

Orion Engineering Services Limited

Report and Financial Statements

31 December 2018

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COMPANIES HOUSE

Orion Engineering Services Limited

Registered No: SC098014

Directors

A Savage
P Savage
D R MacRae

Secretary

D F Munro

Auditors

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3DF

Bankers

Royal Bank of Scotland
1 Albyn Place
Aberdeen
AB10 1BR

Solicitors

Burness Paull
Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

Group Strategic Report

The directors present their strategic report for the year ended 31 December 2018.

The key financial results for the year were as follows:

	2018	2017	Change
	£000	£000	%
Group turnover	283,983	289,964	(2.1)
Total operating profit	6,688	6,713	(0.4)
Profit after tax and minority interests	5,034	5,626	(10.5)
Shareholders' funds	25,508	24,293	5.0

Turnover during the year to 31 December 2018 was similar to that reported for 2017 as market conditions in the oil and gas sector remain subdued. The directors are pleased to report that operating profit has been maintained at substantially the same level as 2017 despite downward pressures on margins during the period.

Shareholders' funds as at 31 December 2018 stood at £25.5m which continues to represent a solid equity base that, combined with a low level of gearing, provides the group with the financial strength to meet the challenges of the market and to continue to respond to the requirements of our clients.

Strategy and objectives

Using all of the group's considerable experience and resources our aim is to provide a professional and cost effective approach, with the very best people, to fill our clients' staff and contract positions. We strive for excellence and to outperform competitors in all aspects of our business; excelling in safety, health, environmental, management and quality systems. We work hard to continuously enhance our reputation for accessibility, professionalism, performance, and the depth and quality of our long-term relationships with our clients. We endeavour to be recognised as the world leader in supplying personnel across a number of industry sectors.

Safety, Environment, Quality Assurance and Business Continuity

The group continues to demonstrate its strong commitment to health and safety as one of its core values by maintaining our five-star audit rating and transitioning to ISO 45001 with the British Safety Council. The group's Health and Safety Awards scheme and Working Safely in Partnership initiative promotes the safety message with our clients and contractors. Provision of the highest quality service to our clients is fundamental to the group's business and this continues to be managed through our ISO 9001 approved Quality Management System. This provides a consistent approach enabling the group to review progress towards the achievement of business objectives. The challenges of ensuring we continue to meet, and strive to exceed, the expectations of our clients even under exceptional operating circumstances are underpinned by our ISO 22301 compliant business continuity system. As part of our commitment and responsibility towards the environment we continue to operate an environmental management system to the ISO 14001 standard.

Group Strategic Report (continued)

Business activities and developments

The group has the geographic spread and experience to cover the needs of all our clients. In addition, we continue to monitor opportunities in new global locations as they arise. The oil and gas market is a key sector for the group but there are other business streams which are also significant contributors. The other sectors in which the group has a significant and growing presence are rail, civil construction, manufacturing, finance, power generation, petrochemicals, renewables and life sciences.

OCCMS, the completions and commissioning management systems business is continuing to promote and develop Orbit, the completions and commissioning database, as a vital tool in the management of large construction projects. Orbit is recognised as one of the leading software packages for the management of these projects internationally.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as market competition risk and financial instrument risk.

Competitor and market risk

The group operates in highly competitive global markets. The group manages this risk through operating in a variety of countries and sectors without undue reliance on any one contract and through developing innovative solutions to customers' resourcing needs.

Financial risk

The financial management goal is to protect the group from events that might hinder the achievement of the group's performance objectives. The group's principal financial instruments comprise cash and bank borrowings, the main purpose of which is to provide finance for its normal operations.

The main risks arising from the group's financial activities are liquidity, credit, interest rate and exchange rate risk. The group has the following policies and procedures to manage these risks.

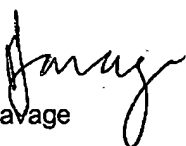
Liquidity risk relates to the group's ability to meet its cash flow requirements. The group's borrowings are principally in the form of short term credit facilities which can be drawn when required. The board closely monitors the amount of facilities drawn and future requirements.

Credit risk relates primarily to trade balances due from customers. The group assesses all customers and sets appropriate credit limits before trading commences and has detailed policies and procedures to continually monitor credit limits. The group also places significant emphasis on credit control procedures.

Interest rate risk relates to the potential level of interest rates the group may face. The debt service costs are monitored by the board to ensure that they are adequately covered by earnings from operations.

Exchange rate risk relates to foreign currency denominated trade, cash and borrowing balances arising from the group's operations in a variety of overseas territories. The group's exposure to foreign currency risk is continually monitored by the board with appropriate steps taken to minimise the risk of adverse currency movements

Approved by the board and signed on its behalf on 29 August 2019



P Savage

Director

Date: 29 August 2019

Directors Report

The directors present their report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activities of the group during the year continued to be the provision of personnel on a contract and placement basis.

Results and dividends

The group profit for the year, after taxation and minority interests, amounted to £5.0m (2017: £5.6m). Ordinary dividends of £4.0m (2017: £nil) were paid during the year. Dividends totalling £4.0m have been declared between the balance sheet date and the date of approval of the financial statements.

Future developments

The group will continue to develop business management systems with an emphasis on safety systems. The directors will also selectively invest in people and facilities to ensure that the group remains a sustainable and world class recruitment business.

Directors

The directors who served during the year were:

A Savage

P Savage

D R MacRae

Disability

The company is committed to an active equal opportunities policy from recruitment and selection, through training, development, appraisal and promotion to retirement for all employees including those with a disability. It is our policy to promote an environment free from discrimination, harassment and victimisation.

The organisation will make such adjustments as are reasonable to enable a disabled employee to carry out his/her duties and to remain in employment. These may include, but are not limited to, provision of specialist equipment and training, alterations to physical features of the workplace, job redesign, retraining, flexible hours, remote working and/or redeployment to a suitable alternative vacancy.

The company recognises the importance of taking proactive measures to remove barriers from the working environment for disabled people. It is recognised that this will benefit not only disabled employees and prospective employees but also in many cases customers and visitors. It will ensure that the organisation is able to recruit and retain the best employees on the basis of their abilities and individual merit.

Directors Report (continued)

Equal Opportunities Policy

The company is committed to providing equal opportunities in employment and to avoiding unlawful discrimination in employment and against customers.

The organisation will strive to ensure that the work environment is free of harassment and bullying and that everyone is treated with dignity and respect.

The company retains policies that confirm staff should not discriminate directly or indirectly in recruitment or employment because of age, disability, sex, gender reassignment, pregnancy, maternity, race (which includes colour, nationality and ethnic or national origins), sexual orientation, religion or belief, or because someone is married or in a civil partnership.

The company is aware that it is unlawful for an employer to fail to make reasonable adjustments to its requirements, working practices or the physical features of the workplace where these put a disabled job applicant or employee at a substantial disadvantage. It is also unlawful discrimination where a disabled employee is at a substantial disadvantage due to the employer's unreasonable failure to provide an auxiliary aid or service to the disabled employee.

Further, staff should not discriminate against or harass a member of the public in the provision of services, goods or facilities. It is unlawful to fail to make reasonable adjustments to overcome barriers to using services caused by disability. The duty to make reasonable adjustments includes the removal, adaptation or alteration of physical features, if the physical features make it impossible or unreasonably difficult for disabled people to make use of services. In addition, service providers have an obligation to think ahead and make reasonable adjustments to address any barriers that may impede disabled people from accessing a service.

Employee Engagement

The company believes that an organisation that communicates well with its' workforce performs best. Communication takes a range of forms including announcements from board members, statutory change notifications from functional teams, release of updated policies, notifications through intranet portal Nebula and periodic publications such as the Stargazer magazine. The business culture is one of shared learning with an open-door policy and active engagement across all staff levels is encouraged. Frequent team and management meetings occur with up and downward communication from them all.

Auditors

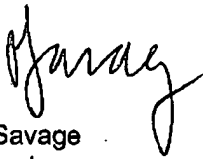
A resolution to reappoint Ernst & Young LLP will be put to the members at the forthcoming Annual General Meeting.

Directors Report (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

This report was approved by the board and signed on its behalf on 29 August 2019



P Savage
Director

Date: 29 August 2019

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

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

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

Independent auditor's report

to the members of Orion Engineering Services Limited

Opinion

We have audited the financial statements of Orion Engineering Services Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group profit and loss account, group statement of comprehensive income, group statement of changes in equity, company statement of changes in equity, group balance sheet, company balance sheet, group statement of cash flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Independent auditor's report

to the members of Orion Engineering Services Limited (continued)

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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

Independent auditor's report

to the members of Orion Engineering Services Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Manchester

Date: 1 September 2019

Group profit and loss account

For the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Group turnover	2	283,983	289,964
Cost of sales		(257,844)	(262,544)
Gross Profit		26,139	27,420
Administrative expenses		(19,451)	(20,707)
Group operating profit	3	6,688	6,713
Share of profit in joint ventures	10	7	78
Profit on ordinary activities before interest and taxation		6,695	6,791
Interest payable and similar charges	6	(314)	(139)
Profit on ordinary activities before taxation		6,381	6,652
Tax on profit on ordinary activities	7	(1,339)	(1,018)
Profit on ordinary activities after taxation		5,042	5,634
Minority interests		(8)	(8)
Profit for the financial year attributable to members of the parent company		5,034	5,626

The notes on pages 18 to 33 form part of these financial statements

Group statement of comprehensive income

for the year ended 31 December 2018

	2018 £000	2017 £000
Profit for the financial year attributable to members of the parent company	5,034	5,626
Exchange difference on retranslation of foreign operations	181	(1,051)
Total other comprehensive income for the year	5,215	4,575

The notes on pages 18 to 33 form part of these financial statements

Group statement of comprehensive income

for the year ended 31 December 2018

	<i>Called up share capital</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£000	£000	£000	£000
At 1 January 2017	20	1	19,697	19,718
Profit for the year	-	-	5,626	5,626
Other comprehensive loss	-	-	(1,051)	(1,051)
Total comprehensive income for the year	-	-	4,575	4,575
At 31 December 2017	20	1	24,272	24,293
Profit for the year	-	-	5,034	5,034
Other comprehensive income	-	-	181	181
Total comprehensive income for the year	-	-	5,215	5,215
Equity dividends paid	-	-	(4,000)	(4,000)
At 31 December 2018	20	1	25,487	25,508

The notes on pages 18 to 33 form part of these financial statements

Company statement of changes in equity

for the year ended 31 December 2018

	<i>Called up share capital</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£000	£000	£000	£000
At 1 January 2017	20	1	11,474	11,495
Profit for the year	-	-	2,644	2,644
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	2,644	2,644
Equity dividends paid	-	-	-	-
At 31 December 2017	20	1	14,118	14,139
Profit for the year	-	-	5,780	5,780
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	5,780	5,780
Equity dividends paid	-	-	(4,000)	(4,000)
At 31 December 2018	20	1	15,898	15,919

The notes on pages 18 to 33 form part of these financial statements

Group balance sheet

at 31 December 2018

Registered No. 98014

	Notes	2018 £000	2017 £000
Fixed assets			
Tangible fixed assets	9	3,344	3,567
Investment in joint ventures	10	341	351
		<u>3,685</u>	<u>3,918</u>
Current assets			
Debtors	11	44,920	51,346
Cash at bank and in hand	17	1,626	2,519
		<u>46,546</u>	<u>53,865</u>
Creditors: amounts falling due within one year	12	(24,639)	(33,443)
Net current assets		<u>21,907</u>	<u>20,422</u>
Total assets less current liabilities		25,592	24,340
Creditors: amounts falling due after more than one year	13	(43)	(10)
		<u>25,549</u>	<u>24,330</u>
Minority Interests		(41)	(37)
Net assets		<u>25,508</u>	<u>24,293</u>
Capital and reserves			
Called-up share capital	15	20	20
Capital redemption reserve	16	1	1
Profit and loss account		25,487	24,272
Shareholders' funds		<u>25,508</u>	<u>24,293</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 August 2019.


P Savage
Director

The notes on pages 18 to 33 form part of these financial statements

Company Balance sheet

at 31 December 2018

Registered No. 98014

	Notes	2018 £000	2017 £000
Fixed assets			
Tangible fixed assets	9	3,186	3,438
Investments	10	709	535
		<u>3,895</u>	<u>3,973</u>
Current assets			
Debtors	11	34,816	38,782
Cash at bank	17	5,829	9,950
		<u>40,645</u>	<u>48,732</u>
Creditors: amounts falling due within one year	12	(28,578)	(38,556)
Net current assets		<u>12,067</u>	<u>10,176</u>
Total assets less current liabilities		15,962	14,149
Creditors: amounts falling due after more than one year	13	(43)	(10)
Net assets		<u>15,919</u>	<u>14,139</u>
Capital and reserves			
Called-up share capital	15	20	20
Capital redemption reserve	16	1	1
Profit and loss account		15,898	14,118
Shareholders' funds		<u>15,919</u>	<u>14,139</u>

No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company's profit for the year was £5,779,797.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 August 2019.


P Savage
Director

The notes on pages 18 to 33 form part of these financial statements

Group statement of cash flows

For the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Net cash Inflow / (outflow) from operating activities	17	3,523	(5,975)
Investing activities			
Payments to acquire tangible fixed assets and investments		(343)	(276)
Receipts from disposals of tangible fixed assets and investments		164	222
Net cash flow from investing activities		(179)	(54)
Financing activities			
Interest paid		(312)	(131)
Interest element of finance lease rental payments		(2)	(8)
Repayments of capital element of finance leases and hire purchases contracts		(86)	(205)
Equity dividends paid	8	(4,000)	-
Net cash flow from financing activities		(4,400)	(344)
Increase / (decrease) in cash and cash equivalents		(1,056)	(6,373)
Effect of exchange rates on cash and cash equivalents		163	(975)
Cash and cash equivalents at 1 January		(5,773)	1,575
Cash and cash equivalents at 31 December		(6,666)	(5,773)

The notes on pages 18 to 33 form part of these financial statements

Notes to the financial statements

at 31 December 2018

1. Accounting policies

Basis of preparation

Orion Engineering Services Limited is a private company limited by shares and incorporated in Scotland. The Registered Office is Orion House, Castle Heather, Inverness, IV2 6AA.

The principal activities of the group during the year continued to be the provision of personnel on a contract and placement basis.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

The following principal accounting policies have been applied:

Basis of consolidation

The group financial statements consolidate the financial statements of Orion Engineering Services Limited and all its subsidiaries drawn up to 31 December 2018. No profit and loss account is presented for Orion Engineering Services Limited as permitted by section 408 of the Companies Act 2006.

The acquisition method of accounting has been used to prepare the group financial statements.

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

In the parent company financial statements investments in subsidiaries and joint ventures are accounted for at the lower of cost and net realisable value.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There were no judgements or material estimation uncertainties affecting the reported financial performance in the current period.

Going Concern

The financial statements are prepared by the Directors on a going concern basis.

Notes to the financial statements

at 31 December 2018

1. Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Freehold property	–	2% straight line
Office improvements	–	20% straight line
Office equipment	–	15% reducing balance
Computer equipment	–	30% reducing balance
Plant and equipment	–	20% reducing balance
Fixtures and fittings	–	15% reducing balance
Motor vehicles	–	25% reducing balance

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Other investments

Other investments are accounted for at the lower of cost or net realisable value.

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance and is measured at the fair value of the consideration received or receivable, excluding VAT and other sales taxes or duty. Revenue arising from temporary contractors hired out is recognised on the basis of time worked on receipt of client approved time records. In the case of permanent placements, revenue is recognised on the placement start date. Work performed and approved but not yet invoiced is recognised as accrued income at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations is charged to the profit and loss account over the period of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements

at 31 December 2018

1. Accounting policies (continued)

Current Tax

The tax expense for the year comprises current tax. Tax is recognised in the Income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

The financial statements of overseas subsidiary and joint venture undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to minimise and manage its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Pension costs

The group operate defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the group. The annual contributions payable are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements

at 31 December 2018

2. Turnover and segmental analysis

Turnover represents the amounts derived from the provision of services which fall within the group's ordinary activities, stated net of value added tax and is attributable to the principal continuing activities of the group.

An analysis of turnover by geographical area is given below:

	2018 £000	2017 £000
United Kingdom	177,928	175,612
Other European countries	7,022	4,909
North America	30,437	29,235
Asia Pacific	23,068	28,799
Middle East & Africa	45,528	51,409
	<u>283,983</u>	<u>289,964</u>

3. Group operating profit

This is stated after charging:

	2018 £000	2017 £000
Total depreciation & impairment charge	494	626
Operating lease rentals – land and buildings	865	899
Auditors' remuneration – audit services	90	85
– tax services	-	17
Loss on disposal of fixed assets	24	205
	<u>1,473</u>	<u>1,832</u>

Notes to the financial statements

at 31 December 2018

4. Directors' emoluments

	2018 £000	2017 £000
Aggregate emoluments	935	1,169
Company contributions paid to money purchase pension schemes	28	43

	2018 No.	2017 No.
Members of money purchase pension schemes	2	3

The amounts in respect of the highest paid director are as follows:

	2018 £000	2017 £000
Aggregate emoluments	627	643

5. Staff costs

	2018 £000	2017 £000
Wages and salaries	8,105	8,868
Social security costs	719	787
Other pension costs	314	350
	9,138	10,005

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

	2018 No.	2017 No.
Administration	219	262

The disclosures above include only core staff employed to administer the group's affairs. Agency staff are not included in these disclosures.

Notes to the financial statements

at 31 December 2018

6. Interest payable and similar charges

	2018 £000	2017 £000
Bank loans and overdrafts	330	192
Finance charges payable under hire purchase contracts	2	8
Share of interest payable by joint ventures	28	43
Interest receivable from joint ventures	(57)	(104)
Other interest	11	-
	<u>314</u>	<u>139</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018 £000	2017 £000
<i>Current tax:</i>		
UK corporation tax at 19% (2017:19.25%)	1,044	1,288
Adjustment in respect of previous periods	(59)	(36)
	<u>985</u>	<u>1,252</u>
Foreign tax and withholding tax	344	(234)
	<u>1,329</u>	<u>1,018</u>
Group current tax	10	-
Share of joint venture's current tax		
	<u>1,339</u>	<u>1,018</u>
Total current tax (note 7(b))		
	<u>1,339</u>	<u>1,018</u>
Group current tax		
	<u>1,339</u>	<u>1,018</u>
Group tax on profit on ordinary activities		
	<u>1,339</u>	<u>1,018</u>

Notes to the financial statements

at 31 December 2018

7. Tax (continued)

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	6,381	6,652
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	1,212	1,281
Effects of:		
Adjustments in respect of the previous year	(59)	(36)
Foreign tax and withholding taxes	344	(234)
Foreign tax losses utilised	(85)	-
Other adjustment items	(73)	7
	1,339	1,018

(c) Factors that may affect future tax charges

Reductions announced in the budget of 8 July 2015 reduced the standard rate of Corporation Tax in the UK from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate, for the year starting 1 April 2020, setting the rate at 17%.

8. Dividends

	2018 £000	2017 £000
<i>Declared and paid during the year</i>		
Equity dividends on ordinary shares	4,000	-

Subsequent to year end, dividends amounting to £4 million on ordinary shares were paid.

Notes to the financial statements

at 31 December 2018

9. Tangible fixed assets

<i>Group</i>	<i>Office Improvements £000</i>	<i>Freehold Property £000</i>	<i>Equipment £000</i>	<i>Motor Vehicles £000</i>	<i>Fixtures & Fittings £000</i>	<i>Total £000</i>
<i>Cost:</i>						
At 1 January 2018	1,357	2,591	1,871	756	581	7,156
Exchange adjustment	3	-	4	1	4	12
Additions	-	-	168	281	7	456
Disposals	(16)	-	(97)	(416)	(25)	(554)
At 31 December 2018	1,344	2,591	1,946	622	567	7,070
<i>Depreciation:</i>						
At 1 January 2018	889	388	1,516	466	330	3,589
Exchange adjustment	3	-	3	1	2	9
Provided during the year	184	50	124	91	45	494
Disposals	(15)	-	(68)	(261)	(22)	(366)
At 31 December 2018	1,061	438	1,575	297	355	3,726
<i>Net book value:</i>						
At 31 December 2018	283	2,153	371	325	212	3,344
At 1 January 2018	468	2,203	355	290	251	3,567

Notes to the financial statements

at 31 December 2018

9. Tangible fixed assets (continued)

<i>Company</i>	<i>Office Improvements £000</i>	<i>Freehold Property £000</i>	<i>Equipment £000</i>	<i>Motor Vehicles £000</i>	<i>Fixtures & Fittings £000</i>	<i>Total £000</i>
<i>Cost:</i>						
At 1 January 2018	1,300	2,588	1,581	666	482	6,617
Additions	-	-	82	261	5	348
Disposals	-	-	(15)	(381)	-	(396)
At 31 December 2018	1,300	2,588	1,648	546	487	6,569
<i>Depreciation:</i>						
At 1 January 2018	836	388	1,284	402	269	3,179
Provided during the year	183	50	104	84	33	454
Disposals	-	-	(13)	(237)	-	(250)
At 31 December 2018	1,019	438	1,375	249	302	3,383
<i>Net book value:</i>						
At 31 December 2018	281	2,150	273	297	185	3,186
At 1 January 2018	464	2,200	297	264	213	3,438

Group and company

Included within the net book value of motor vehicles above are assets with a net book value of £128,538 (2017: £97,168) relating to assets held under hire purchase agreements. Included in freehold property is land of £75,000 (2017: £75,000) which is not depreciated.

Notes to the financial statements

at 31 December 2018

10. Investments

Group

	2018 £000	2017 £000
Joint ventures	341	351
	<u>341</u>	<u>351</u>
Joint ventures		£000
At 1 January 2018		351
Additions		6
Share of loss in joint ventures		(31)
Exchange difference		15
At 31 December 2018		<u>341</u>

Company

	Subsidiary undertakings £000	Joint ventures £000	Other unlisted £000	Total £000
Cost:				
At 1 January 2018	1,550	249	275	2,074
Additions	334	6	-	340
At 31 December 2018	<u>1,884</u>	<u>255</u>	<u>275</u>	<u>2,414</u>
Amounts provided:				
At 1 January 2018	1,247	17	275	1,539
Charge for the year	166	-	-	166
At 31 December 2018	<u>1,413</u>	<u>17</u>	<u>275</u>	<u>1,705</u>
Net book value:				
At 31 December 2018	<u>471</u>	<u>238</u>	<u>-</u>	<u>709</u>
Net book value:				
At 1 January 2018	<u>303</u>	<u>232</u>	<u>-</u>	<u>535</u>

Notes to the financial statements

at 31 December 2018

10. Investments (continued)

Details of the investments in which the group and the company holds 20% or more of the nominal value of any class of share capital are as follows:

Company Name	Proportion of shares held	Registered Address and Country of Incorporation
Orion Project Services Houston LLC	100%	11200 Westheimer, Houston, Texas, USA
Orion Dimensional Survey LLC	100%	One Riverway, Houston, Texas, USA
OCCMS Limited	95%	Orion House, Castle Heather, Inverness, UK
Orion Rig Services Limited	60%	Orion House, Castle Heather, Inverness, UK
Orion Engineering Services (Aust) Pty Ltd*	100%	128 Brown St, Perth, Western Australia, Australia
Orion Energy & Mining Services (Pty) Ltd*	100%	8 St Georges Terrace, Perth, Western Australia, Australia
Orion Project Services Ltd	100%	700 Ninth Avenue SW, Calgary, Alberta, Canada
Orion Project Services Pte Ltd	100%	BEA Building, 60 Robinson Road, Singapore
Orion Engineering Services (Nigeria) Ltd	100%	28 Bode Thomas St, Lagos, Nigeria
Orion Engineering Services Liberia Ltd	100%	Seranna Plaza, Randall Street, Monrovia, Liberia
Orion Project Services Limited	100%	16 Krasnoproletarskaya, Moscow, Russia
Orion Project Services Angola Lda*	100%	290 Rua Major Kanhangulo, Luanda, Angola
Orion Project Services (PNG) Ltd*	100%	Defens Haus, Port Moresby, PNG
Orion Enga Childrens Fund JV Ltd	35%	Defens Haus, Port Moresby, PNG
HDI Orion Joint Venture Limited	50%	Defens Haus, Port Moresby, PNG
Orion Personnel Philippines Inc	100%	812 A. Arnaiz Avenue, Makati City, Philippines
Shaleem International LLC	50%	PO Box 3858, PC 112, Ruwi, Oman
OCCMS LLC*	95%	One Riverway, Houston, Texas, USA
Al Fuz Project Management Services LLC	100%	41 Street 11, District 601, Al Mansur, Baghdad, Iraq
Orion Project Services Qatar WLL	100%	Aamal Tower, West Bay, Doha, Qatar
Orion Management Consultants DMCC	100%	Armada 2, Jumeirah Lakes Towers, Dubai
Orion Group Atlantic Ltd *	100%	235 Water St, St Johns, Newfoundland, Canada
Orion Group KZ LLP	50%	23 Kulmanov St, Atyrau, Kazakhstan
Orion Technical Recruitment Services Private Ltd	100%	Eros Corporate Tower, Nehru Place, New Delhi, India
Project Services Sakhalin LLC*	100%	16 Krasnoproletarskaya, Moscow, Russia
Orion Project Services Malaysia SDN. BHD.	100%	8 First Avenue, Bandar Utama, Petaling Jaya, Selangor Malaysia
Orion Project Services BV	100%	Koningen Julianaplein 10, The Hague, Netherlands

Notes to the financial statements

at 31 December 2018

10. Investments (continued)

Company Name	Proportion of shares held	Registered Address and Country of Incorporation
Orion Group Do Brazil	100%	Rua Da Assembleia 12, Rio de Janeiro, Brazil
Recursos Humanos Ltda		
Orion Engineering Services Private Ltd	100%	504 Sagar Tech Plaza, Andheri Kurla Rd, Mumbai, India
Orion Engineering Services AS	100%	Stoperigata 1, 0250, Oslo, Norway
Orion Facilities Management LLC	100%	90a Nizami St, Sabail, Baku, Azerbaijan
Orion Facilities Management France	100%	34 Boulevard des Italiens, Paris, France
Orion Facilities Management Denmark ApS	100%	Bredgade 30, Copenhagen, Denmark
Orion Project Services Mozambique LDA*	100%	649 Rua dos Desportistas, Maputo, Mozambique
Orion Engineering Services South Africa (Pty) Ltd	100%	Noland House, River Park, Mowbray, Western Cape, South Africa
Orion ESM SDN BHD*	100%	8 First Avenue, Bandar Utama, Petaling Jaya, Selangor, Malaysia
Orion Group China Ltd	100%	135 Hoi Bun Rd, Kwun Tong, Kowloon, Hong Kong
Orion Rail Construction Services Limited	100%	93 Newington Causeway, London, UK
Orion Project Consultants Limited	80%	Orion House, Castle Heather, Inverness, UK
Ombros Integrated Services Limited	100%	93 Newington Causeway, London, UK
CNOOC Orion Technical Services Co.Ltd	50%	RM3905, China Central Plaza Binhai, Tianjin, China
Orion Executive Search Limited	82%	Orion House, Castle Heather, Inverness, UK
Orion Group Sciences Limited	78%	6 Lapp's Quay, Cork, Ireland

The investments where the group exercised significant control have been consolidated in the group financial statements.

Dormant companies have not been listed. All of the above holdings are ordinary shares, and all entities' nature of business is that of employment agency with the exception of:

OCCMS Limited – provision of completions and commissioning software

Orion Enga Childrens Fund JV Ltd – provision of training services

Orion Rail Construction Services Limited – provision of civil engineering services to the rail industry

* shares held by other group companies

Notes to the financial statements

at 31 December 2018

11. Debtors

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	26,545	27,662	19,396	18,366
Amounts due from subsidiary undertakings	-	-	5,595	5,013
Other debtors	1,403	1,675	578	860
Prepayments and accrued income	14,085	18,694	7,041	11,510
Amounts due from joint ventures	2,716	2,607	2,035	2,325
Corporation tax	-	-	-	-
Directors loan	171	708	171	708
	<u>44,920</u>	<u>51,346</u>	<u>34,816</u>	<u>38,782</u>

12. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank loans and overdrafts (Note 17)	8,292	8,292	5,973	5,874
Trade creditors	815	647	284	410
Amounts due to subsidiary undertakings	-	-	12,068	13,800
Obligations under finance leases and hire purchase contracts (Note 14)	40	40	40	40
Other taxes and social security costs	2,593	2,353	1,991	1,492
Accruals and deferred income	6,407	8,678	2,955	4,744
Corporation tax	737	972	372	886
Other creditors	5,755	12,461	4,895	11,310
	<u>24,639</u>	<u>33,443</u>	<u>28,578</u>	<u>38,556</u>

Amounts owed to subsidiary undertakings are repayable on demand.

The bank borrowings are secured over the book debtors of the company and certain subsidiaries together with a floating charge over the whole assets of the company and those subsidiaries and standard securities over the company's heritable property. The bank also holds cross guarantees between the company and certain subsidiaries. Bank Loans and Overdrafts are repayable on demand and are subject to interest rates which vary with the Royal Bank of Scotland base rate.

Notes to the financial statements

at 31 December 2018

13. Creditors: amounts falling due after more than one year

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Obligations under finance leases and hire purchase contracts (Note 14)	43	10	43	10
	<u>43</u>	<u>10</u>	<u>43</u>	<u>10</u>

The hire purchase agreements are secured against the assets concerned.

14. Obligations under finance leases and hire purchase contracts

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Not later than 1 year	40	40	40	40
Later than 1 year and not later than 5 years	43	10	43	10
	<u>83</u>	<u>50</u>	<u>83</u>	<u>50</u>

15. Share capital

Allotted, called up and fully paid

	2018 No	2017 No	2018 £	2017 £
B Ordinary shares of £1 each	8,900	8,900	8,900	8,900
A Ordinary shares of £0.01 each	8,150	9,950	82	100
Ordinary shares of £1 each	11,500	11,500	11,500	11,500
			<u>20,482</u>	<u>20,500</u>

The Directors at 31 December 2018 who had an interest in the share capital of the company are as follows:

A Savage	11,500 Ordinary shares
P Savage	4,450 B Ordinary shares
D R MacRae	1,000 A Ordinary shares

16. Reserves

Capital Redemption Reserve

This reserve records the nominal value of shares repurchased by the company.

Notes to the financial statements

at 31 December 2018

17. Notes to the statement of cash flows

(a) Reconciliation of profit to net cash inflow / (outflow) from operating activities

	2018 £000	2017 £000
Group profit for the year	5,034	5,626
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Share of profit/loss in joint venture	31	(78)
Minority interests	4	8
Net finance costs	314	139
Tax charge	1,339	1,018
Depreciation and impairment	494	626
Loss on disposal of fixed assets	24	205
(Increase) / decrease in debtors	6,426	(5,904)
(Decrease) in creditors	(8,569)	(7,691)
Taxation		
Corporation tax paid, including overseas taxation	(1,574)	76
Net cash inflow from operating activities	3,523	(5,975)

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Cash at bank and in hand	1,626	2,519	5,829	9,950
Bank overdraft	(8,292)	(8,292)	(5,973)	(5,874)
Cash and cash equivalents	(6,666)	(5,773)	(144)	4,076

18. Pension commitments

The group operates defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the group. The unpaid contributions at the year-end are £nil (2017: £nil).

Notes to the financial statements

at 31 December 2018

19. Other financial commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Other</i>		<i>Land and buildings</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	119	175	715	679
In two to five years	80	192	1,544	1,538
In over five years	-	-	1,632	1,887
	<u>199</u>	<u>367</u>	<u>3,891</u>	<u>4,104</u>

20. Related party transactions

During the year services totalling £120,229 (2017: £223,282) were recharged to OCCMS Limited, a subsidiary company. At the balance sheet date £134,332 (2017: £278,907) was due to Orion Engineering Services Limited from OCCMS Limited.

During the year, Orion Rig Services Limited, a subsidiary company, charged £nil (2017: £3,946) to Orion Engineering Services Limited. At the balance sheet date £nil (2017: £592,284) was due to Orion Engineering Services Limited from Orion Rig Services Limited.

During the year services totalling £1,193,963 (2017: £1,266,628) were recharged to Shaleem International LLC, a joint venture, and Shaleem International LLC charged £1,251 (2017: £4,365) to the Group. At the balance sheet date £2,493,923 (2017: £2,362,589) was due to the Group from Shaleem International LLC, and a total of £nil (2017: £102) was due to Shaleem International LLC by group companies.

During the year services totalling £nil (2017: £45,768) were recharged to Orion Group KZ LLP, a joint venture. At the balance sheet date £250,180 (2017: £217,099) was due to the Group from Orion Group KZ LLP.

During the year services totalling £4,530 (2017: £258,696) were recharged to Orion Enga Childrens Fund JV Limited, a joint venture, and Orion Enga Childrens Fund JV Ltd charged £nil (2017: £32,101) to the Group.

During the year HDI Orion Joint Venture Limited charged £nil (2017: £9,920) to the Group.

During the year, services totalling £8,548 (2017: £nil) were recharged to Orion Executive Search Limited, a subsidiary company. At the balance sheet date, £130,356 (2017: £nil) was due to Orion Engineering Services Limited from Orion Executive Search Limited.

During the year, the group rented properties from A. Savage for which rental payments of £161,016 (2017 - £158,231) were made. At the balance sheet date £nil (2017: £9,825) was due to A. Savage by group companies.

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £963,401 (2017 - £1,211,958).

21. Ultimate controlling party

In the directors' opinion the ultimate controlling party is A Savage.