Acteon Group Limited

Annual report and financial statements

Registered number 4231212

31 December 2018

Contents

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2018.

Principal activities

Acteon Group Ltd is a global subsea services organisation comprising several industry-leading brands. The Group's principal area of focus is on those aspects of offshore oil and gas development and operations which link infrastructure on the seabed with facilities on the surface, but it also has significant (and increasing) involvement in renewable energy, aquaculture and marine construction such as bridges and port installations.

Acteon enables its clients to reduce the total cost of ownership of their subsea assets through an integrated services approach. The Group leverages the combined strengths, skills and experience of over 1,600 people from its facilities in most of the world's prime exploration and production areas. This integrated model enables Acteon to promote collaboration and connect skills, technologies, products and services wherever they exist, to solve its clients' highly complex or long-term life-of-field challenges, from exploration through to development, operations, maintenance and decommissioning. With outstanding engineering skills in the areas in which it operates, Acteon regularly achieves industry "firsts".

Acteon and its operating companies can offer infrastructure products and services – for physical assets – and equipment and data services – to deliver knowledge-based outcomes. Its services are used to create, sustain or decommission subsea infrastructure and to gather or use information or data to extract value for clients.

- The infrastructure products and services include subsea engineering, maintenance, repair and sustaining of subsea assets, the rental and storage of subsea tools, equipment and assets, and the support and provision of personnel for work on physical assets.
- The data services involve the acquisition, use or sharing of data and information about subsea assets. They include engineering design and consultancy services that apply the Group's expertise, the monitoring, inspection and surveying of subsea assets including the processing of the resulting data, geotechnical consultancy, geographic information system services, vessel positioning, modelling, software development, data management, reporting and training services.

Business model

Acteon is a leading provider of subsea services to the worldwide oil and gas, renewables, aquaculture and marine construction industries. Its aim is to redefine, shape and lead the subsea services market. To do this, Acteon has brought together its operating companies, all of which are leading brands with complementary capabilities, through a combination of organic growth initiatives and targeted acquisitions.

Acteon's integrated services approach leverages the combined strengths, skills and experience of its operating companies and tailors them to meet clients' challenges. This enables the Group to support clients using value-adding skills and technologies across the entire life of a field, from exploration through to decommissioning by deploying integrated operations, strategic technical innovation and service excellence.

The Group's principal clients are international, national and independent oil and gas companies and contractors operating in most of the major provinces in the world. As a trusted global partner, Acteon supports its clients by delivering the highest levels of international compliance, outstanding quality, health, safety and environmental performance, a flexible, local workforce to support projects worldwide and market leadership in each area of activity. Acteon also develops pricing and commercial models that align with customers' subsea asset management processes.

Strategic Report *(continued)*

The principal structures, skills and technologies within the Group are listed below:

Risers and Moorings

Acteon has world-leading riser capability and is also a leader in temporary and permanent moorings. It has the largest global inventory of offshore mooring and specialist rental equipment. The Group offers innovative design, supply, installation, relocation and decommissioning solutions for risers and moorings, and employs the world's largest pool of experienced engineers and analysts to support multiple shallow and deep water projects, globally.

InterMoor specialises in mooring systems for floating drilling and production facilities. It offers sale, rental and management of mooring equipment. The company also provides relocation services for mobile offshore drilling rigs and FPSOs, and subsea well abandonment services.

2H Offshore focuses on shallow and deep water riser projects with a full complement of design, supply, monitoring and integrity management capabilities.

Claxton supplies structural equipment and services for well construction, workover, maintenance and abandonment operations. These include pressure control and remediation, conductor tensioning and rigless tubular retrieval.

Probe Oil Tools provides bespoke high-specification pressure control equipment including wellheads, flanges, tension rings and surface risers.

Subsea Riser Products designs and supplies specialist components for subsea riser systems.

Seabed Foundation Technologies

Acteon has outstanding expertise in drilling, hammering, piling and grouting, offering a full range of solutions, from design to installation. It can provide temporary and permanent seabed support structures. In addition to its capability in pile and conductor solutions, the Group offers a wide range of hammers for sale or rental, specialist fabrication in multiple regions and highly experienced operational personnel.

MENCK manages all aspects of complex piling projects for customers, not only in the oil and gas sector but also in the civil engineering and renewables sectors. The company designs, manufactures and rents out some of the world's most sophisticated pile-driving hammers.

Large Diameter Drilling is an offshore drilling and specialist marine construction contractor. It designs, engineers, builds and operates pile-installation equipment to establish tubular foundations.

LM Handling provides comprehensive lifting and handling services for offshore piling and subsea construction projects, both by utilising its existing equipment pool and by developing bespoke equipment, where necessary, to suit specific project needs.

Conductor Installation Services provides complete project services for conductor installations.

Survey, Monitoring and Data

Acteon is a leading provider of subsea electronics and remotely operated vehicle (ROV) tooling, offering asset integrity management and comprehensive survey capabilities. The Group also supports its clients with data hosting, data management and information interpretation.

UTEC Survey provides marine and facilities survey and data management services.

Seatronics specialises in the rental of subsea electronic equipment and ancillary services.

J2 Subsea provides rental and servicing of tooling for subsea ROVs.

Pulse Structural Monitoring designs, supplies and installs monitoring systems (both instrumentation and software), and provides data processing and recorded data management services.

Clarus Subsea Integrity utilises efficient integrity management processes in order to provide operators with clear information about the condition and performance capabilities of offshore assets.

Strategic Report *(continued)*

Survey, Monitoring and Data *(continued)*

Deepwater Corrosion Services provides subsea corrosion products for a range of structures including subsea assets within the oil, gas and offshore renewables sectors.

Project Support Services

From specialist equipment to manpower provision, Acteon's project support services businesses successfully deliver advanced, innovative solutions around the world. The Group provides flexible pipe lay solutions, in addition to specialist installation and decommissioning services.

Aquatic supplies a range of powered reel systems which are deployed by clients for flexible pipe and umbilical lay.

Team is an international provider of specialist personnel and recruitment consultancy services.

InterAct provides project management engineering and permitting services to oil industry clients.

Additionally, **Acteon Field Life Service**, brings together the specialist skills and technologies of Acteon's individual branded service companies in order to address larger and more complex client projects and lead them at a group level, with a particular focus on participating in increased shares of risk and reward by offering new business models and a partnership approach.

Business review and results

2018 saw a continuation in the recovery of crude oil prices following a lengthy period of considerable weakness which started in the second half of 2014. While Brent Crude (spot) had averaged $109 per barrel across the first half of 2014, the average for 2015 was $52, followed by $44 for 2016 and $54 for 2017. 2018 saw materially stronger prices, averaging $71 for the year as a whole, with a range of monthly averages within the year of $57-$81.

As reported previously, this sustained period of materially lower crude oil prices resulted in significant changes in the investment plans and activity levels of oil and gas companies in order to conserve cash and support profit margins, with a consequent impact on the Group's activity levels. However in overall terms the level of expenditure by the global oil and gas industry increased in 2018 compared with 2017.

The Group's financial performance in 2018 reflects this improvement in industry activity levels, with revenues increasing by 19% to £352.9m and profit from operating activities before impairment losses increasing from a loss of £4.4m to a profit of £7.1m.

Acquisition in the year

Despite the continuation of challenging trading conditions during the year, the Group continued to seek opportunities to expand its services. In December 2018 it strengthened its integrity management product and service line by acquiring a 90% shareholding in Deepwater Corrosion Services Inc, the parent of a group of companies providing subsea corrosion control products for structures including subsea assets within the oil, gas and offshore renewables sectors. This acquisition enhances the Group's ability to assist its customers in managing their critical subsea infrastructure throughout the life of a field.

Strategic Report *(continued)*

Financial performance

The Group has adopted IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* with effect from 1 January 2018. Other than in respect of certain presentation and disclosure, these new accounting standards have not had a material impact on the Group's financial results. The financial performance of the Group's operations for 2018 compared with 2017 can be summarised as follows:

	2018	2017	**Increase/ (Decrease)**
	£000	£000	**%**
Group revenue	**352,855**	296,199	19.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**43,129**	34,201	26.1%
Depreciation and amortisation	**(36,819)**	(38,630)	
Profit/(loss) from operating activities before impairment losses	**6,310**	(4,429)	242.5%
Impairment losses	**(2,314)**	-	
Profit/(loss) from operating activities	**3,996**	(4,429)	

			Increase/ (Decrease)
	£000	£000	**%**
Loss before exceptional items, impairment losses and income tax	**(12,992)**	(14,836)	12.4%
Impairment losses	**(2,314)**	-	
Exceptional subsidiary acquisition/disposal credits	-	13,635	
Exceptional finance expense	-	(222)	
Loss before income tax	**(15,306)**	(1,423)	

Key performance indicators

Further key performance indicators pertinent to the Group's continuing operations are shown below. These demonstrate the underlying operational performance (gross margin and EBITDA), along with the level of sustained investment in the Group's underlying revenue-generating resources (fixed assets and number of employees).

	2018	2017
Financial		
Gross margin % of revenues	**26.2%**	26.8%
Adjusted earnings before interest, tax, depreciation and amortisation (£000s)*	**47,166**	38,560
Net book value of property, plant and equipment (£000s)	**144,140**	156,899

* prior to impairments of goodwill, other intangibles and tangible assets and certain costs totalling £4,037,000 *(2017: £4,359,000)* of a non-operating nature.

Non-financial		
Average number of employees	**1,551**	1,567
Number of employees at the year-end	**1,662**	1,493

Strategic Report *(continued)*

Principal risks and uncertainties

The Group's multinational operations and debt financing expose it to a variety of risks, including financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The Board of Directors has overall responsibility for the creation and oversight of the Group's risk management framework. The Group's approach to financial risk management is disclosed in note 4.

The directors have taken steps to ensure that the day-to-day risks which face the Group, such as health and safety and commercial risks, are managed comprehensively by the management teams of its operating companies (with appropriate central oversight), by insurance covers which should mitigate the impact of risks turning into reality, and by the preparation and careful review of comprehensive monthly management financial reporting packages which can alert the board to developments in trading performance and cash position.

Any business operates against a background of risks and uncertainties. The directors believe that the principal operational risks facing Acteon are:

- A further reduction in activity levels in the offshore oil and gas exploration and production industry worldwide, as a result of various factors including, but not limited to, a fall in oil prices.
- Lead times and availability of raw materials and components which are required in order for the Group to provide its products and services could deteriorate from their current levels.
- It could become more difficult to recruit and retain the highly qualified and experienced staff required in order for the Group to carry on its business.
- The considerable health and safety risks which are inherent to the offshore oil and gas industry.
- Contracts and projects in the oil and gas sector are frequently complex, and there are risks associated with their execution.

The directors note that a further risk arises from the potential impact of the UK's pending departure from the European Union but does not anticipate a material disruption to its business.

Future developments

Since the end of 2018, the Brent crude oil price has shown a generally improving trend, with the January average at \$59 and the February average at \$64 per barrel. Though there is an element of price volatility, partly driven by international trade issues and political uncertainty, the price level is generally more steady than it was in 2017 and earlier and this has created a macro environment in which oil exploration and production companies can plan their activities for both operational expenditure and their investment programmes. As a result of this, the directors believe that Acteon will see continued growth in revenue and earnings during 2019.

The Group's forecasts and projections, and sensitivity analyses thereof, show that the Group has sufficient financial resources for the foreseeable future, is well-placed to manage its business and financial risks, and will comply with the covenants attaching to its financing facilities. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Group will continue to undertake measures to optimise its trading performance in these slightly improving markets, to protect its margins, profitability and cash flow, while seeking to retain and augment the capabilities and skills which will be necessary when higher activity levels arise.

By order of the board

R C Higham
Director

5 April 2019

Directors' Report

The directors note that, as a result of the Strategic Report and Directors' Report regulations of 2013 (which are amendments to the Companies Act 2006), some of the matters which would previously have been contained within the Directors' Report must (along with certain other reporting) appear within the separate Strategic Report. This Directors' Report therefore contains the remaining information required by statute to be disclosed.

Research and development

The Group continues to believe in the importance of investing in innovation and in the development of its products and services, in order to achieve technical success and to improve project economics for clients. During the year Acteon has continued to invest in several research and development areas.

Proposed dividend

No dividend is to be recommended in respect of 2018 *(2017: £nil)*.

Directors

The directors who served during the year were:

R C Higham
K F Ovenden

The directors benefited from qualifying third party indemnity provisions which were in place during the financial year and at the date of this report. These took the form of Directors and Officers liability insurance.

Employees

The Group is committed to involving employees in the business through appropriate communication and consultation and does so through circulating internal newsletters and periodic briefing meetings.

Applications for employment by disabled persons are always fully considered, having regard to the aptitude and abilities of applicants. If employees become disabled every effort is made to ensure the continuation of their employment with the Group, including the provision of appropriate training. The Group intends that, as far as possible, the training, career development and promotion of a disabled person should be identical to that of a person who does not suffer from a disability.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year *(2017: £nil)*.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware. Each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

R C Higham
Director

5 April 2019

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Acteon Group Limited

Opinion

We have audited the financial statements of Acteon Group Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position (Balance Sheet), Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow, Company balance sheet and related notes, including the accounting policies in notes 3 and 35.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as measurement of the recoverable amounts relating to cash-generating units containing goodwill, impairment of parent company investment values, business combinations, valuation of financial instruments including the allowance for expected credit loss on trade receivables, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainly when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the company or to cease their operations, and as they have concluded that the Group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risk to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group of the Company will continue in operation.

KPMG

Independent auditor's report to the members of Acteon Group Limited *(continued)*

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; 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; assessing the Group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

David D

David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen, AB10 1JB

8 April 2019.

Consolidated Income Statement
for year ended 31 December 2018

	Note	2018 £000	2017 £000
Revenue	6	**352,855**	296,199
Cost of sales		**(260,263)**	(216,873)
Gross profit		**92,592**	79,326
Other income	7	**11**	403
Impairment movements	16	**(2,314)**	-
Other administrative expenses		**(86,293)**	(84,158)
Total administrative expenses		**(88,607)**	(84,158)
Profit/(loss) from operating activities		**3,996**	(4,429)
Negative goodwill on acquisitions	5	**-**	6,967
Profit on sale of subsidiary undertaking	5	**-**	6,668
Finance income		**2,623**	7,928
Finance expense		**(21,925)**	(18,557)
Net finance expense	11	**(19,302)**	(10,629)
Loss before income tax		**(15,306)**	(1,423)
Income tax expense	12	**(3,150)**	(2,316)
Loss for the year		**(18,456)**	(3,739)
Attributable to:			
Equity holders of the parent		**(18,322)**	(3,908)
Non-controlling interests		**(134)**	169
Loss for the year		**(18,456)**	(3,739)

The notes on pages 15 to 65 are an integral part of these consolidated financial statements.

Movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 13.

Consolidated Statement of Comprehensive Income

for year ended 31 December 2018

	Note	**2018 £000**	2017 £000
Loss for the year		**(18,456)**	(3,739)
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial losses	*26*	**(118)**	(269)
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign currency net investments		**5,415**	(10,444)
Other comprehensive income/(loss) recognised directly in equity		**5,297**	(10,713)
Total comprehensive loss for the year		**(13,159)**	(14,452)
Attributable to:			
Equity holders of the Company		**(13,025)**	(14,621)
Non-controlling interests		**(134)**	169
Total comprehensive loss for the year		**(13,159)**	(14,452)

The notes on pages 15 to 65 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Balance Sheet)

at 31 December 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	*15*	**144,140**	156,899
Intangible assets	*16*	**218,619**	220,511
Deferred income tax assets	*17*	**5,232**	4,442
Total non-current assets		**367,991**	381,852
Current assets			
Inventories	*18*	**17,268**	22,529
Contract costs	*19*	**6,997**	-
Trade and other receivables	*20*	**85,011**	88,628
Contract assets	*21*	**21,617**	-
Cash and cash equivalents		**77,857**	72,706
Total current assets		**208,750**	183,863
Total assets		**576,741**	565,715
Equity			
Share capital	*22*	**11,659**	11,659
Share premium	*23*	**16,437**	16,437
Foreign currency translation reserve	*23*	**27,472**	22,057
Other reserves	*23*	**(4,991)**	(4,991)
Retained earnings	*23*	**169,567**	187,919
Total equity attributable to equity holders of the Company		**220,144**	233,081
Non-controlling interests	*24*	**13,071**	11,817
Total equity		**233,215**	244,898
Non-current liabilities			
Loans and borrowings	*25*	**235,455**	222,416
Other creditors		**448**	-
Employee benefits	*26*	**2,447**	2,295
Deferred income tax liabilities	*17*	**12,737**	14,380
Total non-current liabilities		**251,087**	239,091
Current liabilities			
Loans and borrowings	*25*	**17,682**	14,892
Trade and other payables	*27*	**68,429**	65,603
Contract liabilities	*21*	**5,463**	-
Current income tax liabilities		**865**	1,231
Total current liabilities		**92,439**	81,726
Total liabilities		**343,526**	320,817
Total equity and liabilities		**576,741**	565,715

These financial statements were approved by the Board of Directors on 5 April 2019 and were signed on its behalf by:

R C Higham - Director *K F Ovenden - Director*

The notes on pages 15 to 65 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for year ended 31 December 2018

	Share capital £000	Share premium £000	Foreign currency translation reserve (FCTR) £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2017	11,659	16,437	32,501	(5,326)	192,431	247,702	12,016	259,718
(Loss)/profit for the year	-	-	-	-	(3,908)	(3,908)	169	(3,739)
Income and expense recognised directly in equity								
Defined benefit plan actuarial losses	-	-	-	-	(269)	(269)	-	(269)
Foreign currency translation difference	-	-	(10,444)	-	-	(10,444)	-	(10,444)
Total income and expense recognised directly in equity	-	-	(10,444)	-	(269)	(10,713)	-	(10,713)
Disposals in year (note 5)	-	-	-	-	-	-	(368)	(368)
Recycle of other reserves on sale of subsidiary (note 23)	-	-	-	335	(335)	-	-	-
Balance at 31 December 2017	11,659	16,437	22,057	(4,991)	187,919	233,081	11,817	244,898
IFRS 15 transition adjustment on adoption (note 3)	-	-	-	-	88	88	-	88
Restated balance at 1 January 2018	11,659	16,437	22,057	(4,991)	188,007	233,169	11,817	244,986
Loss for the year	-	-	-	-	(18,322)	(18,322)	(134)	(18,456)
Income and expense recognised directly in equity								
Defined benefit plan actuarial losses	-	-	-	-	(118)	(118)	-	(118)
Foreign currency translation difference	-	-	5,415	-	-	5,415	-	5,415
Total income and expense recognised directly in equity	-	-	5,415	-	(118)	5,297	-	5,297
Aquisitions in year (note 5)	-	-	-	-	-	-	1,401	1,401
Capital contribution by non-controlling interests (note 24)	-	-	-	-	-	-	11	11
Net dividends paid (note 14)	-	-	-	-	-	-	(24)	(24)
Balance at 31 December 2018	**11,659**	**16,437**	**27,472**	**(4,991)**	**169,567**	**220,144**	**13,071**	**233,215**

The notes on pages 15 to 65 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

for year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flow from operating activities			
Loss for the year		**(18,456)**	(3,739)
Adjustments for:			
Profit on disposal of subsidiary undertaking	*5*	**-**	(6,668)
Negative goodwill on acquisitions	*5*	**-**	(6,967)
Gain on sale of rental/non-rental property, plant and equipment		**(1,659)**	(3,732)
Depreciation and impairment of property, plant and equipment	*15*	**28,416**	30,352
Amortisation and impairment of intangible assets	*16*	**10,717**	8,278
Net finance expense	*11*	**19,302**	10,629
Total income tax expense	*12*	**3,150**	2,316
		41,470	30,469
Change in inventories		**8,434**	(3,995)
Change in contract costs		**(6,546)**	-
Change in trade and other receivables		**8,224**	7,202
Change in contract assets		**(20,808)**	-
Change in trade and other payables		**(919)**	2,712
Change in contract liabilities		**4,704**	-
Change in provisions and employee benefits		**259**	231
Cash generated from operating activities		**34,818**	36,619
Interest paid		**(16,995)**	(16,561)
Income tax paid		**(5,810)**	(4,791)
Net cash from operating activities		**12,013**	15,267
Cash flows from investing activities			
Interest received		**2,623**	2,478
Proceeds from sale of property, plant and equipment		**2,958**	8,385
Proceeds from sale of subsidiary, net of cash divested	*5*	**-**	9,659
Acquisition of trades/subsidiaries, net of cash acquired	*5,24*	**(10,395)**	(6,133)
Purchase of property, plant and equipment	*15*	**(14,569)**	(10,525)
Purchase of intangible assets	*16*	**(1,253)**	(1,690)
Net cash (used)/generated in investing activities		**(20,636)**	2,174
Cash flow from financing activities			
Receipt of borrowings	*25*	**28,000**	-
Expenses paid in relation to borrowings	*25*	**(87)**	(1,560)
Repayment of borrowings	*25*	**(15,714)**	(67,053)
Payment of finance lease liabilities	*25*	**-**	(262)
Net dividends paid to non-controlling interests	*14*	**(24)**	-
Net cash generated/(used) in financing activities		**12,175**	(68,875)
Net increase/(decrease) in cash and cash equivalents		**3,552**	(51,434)
Cash and cash equivalents at 1 January		**72,706**	127,934
Effect of exchange rate fluctuations on cash held		**1,599**	(3,794)
Cash and cash equivalents at 31 December		**77,857**	72,706

The notes on pages 15 to 65 are an integral part of these consolidated financial statements.

Notes

(forming part of the financial statements)

1 Group and company accounts

Acteon Group Ltd is a company incorporated in England. The address of its registered office is Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW. The consolidated financial statements of the Group as at and for the year ended 31 December 2018 comprise the parent company and its subsidiaries (together referred to as "the Group"). The Group is primarily involved in the provision of specialist subsea products and services to the offshore oil and gas industry. The financial statements of the parent company are set out on pages 66 to 83.

2 Basis of preparation of financial statements

The consolidated financial statements consolidate those of the parent company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, including FRS 101 *Reduced Disclosure Framework.*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Adopted IFRS and were approved by the Board of Directors on 5 April 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and available-for-sale financial assets, which are stated at fair value. Any changes in fair value are reflected in the income statement.

The methods used to measure fair values are discussed further below.

(c) Functional and presentation currency

These consolidated financial statements are presented in Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest £1,000.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are reflected in the period in which the estimates are revised and in any future periods which are affected by those revisions.

Information relating to areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 5 – business combinations

Note 16 – measurement of the recoverable amounts relating to cash-generating units containing goodwill

Note 28 – valuation of financial instruments including the allowance for expected credit loss on trade receivables

(e) Going concern

The Group's business activities and financial position, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 1 to 5.

Notes *(continued)*

2 Basis of preparation of financial statements *(continued)*

(e) Going concern *(continued)*

Note 4 to the financial statements also discloses the objectives, policies and processes for managing the financial risks to which the Group is exposed. These include foreign exchange risk, cash flow and fair value interest rate risk, credit risk, liquidity risk and capital risk.

The Group's forecasts and projections, and sensitivity analyses thereof, show that the Group has sufficient financial resources for the foreseeable future, is well-placed to manage its business and financial risks, and will comply with covenants relating to its financing facilities. Principal covenants are ratios relating to EBITDA to Net Interest Payable, Total Net Debt to EBITDA and Cashflow to Total Debt Service. When evaluating possible changes to forecasts which may adversely impact on these covenants, the directors have also identified possible mitigating actions available to the Group including managing the timing of specific capital and operational expenditure. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual consolidated financial statements.

3 Significant accounting policies

The accounting policies set out below have unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been aligned, where necessary, with the policies adopted by the Group.

(ii) Transactions and balances eliminated on consolidation

Intra-Group transactions and balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Revenue recognition

Prior to the adoption in the current period of IFRS 15, *Revenue from Contracts with Customers,* the Group's revenue recognition policy was as detailed below and this policy has been applied for comparative periods to 31 December 2017. Details of the Group's revised policy, applied from 1 January 2018, is disclosed within the "Impact of new standards adopted in the year" starting on page 23.

Revenue comprises the value of goods and services supplied by the Group in the normal course of business, net of trade discounts and sales taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of contracts of sale.

(i) Sale of equipment and other goods

Revenue is recognised when the goods are delivered to the customer, at the contractually agreed delivery location.

(ii) Rendering of services

The Group recognises revenue in line with the fulfilment of its contractual obligations. In most cases relating to the supply of services, this represents the fulfilment of all obligations contained in the contract. In certain circumstances specific elements of the total income relating to a contract are recognised where completion of these elements (by reference to contractual trigger points) entitles the Group to the income. Where the rendering of services includes rental income, the rental income element is recognised on a straight-line basis over the period of the rental contract.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Revenue recognition *(continued)*

(iii) Long-term contracts

Revenue and profits on long-term contracts are recognised in line with the stage of a contract's completion when the outcome of the contract can be estimated reliably. Full provision is made for any anticipated losses.

Intangible fixed assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and is subject to an annual impairment review.

Goodwill arising on these acquisitions represents the difference between the fair value of the purchase consideration and the fair value of the Group's share of the identifiable net assets of the acquired entity. Directly attributable costs of executing the acquisitions are charged to the income statement in accordance with IFRS 3 *(revised), Business Combinations.*

Goodwill is not subject to amortisation but is reviewed for impairment at the end of the first full financial year following the acquisition and annually thereafter. It is also reviewed at other points if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit in respect of which the goodwill arose. Impairment is determined by assessing the ability of the cash-generating units to generate future cash flows and comparison of the resulting values with the respective goodwill balances. Impairment losses in respect of goodwill are not reversed.

Negative goodwill on acquisitions is immediately recognised in the income statement.

Order books and customer lists

Order books and customer lists are recognised as intangible assets at their fair value on acquisition. The fair value is determined by discounting the future cash flows expected to be generated from them at an appropriate market-related discount rate. Amortisation is provided in order to write off the cost over the expected economic lives of the assets in equal instalments. The residual values are assumed to be nil.

Economic lives for intangible assets have been established as:

Order books	Typically less than one year
Customer lists	10 years

All intangible assets are reviewed annually for possible impairment, or more regularly if conditions exist that indicate a review is required.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life, which is typically 3-5 years.

Research and development

Expenditure on research activities is recognised in the income statement as the costs are incurred.

Expenditure on development activities is capitalised where: the process or final product is considered to be technically and commercially feasible; and, the Group intends, (and has the technical ability and sufficient resources) to complete the development; and, future economic benefits are probable; and, the expenditure attributable to the asset during its development can be measured reliably. Development activities involve a plan or design of the production of new or substantially improved products or processes.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Research and development *(continued)*

Expenditure which is capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over estimated useful lives, typically ranging between 5-10 years.

Other development expenditure is recognised in the income statement as the costs are incurred.

Tangible fixed assets

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at the Group's IFRS transition date was determined by reference to its depreciated cost as at that date.

Cost comprises the purchase price or construction cost and any costs directly attributable to making the asset capable of operating as intended, in the intended location. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given in order to acquire the asset.

When elements of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment, other than those held for rental to clients, are determined by comparing the proceeds from disposal with the corresponding carrying amounts and are recognised net within other income in the income statement. Where items are sold from the rental fleet, the sale proceeds are reflected in revenue and the remaining net book value is charged to cost of sales.

(ii) Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost less residual values to the income statement over the estimated useful lives of each asset. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	30-50 years
Fixtures, fittings and computer equipment	2-10 years
Motor vehicles	2-4 years
Plant and equipment	3-15 years

Improvements to leasehold premises are depreciated over the primary period of the leases to which the improvements relate.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price less all further costs of completion and disposal.

The Group makes provisions for impairment, where appropriate, based on an assessment of excess and obsolete inventories.

Costs in relation to partially complete projects are treated as work in progress to the extent that the revenue relating to those projects is unrecognised at the balance sheet date. From 1 January 2018, following the adoption of IFRS 15, these costs have been reclassified as contract costs (as described later in this note).

Notes *(continued)*

3 Significant accounting policies *(continued)*

Foreign currencies

(i) Transactions and balances

Transactions denominated in foreign currencies are translated and recorded at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at each balance sheet date. Gains and losses on retranslation are recognised in the income statement for the year.

(ii) Subsidiaries

The results and financial position of all subsidiaries that have a functional currency other than Sterling are translated into Sterling as follows:

- assets and liabilities for each balance sheet presented are translated at rates ruling at the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates; and
- resulting exchange differences are recognised directly in equity in a separate foreign currency translation reserve (FCTR) in the consolidated balance sheet.

When a foreign subsidiary is disposed of, the portion of the FCTR relating to that subsidiary is required to be included as part of the calculation of profit or loss on the sale.

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. The overwhelming majority of the Group's employees participate in plans of this nature.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group operates three defined benefit schemes as follows:

Two defined benefit schemes exist in respect of employees of its German subsidiary, MENCK GmbH, in which there are 171 participants. Of these, 5 participate in a final salary scheme and the remaining 166 participate in a scheme which provides very modest benefits: these are determined by length of service rather than being linked to salary.

A further defined benefit scheme, in respect of employees of its Norwegian subsidiary, InterMoor AS, in which there are 21 participants. Benefits are determined by salary levels and length of service.

Amounts charged to operating profit in relation to the schemes are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised in the income statement at the earlier of the recognition of related restructuring costs and termination benefits and when the plan amendment occurs. The net interest on the net defined benefit liability is shown in the income statement under finance expense.

Pension scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Plan assets are valued at fair value and deducted from the pension scheme liabilities. Actuarial valuations are obtained at least triennially, with updates at intervening balance sheet dates. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Employee benefits *(continued)*

(iii) Short-term benefits

Short-term employee benefit obligations such as annual performance bonuses are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as a short-term benefit if the Group has a present legal or constructive obligation to pay this benefit as a result of past service provided by the employee and the amount of the obligation can be measured reliably.

Leasing

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the lower of fair value and the present value of the minimum future lease payments. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired under hire purchase agreements are depreciated over their useful lives. Obligations under such agreements are included in liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, contract assets, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

Derivative financial instruments are recognised at fair value. Any gain or loss arising in arriving at fair value is recognised immediately in the income statement.

(iii) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it may be impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated discounted future cash flows. All impairment losses on financial assets measured at amortised cost are recognised in the income statement.

An impairment loss is only reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Impairment *(continued)*

(ii) Non-financial assets *(continued)*

The carrying amounts of the Group's non-financial assets, other than inventories, contract costs and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill has an indefinite life and the recoverable amount is estimated at each reporting date.

The Group's approach to impairment testing in relation to goodwill and intangible assets is discussed in the Goodwill section above.

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to, or recovered from, the taxation authorities. Taxable profit or loss differs from that reported in the income statement because it excludes items of income or expense that are taxable or deductible in later years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured on an undiscounted basis at the tax rates that are expected to apply when the liability is settled or the asset is realised, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that their carrying value will be realised primarily through sale rather than through continuing use.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Assets held for sale *(continued)*

Such assets are measured at the lower of their carrying amount and fair value less cost of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the income statement. Once classified as held for sale, intangible assets and tangible fixed assets are not amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on management's knowledge of prices offered and accepted for comparable items.

(ii) Intangible assets

The fair value of order books and customer lists acquired in a business combination is established by applying the income approach to valuation. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use of those assets.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on historic cost adjusted to fair value, if applicable. However where its estimated selling price in the ordinary course of business less the estimated costs of completion and sale is lower than cost, that lower value is adopted.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of their expected future cash flows, discounted where appropriate.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Borrowings *(continued)*

Net financing costs comprise interest payable on borrowings, interest receivable on cash and cash equivalents and amortisation of debt finance costs that are recognised in the income statement.

Interest income and expense is recognised in the income statement as it accrues, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and any other short-term highly liquid investments, less bank overdrafts.

Trade and other receivables

Following the adoption of IFRS 9, *Financial Instruments* (see below), trade and other receivables are recognised initially at fair value and subsequently at amortised cost less any provision for expected credit losses.

The Group has applied the simplified approach to measuring the expected credit loss which uses a lifetime expected loss allowance. To measure the expected credit loss, trade receivables have been grouped together based on the number of days they are overdue.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

New accounting standards adopted in the year

The Group has adopted all new or amended Accounting Standards issued by the International Accounting Standards Board that are mandatory for the current reporting period. The most relevant of these are:

(i) IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 introduces an "expected loss" impairment model that requires the recognition of impairment provisions based on total expected credit losses ("ECL") rather than on incurred credit losses in accordance with the previous financial instrument standard IAS 39. Impairments are determined either using a twelve-month ECL method or, if the credit risk has increased significantly since initial recognition, a lifetime ECL method is used. For receivables, including trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available; this applies to all financial assets including those classified at amortised cost, contract assets under IFRS 15 (see below), lease receivables, loan commitments and certain guarantee contracts. For the Group this principally applies to trade receivables where the simplified approach to measuring ECL has been adopted.

No significant impact on the reported financial performance and position of the Group has arisen on adoption of this standard, with impairments being consistent using either the ECL or incurred credit loss methods. As a result, the comparative figures as previously stated in the published consolidated financial statements for the year-ended 31 December 2017 have not been restated.

(ii) IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

The Group adopted IFRS 15 from 1 January 2018 using the cumulative effect method on transition. The standard has therefore only been applied to the most recent period presented in the financial statements, with a cumulative effect adjustment reflected in retained earnings; the comparative figures have not been restated and are presented in accordance with IAS 18, *Revenue* and IAS 11, *Construction contracts* and the Group's previous revenue recognition accounting policies as disclosed above.

The new standard provides a single comprehensive model for revenue recognition. The core principle is that an entity recognises revenue which reflects the transfer of control of goods or services promised to customers for the consideration to which the entity expects to be entitled in exchange for those goods or services. The new contract-based revenue recognition model incorporates a measurement approach that considers the allocation of the transaction price (contract price) with respect to the distinct performance obligations within the contract.

Notes *(continued)*

3 Significant accounting policies *(continued)*

New accounting standards adopted in the year *(continued)*

(ii) IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") *(continued)*

Revenue is recognised in line with the timing of the fulfilment of those distinct performance obligations, whether over time or at a point in time. Within the Group's statement of financial position, balances relating to contracts with customers are either disclosed as a contract liability, a contract asset, or a receivable, depending on the relationship between the Group's performance of contract obligations and the corresponding customer payment. Costs to obtain and to fulfil a contract are, subject to certain criteria, capitalised as a contract cost and amortised over the contract period.

The impact on the financial performance and position of the Group from adopting this new standard in the year is detailed in note 34.

Change in accounting policies

The introduction of IFRS 9 has not had any significant impact on the accounting policies applied by the Group, except for how the impairment provision on trade receivables is assessed as detailed in the accounting policy above. The introduction of IFRS 15, however, has impacted the Group's accounting policies from the date of transition (1 January 2018) as detailed below.

Revenue recognition – Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group:

- Identifies the contract with the customer.
- Identifies the separable performance obligations in the contract.
- Determines the overall transaction (contract) price, allowing for estimates of variable consideration and the time value of money.
- Allocates the transaction price across the separable performance obligations on the basis of the relative stand-alone selling prices of each distinct good or service to be delivered, applying any overall discounts across the entire contract (or on specific performance obligations if more appropriate).
- Recognises revenue when, or as, each performance obligation is satisfied in a manner that reflects the transfer of control of the goods or services promised to the customer.

The variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds and any other contingent events. Such estimates are determined using the expected value method and are only recognised when they are highly probable. If any uncertainty exists with respect to a potential refund of the variable consideration received, this consideration is recognised as deferred revenue until the uncertainty is resolved.

(i) Sale of goods

Revenue from performance obligations for the sale of non-customer-specific goods is recognised at the point in time when the customer obtains control of those goods. This is typically at the point of delivery. If the sale is for goods which are specifically designed or manufactured for a customer and there is no readily available alternative use for those goods, and the Group has an enforceable right to payment for performance completed to date, revenue is recognised over time in line with the contract's progression (assessed on a cost input method) up to the point of delivery.

(ii) Rendering of services

The Group recognises revenue for service performance obligations over time as those services are fulfilled. The revenue will be based either on a fixed price or on an hourly/day rate. When a fixed price is used the Group assesses the stage of fulfilment based on a cost input method. Where the rendering of services includes rental income which is not considered to be lease income, the rental income element is recognised on a straight-line basis over the contract period in accordance with quoted day rates. Where the contract for rental income meets the definition of a lease, revenue is also recognised on a straight-line basis over the contract period but is disclosed separately from revenue from contracts with customers.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Revenue recognition – Revenue from contracts with customers *(continued)*

(iii) Mobilisation and demobilisation services

Where contracts contain specific mobilisation and demobilisation services, the Group evaluates whether these are separate performance obligations within the contract. When deemed as separate performance obligations, revenue for these services is accounted for separately and recognised at a point in time. This is normally when each service is fully completed. In other cases, revenue is recognised over time as an integral part of the contract.

(iv) Contracts with a significant financing component

Contracts containing a significant financing component, where the customer pays more than twelve months in advance of receiving the goods or services, the time-value of money is incorporated into the transaction price and an implicit interest expense is subsequently recorded within finance costs at the rate embedded within the contract. This treatment recognises the effective borrowing period by the Group for any such advance receipts up to the point at which the performance obligation is fulfilled and revenue recognised.

Where contracts have a significant financing component but the financing period is less than twelve months, the Group has elected to use the practical expedient permitted by paragraph 63 of IFRS 15 and not adjust the transaction price for this financing element.

Contract costs

Contract costs represent incremental costs of obtaining a contract and the costs incurred to fulfil it.

(i) Costs of obtaining a contract

Incremental costs of obtaining a contract with a customer are capitalised when it is expected that these costs will be recoverable. These costs are then amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that are incurred regardless of whether or not the contract is obtained, or costs which are not otherwise recoverable from the customer, are expensed immediately to the income statement. Incremental costs of obtaining a contract where the contract term is less than one year are also immediately expensed to the income statement.

(ii) Costs to fulfil customer contracts

Customer contract fulfilment costs are capitalised when all of the following are met:

- The costs relate directly to the contract.
- The costs generate or enhance resources that will be used to satisfy the contract's future performance obligations.
- The costs are expected to be recovered.

Capitalised customer contract fulfilment costs are charged to the income statement in line with the fulfilment of the specific performance obligation to which they relate.

Contract assets

Contract assets are recognised when the Group has satisfied the performance obligations in a sales contract and have either not recognised a receivable to reflect its unconditional right to the consideration or, the consideration is not yet due. Contract assets are treated as financial assets for impairment purposes and therefore subject to impairment reviews on the same basis as trade and other receivables.

Contract liabilities

Contract liabilities are recognised when a customer pays consideration or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), prior to the Group transferring the goods to, or performing the services for, that customer. The liability represents the Group's responsibility to fulfil the contractual performance obligations for which it has already been paid.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Impact of future accounting standards

The Group has reviewed the accounting standards which are yet to be adopted, become effective for periods commencing on or after 1 January 2018 and which will apply to the Group's activities. The only such standard anticipated to have an impact on the Group is IFRS 16 - *Leases* ("IFRS 16").

IFRS 16 was issued in January 2016 with an effective date of 1 January 2019. Its adoption is expected to result in almost all leases being recognised on the balance sheet, because the distinction between operating and finance leases is removed. Under the new standard an asset (the right to use a leased item) along with a corresponding financial liability to pay rentals are recognised in the accounting records of the lessee. The only exceptions to this are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will primarily affect the accounting for the Group's operating leases for the financial period starting 1 January 2019, the Group's adoption date. On adoption the Group plans to use the modified retrospective transition approach and take advantage of all practical expedients available within the standard; the new standard will only be applied to the current period information presented in the 2019 financial statements. Any cumulative effect adjustments on transition (1 January 2019) will be reflected in retained earnings. Prior period financial information will not be restated.

A preliminary assessment indicates that, based on the Group's total operating lease commitments as at 31 December 2018 of £50,775,000 (see note 29), on transition (1 January 2019) the amounts that will be recognised in the statement of financial position (balance sheet) regarding the right-of-use asset and lease liability will be approximately £39,000,000 and £37,500,000 respectively.

The Group's operating profit in 2019 is expected to increase by £500,000 mainly as a result of reclassifying an element of its rental charge as an interest expense. However, as this interest expense on lease liabilities is anticipated to be in the region of £1,800,000, profit before taxation is expected to reduce by £1,300,000.

The effect on the Group's cash flow is expected to be limited solely to reclassifications as the underlying cash inflows and outflows are unaffected. These reclassifications result from the change in treatment of rental costs. Under current accounting standards these costs are recorded as administrative expenses within the income statement whereas under IFRS 16 they will be replaced with depreciation and interest expense charges.

These estimated adjustments outlined above will be further reviewed during 2019.

4 Financial risk management

The Group's international operations and debt financing expose it to a variety of financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of individual Group entities (which are principally Sterling, US Dollars, Euros, Singapore Dollars and Norwegian Kroner). As the Group's presentation currency is Sterling, it is also subject to foreign exchange translation risk in respect of the results and underlying net assets of foreign operations. The Group mitigates its foreign currency risk to a large extent by operating a natural hedge against its major foreign currency risk which is the US Dollar. The impact on earnings of a weakening Dollar is mitigated by a reduction in the Sterling value of borrowings denominated in US Dollars, and vice versa.

Details of significant balances in foreign currencies and the exchange rates used to translate them into Sterling are shown in note 28.

There were no changes in the Group's approach to foreign exchange risk during the year.

Notes *(continued)*

4 Financial risk management *(continued)*

(ii) Cash flow and fair value interest rate risk

The Group has interest rate risk arising from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk.

The Group has no significant interest-bearing assets other than cash and cash equivalents of a working capital nature. Therefore the Group's income and operating cash flows arising from such assets are substantially independent of changes in market interest rates.

The Group monitors its exposure to interest rate risk as part of its overall financial risk management. The Board of Directors regularly considers its policy in relation to interest rate hedging and takes action where appropriate to manage its cash flow interest rate risks (see note 28).

There were no changes in the Group's approach to cash flow and fair value interest rate risk during the year.

(iii) Credit risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents, primarily comprising of current account balances, are maintained with major financial institutions in each of the territories in which the Group operates. Cash balances held by non-UK operating companies in excess of those required for short-term funding needs are regularly remitted to UK bank accounts.

Sales are made on credit and result in short-term credit exposure on trade receivables. The Group's customers are principally major companies in the oil and gas exploration and production sector that have several years' transaction history with the Group. Credit risk from the ordinary course of trade activities is managed by the Group's subsidiaries on a customer and/or project basis.

The Group establishes an allowance for impairment that represents its estimated lifetime expected credit loss in respect of trade and other receivables. This includes allowances for specific loss elements that relate to individually significant exposures. The ageing of receivables is shown in note 28.

There were no changes in the Group's approach to credit risk during the year.

(iv) Liquidity risk

The Group maintains a blend of long-term and short-term committed facilities that are designed to ensure that it has sufficient available funds for operations and planned expansion and to meet its financial obligations as they fall due. At 31 December 2018 the Group had access to variable rate borrowings in the form of a £280m committed credit facility, of which £225m takes the form of term loans and £55m is a revolving credit facility. The Group is able to draw down on the revolving facility as needed. Interest rates are determined by reference to LIBOR.

There were no changes in the Group's approach to liquidity risk during the year.

(v) Capital risk management

The objectives when managing capital (equity and bank borrowings) are to safeguard the Group's ability to continue as a going concern and:

- provide returns for shareholders;
- provide benefits for other stakeholders; and
- maintain an optimal capital structure to minimise the cost of capital.

The Group monitors its bank borrowings and conducts regular reviews of actual and projected performance against a suite of bank covenants.

There were no changes to the Group's approach to capital management in the year.

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries and trades

Acquisitions 2018

On 7 December 2018 the Group acquired a 90% shareholding in Deepwater Corrosion Services Inc for a total consideration of £14,566,000 including a contingent element based on probable future earnings of £1,187,000 ($1,519,000 converted into sterling using the exchange rate prevailing at the time of acquisition). Deepwater Corrosion Services Inc is the parent of a group of companies which provide subsea corrosion control products worldwide for all types of assets mainly within the oil, gas and renewables sectors, for example oil and gas platforms and wind turbines. The main rationale for this acquisition was to strengthen the Group's integrity management service offering by enhancing its ability to assist its customers in managing their subsea infrastructure.

Between the acquisition date and 31 December 2018 these companies generated revenues of £2,184,000 and a loss after tax of £43,000. Had the acquisition occurred on 1 January 2018, management estimates that revenues would have been £22,750,000 and the profit after tax for the period would have been £1,600,000.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	979	-	979
Intangible assets	-	5,483	5,483
Inventories	3,015	-	3,015
Contract costs	595	-	595
Trade and other receivables	4,321	-	4,321
Contract assets	59	-	59
Cash in hand and at bank	2,973	-	2,973
Trade and other payables	(2,369)	-	(2,369)
Contract liabilities	(187)	-	(187)
Current and deferred income tax liabilities	(200)	(658)	(858)
Net identifiable assets and liabilities acquired	9,186	4,825	14,011
Less non-controlling interest			(1,401)
Net assets acquired			12,610
Goodwill on acquisition (non-taxable)			1,956
Total consideration			14,566
Less contracted contingent consideration based on probable future earnings			(1,187)
Total cash consideration			13,379
Cash acquired			(2,973)
Net cash outflow			10,406

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition were their estimated fair value (note 3 outlines the methods used in determining fair values). In determining the fair value of the intangible assets acquired (customer lists and order books), the Group applied the income approach to ascertain the expected discounted cash flows to be derived from the use of the assets.

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries and trades *(continued)*

Acquisitions 2018 *(continued)*

Goodwill arose on the acquisition as a result of several factors, including market access, the cross-selling opportunities created from it being part of the Group, the complementary nature and fit with the Group's existing products and services and the value associated with the technical expertise of its employees.

The Group incurred acquisition-related legal and due diligence costs totalling £698,000. These costs are included in other administrative expenses within the consolidated income statement.

Acquisitions and disposals 2017

(i) <u>Viking acquisition</u>

On 1 December 2017 the Group acquired a 100% shareholding in three companies, Viking Seatech Ltd, Viking Seatech (Australia) Pty Ltd and PT Viking Seatech Indonesia for a total consideration of £6,971,000. These companies, which are based in the United Kingdom, Australia and Indonesia respectively, specialise in the sale, rental and management of marine/mooring equipment and navigational aids, principally for the offshore oil and gas industry. The main rationale for these acquisitions was to augment the Group's mooring equipment fleet and expand its geographical footprint within this industry sector by increasing its presence in Australia and Indonesia.

Between the acquisition date and 31 December 2017 these companies generated revenues of £425,000 and a loss after tax of £398,000. Had the acquisition occurred on 1 January 2017, management estimated that revenues would have been £8,700,000 and the profit after tax for the period would have been £500,000.

The Group also purchased mooring equipment from the vendor for £1,145,000 (in cash) in the form of an asset purchase. This element was recorded at cost, in accordance with the Group's tangible fixed assets accounting policy, and included in plant, equipment, fixture and fittings as additions in the 2017 year (note 15).

The acquisition, per company acquired, had the following effect on the Group's assets and liabilities on the acquisition date:

Viking Seatech Ltd	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	3,107	3,435	6,542
Intangible assets	-	1,656	1,656
Inventories	137	-	137
Trade and other receivables	2,479	-	2,479
Cash in hand and at bank	540	-	540
Trade and other payables	(799)	-	(799)
Current and deferred income tax liabilities	-	(916)	(916)
Net identifiable assets and liabilities acquired	5,464	4,175	9,639
Negative goodwill on acquisition (non-taxable)			(5,857)
Total consideration			3,782
Consideration contributing to future non-committed costs			(7)
Total cash consideration			3,775
Cash acquired			(540)
Net cash outflow			3,235

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries and trades *(continued)*

Viking Seatech (Australia) Pty Ltd	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	4,019	(281)	3,738
Intangible assets	-	194	194
Trade and other receivables	373	-	373
Cash in hand and at bank	104	-	104
Trade and other payables	(1,046)	-	(1,046)
Current and deferred income tax liabilities	(851)	24	(827)
Net identifiable assets and liabilities acquired	2,599	(63)	2,536
Negative goodwill on acquisition (non-taxable)			(1,110)
Total consideration			1,426
Consideration contributing to future non-committed costs			(75)
Total cash consideration			1,351
Cash acquired			(104)
Net cash outflow			1,247

PT Viking Seatech Indonesia	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	41	-	41
Intangible assets	-	1,306	1,306
Trade and other receivables	311	-	311
Cash in hand and at bank	112	-	112
Trade and other payables	(969)	-	(969)
Current and deferred income tax liabilities	-	(196)	(196)
Net identifiable assets and liabilities acquired	(505)	1,110	605
Goodwill on acquisition (non-deductible for tax)			1,158
Total consideration			1,763
Cash acquired			(112)
Net cash outflow			1,651

The Group incurred acquisition-related costs for these acquisitions of £850,000 on legal fees and due diligence costs. These costs were included in other administrative expenses within the consolidated income statement.

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries and trades *(continued)*

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition, with the value of assets and liabilities recognised on acquisition being their estimated fair value. The income approach, as used for the 2018 acquisition, was used to determine the fair value of property, plant and equipment and intangibles (customer lists and order books) acquired.

The negative goodwill totalling £6,967,000, which was immediately credited to the income statement, arose as a result of the fair value of assets of companies acquired being greater than the consideration paid for them. These companies directly complement the Group's existing trading activities and anticipated synergies in operations and expertise would significantly improve the future performance of the companies acquired and the Group's mooring business as a whole. Increased project opportunities were also expected to be derived by the Group as a result of having access to a larger and more diverse mooring equipment pool spread across a wider geographical area.

(ii) Mirage Machines Ltd divestment

The Group sold its entire shareholding in Mirage Machines Ltd to Actuant Corporation on 1 December 2017 for a total consideration of £10,518,000.

The table below summarises the assets and liabilities divested, the profit on sale recognised within the income statement and the consideration and net cash received.

	Recognised values on disposal £000
Property, plant and equipment	457
Intangible assets (including goodwill recognised on original acquisition of £540,000)	555
Inventories	2,695
Trade and other receivables	990
Cash in hand and at bank	859
Trade and other payables	(921)
Current and deferred income tax liabilities	(417)
Net identifiable assets and liabilities	4,218
Less non-controlling interest	(368)
Net assets divested	3,850
Profit on disposal (recognised in the income statement)	6,668
Total consideration received	10,518
Cash divested	(859)
Net cash inflow	9,659

The Group incurred legal and professional costs relating to the divestment of £330,000. These costs were included in other administrative expenses within the consolidated income statement.

Along with the Mirage Machines Ltd share sale the Group divested the majority of the fixed assets and inventory in Mirage Subsea Inc.

Notes *(continued)*

6 Revenue

The following tables disaggregate the Group's revenue by its nature, geographical markets, major market segments and timing of recognition.

	2018 £000	2017* £000
Nature of revenue		
Sale of goods	**62,884**	49,018
Rendering of services	**289,971**	247,181
	352,855	296,199
Geographical markets		
Europe	**136,071**	109,304
Africa	**34,492**	38,995
North America	**48,635**	32,787
South America	**12,191**	22,484
Asia and Asia Pacific	**79,502**	46,954
Middle East/Caspian	**41,964**	45,675
	352,855	296,199
Major market segments		
Risers and moorings	**142,981**	130,185
Seabed foundation technologies	**87,759**	42,603
Survey, monitoring and data	**79,579**	75,145
Project support services	**42,536**	48,266
	352,855	296,199
Timing of revenue recognition		
Products and services transferred at a point in time	**85,526**	63,217
Products and services transferred over time	**267,329**	232,982
	352,855	296,199

Where the Group rents equipment to customers without the provision of other associated services, the equipment rental contract with the customer may meet the definition of a lease and be outside of the scope of IFRS 15 *Revenue from Contracts with Customers*. Such revenue (to the extent the lease definition is met) has not been presented separately from the Group's IFRS 15 revenue disclosures on the basis that a combined disclosure reflects a more consistent and relevant presentation of the Group's principal trading activities with its customers.

* The Group has initially applied IFRS 15 using the cumulative effect method. The comparative information has not been restated to incorporate revenue recognition changes as a result of this new standard.

Notes *(continued)*

7 Other income

	2018 £000	2017 £000
Net gain on sale of non-rental property, plant and equipment	**11**	403

8 Expenses and auditor's remuneration

	2018 £000	2017 £000
Loss before taxation is stated after charging:		
Depreciation and other amounts written off owned tangible fixed assets	**28,416**	30,352
Amortisation of intangibles	**8,403**	8,278
Impairment relating to intangible fixed assets	**2,314**	-
Hire of plant and machinery - rentals payable under operating leases	**1,164**	1,315
Hire of other assets - operating leases	**8,189**	8,060
Research and development expenditure	**1,125**	665

	2018 £000	2017 £000
Auditor's remuneration:		
Audit of these financial statements	**100**	88
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**600**	482
Taxation compliance services	**635**	595
Other tax advisory services	**147**	141
Corporate finance services	**360**	166
All other services	**15**	10

9 Remuneration of directors

	2018 £000	2017 £000
Directors' emoluments	**654**	641
Company contributions to money purchase pension schemes	**14**	13

The aggregate of emoluments of the highest paid director was £364,000 *(2017: £351,000)*. Company pension contributions of £1,000 *(2017: £7,000)* were made to a money purchase scheme on his behalf.

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2

Notes *(continued)*

10 Personnel expenses and employee numbers

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

	Number of employees 2018	2017
Directors of Acteon Group Limited	**2**	2
Technical and administration	**1,549**	1,565
	1,551	1,567

The aggregate payroll costs of the average number of employees were as follows:

	2018 £000	2017 £000
Wages and salaries	**92,023**	89,831
Social security costs	**8,835**	8,756
Contributions to defined contribution plans	**3,120**	2,970
Expenses related to defined benefit plans	**259**	231
	104,237	101,788

Notes *(continued)*

11 Finance income and expense

Recognised in profit or loss

	2018 £000	2017 £000
Interest income on bank deposits	**2,542**	2,297
Foreign exchange gains	**-**	5,450
Other interest receivable	**81**	181
Finance income	**2,623**	7,928
Interest payable on bank borrowings	**(16,486)**	(16,286)
Foreign exchange losses	**(4,495)**	-
Amortisation of finance raising costs	**(703)**	(1,964)
Exceptional amortisation of finance raising costs	**-**	(222)
Finance charges under finance lease and hire purchase contracts	**-**	(5)
Interest on net employee benefit obligations	**(49)**	(42)
Interest on financing arrangements with customers under IFRS 15	**(128)**	-
Other interest payable	**(64)**	(38)
Finance expense	**(21,925)**	(18,557)
Net finance expense recognised in profit or loss	**(19,302)**	(10,629)

During 2017 the Group restructured its secured bank borrowings which resulted in interest rate and capital repayment profile changes as detailed in note 25. The directors considered both the quantitative and qualitative aspects of the amendment to the existing facility and concluded that the resulting changes in the underlying debt categories, ancillary facilities and key covenant definitions constituted a substantial modification to the financing arrangements.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, (and consistent with the newly adopted IFRS 9, *Financial Instruments* standard) the original facility was extinguished and replaced by the recognition of a new financial liability. Consequently, the remaining unamortised finance raising costs relating to the existing 2015 agreement were charged to the income statement in 2017, resulting in exceptional costs of £222,000 over and above what would have otherwise been recognised in that year.

	2018 £000	2017 £000
Recognised directly in equity		
Translation of foreign currency net investments	**5,415**	(10,444)
Finance income/(expense) recognised directly in equity, net of tax	**5,415**	(10,444)

All finance income/(expense) recognised directly in equity is attributable to holders of equity in the company. Translation gains and losses in respect of foreign currency net investments are recognised in the foreign currency translation reserve.

Notes *(continued)*

12 Income tax

	2018 £000	2017 £000
Current tax expense		
Corporation tax on UK profits for year	**644**	1,423
Adjustment for prior periods	**4**	308
Foreign tax – current	**5,337**	2,862
Foreign tax – adjustments in respect of prior periods	**(140)**	1,203
	5,845	5,796
Deferred tax credit		
Reversal of temporary differences	**(2,778)**	(3,377)
Adjustments for prior periods	**83**	(103)
	(2,695)	(3,480)
Total income tax expense	**3,150**	2,316

Reconciliation of effective tax rate

	2018 £000	2017 £000
Loss for the year	**(18,456)**	(3,739)
Total income tax expense	**3,150**	2,316
Loss excluding income tax	**(15,306)**	(1,423)
Income tax using the Group's domestic tax rate (19%, *2017: 19.25%**)	**(2,908)**	(274)
Non-deductible expenses	**2,425**	1,370
Non-taxable income relating to subsidiary disposal and negative goodwill recognition	**-**	(3,076)
Unrelieved foreign taxes and franchise taxes paid in the USA	**912**	661
Differences between local tax rates and UK standard rate	**(834)**	(1,344)
Adjustments relating to intra-group financing	**(1,809)**	(1,668)
Deferred tax assets relating to losses not recognised	**5,443**	5,714
Adjustment for prior periods	**(53)**	1,408
Effect of reduction in tax rate on deferred tax balances	**(26)**	(475)
Total income tax expense	**3,150**	2,316

* The effective rate for 2017 is a weighted average of the applicable corporation tax rates during that year. The 20% rate was reduced to 19% from 1 April 2017.

The UK corporation tax rate, as substantively enacted in the Finance Act 2016 on 6 September 2016 (and not subsequently altered by the Finance Act 2017 and 2018), was maintained at 19%. This will further reduce to 17% (effective 1 April 2020).

The UK element of the deferred tax balance at 31 December 2018 has been calculated based on the rate substantively enacted in the Finance Act 2016 at the balance sheet date, which is 17%..

Notes *(continued)*

13 Loss for the financial year

The loss dealt with in the accounts of the parent company was £50,657,000 *(2017: £6,402,000)*. The balance sheet of the parent company can be found on page 67.

14 Dividends

Ordinary dividend declared and paid to non-controlling interests in the year amounted to £24,000 (*2017: £nil*).

15 Property, plant and equipment

	Land, buildings and leasehold improvements £000	Plant, equipment and fixtures and fittings £000	Assets under construction £000	Total £000
Cost or deemed cost				
Balance at 1 January 2017	39,794	333,549	3,023	376,366
Additions	230	9,127	2,243	11,600
Arising on acquisition	39	10,282	-	10,321
Transfer on completion	110	3,907	(4,017)	-
Disposals	(315)	(15,459)	-	(15,774)
Exchange movements	(1,444)	(8,707)	-	(10,151)
Balance at 31 December 2017	38,414	332,699	1,249	372,362
Additions	346	11,379	2,689	14,414
Arising on acquisition	539	287	153	979
Transfer on completion	-	1,505	(1,505)	-
Disposals	(106)	(6,629)	-	(6,735)
Transferred to intangible assets	-	(130)	-	(130)
Exchange movements	840	4,474	1	5,315
Balance at 31 December 2018	**40,033**	**343,585**	**2,587**	**386,205**
Depreciation and impairment losses				
Balance at 1 January 2017	10,472	192,802	-	203,274
Depreciation for the year	1,177	29,175	-	30,352
Disposals	(216)	(10,719)	-	(10,935)
Exchange movements	(638)	(6,590)	-	(7,228)
Balance at 31 December 2017	10,795	204,668	-	215,463
Depreciation for the year	1,081	27,335	-	28,416
Disposals	(67)	(5,417)	-	(5,484)
Transferred to intangible assets	-	(130)	-	(130)
Exchange movements	232	3,568	-	3,800
Balance at 31 December 2018	**12,041**	**230,024**	-	**242,065**
Carrying amounts				
At 31 December 2017	27,619	128,031	1,249	156,899
At 31 December 2018	**27,992**	**113,561**	**2,587**	**144,140**

Notes *(continued)*

15 Property, plant and equipment *(continued)*

The Group performed an impairment review of its asset values at both the current and prior year-ends. As a result of limited earnings continuing to be generated from assets within a Brazil-based subsidiary, it was deemed appropriate (as was concluded at the 31 December 2017 year-end) to maintain a full impairment of these assets. No further impairment losses have been identified in the current year.

The cumulative fixed asset impairment losses carried forward as at 31 December 2018 amounted to £3,569,000 *(2017: £3,884,000)*. The movement in the year arose as a result of changes in foreign exchange rates reducing the value of the underlying impaired assets.

The net carrying amount of land, buildings and leasehold improvements comprises:

	2018	2017
	£000	£000
Freehold land and buildings	**13,308**	13,229
Short leaseholds	**11,919**	11,853
Leasehold improvements	**2,765**	2,537
	27,992	27,619

Security

At each balance sheet date the majority of properties were subject to a fixed or floating charge as security for bank loans.

Cash flow

The gross additions (excluding those arising on acquisition) to property, plant and equipment of £14,414,000 *(2017: £11,600,000)* have been adjusted in relation to the value of capital creditors outstanding at 31 December to derive the amount for inclusion in the Statement of Cash Flow for the purchase of property, plant and equipment.

16 Intangible assets

	Goodwill	Customer lists	Order books	Software	Development costs	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 January 2017	188,227	102,386	9,714	8,014	4,214	312,555
Additions	-	-	-	935	755	1,690
Additions arising on acquisition	1,158	2,567	589	-	-	4,314
Disposals	(540)	-	-	(291)	(41)	(872)
Exchange movements	-	-	-	(162)	30	(132)
Balance at 31 December 2017	188,845	104,953	10,303	8,496	4,958	317,555
Additions	-	-	-	1,062	281	1,343
Additions arising on acquisition	1,956	4,664	819	-	-	7,439
Disposals	-	-	-	(32)	-	(32)
Reclassified from tangible assets	-	-	-	130	-	130
Exchange movements	-	-	-	77	44	121
Balance at 31 December 2018	**190,801**	**109,617**	**11,122**	**9,733**	**5,283**	**326,556**

Notes *(continued)*

16 Intangible assets *(continued)*

	Goodwill £000	Customer lists £000	Order books £000	Software £000	Development costs £000	Total £000
Amortisation and impairment						
Balance at 1 January 2017	10,957	61,266	9,714	6,679	589	89,205
Amortisation for the year	-	7,334	57	338	549	8,278
Disposals	-	-	-	(290)	(26)	(316)
Exchange movements	-	-	-	(130)	7	(123)
Balance at 31 December 2017	10,957	68,600	9,771	6,597	1,119	97,044
Amortisation for the year	-	6,384	600	783	636	8,403
Impairment for the year	1,158	1,156	-	-	-	2,314
Disposals	-	-	-	(31)	-	(31)
Reclassified from tangible assets	-	-	-	130	-	130
Exchange movements	-	-	-	72	5	77
Balance at 31 December 2018	**12,115**	**76,140**	**10,371**	**7,551**	**1,760**	**107,937**
Carrying amounts						
At 31 December 2017	177,888	36,353	532	1,899	3,839	220,511
At 31 December 2018	**178,686**	**33,477**	**751**	**2,182**	**3,523**	**218,619**

Amortisation and impairment charge

Amortisation and impairment of intangible assets is included within administrative expenses in the income statement.

Customer lists represent the value associated with the customer base of subsidiaries acquired since 1 January 2006. The principal carrying amount of customer lists at 31 December 2018 includes:

	2018 £000	2017 £000
InterMoor AS – Amortisation period remaining of 1 years 6 months	**1,588**	2,647
UTEC NCS Survey Ltd – Amortisation period remaining of 2 years 5 months	**899**	1,271
Probe Oil Tools Ltd – Amortisation period remaining of 4 years 8 months	**8,575**	10,413
UTEC Group – Amortisation period remaining of 5 years 11 months	**16,581**	19,389
Viking companies – Amortisation period remaining of 8 years 11 months	**1,132**	2,545
Deepwater Group – Amortisation period remaining of 9 years 11 months	**4,625**	-

Order books represent the value associated with incomplete customer orders at the date of acquisition in subsidiaries. The carrying amount at the year-end relates to the Deepwater Group (*2017: Viking companies*) and has a remaining amortisation period of 11 months (*2017: 11 months*).

Notes *(continued)*

16 Intangible assets *(continued)*

Impairment testing for cash-generating units (CGUs) containing goodwill

Goodwill is allocated to operating units for the purpose of impairment testing and this represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2018 £000	2017 £000
High capital intensity units		
Seatronics Group	**43,380**	43,380
InterMoor Ltd	**20,319**	20,319
InterMoor AS	**29,863**	29,863
UTEC NCS Survey Ltd	**5,873**	5,873
Probe Oil Tools Ltd	**15,199**	15,199
UTEC Group ("UTEC")	**44,506**	44,506
Aquatic Engineering & Construction Ltd ("Aquatic")	**3,364**	3,364
Other capital-intensive units	**1,714**	2,872
	164,218	165,376
Low capital intensity units		
Claxton Engineering Services Ltd	**5,947**	5,947
2H Group	**5,804**	5,804
Other low capital intensity units	**2,717**	761
	14,468	12,512
Total goodwill	**178,686**	177,888

Recoverable amounts for CGUs are based on value-in-use calculations. These calculations use pre-tax cash flow projections for a five-year period, including financial budgets approved by the board covering a one-year period. Cash flows beyond the one-year period are extrapolated based on estimated long-term average growth rates (typically 3 to 6 per cent). Goodwill is considered to have an infinite life and the cash flows in year five are used as a basis for calculating a terminal value. The terminal value is added to the value-in-use calculated for years one to five. The growth rate in years two to five does not exceed the anticipated long-term average growth rate for the market in which the CGU operates after taking account of the recovery from the recent cyclical decline in the oil and gas sector and the effect on current profitability levels. In all cases, a terminal growth value of 2% (*2017: 2%*) has been assumed. The key inputs to this calculation are shown below:

	As at 31 December 2018	As at 31 December 2017
Period on which management approved forecasts are based	**1 Year**	1 Year
Average growth rate applied for years two to five – Aquatic	*	*
Average growth rate applied for years two to five – Probe Oil Tools Ltd	**5.0%**	27.0%
Average growth rate applied for years two to five – InterMoor AS	**18.5%**	15.0%
Average growth rate applied for years two to five – UTEC	**5.0%**	19.0%
Average growth rate applied for years two to five – other entities	**5.0%**	5.0%
Growth rate applied to terminal value calculation	**2.0%**	2.0%
Pre-tax discount rate	**12.0%**	12.0%

* For Aquatic, the short-term loss-making position forecast in 2019 is expected to improve over the five-year period with an assessed prudent maintainable earnings level at the end of year five of £3,000,000 *(2017: £3,500,000)*.

Notes *(continued)*

16 Intangible assets *(continued)*

Impairment testing for CGUs containing goodwill *(continued)*

Whilst current market conditions do not support the average growth rates presented above in the very short term, it is anticipated that over the medium- to longer-term these rates are appropriate, reflecting the expected recovery in the subsea oil and gas sector over the period covered by the projections.

The pre-tax discount rate applied to the cash flow projections has been derived by estimating the Group's tax-adjusted weighted average cost of capital. The rate adopted is broadly consistent with that of other market participants taken together.

Impairment reviews were performed at 31 December 2017 and 31 December 2018 by comparing the carrying value of goodwill and other intangible and tangible fixed assets with the estimated recoverable amount of each CGU. As part of the impairment reviews a sensitivity analysis was performed. On the basis of this review the directors concluded that an impairment in relation to PT Viking Seatech Indonesia, a company operating in Indonesia, was necessary. The company's short- and medium-term trading expectations are below the level required to generate cash flows which would justify the carrying value of either its goodwill or customer lists. As a result, the goodwill value of £1,158,000 and the customer lists value of £1,156,000 have been fully impaired. The total impairment loss of £2,314,000 has been recognised in the consolidated income statement.

The directors note that though the 12% pre-tax discount rate used is appropriate, an increase of 1% to 13% would have resulted in a further impairment loss on intangibles being recognised in the year all relating to UTEC of £6,000,000.

The cumulative impairment provisions within intangible assets are as follows:

	2018	2017
	£000	£000
Goodwill	**12,115**	10,957
Customer lists	**4,304**	3,148
	16,419	14,105

There are no intangible assets, other than goodwill, with indefinite useful lives.

Notes *(continued)*

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Property, plant and equipment	**-**	-	**5,035**	5,513
Intangible assets	**-**	-	**7,702**	8,867
Retirement benefit obligations	**(186)**	(188)	**-**	-
Provisions/accruals	**(206)**	(12)	**-**	-
Tax losses carried forward	**(4,092)**	(3,897)	**-**	-
Other items	**(748)**	(345)	**-**	-
Deferred tax (assets)/liabilities	**(5,232)**	(4,442)	**12,737**	14,380
Net deferred tax liabilities			**7,505**	9,938

The Group has recognised deferred tax assets in respect of losses carried forward on the basis that they will be used to offset future taxable profits.

At 31 December 2018 deferred tax assets totalling £16,605,000 *(2017: £12,388,000)* relating to trading losses (including the restriction of corporate interest deductions) have not been recognised because the relevant entities are forecasting insufficient profits for them to be utilised.

Deferred tax impact of movements in temporary differences during the year – 2018

	Balance 1 January 2018	Foreign exchange movement	Recognised in income statement	Adjustments for prior year	Acquired in business combinations	Balance 31 December 2018
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	5,513	(269)	(200)	(59)	50	**5,035**
Intangible assets	8,867	-	(1,823)	-	658	**7,702**
Retirement benefit obligations	(188)	15	(13)	-	-	**(186)**
Provisions/accruals	(12)	-	(124)	45	(115)	**(206)**
Tax losses carried forward	(3,897)	155	(285)	97	(162)	**(4,092)**
Other items	(345)	14	(333)	-	(84)	**(748)**
	9,938	(85)	(2,778)	83	347	**7,505**

Notes *(continued)*

17 Deferred tax assets and liabilities *(continued)*

Deferred tax impact of movements in temporary differences during the year – 2017

	Balance 1 January 2017 £000	Foreign exchange movement £000	Recognised in income statement £000	Adjustments for prior year £000	Acquired/ divested in business combinations £000	Balance 31 December 2017 £000
Property, plant and equipment	10,203	(815)	(5,307)	24	1,408	5,513
Intangible assets	9,985	-	(1,665)	-	547	8,867
Retirement benefit obligations	(149)	20	(59)	-	-	(188)
Provisions/accruals	(4,122)	279	3,831	-	-	(12)
Tax losses carried forward	(3,881)	262	(151)	(127)	-	(3,897)
Other items	(342)	23	(26)	-	-	(345)
	11,694	(231)	(3,377)	(103)	1,955	9,938

18 Inventories

	2018 £000	2017 £000
Raw materials and consumables	**1,418**	1,317
Work in progress*	**939**	8,738
Finished goods	**14,911**	12,474
	17,268	22,529

In 2018 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £9,634,000 *(2017: £21,665,000)*.

* From 2018, work in progress considered to be costs to fulfil a contract under IFRS 15 are now classified as contract costs and disclosed separately (see below).

19 Contract costs

	2018 £000
Costs to fulfil a contract	**6,997**

The charge in the year to cost of sales relating to contract costs totalled £67,464,000.

Notes *(continued)*

20 Trade and other receivables

	2018	2017
	£000	£000
Trade receivables	**62,792**	69,396
Other debtors	**12,761**	9,867
Income tax receivables	**2,110**	2,871
Prepayments	**7,348**	6,494
	85,011	88,628

The Group's exposures to credit and currency risks and allowances for expected losses related to trade and other receivables are disclosed in note 28.

21 Contract balances and unsatisfied performance obligations

(a) Contract balances

	2018	1 January 2018*
	£000	£000
Receivables which are included in Trade and other receivables (note 20)	**62,792**	69,396
Contract assets	**21,617**	17,328
Contract liabilities	**(5,463)**	(13,712)

* The Group has chosen to recognise the cumulative effect of adopting IFRS 15 as an adjustment to the opening balance at 1 January 2018 rather than restating prior-year reported results.

In some contracts the Group receives payments from customers based on explicit billing schedules. Contract assets primarily relate to the Group's conditional right to consideration for completed performance obligations under those contracts. These are transferred to receivables once this right has become unconditional (typically on invoicing). Contract liabilities relate to payments received in advance of performing obligations under a contract and exist primarily in contracts where significant costs are expected to be incurred prior to the fulfilment of a performance obligation where revenue is to be recognised at a later point in time.

The changes in contract assets and contract liabilities during the year were as follows:

	2018
	£000
Contract assets	
Balance at 1 January 2018	**17,328**
Brought forward balance transferred to trade receivables	**(17,201)**
On acquisitions in the year	**59**
Conditional right to consideration at the year-end (accrued income)	**21,234**
Movement in impairments on contract assets charged to the income statement	**(244)**
Exchange movements	**441**
Balance at 31 December 2018	**21,617**

Notes *(continued)*

21 Contract balances and unsatisfied performance obligations *(continued)*

(a) Contract balances *(continued)*

	2018 £000
Contract liabilities	
Balance at 1 January 2018	13,712
Revenue recognised on amounts included in the balance at the beginning of the year	(12,448)
On acquisitions in the year	187
Payments received/invoices raised in advance of recognising revenue at the year-end	4,140
Cumulative catch-up adjustments	75
Other movements	(271)
Exchange movements	68
Balance at 31 December 2018	5,463

(b) Unsatisfied performance obligations

The aggregate amount of the transaction price (contracted revenue value) allocated to performance obligations (POs) that are unsatisfied (or partially unsatisfied) as at 31 December 2018 totals £98,048,000. The Group expects these to be satisfied in:

	2019 £000	2020 £000	After 2020 £000	Total £000
Expected recognition of unsatisfied POs at the year-end	86,503	9,322	2,223	98,048

22 Share capital

	Allotted, called up and fully paid No 000	£000
At 31 December 2017 and 31 December 2018		
Ordinary shares of £0.01 each	1,165,929	11,659

23 Capital and reserves

Share premium

Share premium represents the excess of the proceeds received from the issue of shares over the nominal value of those shares.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Notes *(continued)*

23 Capital and reserves *(continued)*

Other reserves

Other reserves represent a capital redemption reserve credit balance of £1,154,000 (*2017: £1,154,000*) and ownership change reserve debit balance of £6,145,000 (*2017: debit balance of £6,145,000).*

The capital redemption reserve arose on the repurchase of own shares by the Company.

The ownership change reserve arose from the Group acquiring and disposing of shareholdings in existing group companies which did not result in a change in overall control. In accordance with IAS 27, *Consolidated and Separate Financial Statements*, any goodwill changes are posted to this reserve, rather than adjusting goodwill on initial acquisition by the Group.

The movement on the ownership change reserve during 2017 of £335,000 as disclosed in the consolidated statement of change in equity arose from the divestment of Mirage Machines Ltd (see note 5).

Retained earnings

Retained earnings comprise cumulative undistributed earnings of the Group.

24 Non-controlling interests

	UTEC Group £000	Seatronics Group £000	Probe Oil Tools Limited £000	Other £000	Total £000
Balance at 1 January 2017	3,162	1,098	7,271	485	12,016
(Loss)/profit allocated to non-controlling interests in the year	(210)	37	22	320	169
Reduction in non-controlling interests arising from the sale of a subsidiary undertaking (note 5)	-	-	-	(368)	(368)
Balance at 31 December 2017	2,952	1,135	7,293	437	11,817
(Loss)/profit allocated to non-controlling interests in the year	(447)	84	166	63	(134)
Dividend received/(paid) in the year (note 14)	12	(36)	-	-	(24)
On acquisition in the year (note 5)	-	-	-	1,401	1,401
On additional capital contributions from non-controlling interests	1	-	-	10	11
Balance at 31 December 2018	**2,518**	**1,183**	**7,459**	**1,911**	**13,071**

Notes *(continued)*

25 Loans and borrowings

This note provides information relating to the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. Further information relating to the Group's exposure to interest rate, foreign currency and liquidity risk is contained in note 28.

	1 January 2018 £000	Cash flows (*) £000	Non-cash changes Foreign exchange £000	Debt issue cost amortisation / accrual change £000	Repayment profile £000	**31 December 2018 £000**
Non-current liabilities						
Secured bank loans	222,416	28,000	2,721	-	(17,682)	**235,455**
Current liabilities						
Secured bank loans	14,892	(15,801)	148	761	17,682	**17,682**
Total loans and borrowings	237,308	12,199	2,869	761	-	**253,137**

* Includes expenses paid of £87,000 in relation to borrowings.

	1 January 2017 £000	Cash flows (*) £000	Non-cash changes Foreign exchange £000	Debt issue cost amortisation / accrual change £000	Repayment profile £000	31 December 2017 £000
Non-current liabilities						
Secured bank loans	288,644	(47,277)	(5,301)	1,242	(14,892)	222,416
Current liabilities						
Secured bank loans	20,450	(21,336)	-	886	14,892	14,892
Finance lease liabilities	262	(262)	-	-	-	-
	20,712	(21,598)	-	886	14,892	14,892
Total loans and borrowings	309,356	(68,875)	(5,301)	2,128	-	237,308

* Includes expenses paid of £1,560,000 in relation to borrowings.

Notes *(continued)*

25 Loans and borrowings *(continued)*

Terms and debt repayment schedule

The principal terms relating to outstanding borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value 2018 £000	Carrying amount* 2018 £000	Face value 2017 £000	Carrying amount* 2017 £000
Secured bank loan	Sterling	Libor + Margin**	2018	-	-	12,820	12,289
			2019	**17,682**	**17,682**	17,682	17,682
			2020	**185,728**	**185,837**	157,727	157,831
Secured bank loan	US Dollar	Libor + Margin**	2018	-	-	2,746	2,603
			2019	-	-	-	-
			2020	**49,592**	**49,618**	46,872	46,903
Total interest-bearing liabilities				**253,002**	**253,137**	237,847	237,308

* The carrying amount of each loan is the face value less its unamortised debt issue costs.

** Margin is in the range of 3.50% to 4.75% depending on the Group's financial performance.

The bank loans are secured via fixed or floating charges over the majority of the Group's properties and other assets.

During 2017 an Amendment to the terms of the secured bank loans was negotiated. This had the effect of increasing the capital repayments to be made in 2017, extending the maturities on the remaining capital sum, easing two of the covenants and slightly increasing interest margins. The table above reflects the revised terms. Prior to this Amendment, the loans were due for repayment in 2017 to 2019 and interest margins on the individual tranches were in the 3.0% to 4.75% range.

Notes *(continued)*

26 Employee benefits

Defined contribution schemes

The Group operates various defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds.

Defined benefit schemes

MENCK GmbH, a subsidiary of Acteon Group Ltd incorporated in Germany, operates two defined benefit pension schemes as described in note 3. Unlike UK pension schemes the pension obligations of the scheme are met via the assets of the company. There are no assets held separately by the scheme itself.

InterMoor AS, an indirectly owned subsidiary of Acteon Group Ltd incorporated in Norway, also operates a defined benefit scheme. The scheme's pension obligations are met via plan assets held separately in the form of an insurance policy. The company contributes annually into the policy, with the premiums being invested to provide assets sufficient to fund employees' accrued benefit entitlements on retirement.

Charges to the income statement

Total charges to operating profit/(loss) in the income statement in respect of the schemes operated by the Group were as follows:

		2018 £000	2017 £000
(i)	In respect of the Group's defined contribution schemes		
	- UK	**1,939**	1,576
	- Overseas	**1,181**	1,394
		3,120	2,970
(ii)	In respect of the Group's defined benefit schemes	**259**	231

Disclosure relating to the Group's defined benefit obligations

	2018 £000	2017 £000
Total present value of unfunded obligations recognised as a liability - Menck GmbH	**1,973**	1,912
Total present value of funded obligations net of pension plan assets - InterMoor AS	**474**	383
Net liability for defined benefit obligations at 31 December	**2,447**	2,295

Notes *(continued)*

26 Employee benefits *(continued)*

Movement in the present value of the defined benefit obligations

	InterMoor AS		Menck GmbH	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Defined benefit obligations at 1 January	**(2,293)**	(1,979)	**(1,912)**	(1,814)
Benefits paid by the plan	**34**	39	**85**	80
Settlement paid by the plan	**-**	24	**-**	-
Current service costs	**(204)**	(176)	**(55)**	(55)
Interest cost	**(55)**	(48)	**(36)**	(36)
Actuarial loss recognised in equity (see below)	**(31)**	(258)	**(31)**	(21)
Payment of payroll taxes on pension obligations	**26**	20	**-**	-
Exchange rate movements on retranslation	**(16)**	85	**(24)**	(66)
Defined benefit obligations at 31 December	**(2,539)**	(2,293)	**(1,973)**	(1,912)

Movement in fair value of plan assets

	InterMoor AS 2018 £000	InterMoor AS 2017 £000	Menck GmbH 2018 £000	Menck GmbH 2017 £000
Fair value of plan assets at 1 January	**1,910**	1,851	**-**	-
Interest income	**42**	42	**-**	-
Actuarial (loss)/gain on plan assets recognised in equity (see below)	**(56)**	10	**-**	-
Employer contributions	**189**	150	**-**	-
Benefits paid from the plan	**(34)**	(39)	**-**	-
Settlement paid from the plan	**-**	(24)	**-**	-
Exchange rate movements on retranslation	**14**	(80)	**-**	-
Fair value of plan assets at 31 December	**2,065**	1,910	**-**	-
Deficit recognised at 31 December	**(474)**	(383)	**(1,973)**	(1,912)

Notes *(continued)*

26 **Employee benefits** *(continued)*

Expense recognised in profit or loss

	InterMoor AS		Menck GmbH	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Current service costs included in other administrative expenses	**(204)**	(176)	**(55)**	(55)
Interest on net obligation included in finance expense	**(13)**	(6)	**(36)**	(36)
Total	**(217)**	(182)	**(91)**	(91)

Actual (loss)/return on plan assets

	InterMoor AS	
	2018	2017
	£000	£000
Total	**(14)**	52

Actuarial gains and losses recognised directly in equity in the statement of recognised income and expense

	InterMoor AS		Menck GmbH	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Cumulative loss at 1 January	**(823)**	(575)	**(576)**	(555)
Recognised during the period:				
Actuarial loss arising from demographic assumptions	**-**	-	**(22)**	-
Actuarial loss arising from financial assumptions	**(87)**	(248)	**(9)**	(21)
Cumulative loss at 31 December	**(910)**	(823)	**(607)**	(576)

Fair value of plan assets

The approximate breakdown of the fair value of plan assets (expressed as percentages) was as follows:

	InterMoor AS	
	2018	2017
	%	%
Equities	**8**	7
Corporate bonds	**78**	77
Property	**11**	11
Money market deposits	**3**	4
Other	**-**	1
	100	100

Notes *(continued)*

26 Employee benefits *(continued)*

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	InterMoor AS		Menck GmbH	
	2018	2017	**2018**	2017
	%	%	**%**	%
Discount rate	**2.60**	2.40	**1.90**	1.90
Interest rate on assets	**2.60**	2.40	**-**	-
Future salary increases	**2.75**	2.50	**-**	-
Staff turnover	**-**	-	**6.00**	6.00
Norwegian national insurance increases	**2.50**	2.25	**-**	-
Future pension increases	**0.80**	0.50	**1.00**	1.00

Sensitivity analysis

A 0.5 percent change in the principal actuarial assumptions above at the reporting date would have (increased)/decreased the defined benefit obligation at 31 December by the amounts shown below. This analysis assumes that all other assumptions remain constant.

	InterMoor AS		Menck GmbH	
2018	**£000**	**£000**	**£000**	**£000**
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Discount rate	**289**	**(334)**	**149**	**(172)**
Future salary increases	**(171)**	**171**	**-**	**-**
Staff turnover	**-**	**-**	**1**	**(1)**
Norwegian national insurance increases	**49**	**(36)**	**-**	**-**
Future pension increases	**(192)**	**176**	**(113)**	**103**

	InterMoor AS		Menck GmbH	
2017	£000	£000	£000	£000
	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	263	(304)	144	(166)
Future salary increases	(158)	158	-	-
Staff turnover	-	-	1	(1)
Norwegian national insurance increases	47	(33)	-	-
Future pension increases	(174)	159	(109)	100

Notes *(continued)*

26 Employee benefits *(continued)*

Historical information – InterMoor AS funded pension scheme

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	**(2,539)**	(2,293)	(1,979)	(2,215)	(2,556)
Fair value of the planned assets	**2,065**	1,910	1,851	1,789	1,736
Deficit in the plan	**(474)**	(383)	(128)	(426)	(820)
Experience gain/(loss) adjustments on plan liabilities	**19**	1	267	53	(56)
Experience (loss)/gain adjustments on plan assets	**(28)**	36	(27)	(7)	29

The plan obligations have a weighted average duration at the year-end of 21 years (*2017: 21 years*), and in 2019 the Group expects to pay contributions totalling £182,000 into the plan.

Historical information – Menck GmbH unfunded pension scheme

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	**(1,973)**	(1,912)	(1,814)	(1,442)	(1,558)
Deficit in the plan	**(1,973)**	(1,912)	(1,814)	(1,442)	(1,558)
Experience loss adjustments on plan liabilities	**(9)**	(21)	(14)	(7)	(5)

The plan obligations have a weighted average duration at the year-end of 17 years (*2017: 16 years*). The scheme is an unfunded scheme and the Group expects to pay £88,000 in plan benefits during 2019. This will settle the liabilities to pensioners as they fall due.

27 Trade and other payables

	2018	2017
	£000	£000
Trade payables	**27,445**	22,380
Other tax and social security	**2,631**	2,652
Other creditors	**4,825**	5,734
Accruals and deferred income	**33,528**	34,837
	68,429	65,603

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

Notes *(continued)*

28 Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's approach to financial risk management is described in note 4.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2018	2017
	£000	£000
Trade and other receivables (excluding prepayments)	**77,663**	82,134
Contract assets	**21,617**	-
Cash and cash equivalents	**77,857**	72,706
	177,137	154,840

The carrying amounts of the Group's net trade receivables were denominated in the following principal currencies:

	Carrying amount	
	2018	2017
	000	000
Sterling	**24,453**	33,480
US Dollars	**21,598**	17,113
Euros	**8,716**	8,943
Norwegian Kroner	**23,782**	36,364
Singapore Dollars	**4,116**	4,543

Notes *(continued)*

28 Financial instruments *(continued)*

Allowance for expected credit losses

The Group contracts with customers under different credit terms.

The ageing of trade receivables and allowances for expected credit losses at the reporting date was:

	Expected credit loss rates 2018 %	Expected credit loss rates 2017 %	Gross 2018 £000	Gross 2017 £000	Allowance for expected credit losses 2018 £000	Allowance for expected credit losses 2017 £000
0-30 days	**0.2**	0.2	**28,324**	37,612	**(57)**	(75)
31-60 days	**0.2**	0.2	**22,280**	20,888	**(45)**	(42)
61-90 days	**4.0**	4.0	**7,029**	6,072	**(281)**	(243)
91-120 days	**40.0**	50.0	**1,980**	4,120	**(792)**	(2,060)
Over 121 days	**56.6**	65.0	**10,028**	8,919	**(5,674)**	(5,795)
			69,641	77,611	**(6,849)**	(8,215)
Trade receivables net of allowance for expected credit losses					**62,792**	69,396

The expected credit loss rates are assessed at each year-end and adjusted to reflect the expected future market conditions in which the Group operates.

The directors are of the opinion that market conditions have improved compared to 2017 with increased demand for products and services within the oil, gas and renewables industry, resulting in the easing of cash flow pressures and reducing the risk of trade receivables becoming irrecoverable. This improvement has been reflected by the reduction of the expected credit loss percentage rates this year-end in terms of the 91-120 days and over 121 days periods.

The movement in the allowance for expected credit losses in respect of trade receivables during the year was as follows:

	2018 £000	2017 £000
Balance at 1 January	**8,215**	7,213
Expected credit loss allowance (utilised and/or reversed)/charged	**(1,366)**	1,002
Balance at 31 December	**6,849**	8,215

The expected credit loss allowance at 31 December 2018 that covers amounts on contracts known to have specific recoverability risk amounts to £4,738,000 *(2017: £6,962,000).*

Notes *(continued)*

28 Financial instruments *(continued)*

Liquidity risk

The Group's policy on liquidity risk management is discussed in note 4.

The following are the contractual maturities of financial liabilities, including estimated interest payments and including the impact of netting agreements:

Non-derivative financial liabilities

2018	**Carrying amount £000**	**Contractual cash flows £000**	**6 months or less £000**	**6-12 months £000**	**1-2 years £000**	**2-5 years £000**
Secured bank loans	**253,137**	**281,324**	**16,683**	**16,387**	**248,254**	**-**
Trade and other payables	**68,877**	**68,877**	**67,690**	**739**	**448**	**-**
	322,014	**350,201**	**84,373**	**17,126**	**248,702**	**-**

2017	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000
Secured bank loans	237,308	272,339	12,112	16,233	29,533	214,461
Trade and other payables	65,603	65,603	65,603	-	-	-
	302,911	337,942	77,715	16,233	29,533	214,461

Notes *(continued)*

28 Financial instruments *(continued)*

Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

31 December 2018 Impact in 000s	**USD**	**Euro**	**SGD**	**NOK**
Trade receivables	**21,598**	**8,716**	**4,116**	**23,782**
Cash and cash equivalents	**33,597**	**8,815**	**10,528**	**55,973**
Secured bank loans	**(63,229)**	**-**	**-**	**-**
Trade payables	**(6,151)**	**(5,693)**	**(3,325)**	**(10,832)**
Gross balance sheet financial instrument exposure	**(14,185)**	**11,838**	**11,319**	**68,923**

31 December 2017 Impact in 000s	USD	Euro	SGD	NOK
Trade receivables	17,113	8,943	4,543	36,364
Cash and cash equivalents	39,059	(499)	8,457	23,261
Secured bank loans	(66,934)	-	-	-
Trade payables	(3,666)	(5,342)	(1,243)	(12,510)
Gross balance sheet financial instrument exposure	(14,428)	3,102	11,757	47,115

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2018	2017	**2018**	2017
	£	£	**£**	£
USD	**1.3322**	1.2970	**1.2750**	1.3490
Euro	**1.1286**	1.1423	**1.1120**	1.1260
SGD	**1.7954**	1.7833	**1.7370**	1.8030
NOK	**10.8543**	10.6811	**10.9990**	11.0780

Notes *(continued)*

28 **Financial instruments** *(continued)*

Sensitivity analysis

A 5 percent strengthening of Sterling against the following currencies at 31 December would have increased/(decreased) equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

Impact in £000	**Balance sheet (Equity)**	**Income Statement (Profit after tax)**
31 December 2018		
USD	**235**	**62**
Euro	**(1,438)**	**(462)**
SGD	**(930)**	**(80)**
NOK	**292**	**142**
31 December 2017		
USD	(351)	19
Euro	(603)	(111)
SGD	(775)	187
NOK	220	(41)

A 5 percent weakening of Sterling against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

Profile

	Carrying amount	
	2018	2017
	£000	£000
Variable rate instruments		
Financial liabilities at 31 December	**253,137**	237,308

During 2017 the Group entered into a hedging arrangement until 2020 in which a proportion of its US Dollar borrowings would be protected against US Dollar Libor increasing above a certain level. The fair value of this instrument at 31 December 2018 and 31 December 2017 is deemed to be £nil.

Notes *(continued)*

28 **Financial instruments** *(continued)*

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates during the reporting period and at the reporting date would have decreased equity and profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Tax effects have been ignored. The analysis is performed on the same basis for 2017.

Impact in £000	**Balance sheet (Equity)**	**Income Statement (Profit before tax)**
31 December 2018		
Variable rate instruments	**2,452**	**2,452**
Cash flow sensitivity	**2,452**	**2,452**
31 December 2017		
Variable rate instruments	2,732	2,732
Cash flow sensitivity	2,732	2,732

A decrease of 100 basis points in interest rates during the reporting period and at the reporting date would have had an equal but opposite effect on the above amounts shown above, on the basis that all other variables remained constant.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2018		2017	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000
Trade and other receivables	**85,011**	**85,011**	88,628	88,628
Contract assets	**21,617**	**21,617**	-	-
Cash and cash equivalents	**77,857**	**77,857**	72,706	72,706
Secured bank loans	**(253,137)**	**(251,255)**	(237,308)	(236,344)
Trade and other payables	**(66,246)**	**(66,246)**	(62,951)	(62,951)
	(134,898)	**(133,016)**	(138,925)	(137,961)

The fair values of borrowings have been calculated by discounting expected future cash flows at prevailing interest rates.

Notes *(continued)*

28 Financial instruments *(continued)*

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the rates applicable to the borrowings at the relevant balance sheet date, and were as follows:

	2018	2017
Loans and borrowings	**6.2%**	5.4%

29 Operating lease commitments

Total amounts payable in relation to non-cancellable operating lease arrangements are, for the unexpired periods of such leases, as follows:

	Land and buildings		Other	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Unexpired period of the lease				
Less than one year	**7,379**	6,200	**560**	611
Between one and five years	**20,186**	15,696	**682**	376
More than five years	**21,965**	18,742	**3**	2
	49,530	40,638	**1,245**	989

Operating leases consist mainly of property leases for buildings and storage sites occupied by the Group.

30 Capital commitments

At 31 December 2018 the Group had entered into contracts to purchase property, plant and equipment totalling £2,060,000 *(2017: £2,636,000)* in respect of which delivery and settlement was expected to take place in the following financial year.

31 Contingent liabilities

On 24 November 2017, the European Commission ('EC') published its preliminary decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation, finding that the legislation is in breach of EU State Aid rules. Subsequent to the year-end, on 2 April 2019, the EC published, by press release, its conclusion that the UK legislation has unduly exempted certain multinational groups from the UK Controlled Foreign Company rules and that this is illegal state aid. Further details of this conclusion and its application are expected in 2019. As with other multinational groups that have acted in accordance with this UK legislation, the Group may be affected by the final outcome of this matter and the implementation of the EC's ruling by the UK Government, the scope and timing of which, including any appeals, is uncertain. The Group's estimated maximum potential liability as at 31 December 2018 is £6.4 million. No provision has been made, based on the Group's year-end assessment of this matter.

The Group may, from time to time, be subject to other claims or proceedings in the normal course of business. The directors believe, based on the information currently available to them, that the likelihood of a material outflow of economic benefit arising in relation to such matters is remote.

32 Parent and ultimate controlling party

The Company's immediate parent undertaking is KKR Matterhorn Bidco Ltd, a company incorporated in Jersey.

The Company's ultimate parent undertaking is KKR Matterhorn Holdco Ltd, a company incorporated in Jersey, and the ultimate controlling party is KKR & Co. Inc. (formerly KKR & Co. LP), a company listed on the New York Stock Exchange.

The registered office address for both Jersey incorporated entities is 47 Esplanade, St Helier, Jersey, JE1 0BD.

KKR & Co. Inc.'s registered office address is Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA.

Notes *(continued)*

33 Related parties

(a) Transactions with key management personnel

(i) Key management personnel compensation

Key management comprises executive directors and members of the executive management team. In addition to their salaries, the Group also provides non-cash benefits and contributes to post-employment defined contribution plans on their behalf.

Key management personnel compensation comprised:

	2018	2017
	£000	£000
Short-term employee benefits	**1,354**	1,334
Post-employment benefits	**27**	21
Total	**1,381**	1,355
Of which outstanding at the year-end:	**2**	2

(ii) Key management personnel and director transactions

BHHM pension scheme

The Group had transactions with BHHM Pension Scheme, an entity associated by common directors/trustees as follows:

Rent charged by BHHM Pension Scheme amounted to £297,000 *(2017: £297,000)*. The amount owing to BHHM Pension Scheme at 31 December 2018 was £112,000 *(2017: £56,000)*.

Balanus Assets Ltd

The Group had transactions with Balanus Assets Ltd, an entity associated by common directors as follows:

Rent charged by Balanus Assets Ltd amounted to £154,000 *(2017: £154,000)*. The amount owing to Balanus Assets Ltd at 31 December 2018 was £46,000 *(2017: £nil)*.

Directors' interests

Directors of the Company have an equity interest in the Company of 14.6% *(2017: 14.6%)*.

(b) Post-employment benefit plans

The Group operates a post-employment benefit plan as detailed in note 26.

The Group contributed the following amounts to defined contribution plans and had amounts outstanding at 31 December each year as follows:

	Employer contributions		**Outstanding at 31 December**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Defined contribution schemes	**3,120**	2,970	**417**	276

Notes *(continued)*

33 Related parties *(continued)*

(c) Other related party transactions

	Transaction value 2018 £000	Transaction value 2017 £000	Balance outstanding 2018 £000	Balance outstanding 2017 £000
Sales of goods and services				
Products and services provided to the Group's joint venture partner on a commercial arm's length basis.	**1,962**	-	**1,009**	-
Purchase of goods and services				
Products and services provided by the Group's joint venture partner on a commercial arm's length basis.	**981**	-	-	-

(d) Financial information relating to significant subsidiaries/entities with non-controlling interests

	UTEC Group 2018 £000	UTEC Group 2017 £000	Seatronics Group 2018 £000	Seatronics Group 2017 £000	Probe Oil Tools Ltd 2018 £000	Probe Oil Tools Ltd 2017 £000
Statement of Financial Position*						
Non-current assets	**9,606**	10,730	**10,910**	10,181	**1,738**	1,854
Current assets	**41,774**	39,725	**38,625**	35,080	**31,079**	27,383
Current liabilities	**(7,471)**	(4,871)	**(5,742)**	(2,685)	**(2,575)**	(1,415)
Income Statement*						
Revenue	**46,924**	47,734	**32,265**	24,755	**8,614**	6,678
(Loss)/profit for the year	**(1,932)**	(2,251)	**1,865**	1,519	**2,421**	1,593

* In accordance with IFRS 12, *Disclosure of Interests in Other Entities*, all amounts disclosed are before any inter-company/group eliminations.

Notes *(continued)*

34 Impact on the financial statements arising from the adoption of IFRS 15

As stated in note 3 the Group adopted IFRS 15 from 1 January 2018 using the cumulative effect method on transition. The standard has therefore been applied to the most recent period only presented in the financial statements with a cumulative effect adjustment reflected in retained earnings. The following tables summarises the impact the adoption of this standard has had on the Group's consolidated financial statements for the year-ended 31 December 2018.

(i) **Consolidated income statement**

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Revenue	352,855	(29)	352,826
Cost of sales	(260,263)	101	(260,162)
Gross profit	92,592	72	92,664
Other income	11	-	11
Administrative expenses	(88,607)	-	(88,607)
Profit from operating activities	3,996	72	4,068
Finance income	2,623	-	2,623
Finance expenses	(21,925)	128	(21,797)
Loss before income tax	(15,306)	200	(15,106)
Income tax expense	(3,150)	-	(3,150)
Loss for the year	(18,456)	200	(18,256)

Notes *(continued)*

34 Impact on the financial statements arising from the adoption of IFRS 15 *(continued)*

(ii) Consolidated statement of financial position (Balance sheet)

	As reported £000	Adjustments £000	Balances without adoption of IFRS 15 £000
Total non-current assets	367,991	-	367,991
Current assets			
Inventories	17,268	7,538	24,806
Contract costs	6,997	(6,997)	-
Trade and other receivables	85,011	22,100	107,111
Contract assets	21,617	(21,617)	-
Cash and cash equivalents	77,857	-	77,857
Total current assets	208,750	1,024	209,774
Total assets	576,741	1,024	577,765
Equity			
Retained earnings	169,567	112	169,679
Other equity balances	50,577	-	50,577
Total equity attributable to the Company equity holders	220,144	112	220,256
Non-controlling interests	13,071	-	13,071
Total equity	233,215	112	233,327
Non-current liabilities	251,087	-	251,087
Current liabilities			
Trade and other payables	68,429	6,375	74,804
Contract liabilities	5,463	(5,463)	-
Other current liabilities	18,547	-	18,547
Total current liabilities	92,439	912	93,351
Total liabilities	343,526	912	344,438
Total equity and liabilities	576,741	1,024	577,765

Notes *(continued)*

34 Impact on the financial statements arising from the adoption of IFRS 15 (continued)

(iii) Consolidated statement of Cash flows

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Cash flow from operating activities			
Loss for the year	(18,456)	200	(18,256)
Adjustments for:			
Net finance expense	19,302	(128)	19,174
Other adjustments	40,624	-	40,624
	41,470	72	41,542
Change in inventories	8,434	(6,873)	1,561
Change in contract costs	(6,546)	6,546	-
Change in trade and other receivables	8,224	(22,004)	(13,780)
Change in contract assets	(20,808)	20,808	-
Change in trade and other payables	(919)	6,155	5,236
Change in contract liabilities	4,704	(4,704)	-
Change in other balances	259	-	259
Cash generated from operating activities	34,818	-	34,818
Interest paid	(16,995)	-	(16,995)
Income tax paid	(5,810)	-	(5,810)
Net cash from operating activities	12,013		12,013
Net cash used in investing activities	(20,636)	-	(20,636)
Net cash generated in financing activities	12,175	-	12,175
Net increase in cash and cash equivalents	3,552	-	3,552

Company balance sheet and notes prepared under FRS 101

Balance Sheet
at 31 December 2018

	Note	2018		2017	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*36*		**43**		16
Intangible assets	*37*		**1,239**		1,431
Investments	*38*		**551,423**		571,793
			552,705		573,240
Current assets					
Debtors	*39*	**26,767**		25,363	
Cash at bank and in hand		**1,610**		7,458	
		28,377		32,821	
Creditors: amounts falling due within one year	*40*	**(101,274)**		(89,082)	
Net current liabilities			**(72,897)**		(56,261)
Total assets less current liabilities			**479,808**		516,979
Creditors: amounts falling due after more than one year	*41*		**(235,902)**		(222,416)
Net assets			**243,906**		294,563
Capital and reserves					
Called up share capital	*44*		**11,659**		11,659
Share premium account			**16,437**		16,437
Capital redemption reserve			**1,154**		1,154
Other reserves			**89,248**		89,248
Profit and loss account			**125,408**		176,065
Shareholders' funds			**243,906**		294,563

These financial statements were approved by the board of directors on 5 April 2019 and were signed on its behalf by:

R C Higham
Director

K F Ovenden
Director

Statement of Changes in Equity
for year ended 31 December 2018

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	11,659	16,437	1,154	89,248	182,467	300,965
Loss for the year	-	-	-	-	(6,402)	(6,402)
Balance at 31 December 2017	11,659	16,437	1,154	89,248	176,065	294,563
Loss for the year	-	-	-	-	(50,657)	(50,657)
Balance at 31 December 2018	**11,659**	**16,437**	**1,154**	**89,248**	**125,408**	**243,906**

The Other reserve amount of £89,248,000 arose as a result of dividends received and the revaluation (net of impairments) of certain investments in subsidiaries carried at fair value subsequent to a legal entity restructuring project prior to 1 January 2016, the Company's transition date to FRS 101.

Neither the brought forward or carried forward other reserve amounts are distributable.

Notes
(forming part of the financial statements)

35 Accounting policies

Acton Group Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual profit and loss account and related notes that form part of these approved financial statements.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), making amendments where necessary in order to comply with the Companies Act 2006. The Company has also taken advantage of the available FRS 101 disclosure exemptions in relation to the following:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

The consolidated financial statements of Acteon Group Limited include the disclosures as required under IFRS 7, *Financial Instruments: Disclosures,* and IFRS 13, *Fair Value Measurements*, both relating to financial instruments. As a consequence, the Company has also taken the exemption under FRS 101 not to include the equivalent disclosures, apart from those which are relevant for financial instruments held at fair value and are not either held as part of a trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have a significant effect on these financial statements, or in relation to estimates with a significant risk of material adjustment in the next year, are discussed in note 38 in relation to impairment of investment values.

Measurement convention

The financial statements have been prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. When an element of a tangible fixed asset item has a different useful life, it is accounted for as a separate tangible fixed asset item.

Notes *(continued)*

35 Accounting policies *(continued)*

Tangible fixed assets *(continued)*

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each element of an item of tangible fixed asset.

The estimated useful lives are as follows:

Fixtures, fittings and computer equipment	3-5 years straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible fixed assets

Intangible fixed assets represents software and is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each intangible asset from the date they are available for use. This is currently assessed as 3 years.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other debtors, cash and cash equivalents, trade and other creditors, and loans and borrowings.

(i) Investments

Investments in subsidiaries are carried at deemed cost less impairment.

(ii) Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment provision for expected credit losses.

The Company has applied the simplification approach to measuring expected credit loss, which uses a lifetime expected loss allowance. To measure the expected credit loss, trade debtors have been grouped based on days overdue.

(iii) Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

35 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, *Financial Instruments: Presentation*, financial instruments issued by the Company are treated as equity only to the extent they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets, or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments, or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, adjusted for any tax payable or receivable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account on a net basis.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its estimated recoverable amount.

Notes *(continued)*

35 Accounting policies *(continued)*

Defined contribution pension plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

New accounting standards adopted in the year

As stated in note 3, the Group (including the Company) has adopted IFRS 9 and IFRS 15 in the year. As Acteon Group Limited is the Group's head office function and does not trade on its own right, these new standards have had no significant impact on the Company's reported financial performance and position either on transition or going forward with no adjustments having to be made to any current year figures. As a result, no transition reconciliation has been presented.

36 Tangible fixed assets

	Fixtures, fittings and computer equipment £000
Cost	
Balance at 1 January 2018	499
Additions	40
Disposals	(47)
Transferred to intangible assets	(130)
Balance at 31 December 2018	362
Depreciation and impairment	
Balance at 1 January 2018	483
Depreciation charge for the year	11
Disposals	(45)
Transferred to intangible assets	(130)
Balance at 31 December 2018	319
Net book value	
At 31 December 2018	**43**
At 31 December 2017	16

Notes *(continued)*

37 Intangible fixed assets

	Software £000
Cost	
Balance at 1 January 2018	1,786
Additions	320
Transferred from tangible assets	130
Balance at 31 December 2018	2,236
Depreciation and impairment	
Balance at 1 January 2018	355
Depreciation charge for the year	512
Transferred from tangible assets	130
Balance at 31 December 2018	997
Net book value	
At 31 December 2018	**1,239**
At 31 December 2017	1,431

Included in the cost as at 31 December 2018 is £216,000 *(2017: £591,000)* relating to software currently under development. Amortisation will not commence until the development is complete.

Notes *(continued)*

38 Fixed asset investments

	Shares in Subsidiary undertakings £000
Cost	
At 1 January 2018	703,843
Additions	20,148
At 31 December 2018	723,991
Impairment	
At 1 January 2018	132,050
Impairment in the year	44,058
Reversal of prior impairment provisions	(3,540)
At 31 December 2018	172,568
Net book value	
At 31 December 2018	**551,423**
At 31 December 2017	571,793

The additions to investments arose as a result of the acquisition of Deepwater Corrosion Services Inc for £14,566,000 and increases in the share capital of various existing subsidiaries totalling £5,582,000.

The increase in the impairment provision in the year resulted from reductions in the value of the Company's direct and indirect investments in certain subsidiaries where their respective underlying net asset values or anticipated future trading prospects (based on value-in-use calculations) did not support the investment value.

The reversal of prior impairment provisions related to an upturn in current and anticipated future earnings of InterAct PMTI (an indirect subsidiary). Its improved trading prospects resulted in an increase in its assessed value-in-use which supports a partial release of its previously recognised impairment provision.

In assessing value-in-use, pre-tax cash flow projections for a five-year period, including financial budgets approved by the board covering a one-year period, have been used. Cash flows beyond the one-year period have been extrapolated based on estimated long-term average growth rates (typically 5 per cent) up to its level of maintainable earnings. The terminal value was then added to the value-in-use calculated. The growth rate in years two to five does not exceed the anticipated long-term average growth rate for the market in which each company operates after taking account of the recovery from the recent cyclical decline in the oil and gas sector and the effect on current profitability levels.

The key inputs to these calculations are shown below:

Period on which management approved forecasts are based	1 Year
Average growth rate applied for years two to five	5% to 26%
Growth rate applied to terminal value calculation	2%
Pre-tax discount rate	12%

Certain subsidiaries are forecast to make a combined loss of £1,367,000 in 2019 (as a result of the current short-term weak market conditions) although improvements over the projected five-year period are expected to be achieved such that their combined maintainable earnings level at the end of year five is assessed at £4,500,000.

Notes *(continued)*

38 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries:

	Country of incorporation		Ownership interest % in ordinary shares 2018	2017
2H Offshore (Asia Pacific) Sdn Bhd	Malaysia	*	**100**	100
2H Offshore Engineering Limited	England		**100**	100
2H Offshore Engineering Pty Limited	Australia	*	**100**	100
2H Offshore Engineering Sdn Bhd [(1)]	Malaysia	*	**30**	30
2H Offshore Inc	USA	*	**100**	100
2H Offshore Projetos Limitada	Brazil	*	**100**	100
Acteon Angola Limitada	Angola		**100**	100
Acteon Field Life Service Limited	England		**100**	100
Acteon Financing I Limited	Republic of Ireland		**100**	100
Acteon Financing II (NOK) Limited	Republic of Ireland		**100**	100
Acteon Financing III (EUR) Limited	Republic of Ireland		**100**	100
Acteon Group Properties Limited	England		**100**	100
Acteon Guyana Holding Limited	England		**100**	-
Acteon Guyana Inc	Guyana	*	**100**	-
Acteon Middle East and Far East Investments Limited	England		**100**	100
Acteon Middle East FZE	UAE		**100**	100
Acteon Mozambique Holding Limited	England		**100**	-
Acteon Singapore Holdings Pte Limited	Singapore		**100**	100
Acteon Singapore Operations Pte Limited	Singapore		**100**	100
Acteon South American Investments Limited	England		**100**	100
Acteon UK Financing Limited	England		**100**	100
Acteon UK Financing II (NOK) Limited	England		**100**	100
Acteon UK Financing III (EUR) Limited	England		**100**	100
Acteon US Financing Limited	England	*	**100**	100
Acteon US Holdings Inc	USA	*	**100**	100
Acteon US Holdings Limited	England		**100**	100
Aquatic Asia Pacific Pte Limited	Singapore	*	**100**	100
Aquatic Engineering & Construction Limited	Scotland		**100**	100
Bruce Anchor Limited	Scotland		**85**	85
Cape Group Pte Ltd	Singapore		**100**	100
Century InterMoor Holdings Limited [(1)]	England		**48**	48
Century InterMoor Limited [(1)]	Nigeria	*	**49**	49
Clarus Subsea Integrity Inc	USA	*	**100**	100
Claxton Engineering Services Limited	England		**100**	100
Claxton Engineering Services Pte Limited	Singapore	*	**100**	100
Conductor Installation Services Inc	USA	*	**100**	100
Conductor Installation Services Limited	England		**100**	100
Conductor Installation Services Pte Limited	Singapore	*	**100**	100
Core Grouting Services Limited	England		**100**	100
Deepwater Australasia Pty Limited	Australia	*	**90**	-
Deepwater do Brasil Engenharia Limitda	Brazil	*	**90**	-
Deepwater BV	Netherlands	*	**90**	-
Deepwater Cooperatief AU	Netherlands	*	**90**	-
Deepwater Corrosion Services Inc	USA		**90**	-
Deepwater Norway AS	Norway	*	**90**	-
Deepwater EU Limited	England	*	**90**	-
Deepwater Manufacturing (USA) Inc	USA	*	**90**	-

* Denotes indirect ownership

(1) The Company has full control of these entities as a result of the underlying constitutional documents in place.

Notes *(continued)*

38 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries *(continued)*:

	Country of incorporation		Ownership interest % in ordinary shares 2018	2017
EURWA Survey Limited	Scotland	*	**94**	94
Geoscan Group Limited	Scotland	*	**97**	97
InterAct PMTI Inc	USA	*	**100**	100
InterMoor do Brasil Servicos Onshore e Offshore Limitada	Brazil	*	**100**	100
InterMoor EG, Sociedad Limitada	Equatorial Guinea	*	**65**	65
InterMoor Inc	USA	*	**100**	100
InterMoor Limited	Scotland		**100**	100
InterMoor Mediterranean for Petroleum Services SAE	Egypt		**100**	100
InterMoor Mexico S de RL de CV	Mexico		**100**	100
InterMoor Nigeria FZE	Nigeria	*	**100**	100
InterMoor AS	Norway	*	**100**	100
InterMoor Personnel Servicios S de RL de CV	Mexico		**100**	100
InterMoor Pte Limited	Singapore	*	**100**	100
InterMoor Pty Ltd (formerly Viking Seatech (Australia) Pty Ltd)	Australia		**100**	100
Inter Resources Inc	USA	*	**90**	-
IOS Offshore Holding AS	Norway		**100**	100
I-Rod Europe Limited	England	*	**90**	-
J2 Subsea Inc (formerly Mirage Subsea Inc)	USA	*	**100**	100
J2 Subsea Limited	Scotland		**80**	80
Large Diameter Drilling Limited	England		**100**	100
LDD Australia Pty Limited	Australia	*	**100**	100
LM Handling Limited	England		**100**	100
LM Handling Pte Limited	Singapore	*	**100**	100
Menck GmbH	Germany		**100**	100
Menck Pte Limited	Singapore	*	**100**	100
PMTI Acquisition Inc	USA		**100**	100
Probe Oil Tools Limited	England		**80**	80
PT Cape Resource Indonesia	Indonesia	*	**85**	85
PT UTEC Survey Indonesia	Indonesia	*	**89**	89
PT Viking Seatech Indonesia	Indonesia		**100**	100
Pulse Monitoramento Estrutural Limitada	Brazil	*	**100**	100
Pulse Structural Monitoring Inc	USA	*	**100**	100
Pulse Structural Monitoring Limited	England		**100**	100
Seascan Limited	Scotland		**97**	97
Seatronics do Brasil Equipamentos Eletronicos Limitada	Brazil	*	**97**	97
Seatronics Inc	USA	*	**97**	97
Seatronics Limited	Scotland	*	**97**	97
Seatronics Pte Limited	Singapore	*	**97**	97
Subsea Riser Products Limited	England		**100**	100
Team Drill Limited	England		**100**	100
Team Energy Resources Limited	England		**100**	100
Team Energy Resources Middle East LLC (1)	Qatar	*	**49**	49
TecAfrica Offshore Limited	Ghana	*	**85**	85
UTEC Geomarine Limited	England	*	**94**	94
UTEC International Limited	Scotland		**94**	94

* Denotes indirect ownership

(1) The Company has full control of these entities as a result of the underlying constitutional documents in place.

Notes *(continued)*

38 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries *(continued)*:

	Country of incorporation		Ownership interest % in ordinary shares 2018	2017
UTEC NCS Survey AS	Norway	*	**94**	94
UTEC NCS Survey Limited	Scotland	*	**94**	94
UTEC Star Net Geomatics Limited	Scotland	*	**94**	94
UTEC Survey Asia Pte Limited	Singapore	*	**94**	94
UTEC Survey Australia Pty Limited	Australia	*	**94**	94
UTEC Survey Canada Limited	Canada	*	**94**	94
UTEC Survey do Brasil Limitada	Brasil	*	**94**	94
UTEC Survey Inc	USA	*	**94**	94
UTEC Survey Mediterranean Srl	Italy	*	**94**	94
UTEC Survey South Africa Proprietary Limited	South Africa	*	**94**	94
UTEC Survey West Africa Limited	England	*	**94**	94
UWG Limited	England		**100**	100
Viking Seatech Limited	Scotland	*	**100**	100

* Denotes indirect ownership

The registered office addresses for these subsidiaries are as follows:

		Registered office address
2H Offshore (Asia Pacific) Sdn Bhd	-	Lot 6.01, 6th Floor Imbi Plaza, 28 Jalan Imbi, 55100 Kuala Lumpur
2H Offshore Engineering Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
2H Offshore Engineering Pty Limited	-	Level 8, 1008 Hay Street, Perth, WA6000, Australia
2H Offshore Engineering Sdn Bhd	-	Lot 6.01, 6th Floor Imbi Plaza, 28 Jalan Imbi, 55100 Kuala Lumpur
2H Offshore Inc	-	Corporation Service Company, 2711 Centerville Rd, Suite 400, Wilmington, New Castle, DE, 19808, USA
2H Offshore Projetos Limitada	-	Praça Floriano, number 19, 22nd floor, Centro, Rio de Janeiro/RJ, 20031-050, Brazil
Acteon Angola Limitada	-	Rua Américo Júlio de Carvalho, No. 182, 1st and 2nd Floor, Zone 2, Bairro Azul, Municipality of Ingombota, Luanda, Angola
Acteon Field Life Service Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Financing I Limited	-	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland
Acteon Financing II (NOK) Limited	-	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland
Acteon Financing III (EUR) Limited	-	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland
Acteon Group Properties Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Guyana Holding Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Guyana Inc	-	158 D Waterloo Street, North Cummingsburg, Geirgetown, Guyana
Acteon Middle East and Far East Investments Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Middle East FZE	-	PO Box 262490, Jebel Ali Freezone, Gate 5, South Side, FZS1 AL05, Dubai, United Arab Emirates
Acteon Mozambique Holding Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon Singapore Holdings Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Acteon Singapore Operations Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Acteon South American Investments Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK

Notes *(continued)*

38 Fixed asset investments *(continued)*

The registered office addresses for these subsidiaries are as follows *(continued)*:

		Registered office address
Acteon UK Financing Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon UK Financing II (NOK) Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon UK Financing III (EUR) Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon US Financing Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Acteon US Holdings Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Acteon US Holdings Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Aquatic Asia Pacific Pte Limited	-	4 Robinson Road, #05-01 The House of Eden, Singapore, 048543
Aquatic Engineering & Construction Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Bruce Anchor Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Cape Group Pte Ltd	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Century InterMoor Holdings Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Century InterMoor Limited	-	Plot 21, Prince Adelowo Adedeji Str. (Off Admirality Way) Lekki Phase 1, Lagos State, Nigeria
Clarus Subsea Integrity Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Claxton Engineering Services Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Claxton Engineering Services Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Conductor Installation Services Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Conductor Installation Services Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Conductor Installation Services Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Core Grouting Services Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Deepwater Australasia Pty Limited	-	Ground Floor, 1 Alvan Steet, Subiaco WA 6008, Australia
Deepwater do Brasil Engenharia Limitada	-	Avenida Presidente Vargas, 633, Sala 2021, Centro, Rio de Janeiro, CEP 20,071-905 JR, Brazil
Deepwater BV	-	Prins Hendriklaan 26, 1075 BD, Amsterdam
Deepwater Cooperatief AU	-	Prins Hendriklaan 26, 1075 BD, Amsterdam
Deepwater Corrosion Services Inc	-	13813 FM 529, Houston, TX 77041, USA
Deepwater Norway AS	-	Neptunveien 6-7652, Verdal, Norway
Deepwater EU Limited	-	4.8 Frimley Business Park, Frimley, Camberley, Surrey, GU16 7SG, UK
Deepwater Manufacturing (USA) Inc	-	13813 FM 529, Houston, TX 77041, USA
EURWA Survey Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Geoscan Group Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
InterAct PMTI Inc	-	C T Corporation System, 818 W 7th St Suite 390 Los Angeles, CA 90017, USA
InterMoor do Brasil Servicos Onshore e Offshore Limitada	-	Praça Floriano, number 19, 22nd floor, Centro, Rio de Janeiro/RJ, 20031-050, Brazil
InterMoor EG, Sociedad Limitada	-	Malabo, Republic of Equatorial Guinea

Notes *(continued)*

38 Fixed asset investments *(continued)*

The registered office addresses for these subsidiaries are as follows *(continued)*:

		Registered office address
InterMoor Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
InterMoor Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
InterMoor Mediterranean for Petroleum Services SAE	-	Area (B) - Dry Basin Area, South Raswa, Port Said Free Zone Area, Egypt
InterMoor Mexico S de RL de CV	-	Florencia 57, 3rd floor, Colonia Juárez, Mexico City, Mexico
InterMoor Nigeria FZE	-	27A Olawale Cole Onitiri, Off Admiralty Road, Lekki Phase 1, Lagos State, Nigeria
InterMoor AS	-	Finnestadgeilen 11, 4029 Stavenger, Norway
InterMoor Personnel Servicios S de RL de CV	-	Florencia 57, 3rd floor, Colonia Juárez, Mexico City, Mexico
InterMoor Pte Limited	-	25 Loyang Crescent, Block 103, TOPS Avenue 1, #06-02 Loyang Offshore Supply Base, Singapore, 508988
InterMoor Pty Ltd	-	Level 3, 140 St Georges Terrace, Perth, WA 6000, Australia
Inter Resources Inc	-	13813 FM 529 Houston, Texas 77041, USA
IOS Offshore Holding AS	-	Finnestadgeilen 11, 4029 Stavenger, Norway
I-Rod Europe Limited	-	4.8 Frimley Business Park, Frimley, Camberley, Surrey, GU16 7SG, UK
J2 Subsea Inc (formerly Mirage Subsea Inc)	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
J2 Subsea Limited	-	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Large Diameter Drilling Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
LDD Australia Pty Limited	-	Level 8, 1008 Hay Street, Perth, WA 6000, Australia
LM Handling Limited	-	Ferryside, Ferryside Road, Norwich, Norfolk, NR1 1SW, UK
LM Handling Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
Menck GmbH	-	Industrial Area Moorkaten, Am Springmoor 5a, DE24568 Kaltenkirchen, Germany
Menck Pte Limited	-	107 Tuas South Avenue 8, Acteon Singapore Operations Ctr, Singapore, 637036
PMTI Acquisition Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA
Probe Oil Tools Limited	-	Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
PT Cape Resource Indonesia	-	Indonesia Stock Exchange Building Tower 1, 27th Floor, Suite 2703, Jl. Jendral Sudirman Kav 52-53, Jakarta 12190, Indonesia
PT UTEC Survey Indonesia	-	Menara Rajawali Lt. 7-1, Jl. Dr. Ide Anak Agung Gde Agung Lot. #5.1, Kawasan Mega Kuningan, Setiabudi, Jakarta Selatan – 12950, Indonesia
PT Viking Seatech Indonesia	-	Sovereign Plaza 21st Floor, J1 T.B. Simatupang Kav. 36, Jakarta, 12430, Indonesia
Pulse Monitoramento Estrutural Limitada	-	Praça Floriano, number 19, 22nd floor, Centro, Rio de Janeiro, RJ, 20031-050, Brazil
Pulse Structural Monitoring Inc	-	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle DE, 19801, USA

Notes *(continued)*

38 Fixed asset investments *(continued)*

The registered office addresses for these subsidiaries are as follows *(continued)*:

	Registered office address
Pulse Structural Monitoring Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Seascan Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Seatronics do Brasil Equipamentos Eletronicos Limitada	- Praça Floriano, number 19, 22nd floor, Centro, Rio de Janeiro/RJ, 20031-050, Brazil
Seatronics Inc	- Gary W Miller, 2925 Richmond Ave. 14th Floor, Houston Texas 77098, USA
Seatronics Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
Seatronics Pte Limited	- 4 Robinson Road, #05-01 The House of Eden, Singapore, 048543
Subsea Riser Products Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Team Drill Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Team Energy Resources Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Team Energy Resources Middle East LLC	- PO Box 23890, Souq Al Thuraiya, Office No 10, Salwa Road, Doha, Qatar
TecAfrica Offshore Limited	- NO.J.489/7, Cassia Street Teshie Nungua Estates, Accra, Greater Accra, Ghana
UTEC Geomarine Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
UTEC International Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
UTEC NCS Survey AS	- Tangen 14, 4072, Randaberg, Norway
UTEC NCS Survey Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
UTEC Star Net Geomatics Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK
UTEC Survey Asia Pte Limited	- 25 Loyang Crescent, Block 103, TOPS Avenue 1, #04-03, Loyang Offshore Supply Base, Singapore 508988
UTEC Survey Australia Pty Limited	- C/O Fortuna Advisory Group, Suite 102, 110 Erindale Road, Balcatta, WA 6021, Australia
UTEC Survey Canada Limited	- Suite 600, 815 - 8th Avenue SW, Calgary, Alberta, TP2 3P2, Canada
UTEC Survey do Brasil Limitada	- Av. Beira Mar, n° 262 – 5° floor (part) Centro, Rio De Janeiro/RJ, Brazil, 20021-060
UTEC Survey Inc	- Gary W Miller, 2925 Richmond Ave. 14th Floor, Houston Texas 77098, USA
UTEC Survey Mediterranean Srl	- Via Tino di Camaino, 9, 80128, Naples, Italy
UTEC Survey South Africa Proprietary Limited	- 11 Buitengracht Street, Cape Town, 8001 / PO Box 695, Cape Town, 8000, South Africa
UTEC Survey West Africa Limited	- Ferryside; Ferry Road, Norwich, Norfolk, NR1 1SW, UK
UWG Limited	- Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW, UK
Viking Seatech Limited	- Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ, UK

Notes *(continued)*

39 Debtors

	2018 £000	2017 £000
Trade debtors	**7**	-
Amounts owed by group undertakings	**24,001**	22,598
Other debtors	**1,122**	1,026
Prepayments and accrued income	**231**	158
Deferred tax asset (see note 43)	**1,406**	1,581
	26,767	25,363

40 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank loans	**17,682**	14,892
Trade creditors	**1,116**	690
Amounts owed to group undertakings	**80,089**	71,451
Taxation and social security	**532**	1,106
Other creditors	**39**	91
Accruals and deferred income	**1,816**	852
	101,274	89,082

The contractual terms of the secured bank loans measured at amortised cost are shown in note 25.

41 Creditors: amounts falling after more than one year

	2018 £000	2017 £000
Bank loans	**235,455**	222,416
Other creditors	**447**	-
	235,902	222,416

The contractual terms of the secured bank loans measured at amortised cost are shown in note 25.

42 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £185,000 *(2017: £116,000).*

Notes *(continued)*

43 Deferred tax assets and liabilities

The movement in deferred tax during the year - 2018

	Balance 1 January 2018 £000	Recognised in income £000	**Balance 31 December 2018 £000**
Tangible fixed assets	114	9	**123**
Non-trade loan related interest	1,459	(182)	**1,277**
Other	8	(2)	**6**
	1,581	(175)	**1,406**

At 31 December 2018 a deferred tax asset relating to the restriction of corporate interest deductions of £3,136,000 *(2017: £1,319,000)* has not been recognised as insufficient profits are being forecast for the foreseeable future for it to be utilised.

The movement in deferred tax during the year - 2017

	Balance 1 January 2017 £000	Recognised in income £000	Balance 31 December 2017 £000
Tangible fixed assets	268	(154)	114
Non-trade loan related interest	1,459	-	1,459
Other	7	1	8
	1,734	(153)	1,581

44 Share capital

	Allotted, called up and fully paid No 000	**£000**
At 31 December 2017 and 31 December 2018		
Ordinary share of £0.01 each	**1,165,929**	**11,659**

45 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	**408**	261
Between one and five years	**329**	172
	737	433

Operating leases consists of office buildings occupied by the company. Rental charges are fixed over the lease term.

Notes *(continued)*

46 Contingencies

The Company has a cross-guarantee with other Group companies in respect of Group borrowings.

47 Related parties

UTEC International Ltd, a subsidiary, provided loan funding to the Company. Interest charged at commercial rates totalled £635,000 *(2017: £517,000)*. The balance owed by the Company at the year-end amounted to £11,835,000 *(2017: £10,584,000)*. The Company also charged a management fee to the UTEC Group in the year of £830,000 *(2017: £896,000)*.

Probe Oil Tools Ltd, a subsidiary, also provided loan funding to the Company during the year. Interest charged at commercial rates totalled £777,000 *(2017: £741,000)*. The balance owed by the Company at the year-end amounted to £19,529,000 *(2017: £19,500,000)*.

Seatronics Inc, a subsidiary, also provided loan funding to the Company in the prior year. The balance owed by the Company at the 31 December 2017 year-end amounted to *£741,000*. There was no balance outstanding at the end of the current year.

The Company provided loan funding to two further subsidiaries during the year, Bruce Anchor Ltd and Team Energy Resources Middle East LLC. The balance owed to the Company at the year-end amounted to £1,683,000 *(2017: £1,681,000)* for Bruce Anchor Ltd and £2,039,000 *(2017: £2,891,000)* for Team Energy Resources Middle East LLC.

The Company was charged rent by BHHM Pension scheme, an entity associated by common directors/trustees, amounting to £69,000 *(2017: £69,000)*.