	**2,916**	**25,288**
At 31 December 2018	20,618	1,415	2,517	24,550

The amortisation charge for the year is included in administrative expenses in the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

14. Fixed asset investments

Company

	2019	2018
	$000	$000
Investment in subsidiaries	**263,112**	252,640

	$000
Balance at 1 January 2019	252,640
Additions	10,472
Balance at 31 December 2019	**263,112**

Holdings of more than 20%

The Company directly holds more than 20% of the issued share capital of the following companies:

			Shares held	
Company	Principal activity	Country of Incorporation	Class	%
Centurion 1 Limited	Intermediate holding company	Scotland	Ordinary	100%
Centurion Group (USA) LLC	Corporate services	USA	Not applicable	100%

The registered address of Centurion 1 Limited is Blackwood House, Union Grove Lane, Aberdeen, Scotland, AB10 6XU.

The registered address of Centurion Group (USA) LLC is Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware 19801, USA.

The list of entities in which the Company holds an indirect interest of more than 20% of the share capital is found at note 28.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

15. Property, plant and equipment

Group

	Leasehold land and buildings $000	Hire fleet $000	Equipment $000	Gravel rights $000	Assets under construction $000	Total $000
Cost						
Balance at 1 January 2018	**13,523**	**263,777**	**97,133**	**5,007**	**134**	**379,574**
Acquisition of subsidiary (note 11)	145	4,524	6,408	-	-	11,077
Additions	180	20,516	4,613	139	422	25,870
Disposals	(70)	(10,230)	(2,197)	-	-	(12,497)
Foreign exchange	(900)	(10,161)	(7,165)	(393)	-	(18,619)
Balance at 31 December 2018	**12,878**	**268,426**	**98,792**	**4,753**	**556**	**385,405**
Acquisition of subsidiary (note 11)	6	11,604	90	-	-	11,700
Additions	331	16,135	3,097	-	5,298	24,861
Disposals	(817)	(32,503)	(18,239)	(139)	-	(51,698)
Foreign exchange	504	5,230	3,980	212	4	9,930
Balance at 31 December 2019	**12,902**	**268,892**	**87,720**	**4,826**	**5,858**	**380,198**
Accumulated depreciation and impairment						
Balance at 1 January 2018	5,930	123,478	51,722	1,253	-	182,383
Charge for the year	1,235	26,356	10,583	110	-	38,284
Disposals	(63)	(9,210)	(1,383)	-	-	(10,656)
Foreign exchange	(490)	(6,001)	(3,956)	(103)	-	(10,550)
Balance at 31 December 2018	**6,612**	**134,623**	**56,966**	**1,260**	**-**	**199,461**
Charge for the year	985	24,662	8,997	86	-	34,730
Disposals	(470)	(29,089)	(14,656)	-	-	(44,215)
Foreign exchange	303	3,192	2,287	54	-	5,836
Balance at 31 December 2019	**7,430**	**133,388**	**53,594**	**1,400**	**-**	**195,812**
Net book value						
At 31 December 2019	**5,472**	**135,504**	**34,126**	**3,426**	**5,858**	**184,386**
At 31 December 2018	6,266	133,803	41,826	3,493	556	185,944

Included in the total net book value of plant and equipment is $79k (2018: $190k) in respect of assets held under finance lease arrangements. These assets are all held within hire fleet.

There is a floating charge held over the assets noted above in relation to the Group's borrowings and finance lease arrangements as detailed in note 21 and 23 respectively.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

16. Leases

Group

Right of use asset	Offices and buildings $000	Vehicles $000	Equipment $000	IT equipment $000	Total $000
Cost					
Initial application of IFRS 16	57,793	3,917	2,335	326	64,371
Additions	3,180	6,129	466	410	10,185
Disposals	(4,459)	(2,278)	(171)	(241)	(7,149)
Foreign exchange	1,642	134	51	14	1,841
Balance at 31 December 2019	**58,156**	**7,902**	**2,681**	**509**	**69,248**
Accumulated depreciation					
Initial application of IFRS 16	23,175	2,575	1,227	263	27,240
Charge for the year	5,893	1,699	626	98	8,316
Disposals	(4,289)	(2,278)	(171)	(241)	(6,979)
Foreign exchange	754	79	34	2	869
Balance at 31 December 2019	**25,533**	**2,075**	**1,716**	**122**	**29,446**
Net book value					
At 31 December 2019	**32,623**	**5,827**	**965**	**387**	**39,802**
At 1 January 2019	34,618	1,342	1,108	63	37,131

Lease liabilities	Offices and buildings $000	Vehicles $000	Equipment $000	IT Equipment $000	Total $000
Initial application of IFRS 16	38,981	1,304	1,168	67	41,520
Additions	3,157	6,092	435	410	10,094
Disposals	(175)	-	-	-	(175)
Interest expense	1,773	137	52	10	1,972
Repayment of lease liability	(7,013)	(1,686)	(685)	(112)	(9,496)
Foreign exchange	1,028	53	17	12	1,110
Balance at 31 December 2019	**37,751**	**5,900**	**987**	**387**	**45,025**

The Group has finance lease liabilities totaling $98k in addition to the IFRS 16 lease liabilities in respect of leases previously classified as operating leases under IAS 17. A maturity analysis of the Group's total lease liability is shown below:

Lease Liabilities	2019 $000
Current	6,493
Non-Current	38,630
Total	**45,123**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

16. Leases (continued)

The amounts charged to operating profit/(loss) and amounts charged to finance costs are as follows:

	2019
Depreciation charge for right of use assets	
- Offices and buildings	5,893
- Vehicles	1,699
- Equipment	626
- IT Equipment	98
Short term and low value lease expense	148
Charged to operating profit	**8,464**
Interest expense related to lease liabilities	1,972
Charge to profit / (loss) before tax	**10,436**

The short term and low value lease expense of $148k has been included in the cash flow from operating activities. The Group leases various properties, vehicles and equipment. The majority of the lease liabilities relates to properties with leases generally entered into for fixed periods. Some leases have extension options as described below. Lease terms are negotiated individually and contain a wide range of terms and conditions. The lease arrangements do not impose covenants other than the security interests in the leased assets that are held by the lessor. Previously, leases of property, plant and equipment were classified as either finance or operating leases. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability, once the asset is available for use by the Group.

The Group recognised a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Groups incremental borrowing rate ("IBR").

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contract in which it is a lessee that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which may significantly affect the amount of lease liabilities and right of use assets recognised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's IBR is used. The IBR is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

17. Inventories

	Group	
	2019	2018
	$000	$000
Raw materials	**2,022**	2,741
Work-in-progress	**124**	91
Consumables, spares and finished goods	**17,506**	17,408
	19,652	20,240

The amount expensed in respect of impairment of inventory to net realisable value is $512k (2018: $334k).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

18. Trade and other receivables

	Company		Group	
	2019	2018	**2019**	2018
	$000	$000	**$000**	$000
Trade receivables	**-**	-	**93,223**	105,926
Provision for doubtful debts	**-**	-	**(940)**	(791)
Net trade receivables	**-**	-	**92,283**	105,135
Prepayments and accrued income	**247**	-	**18,554**	20,310
Amounts recoverable on contracts	**-**	-	**10,950**	12,559
Other debtors	**71**	34	**2,031**	3,001
	318	34	**123,818**	141,005

Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

Trade receivables are considered past due when they become older than 30 days or longer in cases where specific credit terms have been agreed. The ageing of those trade receivables past due is as follows:

Ageing of past due but not impaired

	2019	2018
	$000	$000
Up to 3 months	**37,451**	43,053
Over 3 months	**4,905**	7,141
Total	**42,356**	50,194
Trade receivables days (countback)	**75**	75

Further details regarding the credit risk of trade receivables is provided within Note 32.

The movement on the provision for doubtful debts is as follows:

	Group	
	2019	2018
	$000	$000
At 1 January	**791**	287
Movement during the year	**149**	504
At 31 December	**940**	791

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

19. Share capital and reserves

Authorised share capital

	2019 Units
Ordinary Shares of £1 each	1
A Ordinary Shares of $1 each	263,112,437
	263,112,438

The Ordinary share and the A Ordinary shares rank pari passu.

Ordinary shares issued and fully paid

	$000
Balance at 1 January 2019	252,640
Issued during the year - non cash	10,472
Balance at 31 December 2019	**263,112**

Additional share capital was issued during the year on the acquisitions of G5S and Osprey3 (note 11).

Other equity reserves

Group	Currency translation reserve $000	Share-based payments $000	Total $000
Balance at 1 January 2019	(31,008)	879	**(30,129)**
Share based payments	-	511	**511**
Exchange differences arising on consolidation	4,031	-	**4,031**
Balance at 31 December 2019	**(26,977)**	**1,390**	**(25,587)**

Currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentational currency are recognised directly in other comprehensive income and accumulated in the currency translation reserve.

Share-based payments

This reserve comprises the *IFRS 2 'Share-based payments'* charge relating to the Group's equity-settled share-based payments. See note 27 for further details.

Merger reserve

This reserve arose on the reorganisation of the Group in 2017 and 2018 when certain entities held under common control were brought into the Group and the difference between their net assets and the fair value of shares issued was transferred to the merger reserve.

Accumulated losses

This represents accumulated profit and losses for the current and prior years net of dividends and other permissible transfers under IFRS.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

20. Non-controlling interests

	Group 2019 $000	Group 2018 $000
Balance at 1 January	-	22,361
Share of profit for the year	-	16
Issuance of share capital prior to re-organisation	-	(18,973)
Gain on change in control	-	(3,404)
Balance at 31 December	-	-

21. Borrowings

	Group 2019 $000	Group 2018 $000
Borrowings		
On demand and due within one year	**100,354**	70,423
Unamortised issue costs	**(1,787)**	(1,191)
	98,567	69,232
Between one and two years	**111,964**	15,539
Between two and five years	**-**	109,727
Unamortised issue costs	**(1,722)**	(2,097)
	110,242	123,169
Total borrowings	**208,809**	192,401

Borrowings as at 31 December 2019 comprise the following:

	Due within one year $000	Between one and two years $000	Between two and five years $000	Total $000
£45.8m facility A1 bank borrowings	7,042	53,521	-	60,563
$54.5m facility B1 bank borrowings	6,333	48,131	-	54,464
C$15.2m facility C1 bank borrowings	1,357	10,312	-	11,669
$22.7m drawn from the GBP revolving credit facility (RCF A)	22,683	-	-	22,683
C$47.2m drawn from the CAD revolving credit facility (RCF B)	36,252	-	-	36,252
C$1.5m CAD vendor loan notes	1,152	-	-	1,152
$25.5m exchangeable shares	25,535	-	-	25,535
Unamortised issue costs	(1,787)	(1,722)	-	(3,509)
	98,567	110,242	-	208,809

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

21. Borrowings (continued)

Borrowings as at 31 December 2018 comprised the following:

	Due within one year $000	Between one and two years $000	Between two and five years $000	Total $000
£53.3m facility A1 bank borrowings	5,446	6,808	51,737	63,991
$59.5m facility B1 bank borrowings	5,066	6,333	48,131	59,530
C$17.7m facility C1 bank borrowings	1,038	1,297	9,859	12,194
£8.6m drawn from the GBP revolving credit facility (RCF A)	11,001	-	-	11,001
C$27m drawn from the CAD revolving credit facility (RCF B)	19,822	-	-	19,822
£0.8m GBP vendor loan notes	1,017	-	-	1,017
C$5.5m CAD vendor loan notes	2,937	1,101	-	4,038
$24.1m exchangeable shares	24,096	-	-	24,096
Unamortised issue costs	(1,191)	(1,190)	(907)	(3,288)
	69,232	14,349	108,820	192,401

The borrowings are denominated in the following currencies:

	2019			
	USD $000	**GBP $000**	**CAD $000**	**Total $000**
Bank borrowings	**54,464**	**60,563**	**11,669**	**126,696**
Bank revolving credit facility	**-**	**22,683**	**36,252**	**58,935**
Vendor loan notes	**-**	**-**	**1,152**	**1,152**
Exchangeable shares	**25,535**	**-**	**-**	**25,535**
Unamortised issue costs	**(357)**	**(2,774)**	**(378)**	**(3,509)**
	79,642	**80,472**	**48,695**	**208,809**

	2018			
	USD $000	GBP $000	CAD $000	Total $000
Bank borrowings	59,530	63,991	12,194	135,715
Bank revolving credit facility	11,001	-	19,822	30,823
Vendor loan notes	-	1,017	4,038	5,055
Exchangeable shares	24,096	-	-	24,096
Unamortised issue costs	(541)	(2,407)	(340)	(3,288)
	94,086	62,601	35,714	192,401

The terms of the bank borrowings at 31 December 2019 are:

- Facility A1 bears interest of three-month LIBOR plus a margin and is scheduled to be repaid in quarterly instalments of:
  - £1.3m commencing March 2020
  - £1.7m commencing March 2021
  - one final instalment of £35.3m in December 2021

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

21: Borrowings (continued)

- Facility B1 bears interest of three-month LIBOR plus a margin and is scheduled to be repaid in quarterly instalments of:
  - $1.6m commencing March 2020
  - $2.1m commencing March 2021
  - one final instalment of $42.0m in December 2021

- Facility C1 bears interest of three-month LIBOR plus a margin and is scheduled to be repaid in quarterly instalments of:
  - CAD$0.4m commencing March 2020
  - CAD$0.6m commencing March 2021
  - one final instalment of CAD$11.7m in December 2021

- $22.7m has been drawn down from the GBP revolving credit facility (RCF A). The facility bears interest at one month LIBOR plus a margin. The facility is repayable in December 2021.

- CAD$47.2m has been drawn down from the Canadian Dollar revolving credit facility (RCF B). The facility bears interest on the Canadian Bank Prime Rate plus a margin. The facility is repayable in December 2021.

The interest margin payable on Facilities A1, B1 and C1 and the revolving credit facilities is based on a sliding scale depending on the leverage ratio and ranges from 2.5% to 4.5%.

Bank borrowings are stated net of unamortised bank loan issue costs which are being amortised over the periods of the loans. Additional loan issuance costs of $1,485k were incurred and capitalised on the revision of the banking facilities in 2019.

Bank borrowings are subject to customary bank covenants and credit agreement conditions. The Group was in compliance with its bank covenants throughout the year and at year end.

The bank borrowings are secured by a floating charge over the assets of subsidiary entities who are obligors. A cross guarantee is in place between the respective group companies and the lenders.

On 3 November 2020, the term of the credit facility was extended from 31 December 2021 to 31 December 2022 with the existing consortium of banks comprising, Amegy Bank National Association, ATB Financial, Clydesdale Bank, HSBC plc, Iberia Bank Corporation, Royal Bank of Scotland plc and Wells Fargo Bank NA.

The CAD loan notes of $1,152k (2018: $2,202k) are unsecured, bear interest at 5% and are redeemable on 31 May 2020.

Exchangeable shares were issued to certain former shareholders of SITE and WTS Rentals by the subsidiary company Centurion Group Holdings (Canada) Limited ("CGCHL") as part of the combination on 29 December 2018. Further exchangeable shares were issued to certain former shareholders of Tango Delta as part of the acquisition on 11 February 2019. These shares do not earn a fixed dividend and can only be redeemed by CGHCL on the authority of the ultimate parent, Centurion Group Limited ("CGL"). The funds to redeem these shares are required to be provided by CGL. The shares have no residual interest in CGHCL and the holders have a right to request redemption of their shares in cash subject, to approval by CGL.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

21. Borrowings (continued)

Summary of revolving credit facilities

The Group has $136 million (2018: $58 million) in revolving credit facilities. The following amounts were undrawn as at 31 December:

	Group	
	2019	2018
	$000	$000
Gross amount unused	**76,576**	26,888

The base currencies of RCF A and RCF B are GBP and CAD respectively. These revolving credit facilities are multicurrency and can be drawn down in GBP, USD, AUD, Euro or any other currency which is readily available and convertible to the base currency in the currency market, subject to customary bank covenants and credit agreement conditions.

22. Operating lease liabilities

The future aggregate minimum lease payments under operating lease commitments not included in Note 16 are as follows:

	Group	
	2019	2018
	$000	$000
Within one year	**59**	7,253
Between one and two years	-	17,697
Between two and five years	-	30,594
Total	**59**	55,544

The above leases are not capitalised in accordance with group policy as explained in note 2.15.

23. Finance lease arrangements

Commitments under finance lease arrangements are as follows:	Group	
	2019	2018
	$000	$000
Current	-	145
Between one and two years	-	159
Between two and five years	-	-
Non-current	-	159
Total	-	304
Minimum lease payments	-	313
Less future finance charges	-	(9)
Total	-	304

Finance lease arrangements are repayable over periods up to 5 years and are secured over the relevant assets. Finance charges are at rates ranging from 2.0% to 5.0% per annum.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

24. Provisions

	Group	
	2019	2018
	$000	$000
Current	-	7,134
Non-current	**770**	551
	770	7,685

	Provision for estimated loss on large lump sum underground pipeline contract $000	Dilapidations provisions $000	**Total $000**
At 1 January 2019	7,134	551	**7,685**
Initial application of IFRS 16	-	322	**322**
Utilisation of provision in the year	(7,342)	(128)	**(7,470)**
Foreign exchange	208	25	**233**
At 31 December 2019	-	770	**770**

The provision for dilapidations represents management's best estimate of the Group's obligation to restore certain leased properties to a standard specified in the lease at the end of the lease term.

Refer to Note 6 for further details on the provision for estimated loss on large lump sum underground pipeline contract.

25. Trade and other payables

	Company		Group	
	2019	2018	**2019**	2018
	$000	$000	**$000**	$000
Trade payables	**237**	379	**42,724**	39,513
Payroll taxes and social security	-	-	**3,840**	3,234
Other payables	**33**	-	**23,258**	25,424
	270	379	**69,822**	68,171

26. Retirement benefit plans

The Group contributes to stakeholder plans for eligible employees. Pension costs charged in the year amounted to $912k (2018: $795k). Pension contributions of $193k (2018: $125k) were outstanding at 31 December 2019.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

27. Share based payments

The Company's parent, Centurion Group Limited ("CGL"), has a share option plan for certain employees of its subsidiaries. Under this plan, options are awarded to purchase CGL shares at a future date for a price set at grant date (exercise price). Outstanding options at 31 December 2019 are exercisable at prices ranging from $0.68 to $2.01 and vest over periods ranging from zero to five years.

Options lapse at the earliest of the following:

- Attempt to transfer or reassign or have any charge or other security interest created over them (except in the event of the holder's death, in which case they are transferrable to the option holder's personal representatives); or
- Date specified in the option certificate; or
- Expiry of a period of seven years following the date of grant; or
- When the option holder becomes bankrupt or make voluntary arrangement with their creditors or takes similar steps under laws of any jurisdiction that correspond to those provisions of the insolvency act; or
- When the recipient ceases to hold office or employment, or the recipient gives or receives notice to terminate employment with a Group company:
    - Before the first anniversary of the date of grant the recipient shall forfeit the whole option;
    - Before the second anniversary of the date of grant the recipient shall forfeit two thirds of the option;
    - Before the third anniversary of the date of grant the recipient shall forfeit one third of the option.

At 31 December 2019 139 employees (2018: 103 employees) participated in these schemes.

Details of the management units outstanding under the share option plan during the year are as follows:

	2019		2018	
	Number of Units 000's	**Weighted Average Exercise Price $**	Number of Units 000's	Weighted Average Exercise Price $
Outstanding at the beginning of the year	**25,965**	**1.01**	4,304	1.45
Awarded during the year	**2,363**	**0.92**	21,661	0.74
Forfeited during the year	**(2,629)**	**1.38**	-	-
Lapsed during the year	**(686)**	**1.38**	-	-
Outstanding at the end of the year	**25,013**		25,965	

The weighted average remaining contractual life of the units outstanding at year end was 2 years (2018: 3 years).

The IFRS 2 'Share based payments' fair value of each award is estimated as of the grant date using a Black Scholes binomial model. Key inputs into the binomial model are as follows:

	2019	2018
Expected volatility	39.47%	39.47%
Expected life	2 years	2 years
Risk free rate	0.39% - 0.70%	0.76%
Expected dividend yield	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the estimated fair value of comparable quoted companies over the previous four years. The expected life used in the model has been adjusted, based on management's best estimate after considering the effects of non-transferability, exercise restrictions, and behavioural considerations.

As at 31 December 2019 a charge of $511k was expensed in the consolidated income statement in relation to the fair value of the units issued to date (2018: $434k).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

28. Group information

The Consolidated Financial Statements of the Group comprise the following subsidiaries, all of which are 100% owned:

Name of subsidiary	Principal activity	Place of Incorporation
Centurion 1 Limited (1)	Holding company	Scotland
Centurion 2 Limited (1)	Holding company	Scotland
Centurion Group Holdings Limited (1)	Holding company	Scotland
Conserve Oilfield Services Limited (2)	Rental of chemical tanks and cargo carrying units	England and Wales
Rentair Limited (2)	Rental of air compressors and associated equipment	England and Wales
ATR Holdings Limited (1)	Holding company	Scotland
123456 Aberdeen Limited (formerly known as ATR Equipment Solutions Limited) (1)	Equipment rental, sale and services	Scotland
ATR Overseas Limited (1)	Holding company	Scotland
ATR Caspian Limited (3)	Equipment rental, sale and services	Gibraltar
Seanic Ocean Systems Limited (formerly Underwater Engineering Services Limited) (1)	Subsea and deck machinery equipment rental and sale	Scotland
ATR Lifting Solutions Limited (1)	Lifting equipment rental, sale and service	Scotland
STH Holdings Limited (1)	Holding company	Scotland
Safety and Technical Hydraulics Limited (1)	Hydraulic tool, bolting and instrumentation rental, sale and service	Scotland
Osprey3 Ltd (1)	Manufacture and rent of fluid filtration equipment	Scotland
Abenco Limited (1)	Holding company	Scotland
Dampier Subsea Corporation (4)	Holding company	USA
Mako Deepwater Inc (5)	Provider of engineered solutions and rental of ROV tooling	USA
Jacks Winches Holdings Pty Limited (6)	Holding company	Australia
Jacks Winches Australia Pty Limited (6)	Holding company	Australia
Jacks Winches Pty Limited (6)	Rental of winches and associated lifting equipment	Australia
Jacks Winches Hire Asia Pte Limited (7)	Holding company	Singapore
Jacks Winches Pte Ltd (7)	Rental of winches and associated lifting equipment	Singapore
Australasian Fluid Management Pty Limited (8)	Holding company	Australia
AFM Australia Pty Limited (8)	Holding company	Australia
Tristar Water Solutions Pty Limited (9)	Manufacture of water treatment plants and rental of same	Australia
MC Australia Holdings Pty Limited (8)	Rental of temporary accommodation units	Australia
Centurion Group Holdings (Canada) Limited (10)	Holding company	Canada
SITE Energy Services Partnership (11)	Holding company	Canada
SITE Energy Services Limited (11)	Corporate administration for SITE Canada division	Canada
SITE Resource Group Inc (12)	Construction operations	Canada
FIS Engineering Limited (14)	Engineering services	Canada
SITE Infrastructure Limited (11)	Payroll company for SITE Canada division	Canada
SITE Energy Access Solutions Inc (12)	Inactive	Canada
SITE Management Limited (11)	Payroll company for SITE Canada division	Canada

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

28. Group information (continued)

Name of subsidiary	Principal activity	Place of Incorporation
SITE Equipment Limited (12)	Equipment rental	Canada
Logan River Aggregates Limited (12)	Holder of gravel pit rights	Canada
Bear Access and Environmental Inc (13)	Land clearing, access and environmental contractor services	Canada
SLB (II) Inc (11)	Payroll company for SITE Canada division	Canada
Access Energy Inc (11)	Provider of resource services	Canada
SBL Inc (11)	Payroll company for SITE Canada division	Canada
Force Copps Inc (14)	Pile design and installation	Canada
2026774 AB Limited (11)	Inactive	Canada
SITE Energy Services (USA) Limited (11)	Corporate administrator for SITE US division	USA
SITE Energy (USA) Inc (15)	Construction operations	USA
SLB (USA) Limited (11)	Payroll company for SITE US division	USA
SITE Equipment (USA) Limited (15)	Corporate administration	USA
SLB II (USA) Inc (11)	Payroll company for SITE US division	USA
SITE Management (USA) Limited (11)	Payroll company for SITE US division	USA
1844251 Alberta Limited (16)	Holdings company	Canada
Prospector Energy Services Inc (17)	Provider of rig support services	Canada
Waste Treatment Solutions Ltd (16)	Provider of utilities and accommodation	Canada
Arctic Crane Services Inc (18)	Lifting equipment, sale and services	Canada
Waste Treatment Equipment Limited (16)	Equipment rental	Canada
Tango Delta Rentals Inc (17)	Equipment rental	Canada
Centurion Group Holdings USA LLC (20)	Holdings company	USA
Oil Patch Group Inc (20)	Rental and service of drill pipe, accommodation units, water and sewer facilities, well testing equipment and personnel.	USA
Centurion Group (USA) LLC (20)	Holding company	USA
Twilight Services Holdings LLC (21)	Holding company	USA
Twilight Services LLC (22)	Provision of rental equipment and production services	USA
G5S Energy Services LLC (21)	Rental of frac stacks	USA
G5S Energy Services Holdings LLC (21)	Holding Company	USA

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

28. Group information (continued)

(1) Registered office: c/o Blackwood House, Union Grove Land, Aberdeen, UK, AB10 6XU
(2) Registered office: 20-22 Bedford Row, London, UK, WC1R 4 JS
(3) Registered office: Suite B, Ground Floor, Regal House, Queensway Gibraltar
(4) Registered office: Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware 19801, USA
(5) Registered office: 7941 Katy Freeway, Suite 291, Houston, Texas 77024, USA
(6) Registered office: 47 Dowd Street, Welshpool, Western Australia 6009, Australia
(7) Registered office: 80 Robinson Road #02-00, Singapore 068898
(8) Registered office: 31 Carrington Street, Nedlands, Perth, Western Australia 6009, Australia
(9) Registered office: 56 Peel Road, O'Connor, Perth, Western Australia 6163, Australia
(10) Registered office: Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2XB, Canada
(11) Registered office: #170, 120 Pembina Road, Sherwood Park, Alberta, T8H 0M2, Canada
(12) Registered office: PO Box 210, Cold Lake, Alberta, T9M 1P1, Canada
(13) Registered office: PO Box 7610, Bonnyille, Alberta, T9N 2H9, Canada
(14) Registered office: PO Box 585 Red Deer, Alberta, T4N 5G1, Canada
(15) Registered office: 501 Phair Street, Box 340, Carnduff, SK, S0C 0S0
(16) Registered office: Box 1756, Nanton, Alberta, T0L 1R0, Canada
(17) Registered office: 2504, 19th Avenue Nanton, AB T09 1R0
(17) Registered office: Box 179, Bezanson, Alberta, T0H 0G0, Canada
(18) Registered office: 14915 – 89th Street, Grand Prairie, Alberta, T8X 0J2, Canada
(19) Registered office: Box 179, Bezanson, Alberta, T0H 0G0, Canada
(20) Registered office: Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware 19801, USA
(21) Registered office: 600 Travis Street, STE 660, Houston, Texas 77002, USA
(22) Registered office: 6401 Old Granbury Road, Granbury, Texas 76049, USA

The parent company of Centurion 3 Limited is Centurion Group Limited a company incorporated and registered in the Cayman Islands. The majority of the equity of Centurion Group Limited is owned by SCF VIII AIV LP and SCF VII AIV LP, Cayman Islands limited partnerships, which in turn are considered to be controlled by its general partner, LE Simmons & Associates Inc, a Delaware corporation whose controlling party is its president, L E Simmons.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

29. Related party balances and transactions

Balances and transactions between the company and its wholly owned subsidiaries, have been eliminated on consolidation and are not disclosed below.

Related party balances

	Group	
	2019	2018
	$000	$000
Amount due from parent company	-	567
Amount due to parent company	**(96)**	-
Total	**(96)**	567

During the year, the Group settled liabilities on behalf of its ultimate parent company.

	Company	
	2019	2018
	$000	$000
Amounts due to subsidiaries	**2,566**	1,302
Total	**2,566**	1,302

Related party balances are interest free and do not have set repayment terms.

During the year $228k (2018: $114k) was charged by SCF Partners to the Group in relation to management services provided by SCF personnel and for travel expenses. The amount outstanding at the year-end was $nil (2018: $nil).

Compensation of key management personnel

Key management personnel comprise the Group Chief Executive Officer, Group Chief Financial Officer and Divisional Chief Executive Officers. The remuneration of directors and other members of key management personnel during the year was as follows:

	2019	2018
	$000	$000
Short term benefits	**2,880**	3,173
Amounts receivable under long-term incentive plans	**676**	-
Post-retirement benefits	**4**	3
	3,560	3,176

The remuneration of the key management personnel is determined by the Board.

Directors' remuneration

	2019	2018
Emoluments:	**$000**	$000
Amounts receivable (other than shares and share options)	**586**	721
Company contributions to defined contribution pension schemes	**4**	3
	590	724

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

29. Related party balances and transactions (continued)

The number of directors who:	2019 Number	2018 Number
Are members of a defined contribution pension scheme	**2**	1
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	**2**	1

Remuneration of the highest paid director:	2019 $000	2018 $000
Emoluments	**424**	539
Company contributions to money purchase schemes	**3**	3

Other related party transactions

During the year ended 31 December 2019, Group companies made the following transactions with entities owned by members of the Group's key management personnel:

				Amounts due (to)/from	
Related Party	Description	2019 $000	2018 $000	2019 $000	2018 $000
JD Elzner Holdings	Rent	**1,059**	(950)	**(4)**	(4)
VON Resources	Equipment Rental	**-**	(2,306)	**-**	(171)
OF Equipment Rental	Equipment Rental	**(3,723)**	-	**(1,532)**	-
Beaver Creek Ranch	Purchases	**(360)**	(360)	**-**	-
STCC	Rent	**(10)**	(120)	**-**	-
Hunt with Heart	Purchases	**(15)**	-	**-**	-
VON Dynamics	Services	**-**	(5)	**-**	-
1365597 Alberta Ltd	Rent	**(145)**	(154)	**(4)**	(2)
2W Livestock Equipment	Purchases	**(35)**	(27)	**-**	-
Roustabout Ventures	Purchases	**(17)**	-	**-**	-
Prosper Land Corp	Rent	**(89)**	-	**(1)**	-
RC & RC Holdings Limited	Purchases	**(309)**	-	**-**	-
Montrose Football Club	Purchases	**(2)**	(1)	**-**	-
Cove Rangers Football Club	Purchases	**-**	(4)	**-**	-
Roaming Hill Investment Ltd	Rent	**(12)**	(140)	**-**	-
BTSC Investments Inc	Rent	**(14)**	(198)	**-**	-
TCC Properties Ltd	Rent	**(19)**	(265)	**-**	-
Reid Equity Ventures Ltd	Purchases	**(13)**	(26)	**(29)**	(4)
13705077 Alberta Ltd	Purchases	**(38)**	1	**-**	-
Key May Industries	Purchases	**-**	(359)	**-**	(177)
White Swan Environmental Ltd	Sales	**-**	8	**-**	-
VON Energy Services	Sales	**-**	36	**-**	63
APE Transportation	Sales	**-**	70	**-**	33
TCG Developments Inc	Sales	**-**	13	**-**	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

30. Commitments and contingencies

Capital commitments

	2019 $000	2018 $000
At 31 December	-	31

Contingent liabilities

At 31 December 2019, the Groups' contingent liabilities, comprising guarantees arising in the normal course of business, amounted to $355k (2018: $325k).

The Company has issued a parental company guarantee under s479C of the Companies Act 2006, guaranteeing the liabilities of the following entities at 31 December 2019. The subsidiaries have the following third-party liabilities:

	2019 $000	2018 $000
Centurion 1 Limited	-	-
Centurion 2 Limited	82,029	78,577
Centurion Group Holdings Limited	2,996	794
ATR Overseas Limited	-	-
STH Holdings Limited	-	-
ATR Holdings Limited	72	79
123456 Aberdeen Limited (formerly known as ATR Equipment Solutions Limited)	5,473	N/A
Abenco Ltd	29	N/A
Osprey3 Ltd	2,827	N/A
	93,426	79,450

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

31. Cash generated from operations

Group

	2019 $000	2018 $000
(Loss)/profit for the year	**(8,657)**	4,958
Adjustments for:		
- Income tax credit	**(6,441)**	(4,322)
- Finance expenses	**12,542**	12,171
- Other gains and losses	**(627)**	(2,311)
- Finance income	**(27)**	(39)
- Depreciation of property, plant and equipment	**34,730**	38,284
- Depreciation of right of use assets	**8,316**	-
- Amortisation of intangible assets	**7,810**	7,941
- Exceptional and adjusting items	**24,006**	13,821
- Share based payments	**511**	434
- Acquisition related expenses	**-**	38
- Increase in provisions	**-**	7,344
- Gain on disposal of property, plant and equipment	**(5,063)**	(2,473)
- Cash impacting exceptional and adjusting items	**(23,330)**	(7,242)
- Unrealised foreign exchange on working capital	**2,475**	(7,222)
	46,245	61,382
Operating cash flows before working capital movements:		
Decrease in inventories	**2,512**	2,367
Decrease/(increase) in trade and other receivables	**29,262**	(30,753)
Decrease in trade and other payables	**(14,350)**	(3,549)
Net cash generated from operating activities	**63,669**	29,447

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2019 $000	2018 $000
Net book value of disposals	**7,483**	1,841
Gain on disposal of property, plant and equipment	**5,063**	2,473
Proceeds from disposal of property, plant and equipment	**12,546**	4,314

Company

	2019 $000	2018 $000
Loss for the year	**(807)**	(757)
Increase in trade and other receivables	**(284)**	(34)
(decrease)/increase in trade and other payables	**(109)**	379
Increase in amount due to subsidiary undertakings	**1,264**	412
Net cash generated from operating activities	**64**	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. Financial instruments

Capital management

For the purposes of the Group's capital management, capital includes share capital and all other reserves. The primary objectives of the Group's approach to capital management is to ensure appropriate resources to continue trading as a going concern and to maximise shareholder value.

The Group monitors a number of measures on a rolling 12 month basis including interest cover, cash cover and the ratio of net debt to EBITDA. These internal measures are monitored for compliance with banking facilities and to allow management to plan appropriate facilities.

The Group's financial instruments are classified as follows:

	2019 $000 Carrying value	2018 $000 Carrying value
Financial assets		
Loans and receivables		
- Trade and other receivables	**105,264**	120,695
- Amounts due from parent company	-	567
- Cash and bank balances	**27,912**	10,806
Financial liabilities		
Financial liabilities held at amortised cost		
- Bank borrowings	**185,631**	166,538
- Loan notes	**1,152**	5,055
- Exchangeable shares	**25,535**	24,096
- Finance lease arrangements	-	304
- Lease liabilities	**45,123**	-
- Trade and other payables	**69,822**	68,171
- Amounts due to parent company	**96**	-

Except as detailed below the carrying amounts of the financial assets and liabilities recorded at amortised cost and approximate to their fair values.

Changes in liabilities arising from financing activities

	At 31 December 2018 $000	Financing cash flows $000	Other $000	**At 31 December 2019 $000**
Bank borrowings	166,538	15,356	3,737	**185,631**
Loan notes	5,055	(4,041)	138	**1,152**
Finance lease arrangements	304	-	(304)	-
Lease liabilities	-	(9,709)	54,832	**45,123**
Exchangeable shares	24,096	-	1,439	**25,535**
Total liabilities from financing activities	195,993	1,606	59,842	**257,441**

The Group's activities give rise to a variety of financial risks: cash flow risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the Group's finance personnel who identify, evaluate and manage financial risks as considered appropriate.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. Financial instruments (continued)

Cash flow risk

Cash flow risk is the risk that the fair value of future cash flows of a financial instrument fluctuate because of changes in market prices. The risk primary comprises; currency and interest rate risk.

Foreign currency exchange risk

The Group is exposed to foreign exchange risk arising from various currencies.

The Group's main foreign exchange risk relates to movements in the United States Dollar/GBP Sterling, GBP Sterling/Australian Dollar, Singapore Dollar/United States Dollar and United States Dollar/Canadian Dollar exchange rates. The following table demonstrates the impact on the Group's loss before tax of a reasonable possible change in the United States Dollar/UK Sterling, United States Dollar/Canadian Dollar, UK Sterling/Australian Dollar, Singapore Dollar/United States Dollar and United States Dollar/Canadian Dollar exchange rates, with all other variables held constant:

Increase/(decrease) in loss before tax	**2019 $000**	2018 $000
Change in United State Dollar rate against UK Sterling		
+10%	**(35)**	(957)
-10%	**42**	1,170
Change in United State Dollar rate against Australian Dollar		
+10%	**166**	76
-10%	**(203)**	(93)
Change in Singapore Dollar against United States Dollar		
+10%	**(454)**	86
-10%	**555**	(105)
Change in United State Dollar against Canadian Dollar		
+10%	**(1,887)**	(652)
-10%	**2,306**	796

Interest rate risk

The Group finances activities through long-term and short-term funding facilities. The Group borrows in desired currencies at floating rates of interest. At 31 December 2019, no interest rate swap instruments were in place.

The following table demonstrates sensitivity to a reasonable possible change in interest rates on that portion of the borrowings affected. With all other variables held constant, the Group's profit/(loss) before tax is affected through the impact on floating rate borrowings as follows:

Decrease/(increase) in profit/(loss) before tax	**2019 $000**	2018 $000
Increase/decrease in basis points (bps)		
+25 bps	**440**	416
-25 bps	**(440)**	(416)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk primarily relates to its trade and other receivables and cash and bank balances. Responsibility for managing credit on receivables lies within each operating business with support being provided by Group management.

A customer evaluation is typically obtained from an appropriate credit rating agency. If deemed to be required, appropriate trade finance instruments, such as letters of credit, or payment prior to delivery, will be used to manage credit risk.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. Financial instruments (continued)

Credit risk (continued)

The Group's major customers are typically larger companies which have credit ratings assigned by international credit rating agencies. The five largest trade receivables balance by client at 31 December was as follows:

	2019	2018
	$000	$000
Client A	**9,525**	10,807
Client B	**8,719**	N/A
Client C	**4,083**	N/A
Client D	**3,396**	2,613
Client E	**3,009**	N/A
Client F	**N/A**	4,417
Client G	**N/A**	2,916
Client H	**N/A**	2,653

Management review trade and other receivables across the Group including receivable days' calculations to monitor exposure. There is significant management focus on receivables that are overdue.. Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is a relevant metric.

The credit risk on liquid funds is considered limited because the counterparties are banks with credit-ratings assigned by international credit-rating agencies. The maximum exposure to credit related loss of financial assets is the aggregate of their carrying values as summarised on page 65.

Liquidity risk

With regard to liquidity, the Group's priority is to ensure continuity of funding. The Group uses a mix of long and short term finance and prepare cash flow projections, to estimate requirements and monitor ongoing and projected compliance with banking covenants. The Group is forecasting to have adequate facilities available.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

32. Financial instruments (continued)

Maturity

The following table details the Group's expected maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities excluding interest that will be payable on those liabilities. The inclusion of information on non-derivative financial liabilities is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Group			
	Less than 1 year $000	1 to 5 years $000	Greater than 5 years $000	Total $000
31 December 2019				
Bank borrowings	**14,732**	**111,964**	**-**	**126,696**
Revolving credit facility	**58,935**	**-**	**-**	**58,935**
Loan notes	**1,152**	**-**	**-**	**1,152**
Exchangeable shares	**25,535**	**-**	**-**	**25,535**
Lease liabilities	**6,493**	**17,945**	**20,685**	**45,123**
Trade and other payables	**69,822**	**-**		**69,822**
Total	**176,669**	**129,909**	**20,685**	**327,263**
31 December 2018				
Bank borrowings	11,550	124,165	-	135,715
Revolving credit facility	30,823	-	-	30,823
Loan notes	3,954	1,101	-	5,055
Exchangeable shares	24,096	-	-	24,096
Finance lease agreements	145	159	-	304
Trade and other payables	68,171	-	-	68,171
Total	138,739	125,425	-	264,164

	Company		
	Less than 1 year $000	1 to 5 Years $000	Total $000
31 December 2019			
Amount due to subsidiary undertaking	**2,566**	**-**	**2,566**
Total	**2,566**	**-**	**2,566**
31 December 2018			
Amount due to subsidiary undertaking	1,302	-	1,302
Total	1,302	-	1,302

The Group has access to a working capital facility as described above of which $76.6 million was unused at the end of the reporting period (2018: $26.9m) and cash and bank balances of $27.9 (2018: $10.8m). The Group expects to meet its obligations from operating cash flows and the proceeds of maturing financial assets, without the need to utilise the working capital facility further. The term of the Group's credit facility was extended subsequent to year end as set out in note 33.

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the fully guaranteed amount is claimed by the counterparties to the guarantees is $224k (2018: $188k). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amounts will be payable under these contracts.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

33. Events after the balance sheet date

On 9 October 2020 the Group purchased the trade and certain assets of Pressure Test Solutions Limited, a business based in the United Kingdom. The total consideration of the trade and asset purchase was approximately $0.4m.

As noted above, included within the exceptional and adjusting items are estimated losses of $20.6m arising from three large lump sum underground pipeline contracts undertaken by SITE and reported within the Infrastructure Segment. One contract has been fully closed out with $4.9m of contract variations recovered in 2019. Commercial negotiations to recover contract variations are continuing with the same client on two of these contracts. The recognised loss of $20.6m reflects the estimated loss on these contracts, at 31 December 2019, and excludes any potential contract variations recovered in the future.

As noted above, on 3 November 2020, the term of the credit facility was extended from 31 December 2021 to 31 December 2022 with the existing consortium of banks comprising, Amegy Bank National Association, ATB Financial, Clydesdale Bank, HSBC plc, Iberia Bank Corporation, Royal Bank of Scotland plc and Wells Fargo Bank NA. The extending facilities are required to be repaid over a longer term and provide the Group with $107.4m of undrawn facilities as at the date of this report for acquisitions, capital expenditure and working capital.

The COVID-19 pandemic presents a challenge to all businesses including the Group. The COVID -19 pandemic and lower global economic activity levels are having an adverse impact on the Group's customers in 2020. Management have taken proactive steps to systematically reduce the direct and indirect cost base to mitigate reduced revenues and have focussed on cash generation through active working capital management. Like many other businesses, the Group has taken steps to preserve short-term liquidity and access to available government reliefs in certain countries, including in the UK the Government Job Retention Scheme.

Whilst the Directors consider the implications of COVID-19 to be a non-adjusting post balance sheet event , they note that due to continuing COVID-19 uncertainty there is the potential that certain non-current assets held as at 31 December 2019 may be exposed to future impairment in the year ending 31 December 2020. Given the recent COVID-19 developments and the progress and launch of vaccines it is not considered practicable to provide an estimate of any future impairment that may occur at this time. A sensitivity analysis has been performed on the value in use determined at 31 December 2019 for certain CGUs as set out in note 12 to the financial statements.