

Registration number: 06375660

Maersk Supply Service UK Limited

Annual report and financial statements

for the year ended 31 December 2017

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Maersk Supply Service UK Limited

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Maersk Supply Service UK Limited

Company information

Directors Michael Krabbe
Nigel Edmund Lehmann-Taylor
John Kilby

Company secretary John Kilby

Registered office 13th Floor
Aldgate Tower
2 Lemn Street
London
E1 8FA
United Kingdom

Independent Auditors PricewaterhouseCoopers LLP
London
WC2N 6RH
United Kingdom

Maersk Supply Service UK Limited

Strategic report for the year ended 31 December 2017

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

Fair review of the business

The performance for the year shows a net loss of USD 79,959k (2016: USD 13,600k).

Total equity has increased during the year from USD 96,165k to USD 260,706k.

Total assets are USD 268,748k (2016: USD 102,580k).

The result for the year 2016 included impairment write downs on vessels amounting to USD 10,445k and the result for the year 2017 included impairment write downs on investments in subsidiaries of USD 80,277k.

During 2017 Maersk Supply Service International A/S has made five capital injections through issuance of new shares in the Company for a total consideration of USD 244,500k.

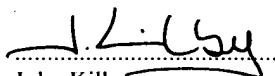
The Company provides services to the offshore industry including anchor handling, towage of drilling rigs and platforms, as well as supply vessel operation.

The markets the Company is operating in are under severe pressure with activities at low levels. The Directors consider that the Company's activities will continue in the foreseeable future.

Capital increase

A cash contribution of USD 22,500k was made from Maersk Supply Service International A/S to Maersk Supply Service UK Ltd in order to purchase the vessel Maersk Recorder. Furthermore, 4 cash contributions of a total USD 222,000k were made from Maersk Supply Service International A/S to Maersk Supply Service UK Ltd in 2017 to fund the capital injection into Maersk Supply Service Subsea UK Ltd.

Approved by the Board on 31/07/18 and signed by order of the Board by:



John Kilby
Company secretary

Maersk Supply Service UK Limited

Directors' report for the year ended 31 December 2017

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Principal activities

The principal activities of the Company are the employment of UK staff to support the Maersk Supply Service A/S global business and to provide services to the offshore industry including anchor handling, towage of drilling rigs and platforms, as well as supply vessel operation.

Dividends

No interim dividends were paid during the year (2016: nil). The directors do not propose the payment of a final dividend (2016: nil).

Review of the business

The results for the year are shown in the income statement on page 9. For the results and performance of the Company's business refer to the Strategic report on page 2 of these financial statements.

Principal risks and uncertainties

The Company actively reviews and manages risk.

There is no significant dependency on particular customers or suppliers. The Company has no significant credit risks. The main risks to the Group's performance and strategy execution relate to development in global demand for offshore support vessels and any corresponding movement in day rates.

The main risks to Maersk Supply Service UK Limited's performance relate to development in global demand for offshore support vessels and any corresponding movement in day rates.

Impairment indicators in Maersk Supply Service UK Limited are lower day rates on new contracts, lower forecasted utilisation on vessels without firm contracts and a decline in fair market values of vessels.

The fair market value estimates for vessels are highly uncertain as the second-hand market for offshore vessels is in a state of distress with only very few benchmark transactions for both modern and older vessels involving willing buyers / willing sellers.

The value in use calculations for the individual cash generating units are sensitive to the day rates expected to apply when contracts expire and to the risks of idle periods in the forecasts. In addition, the discount rate, growth rate and EBITDA margin in the terminal period are critical variables. The day rates in the short to medium term are expected to remain low. In line with analysts in the market, management expects a gradual move towards more economically sustainable rates in the long-term. Due to the uncertain prospects for vessels without contracts, further impairment write-down may be recognised in the coming years, if the market decline continues for a longer period.

Further information relating to financial risk management policy is contained within note 18 of these financial statements.

Directors

The directors in office during the year ended 31 December 2017 and to the date of approval of these financial statements were:

Michael Krabbe (appointed 12 December 2017)

Nigel Edmund Lehmann-Taylor

John Kilby

Kasper Mahon Andreassen (resigned 12 December 2017)

Maersk Supply Service UK Limited

Directors' report for the year ended 31 December 2017 (continued)

Directors (continued)

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 236(2) of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force.

Employment policies

The Company is committed to ensuring that no discrimination is practiced against any employee or prospective employee on the grounds of colour, race, creed or sex. In particular the Company has a policy of giving full and fair consideration to applications for employment from registered disabled people. In cases where disablement occurs whilst in service, company policy is, as far as possible, to continue employment and to arrange for any necessary re-training facilities. Opportunities for training, career development and promotion apply equally across the Company to disabled and non-disabled people alike.

The Company has developed harmonised arrangements for communication and consultation with employees including an intranet web site, electronic mail for the announcement of key issues, staff newsletters and magazines and senior management briefings to staff.

Independent auditors

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

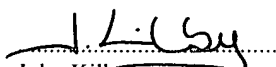
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's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

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

Reappointment of auditors

Pursuant to section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed as of the date of the next accounting period and PricewaterhouseCoopers LLP will therefore continue in office.

Approved by the Board on 31/07/18 and signed by order of the Board by:



John Kilby
Company secretary

Maersk Supply Service UK Limited

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 have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless 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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable 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 auditors' report to the members of Maersk Supply Service UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Maersk Supply Service UK Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Independent auditors' report to the members of Maersk Supply Service UK Limited (continued)

Reporting on other information (continued)

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Independent auditors' report to the members of Maersk Supply Service UK Limited
(continued)**

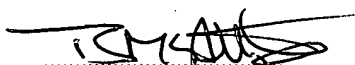
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Timothy McAllister (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
London

Date: 31 July 2018

Maersk Supply Service UK Limited

Income statement for the year ended 31 December 2017

	Note	2017 \$ 000	2016 \$ 000
Revenue	4	10,266	4,974
Cost of sales		<u>(1,795)</u>	<u>(5,498)</u>
Gross profit/(loss)		8,471	(524)
Administrative expenses		(2,366)	(1,184)
Depreciation expense		(5,970)	(1,455)
Impairment charge		(80,277)	(10,445)
Other operating (expense)/income	5	<u>(46)</u>	<u>1</u>
Operating loss		(80,188)	(13,607)
Finance income	6	240	52
Finance costs	6	<u>(11)</u>	<u>(109)</u>
Loss before tax		(79,959)	(13,664)
Tax	10	<u>-</u>	<u>64</u>
Loss for the year	11	<u><u>(79,959)</u></u>	<u><u>(13,600)</u></u>
Loss attributable to:			
Owners of the parent		<u><u>(79,959)</u></u>	<u><u>(13,600)</u></u>

The above results were derived from continuing operations.

The notes on pages 14 to 28 form an integral part of these financial statements.

Maersk Supply Service UK Limited

Statement of comprehensive income for the year ended 31 December 2017

	2017 \$ 000	2016 \$ 000
Loss for the year	<u>(79,959)</u>	<u>(13,600)</u>
Total comprehensive expense for the year	<u><u>(79,959)</u></u>	<u><u>(13,600)</u></u>
Total comprehensive expense attributable to:		
Owners of the parent	<u><u>(79,959)</u></u>	<u><u>(13,600)</u></u>

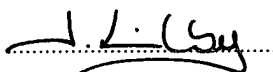
The notes on pages 14 to 28 form an integral part of these financial statements.

Maersk Supply Service UK Limited

Statement of financial position As at 31 December 2017

	Note	2017 \$ 000	2016 \$ 000
Assets			
Non-current assets			
Vessels and dry-dockings	12	24,630	8,100
Investment in subsidiaries	13	223,840	82,117
		<u>248,470</u>	<u>90,217</u>
Current assets			
Inventories		-	265
Trade and other receivables	14	7,329	598
Cash and cash equivalents	15	12,949	11,500
		<u>20,278</u>	<u>12,363</u>
Total assets		<u>268,748</u>	<u>102,580</u>
Equity and liabilities			
Equity			
Share capital	16	307,500	63,000
Retained earnings	16	(46,794)	33,165
Total equity		<u>260,706</u>	<u>96,165</u>
Current liabilities			
Income tax liability	10	2	3
Trade and other payables	17	8,040	6,412
		<u>8,042</u>	<u>6,415</u>
Total liabilities		<u>8,042</u>	<u>6,415</u>
Total equity and liabilities		<u>268,748</u>	<u>102,580</u>

The financial statements of Maersk Supply Service UK Limited (registration number: 06375660) on pages 9 to 28 were approved by the Board of Directors on 31/07/18 and they were signed on its behalf by:


John Kilby
Director

The notes on pages 14 to 28 form an integral part of these financial statements.

Maersk Supply Service UK Limited

Statement of changes in equity for the year ended 31 December 2017

	Share capital \$ 000	Retained earnings \$ 000	Total equity \$ 000
At 1 January 2016	1,000	46,765	47,765
Loss and total comprehensive expense for the year	-	(13,600)	(13,600)
Proceeds from shares issued	62,000	-	62,000
At 31 December 2016	<u>63,000</u>	<u>33,165</u>	<u>96,165</u>
	Share capital \$ 000	Retained earnings \$ 000	Total equity \$ 000
At 1 January 2017	63,000	33,165	96,165
Loss and total comprehensive expense for the year	-	(79,959)	(79,959)
Proceeds from shares issued	244,500	-	244,500
At 31 December 2017	<u>307,500</u>	<u>(46,794)</u>	<u>260,706</u>

The notes on pages 14 to 28 form an integral part of these financial statements.

Maersk Supply Service UK Limited

Statement of cash flows for the year ended 31 December 2017

	Note	2017 \$ 000	2016 \$ 000
Cash flows from operating activities			
Loss for the year		(79,959)	(13,600)
Adjustments to cash flows from non-cash items			
Depreciation	11	5,970	1,455
Impairment		80,277	10,445
Finance income	6	(240)	(52)
Finance costs	6	11	109
Income tax expense	10	-	(64)
Foreign exchange losses/(gains)		46	(1)
Operating profit/(loss) before changes in working capital and provisions		6,105	(1,708)
Working capital adjustments			
Decrease/(increase) in inventories		265	(265)
(Increase)/decrease in trade and other receivables	14	(6,731)	2,878
Increase in trade and other payables	17	1,628	5,206
Effect of exchange rate fluctuations on working capital		(46)	1
Cash generated from operations		1,221	6,112
Interest paid		(11)	(3)
Income taxes paid		(1)	(190)
Net cash flow from operating activities		1,209	5,919
Cash flows from investing activities			
Interest received	6	116	54
Acquisitions of vessels and dry docks		(22,500)	(20,000)
Investment in subsidiaries		(222,000)	(42,000)
Net cash flows used in investing activities		(244,384)	(61,946)
Cash flows from financing activities			
Proceeds from issuance of redeemable preference shares		244,500	62,000
Net cash flows generated from financing activities		244,500	62,000
Net increase in cash and cash equivalents		1,325	5,973
Cash and cash equivalents at 1 January		11,500	5,633
Effect of exchange rate fluctuations on cash held		124	(106)
Cash and cash equivalents at 31 December	15	12,949	11,500

The notes on pages 14 to 28 form an integral part of these financial statements.

Maersk Supply Service UK Limited

Notes to the financial statements

1 General information

The Company is a private company limited by share capital incorporated in United Kingdom and domiciled in England and Wales.

The address of its registered office is:

13th Floor
Aldgate Tower
2 Leman Street
London
E1 8FA

The nature of the Company's operations and its principal activities are set out in the Directors' report on page 3.

2 Accounting policies

Statement of compliance

The Company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

New standards, amendments and interpretations

No new standards or amendments to published standards have had a material impact on the financial statements for the financial year beginning 1 January 2017.

The following standards and amendments to published standards have not been early adopted.

- IFRS 15 Revenue from contracts with customers - This new standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for periods beginning on or after 1 January 2018. There is no significant impact by the implementation of IFRS 15.
- IFRS 9 Financial Instruments - This new accounting standard introduces a new classification approach for financial assets and liabilities. The previous four categories for financial assets will be reduced to three, being fair value through profit and loss, fair value through other comprehensive income and amortised cost, and financial liabilities will be measured at amortised cost or fair value through profit and loss. The standard is effective for periods beginning on or after 1 January 2018. There is no significant impact by the implementation of IFRS 9.
- IFRS 16 Leases - This new standard brings the majority of leases on to the balance sheet for lessees, under a single model defined as right of use, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The standard replaces IAS 17 'Leases' and related interpretations. The standard is effective for periods beginning on or after 1 January 2019. The Company has yet to assess IFRS 16's full impact.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS interpretations committee (IFRS IC), as adopted by the European Union and in accordance with the Companies Act 2006. The financial statements are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Consolidated group financial statements

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements. These financial statements present information about the Company as an individual undertaking and not as a group. The Company's ultimate parent undertaking, A.P. Moller-Maersk A/S (a company incorporated in Denmark), prepares and publishes consolidated financial statements that comply with IFRSs. These financial statements can be obtained from A.P. Moller-Maersk A/S, Esplanaden 50, DK-1098, Copenhagen.

Going concern

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with fellow A.P. Moller-Maersk A/S subsidiaries. The directors, having assessed the responses of the directors of the Company's ultimate parent, A.P. Moller-Maersk A/S, to their enquiries, have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis of accounting in preparing the financial statements.

Functional and presentation currency

These financial statements are presented in US dollar (USD), which is the Company's functional currency. All financial information presented in USD has been rounded to the nearest thousand.

Revenue recognition

Revenue from the sale of goods is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the Income Statement when the service has been provided. The earnings of vessels are recognised in revenue based on contractual agreements. Revenue is measured at the fair value of the consideration received or receivable.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'financial income or expenses'. All other foreign exchange gains and losses are presented in the Income Statement within 'Other operating income/expense'.

Gain/loss on disposal of non-current assets

Gains and losses on disposal of non-current assets, including vessels are determined by comparing the proceeds from disposal with the carrying amount, and are recognised net within the Income Statement.

Expenses

Net financing costs comprise interest payable, interest receivable on funds invested, foreign exchange gains and losses on loans, borrowing, financial assets and associated hedging instruments that are recognised in the Income Statement.

Interest income and interest payable is recognised in the Income Statement as it accrues, using the effective interest method. Interest payable in respect to borrowings to finance construction of qualifying assets is capitalised until such time as the assets are ready for their intended use or sale.

Income tax and tonnage tax

Income tax on the profit or loss for the year comprises current tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Certain activities of the Company qualify for UK tonnage tax, where tax payable is calculated with reference to net tonnage of qualifying vessels.

Tonnage tax is recognised within administrative expense in the Income Statement due to the tonnage tax charge not being proportionate to the profit before tax.

Vessels and dry-dockings

Vessels are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets is recognised in the Income Statement as incurred.

Where parts of an item of vessels, property, plant and equipment have different useful lives, they are accounted for as separate items of vessels, property, plant and equipment. Dry docking costs are taken to the Statement of Financial Position when incurred and depreciated over the period until the next expected dry docking.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is provided on a straight line basis to depreciate each asset over its estimated useful economic life after making allowance for any estimated residual value as follows:

Asset class	Depreciation method and rate
Vessels and dry-docking	3 - 20 years

Depreciation periods and residual values are reassessed at the end of each reporting period.

Impairment charge

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised directly in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs to sell and estimated value in use.

Fair value less costs to sell is sought to be obtained for active markets for corresponding assets or determined on the basis of other observable inputs. As far as possible, the estimated value of vessels is obtained using acknowledged brokers.

Reversal of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amounts. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

Trade payables

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividends are recognised as a liability in the statement of financial position in the year in which they are declared.

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management anticipate that any estimates and judgements made do not have a material effect on results.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are detailed below.

Recoverability of certain assets/impairment calculations

All assets are reviewed to assess their recoverable value. Where the book value of the asset is believed to be higher than the recoverable value, an impairment of the asset is immediately recognised and a charge made to the Income Statement.

Estimates and assumptions

The key assumptions covering the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about the future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimates and assumptions (continued)

Material estimates and assumptions are made in particular with regard to the determination of market rate of interest applied to measure the fair value of the interest free related party loan, in performing the goodwill impairment assessment in particular in relation to the future performance of the acquired business and the non-recognition of deferred tax assets which have not been recognised due to the uncertainty over future taxable profits.

Aside from the above no significant estimates or judgements have been used in preparing these financial statements.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2017 \$ 000	2016 \$ 000
Sale of services	10,266	4,974

The analysis of the Company's revenue for the year by geographical region is as follows:

	2017 \$ 000	2016 \$ 000
Europe	6,350	851
South America	2,448	-
APAC	1,468	4,123
	10,266	4,974

5 Other operating (expense)/income

The analysis of the Company's other operating (expense)/income for the year is as follows:

	2017 \$ 000	2016 \$ 000
Foreign exchange gains	-	1
Foreign exchange losses	(46)	-

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

6 Finance income and costs

	2017 \$ 000	2016 \$ 000
Finance income		
Interest income	116	52
Foreign exchange gains	124	-
Total finance income	240	52
Finance costs		
Interest costs	(11)	(3)
Foreign exchange losses	-	(106)
Total finance costs	(11)	(109)
Net finance income/(costs)	229	(57)

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 \$ 000	2016 \$ 000
Wages and salaries	(1,259)	(430)
Social security costs	(144)	(109)
Other short-term employee benefits	(24)	-
Other pension costs, defined contribution scheme	(212)	(51)
	(1,639)	(590)

The average number of persons employed by the Company during the year, analysed by category was as follows:

	2017 No.	2016 No.
Administration	15	5

The above persons are not legal employees of Maersk Supply Service UK Limited.

8 Directors' remuneration

During the year, no directors received any emoluments from the Company (2016: nil).

In 2016 and 2017 the directors were remunerated by a fellow group company (Maersk Company Ltd).

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

9 Auditors' remuneration

	2017 \$ 000	2016 \$ 000
Fees in respect of the audit of the financial statements	<u>(9)</u>	<u>(6)</u>

10 Tax

Tax credited in the income statement

	2017 \$ 000	2016 \$ 000
Current taxation		
Current year tax	1	(2)
UK corporation tax adjustment to prior periods	<u>(1)</u>	<u>66</u>
	<u>-</u>	<u>64</u>

Of which relates to:

Income tax (charge)/credit from continuing operations	(1)	66
Tonnage tax (included in administrative expenses)	<u>1</u>	<u>(2)</u>
Total tax credit	<u>-</u>	<u>64</u>

Reconciliation of effective tax rate:

	2017 \$ 000	2016 \$ 000
Loss before tax	(79,959)	(13,664)
Shipping profits not taxable under the tonnage tax regime	<u>79,957</u>	<u>13,664</u>
Adjusted (loss)/result before tax	(2)	-
Tax on the adjusted (loss)/result at the standard UK rate of corporation tax of 19.25% (2016: 20%)	-	-
Adjustments in respect of prior years	(1)	66
Tonnage tax	<u>1</u>	<u>-</u>
Total income tax credit in income statement	<u>-</u>	<u>66</u>

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Further changes in the UK rate to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantively enacted on 26 October 2015 and 7 September 2016 respectively.

Current tax assets and liabilities

The Company has a net current tax liability of USD 2k (2016: USD 3k) which represents the amount of income taxes payable in respect of current and prior years.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

10 Tax (continued)

Included within the current tax liability is group relief payable to a fellow A.P. Moller-Maersk A/S company of USD 1k (2016: nil) which is recognised in note 20 'Related party transactions'.

Deferred tax assets

Unrecognised deferred tax assets

	2017 \$ 000	2016 \$ 000
Deferred tax assets have not been recognised in respect of the following items:		
Losses unprovided	79	79

11 Loss for the year

Arrived at after charging

	2017 \$ 000	2016 \$ 000
Impairment charge	(80,277)	(10,445)
Depreciation expense	(5,970)	(1,455)
Daily running costs	(1,795)	(5,498)
Staff costs	(1,639)	(590)
Other expenses	(369)	(138)
Management fee	(357)	(446)
Transportation costs	(1)	(10)

12 Vessels and dry-dockings

	2017 \$ 000	2016 \$ 000
Cost		
At 1 January	20,000	-
Additions	22,500	20,000
At 31 December	42,500	20,000
Accumulated depreciation		
At 1 January	11,900	-
Charge for the year	5,970	1,455
Impairment	-	10,445
At 31 December	17,870	11,900
Carrying amount		
At 31 December	24,630	8,100

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

12 Vessels and dry-dockings (continued)

An impairment assessment on the newly acquired vessels was conducted in the prior year due to a decline in the offshore supply vessel industry. This resulted in an impairment charge of USD nil (2016: USD 10,445k) being recognised to reduce the carrying value of the vessels to their recoverable amount, identified as their estimated value in use. The pre-tax discount rate applied in the value in use was 8.5% for the year 2016 and 2017.

13 Investment in subsidiaries

	2017 \$ 000	2016 \$ 000
At 1 January	82,117	40,117
Additions	222,000	42,000
Impairment	(80,277)	-
At 31 December	223,840	82,117

In December 2017, the Company made a cash contribution to increase the share capital in Maersk Supply Service Subsea UK Limited for USD 222,000k (2016: USD 42,000k).

The Company directors have assessed the carrying value of Maersk Supply Service UK Limited's investments in subsidiaries and have found indicators of impairment. Impairment indicators in Maersk Supply Service UK Limited are lower day rates on new contracts, low forecast utilisation on vessels without firm contracts and a decline in the fair market values of vessels. Consequently a value of USD 80,277k has been impaired and taken to the income statement.

Subsidiary companies owned by Maersk Supply Service UK Limited are as follows:

Name	Registered address and country of operation	Principal activity	Class of shares	Percent of shares held directly
Maersk Supply Service Subsea UK Limited	13th Floor, Aldgate Tower 2 Leman Street London, E1 8FA UK	Own vessel, which provide services to the offshore industry	Ordinary	100%
Maersk Crewing Australia Pty Limited	Ground Floor, 1 Preston Street Como WA 6152 Australia	Manning Services	Ordinary	100%

14 Trade and other receivables

	2017 \$ 000	2016 \$ 000
External trade receivables	3,142	-
Receivables from related parties (note 20)	4,146	155
Other receivables	27	442
Interest receivable	14	1
	7,329	598

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

14 Trade and other receivables (continued)

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

The Company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

Amounts owed from related parties are unsecured, interest free and payable on demand.

Balances with related parties are measured at amortised cost.

The carrying value of all the above receivables is a reasonable approximation of fair value. There are no amounts past due at the end of the reporting period. Management's policy is to assess all trade and other receivables for recoverability on a regular basis. All Company trade and other receivables are receivable within less than one year from the reporting date.

15 Cash and cash equivalents

	2017 \$ 000	2016 \$ 000
Cash at bank	<u>12,949</u>	<u>11,500</u>

The bank balance forms part of cash pooling arrangements with A.P. Moller-Maersk A/S and is aimed at concentration and management of liquidity at group level, supplying entities with liquid funds to cover daily payments.

16 Share capital and reserves

Allotted, called up and fully paid shares

	2017		2016	
	No. 000	\$ 000	No. 000	\$ 000
Ordinary shares of \$1 each	100	100	100	100
Redeemable preference shares of \$1 each	<u>307,400</u>	<u>307,400</u>	<u>62,900</u>	<u>62,900</u>
	<u>307,500</u>	<u>307,500</u>	<u>63,000</u>	<u>63,000</u>

Profit and loss account

The profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Ordinary shares

All shares rank pari passu with all holders having full voting rights, as well as right to dividends and to participate in a distribution (not liable to redemption).

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

16 Share capital and reserves (continued)

Preference shares

The preference shares shall confer upon the holders thereof as a class, the right, in priority to any payment by way of dividend to the holders of any other shares in the capital of the Company and to receive dividends in an amount per preference share equal to the dividend declared and payable on other shares. The preference dividends shall be paid no later than the date on which any dividend on other shares in the capital of the Company is paid. No dividend shall be declared or paid on the ordinary shares in respect of any financial year of the Company unless and until the preference dividends have been paid in full in respect of that financial year of the Company.

A cash contribution of USD 22.5 million was made from Maersk Supply Service International A/S to Maersk Supply Service UK Ltd. in order to purchase the vessel Maersk Recorder. Furthermore, a cash contribution of USD 222 million was made from Maersk Supply Service International A/S to Maersk Supply Service UK Ltd in 2017 to fund the capital injection into Maersk Supply Service Subsea UK Ltd.

17 Trade and other payables

	2017 \$ 000	2016 \$ 000
External trade payables	150	-
Amounts due to related parties (note 20)	7,833	5,039
Other payables	57	1,373
	<u>8,040</u>	<u>6,412</u>

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

Amounts owed to related parties are unsecured, interest free and payable on demand.

18 Financial instruments

Financial instruments held by the Company comprise of cash and cash equivalents, receivables and payables. The Company's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The A.P. Moller-Maersk A/S group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

18 Financial instruments (continued)

Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to GBP and AUD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. As the majority of trading takes place in USD, foreign exchange risk is deemed to be immaterial.

Interest rate risk

The Company does not hold long term borrowings and as such interest rate risk is immaterial.

Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Trade and other receivables

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments in the balance sheet.

There were no assets past due at the balance sheet date and therefore no aged analysis has been presented.

Cash and bank

The Company's credit risk attributed to amounts deposited with A.P. Moller-Maersk A/S in Copenhagen is managed by assessing the nature of the funds and by ensuring that no restrictions are applicable on any monies deposited. The directors are of the view that such credit risk is minimal in view of A.P. Moller-Maersk A/S financial position.

Liquidity risk

Cash flow forecasting is performed by the Company and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements - for example, currency restrictions.

Surplus cash held by the Company over and above the balance required for working capital management is transferred to group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The Company's non-derivative financial liabilities and net settled derivative financial liabilities comprise trade and other payables only which are immaterial and all due within 1 year.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

18 Financial instruments (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future operations of the business. Capital consists of share capital and retained earnings. The Company regularly reviews its capital structure and is not subject to external controls on its capital structure. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, reduce capital to shareholders, issue new shares or sell assets to reduce debt. The board monitors the return on capital as well as the level of dividends to ordinary shareholders.

	2017	2016
	\$000	\$000
Cash and cash equivalent	(12,949)	(11,500)
Total equity	260,706	96,165
Total capital	247,757	84,665

19 Controlling parties

Immediate holding company

Maersk Supply Service UK Limited's immediate holding company at the 2016 year end is Maersk Supply Service International A/S, a company incorporated in Denmark. The registered address for Maersk Supply Service International A/S is 50 Esplanaden, 1098 Copenhagen.

Ultimate holding company

The ultimate holding company is A.P. Moller-Maersk A/S, a company incorporated in Denmark. The registered address for A.P. Moller-Maersk A/S is 50 Esplanaden, 1098 Copenhagen.

The only group in which the results of the Company are consolidated is by A.P. Moller-Maersk A/S. Copies of the consolidated group financial statements can be obtained from the Company's website at www.maersk.com.

20 Related party transactions

Identity of related parties

The Company has a related party relationship with its immediate parent (note 19), ultimate parent (note 19), fellow subsidiaries and its directors and executive officers.

Transactions with key management personnel

There were no transactions with key management.

Maersk Supply Service UK Limited

Notes to the financial statements (continued)

20 Related party transactions (continued)

	2017	2016
Transaction values	\$ 000	\$ 000
Sale of services - immediate parent	255	848
Sale of services - fellow A.P. Moller-Maersk A/S group subsidiaries	3,439	-
Purchase of services - immediate parent	(2,113)	(3,713)
Purchase of services - fellow A.P. Moller-Maersk A/S group subsidiaries	(2,785)	(1,029)
Interest income - ultimate parent	258	45
Interest income - fellow A.P. Moller-Maersk A/S group subsidiaries	(18)	15
Interest expenses - ultimate parent	-	(113)
Interest expenses - fellow A.P. Moller-Maersk A/S group subsidiaries	(9)	(1)
	<u>2017</u>	<u>2016</u>
	\$ 000	\$ 000
Balances outstanding		
Receivables from ultimate parent	5	155
Receivables from immediate parent	9	-
Receivables from fellow A.P. Moller-Maersk A/S group subsidiaries	4,132	-
Payables to immediate parent	(2,243)	(4,090)
Payables to fellow A.P. Moller-Maersk A/S group subsidiaries	(5,592)	(949)

The vessel Maersk Recorder was sold to Maersk Supply Service UK Limited from Maersk Supply Service A/S at market value.

Included within the amount payable from fellow A.P. Moller-Maersk group subsidiaries is group relief payable of USD 1k (2016: USD 0k).

All outstanding balances with related parties are non-secured and there is no provision for bad debts relating to the ultimate parent or fellow subsidiaries.

21 Post balance sheet events

A cash contribution of USD 225,000k was made from Maersk Supply Service International A/S to Maersk Supply Service UK Limited resulting in an issuance of shares. The funds from the contribution have been used to acquire additional shares in Maersk Supply Service Subsea UK Limited.