Acteon Group Limited

Annual report and financial statements

Registered number 4231212

31 December 2015

Contents

Strategic Report

The directors present their Strategic report for the year ended 31 December 2015.

Principal activities

Acteon Group Limited is a global subsea services organisation. The Group comprises a number of industry-leading brands, which are principally focused on those aspects of offshore oil and gas development and operations which link wells on the seabed with facilities on the surface.

The Group has outstanding engineering skills in the areas in which it operates and has achieved a number of industry "firsts" in its recent history. It employs approximately 2,000 people, most with technical skills, from its facilities in Europe, the Middle East, Africa, the Americas and the Far East.

Acteon companies are involved at every stage in the life of an oilfield, from initial exploration through to development, operations, maintenance and decommissioning. The Group offers full system capability, undertaking concept studies and analysis, front-end engineering and detailed design work, manufacturing/construction activity and offshore execution.

Acteon provides a range of subsea services, across the following capabilities;

- Risers and Moorings
- Seabed Foundation Technologies
- Survey, Monitoring and Data
- Project Support Services

Business model

Acteon is a leading provider of subsea services to the worldwide offshore oil and gas industry. Its principal clients are international, national and independent oil and gas companies and contractors in most of the major oil and gas provinces in the world. Its services relate to most parts of the life-cycle of an oil or gas field and its facilities, including exploration, design, build, installation, integrity management and decommissioning.

Acteon offers its services independently and collectively to serve its industry clients. The principal 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.

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 risers.

Strategic Report *(continued)*

Seabed Foundation Technologies

Acteon has world-class expertise in drilling, hammering, piling and grouting, offering a full range of flexible solutions, from design to installation. It can provide temporary and permanent seabed support structures. In addition to its expertise 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 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.

Conductor Installation Services provides full project management services for high quality 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 remotely operated vehicles (ROVs).

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

Project Support Services

From specialist equipment to manpower provision, Acteon's project support services businesses successfully deliver advanced, innovative solutions in any territory. The Group provides portable machine tools and 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.

Mirage Machines designs and manufactures portable machine tools for on site machining applications.

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

Offshore Installation Services is an industry leader in the rigless abandonment of suspended subsea wells.

Business review and results

2015 saw a continuation of the very severe downward trend in the price of crude oil which started in the second half of 2014. While Brent Crude (spot) had averaged $109 per barrel across the first half of 2014, by the end of 2014 it had declined to approximately $48. Though 2015 saw a modest recovery in prices, peaking at around $65 in June, the later months of the year saw a further decline and the price ended 2015 at $36.

This sustained period of materially lower crude oil prices has led to significant changes in the investment plans and activity levels of oil and gas companies as they seek to conserve cash and support profit margins.

The Group's financial performance in 2015 fully reflects this change in market conditions, with revenues reducing by 13.4% to £426.8m and profit from operating activities before exceptional items and impairment losses reducing by 56.9% to £39.3m.

Strategic Report *(continued)*

Refinancing

The Group renegotiated the terms on its secured bank borrowing during the year, resulting in an extended repayment instalment profile and final maturity date.

As the directors consider that these changes were a significant modification to the existing arrangement, the remaining unamortised financing costs relating to the original agreement have been charged to the income statement. This has led to the recognition of an exceptional cost under finance expense, over and above that which would have otherwise been recognised in the year of £6,139,000.

Financial performance

The financial performance of the Group's continuing operations for 2015 compared with 2014 can be summarised as follows:

	2015	2014	**Increase/ (Decrease)**
	£000	£000	**%**
Group revenue	**426,822**	492,604	(13.4%)
Profit from operating activities before exceptional items and impairment losses	**39,290**	91,201	(56.9%)
Profit before exceptional items, impairment losses and income tax	**16,666**	77,073	(78.4%)

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), and also the level of sustained investment in the Group's underlying revenue generating resources (fixed assets and number of employees).

	2015	2014
Financial		
Gross Margin % of revenues	**32.9%**	36.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000s)*	**87,892**	131,913
Net book value of property, plant and equipment (£000s)	**186,769**	197,251

*prior to impairments of goodwill and other intangibles and certain costs totalling £3,279,000 *(2014: £3,113,000)* of a non-operating nature.

Non-financial		
Average number of employees	**2,280**	2,048
Number of employees at the year-end	**1,949**	2,356

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 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 tail-off 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.

Future developments

In the light of the significant reductions in crude oil prices mentioned above, it is expected that international oil companies, national oil companies and independents will continue to make reductions in their investment programmes and place lower levels of business with their contractors, including Acteon. It is likely that the oil companies' capital expenditure programmes will see the largest impact of this, but that operational expenditure (including inspection, repair and maintenance) will be more resilient. Though Acteon has significant exposure to oil companies' operational expenditure, and also to civil work including offshore wind farms, turnover reductions are anticipated in 2016.

The Group will continue to undertake measures to mitigate the impact of these developments on its margins, profitability and cash flow, while retaining the capabilities and skills which will be necessary when higher activity levels rise.

By order of the board

R C Higham
Director

24 March 2016

Directors' Report

The directors note that, as a result of the Strategic Report and Directors' Report regulations 2013 (which are amendments to the Companies Act 2006), some of the matters which would previously have been contained within the Directors' Report must now (along with certain other reporting) appear within the separate Strategic Report. The Directors' Report now 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 2015 (*2014: £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.

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

24 March 2016

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, 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 IFRS 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 and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRS 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 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

We have audited the financial statements of Acteon Group Limited for the year ended 31 December 2015 set out on pages 8 to 67. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework.*

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2015 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Duncan MacAskill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

24 March 2016

Consolidated Income Statement

for year ended 31 December 2015

	Note	2015 Continuing £000	2014 Continuing £000	2014 Discontinued £000	2014 Total £000
Revenue	*7*	**426,822**	492,604	7,314	499,918
Cost of sales		**(286,397)**	(314,180)	(7,613)	(321,793)
Gross profit/(loss)		**140,425**	178,424	(299)	178,125
Other income	*8*	**3,185**	-	-	-
Impairment movements	*6, 16, 17*	**(3,799)**	-	5,203	5,203
Other administrative expenses		**(104,320)**	(87,223)	(11,453)	(98,676)
Total administrative expenses		**(108,119)**	(87,223)	(6,250)	(93,473)
Profit/(loss) from operating activities		**35,491**	91,201	(6,549)	84,652
Finance income		**3,141**	6,738	-	6,738
Finance expense (including exceptional costs of £6,139,000 (*2014: £nil*))		**(31,904)**	(20,866)	(303)	(21,169)
Net finance expense	*12*	**(28,763)**	(14,128)	(303)	(14,431)
Profit/(loss) before income tax		**6,728**	77,073	(6,852)	70,221
Income tax expense	*13*	**(3,471)**	(21,815)	-	(21,815)
Profit/(loss) for the year		**3,257**	55,258	(6,852)	48,406
Attributable to:					
Equity holders of the parent		**3,173**	54,017	(6,852)	47,165
Non-controlling interests		**84**	1,241	-	1,241
Profit/(loss) for the year		**3,257**	55,258	(6,852)	48,406

The notes on pages 13 to 53 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 11.

Consolidated Statement of Comprehensive Income
for year ended 31 December 2015

	Note	2015 £000	2014 £000
Profit for the year		**3,257**	48,406
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial gains/(losses)	*26*	**382**	(847)
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign currency net investments		**(3,590)**	(5,939)
Other comprehensive expense for the year recognised directly in equity		**(3,208)**	(6,786)
Total comprehensive income for the year		**49**	41,620
Attributable to:			
Equity holders of the Company		**(35)**	40,379
Non-controlling interests		**84**	1,241
Total comprehensive income for the year		**49**	41,620

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Balance Sheet)

at 31 December 2015

	Note	**2015**	2014
		£000	£000
Non-current assets			
Property, plant and equipment	*16*	**186,769**	197,251
Intangible assets	*17*	**228,122**	242,570
Deferred income tax assets	*18*	**6,986**	5,233
Total non-current assets		**421,877**	445,054
Current assets			
Inventories	*19*	**23,725**	27,492
Trade and other receivables	*20*	**104,686**	152,185
Assets held for sale	*6, 21*	**197**	7,233
Cash and cash equivalents		**85,273**	43,632
Total current assets		**213,881**	230,542
Total assets		**635,758**	675,596
Equity			
Share capital	*22*	**11,659**	11,659
Share premium	*23*	**16,437**	16,437
Foreign currency translation reserve	*23*	**(5,849)**	(2,259)
Other reserves	*23*	**(5,326)**	(5,127)
Retained earnings	*23*	**201,080**	197,525
Total equity attributable to equity holders of the Company		**218,001**	218,235
Non-controlling interests	*24*	**11,853**	11,570
Total equity		**229,854**	229,805
Non-current liabilities			
Loans and borrowings	*25*	**299,904**	310,687
Employee benefits	*26*	**1,868**	2,378
Deferred income tax liabilities	*18*	**26,889**	30,845
Total non-current liabilities		**328,661**	343,910
Current liabilities			
Loans and borrowings	*25*	**14,773**	12,008
Trade and other payables	*27*	**59,290**	80,046
Current income tax liabilities		**3,180**	9,827
Total current liabilities		**77,243**	101,881
Total liabilities		**405,904**	445,791
Total equity and liabilities		**635,758**	675,596

These financial statements were approved by the Board of Directors on 24 March 2016 and were signed on its behalf by:

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

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for year ended 31 December 2015

	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 2014	11,659	16,437	3,680	(5,127)	151,207	177,856	8,286	186,142
Profit for the year	-	-	-	-	47,165	47,165	1,241	48,406
Income and expense recognised directly in equity								
Defined benefit plan actuarial losses	-	-	-	-	(847)	(847)	-	(847)
Foreign currency translation difference	-	-	(5,939)	-	-	(5,939)	-	(5,939)
Total income and expense recognised directly in equity	-	-	(5,939)	-	(847)	(6,786)	-	(6,786)
Acquisitions in year (note 5)	-	-	-	-	-	-	2,667	2,667
Dividends paid (note 15)	-	-	-	-	-	-	(624)	(624)
Balance at 31 December 2014	11,659	16,437	(2,259)	(5,127)	197,525	218,235	11,570	229,805
Profit for the year	-	-	-	-	3,173	3,173	84	3,257
Income and expense recognised directly in equity								
Defined benefit plan actuarial gains	-	-	-	-	382	382	-	382
Foreign currency translation difference	-	-	(3,590)	-	-	(3,590)	-	(3,590)
Total income and expense recognised directly in equity	-	-	(3,590)	-	382	(3,208)	-	(3,208)
Disposals in year (note 5)	-	-	-	(199)	-	(199)	199	-
Balance at 31 December 2015	**11,659**	**16,437**	**(5,849)**	**(5,326)**	**201,080**	**218,001**	**11,853**	**229,854**

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

for year ended 31 December 2015

	Note	2015 £000	2014 £000
Cash flow from operating activities			
Profit for the year		**3,257**	48,406
Adjustments for:			
Gain on sale of rental/non-rental property, plant and equipment		**(2,835)**	(3,234)
Gain on sale of assets held for sale		**(2,599)**	-
Depreciation and impairment of property, plant and equipment	*6, 16*	**32,052**	24,879
Amortisation and impairment of intangible assets	*17*	**17,070**	8,223
Net finance expense	*12*	**28,763**	14,431
Total income tax expense	*13*	**3,471**	21,815
		79,179	114,520
Change in inventories		**3,183**	1,256
Change in trade and other receivables		**44,388**	13,702
Change in trade and other payables		**(16,219)**	(321)
Change in provisions and employee benefits		**381**	277
Cash generated from operating activities		**110,912**	129,434
Interest paid		**(19,555)**	(18,360)
Income tax paid		**(14,238)**	(17,994)
Net cash from operating activities		**77,119**	93,080
Cash flows from investing activities			
Interest received		**3,141**	2,598
Proceeds from sale of property, plant and equipment		**5,693**	5,738
Proceeds from sale of assets held for sale		**9,076**	-
Acquisition of subsidiaries, net of cash acquired	*5*	**-**	(77,020)
Purchase of property, plant and equipment	*16*	**(32,191)**	(51,801)
Purchase of intangible assets	*17*	**(238)**	(303)
Net cash used in investing activities		**(14,519)**	(120,788)
Cash flow from financing activities			
Receipt of borrowings		**-**	67,000
Expenses paid in relation to borrowings		**(2,315)**	-
Repayment of borrowings		**(17,673)**	(50,650)
Payment of finance lease liabilities		**(370)**	(40)
Dividends paid to non-controlling interests	*15*	**-**	(624)
Net cash (used)/received in financing activities		**(20,358)**	15,686
Net increase/(decrease) in cash and cash equivalents		**42,242**	(12,022)
Cash and cash equivalents at 1 January		**43,632**	49,953
Effect of exchange rate fluctuations on cash held		**(601)**	5,701
Cash and cash equivalents at 31 December		**85,273**	43,632

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Notes
(forming part of the financial statements)

1 Group and company accounts

Acteon Group Limited 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 2015 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 54 to 67.

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 group 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 24 March 2016.

(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 17 – measurement of the recoverable amounts relating to cash-generating units containing goodwill

Note 28 – valuation of financial instruments

Notes *(continued)*

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

(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 4. 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 and is well-placed to manage its business and financial risks. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3 Significant accounting policies

The accounting policies set out below have 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

Turnover 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

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

(ii) Rendering of services

The Group recognises turnover 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)*

(iii) Long-term contracts

Turnover 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.

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.

Notes *(continued)*

3 Significant accounting policies *(continued)*

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.

Foreign currencies

(i) Transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the exchange rate 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.

Notes *(continued)*

3 Significant accounting policies *(continued)*

(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 the rate 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 173 participants. Of these, 5 participate in a final salary scheme and the remaining 168 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, IOS InterMoor AS, in which there are 46 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 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.

(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.

Notes *(continued)*

3 Significant accounting policies *(continued)*

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

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, 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.

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.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories 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.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense 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 differs from profit as 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.

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

Notes *(continued)*

3 Significant accounting policies *(continued)*

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.

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.

Notes *(continued)*

3 Significant accounting policies *(continued)*

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

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less any provision for impairment. Provision is made when there is evidence that the Group may not be able to collect a receivable.

Trade and other payables

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

Impact of new accounting standards adopted in the year

Newly adopted accounting standards in the year had no material impact on the Group's consolidated financial statements.

Impact of future accounting standards

The Group has reviewed the accounting standards not yet adopted which become effective for periods commencing on or after 1 January 2016 and which will apply to the Group's activities. These are:

- IFRS 9 – *Financial Instruments*
- IFRS 15 – *Revenue from Contracts with Customers*
- IAS 27 – *Equity Method in Separate Financial Statements (Amendment)*

These standards are not expected to have a significant impact on the Group's consolidated financial statements.

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.

(a) 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 manages foreign currency risk by creating 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)*

(b) 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 but has chosen not to enter into any derivative contracts to manage its cash flow interest rate risks.

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

(c) 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 composed 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 periodically 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 estimate of incurred losses in respect of trade and other receivables. The major component of this allowance is a specific loss element that relates 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.

(d) 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 2015 the Group had access to variable rate borrowings in the form of a £376m committed credit facility, of which £316m takes the form of term loans and £60m as 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.

(e) 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 carries out 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

Disposals 2015

During the year a transaction took place which resulted in the Group's overall percentage shareholding in UTEC International Limited reducing from 94.75% to 93.81%. This arose following a transfer of ownership of UTEC NCS Survey Limited from Acteon Group Limited to UTEC International Limited via a share-for-share exchange.

In accordance with IAS27, *Consolidated and Separate Financial Statements,* the effective overall disposal to minorities as a result of this transaction of £199,000 has been debited to other reserves as there was no resultant change in overall control.

There were no acquisitions of subsidiaries in the year.

Acquisitions 2014

UTEC International Limited

On 21 November 2014 the Group acquired 94.75% of the ordinary shares in UTEC International Limited for £92,647,000 in cash. UTEC International Limited is the parent of a group of companies which provides marine and facilities survey and data management services to the oil and gas, telecommunications and energy sectors. The main rationale for the acquisition was the broadening of the geographic footprint of the Group's survey service capabilities.

Between the acquisition date and 31 December 2014 this group generated revenue of £3,746,000 and a loss after tax of £137,000. If the acquisition had occurred on 1 January 2014, management estimates that revenues would have been £58,100,000 and the profit after tax for the period would have been £2,650,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would apply.

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	7,627	386	8,013
Intangible assets	-	31,292	31,292
Inventories	15	-	15
Trade and other receivables	12,825	-	12,825
Cash and cash equivalents	15,637	-	15,637
Non-current loans and borrowings: Finance lease liabilities	(643)	-	(643)
Current loans and borrowings: Finance lease liabilities	(305)	-	(305)
Trade and other payables	(6,380)	-	(6,380)
Deferred income tax liabilities	(143)	(9,503)	(9,646)
Net identifiable assets and liabilities	28,633	22,175	50,808
Less non-controlling interest			(2,667)
Net assets acquired			48,141
Goodwill on acquisition (non-deductible for tax)			44,506
Total consideration			92,647
Cash acquired			(15,637)
Net cash outflow			77,010

Notes *(continued)*

5 Acquisitions and disposals of subsidiaries *(continued)*

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

Goodwill arose on the acquisition because of several factors, including market access, the cross-selling opportunities created by 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 costs of £1,400,000 on legal fees and due diligence costs. These costs were included in other administrative expenses within the consolidated income statement.

6 Discontinued operations and related assets held for sale

In 2014 as a result of continued weak trading in one of the Group's subsidiaries, Fluke Subsea Solucoes E Servicos Limitada ("Fluke") (subsequently renamed InterMoor do Brasil Servicos Onshore Limitada), and the recognition that its prospects for improvement were limited in the short- to medium-term, the Group decided to cease Fluke's manufacturing operations with immediate effect and take steps to sell its freehold properties and associated equipment.

On the initial reclassification in 2014 of the freehold property and associated plant and equipment as assets held for sale the fair value, less cost of disposal, which was deemed higher than its value in use but lower than its carrying value, was estimated to be £2,965,000.

These assets were deemed to be "Level 2" in the fair value hierarchy as defined in IFRS 13, *Fair Value Measurement.* Level 2, as defined, applies where fair value inputs are observable for an asset or liability either directly or indirectly - for example quoted prices for similar assets/liabilities in an active market.

To determine the fair value less cost of disposal an estimated valuation was established and adjusted for estimated disposal costs. Factors taken into account in establishing the estimated valuation included the expected timeframe to sell the property (2 years), and possible exchange movements within that period, where it was anticipated that the Brazilian Real would further weaken against Sterling by 15% based on recent trends. A discount factor of 16% was applied. In establishing that rate a 3% premium was added to the Group's tax adjusted weighted average cost of capital to reflect the market characteristics of Brazil at the time.

A sale of these assets was agreed in December 2014 with a sales value (less cost of disposal) higher than their carrying value prior to impairment and the impairment provision of £4,580,000 was therefore reversed in full to the income statement in 2014. The assets were stated in the 31 December 2014 balance sheet at their net book value at the time they were reclassified of £7,233,000, adjusted for exchange movements.

The sale completed in April 2015. The profit on sale of £2,599,000 has been recognised in the income statement under other income.

The cash flows relating to the discontinued operation are detailed below:

	2015	2014
	£000	£000
Net cash used in operating activities	-	(4,996)
Net cash used in investing activities	-	(73)
Net cash used in discontinued operations	-	(5,069)

Notes *(continued)*

7 Revenue

	2015 £000	2014 £000
Sale of goods	**46,674**	74,944
Rendering of services	**380,148**	424,974
Total revenues	**426,822**	499,918

8 Other income

	2015 £000	2014 £000
Net gain on sale of non-rental property, plant and equipment	**3,185**	-

9 Expenses and auditor's remuneration

	2015 £000	2014 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**32,043**	30,059
Leased	**9**	23
Impairment reversal relating to tangible fixed assets	**-**	(623)
Amortisation of intangibles	**13,271**	8,223
Impairment of intangibles	**3,799**	-
Impairment reversal relating to assets held for sale	**-**	(4,580)
Hire of plant and machinery - rentals payable under operating leases	**1,460**	1,626
Hire of other assets - operating leases	**8,580**	8,256
Research and development expenditure	**307**	1,339

	2015 £000	2014 £000
Auditor's remuneration:		
Audit of these financial statements	**88**	82
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**538**	449
Taxation compliance services	**498**	502
Other tax advisory services	**97**	141
Corporate finance services	**-**	404
All other services	**44**	211

Notes *(continued)*

10 Remuneration of directors

	2015 £000	2014 £000
Directors' emoluments	**641**	641
Company contributions to money purchase pension schemes	**13**	13

The aggregate of emoluments of the highest paid director was £351,000 *(2014: £351,000)*. Company pension contributions of £7,000 *(2014: £7,000)* were made to a money purchase scheme on his behalf.

	Number of directors 2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2

11 Personnel expenses and employee numbers

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

	Number of employees 2015	2014
Directors of Acteon Group Limited	**2**	2
Technical and administration	**2,278**	2,266
	2,280	2,268

The average number of employees has remained fairly consistent year-on-year although this is impacted by the full-year effect of UTEC International Limited in 2015, a company which was acquired in November 2014.

The number of employees at the year-end, which better reflects year-on-year movements was a follows:

	Number of employees 2015	2014
Total employee numbers	**1,949**	2,356

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

	2015 £000	2014 £000
Wages and salaries	**112,322**	114,870
Social security costs	**11,833**	13,590
Contributions to defined contribution plans	**3,846**	3,299
Expenses related to defined benefit plans	**381**	277
	128,382	132,036

Notes *(continued)*

12 Finance income and expense

Recognised in profit or loss

	2015 £000	2014 £000
Interest income on bank deposits	**2,907**	2,359
Foreign exchange gains	**-**	4,140
Other interest receivable	**234**	239
Finance income	**3,141**	6,738
Interest payable on bank borrowings	**(18,985)**	(17,621)
Foreign exchange losses	**(2,805)**	-
Amortisation of finance raising costs	**(3,716)**	(3,348)
Exceptional amortisation of finance raising costs	**(6,139)**	-
Finance charges under finance lease and hire purchase contracts	**(47)**	(7)
Interest on net employee benefit obligations	**(54)**	(64)
Other interest payable	**(158)**	(129)
Finance expense	**(31,904)**	(21,169)
Net finance expense recognised in profit or loss	**(28,763)**	(14,431)

During the year 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, lender syndicate members and a key covenant definition constituted a substantial modification to the financing arrangements.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the original facility has been extinguished and replaced by the recognition of a new financial liability. Consequently, the remaining unamortised finance raising costs relating to the original 2012 agreement have been charged to the income statement, resulting in exceptional costs of £6,139,000 over and above what would have otherwise been recognised in the year.

	2015 £000	2014 £000
Recognised directly in equity		
Translation of foreign currency net investments	**(3,590)**	(5,939)
Finance expense recognised directly in equity, net of tax	**(3,590)**	(5,939)

All finance 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)*

13 Income tax expense

	2015 £000	2014 £000
Current tax expense		
Corporation tax on UK profits for year	**(145)**	7,304
Adjustment for prior periods	**(675)**	(2,077)
Foreign tax – current	**8,192**	13,081
Foreign tax – adjustments in respect of prior periods	**1,745**	4,794
	9,117	23,102
Deferred tax credit		
Reversal of temporary differences	**(6,350)**	(1,055)
Adjustments for prior periods	**704**	(232)
	(5,646)	(1,287)
Total income tax expense	**3,471**	21,815

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	**3,257**	48,406
Total income tax expense	**3,471**	21,815
Profit excluding income tax	**6,728**	70,221
Income tax using the Group's domestic tax rate (20.25%, *2014: 21.5%*)*	**1,362**	15,098
Non-deductible expenses	**978**	3,299
Unrelieved foreign taxes and franchise taxes paid in the USA	**1,015**	3,048
Differences between local tax rates and UK standard rate	**(1,045)**	(2,078)
Adjustment for prior periods	**1,774**	2,485
Effect of reduction in tax rate on deferred tax balances	**(613)**	(37)
	3,471	21,815

* The effective rate for 2015 is a weighted average of the applicable corporation tax rates during the year. The 21% rate was reduced to 20% from 1 April 2015. The effective rate for 2014 is a weighted average of the applicable corporation tax rates during that year. The 23% rate was reduced to 21% from 1 April 2014.

The UK corporation tax rate, as substantively enacted on 26 October 2015, will reduce to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020).

The UK element of the deferred tax asset at 31 December 2015 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

Notes *(continued)*

13 Income tax expense *(continued)*

	2015	2014
Income tax using the Company's domestic (UK) tax rate	**20.2%**	21.5%
Variation in tax rate:		
Non-deductible expenses	**14.5%**	4.7%
Unrelieved foreign taxes and franchise taxes paid in the USA	**15.1%**	4.4%
Differences between local tax rates and UK standard rate	**(15.5%)**	(3.0%)
Adjustments for prior periods	**26.4%**	3.5%
Effect of reduction in tax rate on deferred tax balances	**(9.1%)**	-
	51.6%	31.1%

14 Profit for the financial year

The profit dealt with in the accounts of the parent company was £12,088,000 *(2014: £71,131,000)*. The balance sheet of the parent company can be found on page 55.

15 Dividends

	2015	2014
	£000	£000
Ordinary dividends declared and paid to non-controlling interests	-	624

Notes *(continued)*

16 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 2014	32,208	260,944	8,595	301,747
Additions	2,830	35,553	13,970	52,353
Arising on acquisition	133	7,880	-	8,013
Transfer on completion	3,327	9,359	(12,686)	-
Disposals	(147)	(7,077)	-	(7,224)
Transferred to Assets held for sale (note 6)	(7,993)	(2,407)	-	(10,400)
Exchange movements	312	(8,370)	(156)	(8,214)
Balance at 31 December 2014	30,670	295,882	9,723	336,275
Additions	988	16,600	12,093	29,681
Transfer on completion	6,335	10,652	(16,987)	-
Disposals	(1,225)	(15,488)	-	(16,713)
Transferred to Assets held for sale (note 21)	(269)	-	-	(269)
Exchange movements	(636)	(8,026)	(149)	(8,811)
Balance at 31 December 2015	**35,863**	**299,620**	**4,680**	**340,163**
Depreciation and impairment losses				
Balance at 1 January 2014	8,404	116,368	-	124,772
Depreciation for the year	1,363	28,719	-	30,082
Impairment losses reversed in the year	(263)	(360)	-	(623)
Disposals	(144)	(4,457)	-	(4,601)
Transferred to Assets held for sale (note 6)	(5,028)	(2,407)	-	(7,435)
Exchange movements	114	(3,285)	-	(3,171)
Balance at 31 December 2014	4,446	134,578	-	139,024
Depreciation for the year	1,240	30,812	-	32,052
Disposals	(145)	(13,764)	-	(13,909)
Transferred to Assets held for sale (note 21)	(72)	-	-	(72)
Exchange movements	(11)	(3,690)	-	(3,701)
Balance at 31 December 2015	**5,458**	**147,936**	**-**	**153,394**
Carrying amounts				
At 31 December 2014	26,224	161,304	9,723	197,251
At 31 December 2015	**30,405**	**151,684**	**4,680**	**186,769**

Notes *(continued)*

16 Property, plant and equipment *(continued)*

The cumulative impairment losses at the beginning of 2014 totalled £6,392,000. These had arisen from equipment being damaged beyond repair and also as a result of an impairment review of a discontinued operation as detailed in note 6. As at 31 December 2014 and 31 December 2015 only £426,000 of these brought forward impairment losses remained within plant and equipment. Prior balances had either been eliminated on disposal, reversed or, as detailed in note 6, reclassified as assets held for sale in 2014.

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

	2015	2014
	£000	£000
Freehold land and buildings	**13,415**	7,678
Long leaseholds	-	208
Short leaseholds	**13,608**	14,908
Leasehold improvements	**3,382**	3,430
	30,405	26,224

Leased plant and machinery

The Group leases equipment under a number of finance lease agreements. At 31 December 2015 the net carrying amount of leased plant and machinery was £733,000 *(2014: £1,102,000)*.

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 £29,681,000 in 2015 *(2014: £52,353,000)* 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.

17 Intangible assets

	Goodwill	Customer lists	Order books	Software	Total
	£000	£000	£000	£000	£000
Cost					
Balance at 1 January 2014	142,841	74,339	6,469	6,687	230,336
Additions	-	-	-	303	303
Additions arising on acquisition	44,506	28,047	3,245	-	75,798
Disposals	-	-	-	(14)	(14)
Exchange movements	(1,721)	-	-	(64)	(1,785)
Balance at 31 December 2014	185,626	102,386	9,714	6,912	304,638
Additions	-	-	-	238	238
Disposals	-	-	-	(120)	(120)
Exchange movements	2,401	-	-	(77)	2,324
Balance at 31 December 2015	**188,027**	**102,386**	**9,714**	**6,953**	**307,080**

Notes *(continued)*

17 Intangible assets *(continued)*

	Goodwill £000	Customer lists £000	Order books £000	Software £000	Total £000
Amortisation and impairment losses					
Balance at 1 January 2014	7,389	35,529	6,469	4,517	53,904
Amortisation for the year	-	6,998	371	854	8,223
Disposals	-	-	-	(13)	(13)
Exchange movements	-	-	-	(46)	(46)
Balance at 31 December 2014	7,389	42,527	6,840	5,312	62,068
Amortisation for the year	-	9,572	2,874	825	13,271
Impairment losses for the year	3,568	231	-	-	3,799
Disposals	-	-	-	(111)	(111)
Exchange movements	-	-	-	(69)	(69)
Balance at 31 December 2015	**10,957**	**52,330**	**9,714**	**5,957**	**78,958**
Carrying amounts					
At 31 December 2014	178,237	59,859	2,874	1,600	242,570
At 31 December 2015	**177,070**	**50,056**	-	**996**	**228,122**

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 2015 includes:

	2015 £000	2014 £000
Seatronics Group – Amortisation period remaining of 1 year 6 months	**2,351**	4,209
IOS InterMoor AS – Amortisation period remaining of 4 years 6 months	**4,765**	5,824
UTEC NCS Survey Limited – Amortisation period remaining of 5 years 5 months	**2,015**	2,387
Probe Oil Tools Limited – Amortisation period remaining of 7 years 8 months	**14,089**	15,927
UTEC Group – Amortisation period remaining of 8 years 11 months	**25,005**	27,813

Order books represent the value associated with incomplete customer orders at the date of acquisition in subsidiaries. The carrying amount in 2014 relates to the UTEC Group which had a remaining amortisation period of 11 months.

Notes *(continued)*

17 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:

	2015	2014
	£000	£000
High capital intensity units		
Seatronics Group	**43,380**	43,380
InterMoor Ltd	**12,694**	12,694
IOS InterMoor AS	**29,863**	27,605
UTEC NCS Survey Ltd (formerly NCS Survey Limited)	**5,873**	5,873
Probe Oil Tools Ltd	**15,199**	15,199
UTEC Group	**44,506**	44,564
Other capital-intensive units	**4,878**	4,878
	156,393	154,193
Low capital intensity units		
Claxton Engineering Services Ltd	**5,947**	5,947
2H Group	**5,804**	5,804
InterAct PMTI Inc	**-**	3,367
Other low capital intensity units	**8,926**	8,926
	20,677	24,044
Total goodwill	**177,070**	178,237

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. For 2015 5% has been used for all CGUs. In all cases, a terminal growth value of 2% (*2014: 2%*) has been assumed. The key inputs to this calculation are shown below:

	As at 31 December 2015	As at 31 December 2014
Period on which management approved forecasts are based	**1 Year**	1 Year
Growth rate applied for years two to five	**5.0%**	3.0% to 6.0%
Growth rate applied to terminal value calculation	**2.0%**	2.0%
Pre-tax discount rate	**12.0%**	13.0%

Notes *(continued)*

17 Intangible assets *(continued)*

Impairment testing for CGUs containing goodwill *(continued)*

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

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 2014 and 31 December 2015 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 there was evidence of impairment in relation to InterAct PMTI Inc, a company operating in the US. InterAct short- and medium-term trading expectations fall 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 £3,568,000 (including a foreign exchange gain on the 2014 value of £201,000) and the customer lists value of £231,000 have been fully impaired, and an impairment loss of £3,799,000 has been recognised in the consolidated income statement.

The cumulative impairment provisions within intangible assets are as follows:

	2015	2014
	£000	£000
Goodwill	**10,957**	7,389
Customer lists	**3,148**	2,917
Software	**74**	74
	14,179	10,380

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

Notes *(continued)*

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as:

	Assets		Liabilities	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Property, plant and equipment	-	-	**14,471**	14,828
Intangible assets	-	-	**12,119**	15,819
Retirement benefit obligations	**(181)**	(336)	-	-
Provisions / accruals	**(3,542)**	(3,316)	-	-
Other items	-	-	**299**	198
Tax losses carried forward	**(3,263)**	(1,581)	-	-
Deferred tax (assets)/liabilities	**(6,986)**	(5,233)	**26,889**	30,845
Net deferred tax liabilities			**19,903**	25,612

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 2015 deferred tax assets totalling £5,265,000 *(2014: £8,243,000)* relating to trading losses has not been recognised because the relevant entities are forecasting insufficient profits for these to be utilised.

Deferred tax impact of movements in temporary differences during the year - 2015

	Balance 1 January 2015 £000	Foreign exchange and reclassifications £000	Recognised in income statement £000	Adjustments for prior year £000	Acquired in business combinations £000	Balance 31 December 2015 £000
Property, plant and equipment	14,828	(80)	(609)	332	-	**14,471**
Intangible assets	15,819	-	(3,700)	-	-	**12,119**
Retirement benefit obligations	(336)	2	153	-	-	**(181)**
Provisions / accruals	(3,316)	11	(237)	-	-	**(3,542)**
Tax losses carried forward	(1,581)	5	(2,059)	372	-	**(3,263)**
Other items	198	(1)	102	-	-	**299**
	25,612	(63)	(6,350)	704	-	**19,903**

Notes *(continued)*

18 Deferred tax assets and liabilities *(continued)*

Deferred tax impact of movements in temporary differences during the year - 2014

	Balance 1 January 2014 £000	Foreign exchange and reclassifications £000	Recognised in income statement £000	Adjustments for prior year £000	Acquired in business combinations £000	Balance 31 December 2014 £000
Property, plant and equipment	11,447	(273)	3,395	-	259	14,828
Intangible assets	8,167	(1)	(1,734)	-	9,387	15,819
Retirement benefit obligations	(277)	7	(66)	-	-	(336)
Provisions / accruals	(1,856)	24	(1,484)	-	-	(3,316)
Tax losses carried forward	(210)	4	(1,143)	(232)	-	(1,581)
Other items	224	(3)	(23)	-	-	198
	17,495	(242)	(1,055)	(232)	9,646	25,612

19 Inventories

	2015 £000	2014 £000
Raw materials and consumables	**3,378**	3,869
Work in progress	**5,463**	7,610
Finished goods	**14,884**	16,013
	23,725	27,492

In 2015 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £26,210,000 *(2014: £36,781,000)*.

20 Trade and other receivables

	2015 £000	2014 £000
Trade receivables	**82,866**	125,753
Other debtors	**9,011**	11,243
Income tax receivables	**5,778**	5,377
Prepayments	**7,031**	9,812
	104,686	152,185

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

21 Assets held for sale

During the year the Group conducted a review of its property portfolio following which the decision was made to dispose of certain unutilised properties. The asset held for sale of £197,000 at the year end represents the net book value of the one remaining property designated for sale. A sale had been agreed in principle by the year-end at a value greater than its net book value, but had not completed.

Details relating to 2014 are disclosed in note 6.

Notes *(continued)*

22 Share capital

	Allotted, called up and fully paid	
	No 000	£000
At 31 December 2014 and 31 December 2015		
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.

Other reserves

Other reserves represents a capital redemption reserve credit balance of £1,154,000 (*2014: £1,154,000*) and ownership change reserve debit balance of £6,480,000 (*2014: debit balance of £6,281,000).*

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. Further detail of the movement in 2015 is detailed in note 5.

Retained earnings

Retained earnings comprise cumulative undistributed earnings of the Group.

Notes *(continued)*

24 Non-controlling interests

	UTEC Group £000	Seatronics Group £000	Probe Oil Tools Limited £000	Other £000	Total £000
Balance at 1 January 2014	-	1,398	5,956	932	8,286
Profit/(loss) allocated to non-controlling interests in the year	(29)	252	945	73	1,241
Dividends paid in the year (note 15)	-	(624)	-	-	(624)
On acquisition in the year (note 5)	2,667	-	-	-	2,667
Balance at 31 December 2014	2,638	1,026	6,901	1,005	11,570
Profit/(loss) allocated to non-controlling interests in the year	(220)	30	315	(41)	84
Increase/(decrease) arising from restructuring of non-controlling interests in the year (note 5)	759	-	-	(560)	199
Balance at 31 December 2015	**3,177**	**1,056**	**7,216**	**404**	**11,853**

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.

	2015 £000	2014 £000
Non-current liabilities		
Secured bank loans	**299,704**	310,111
Finance lease liabilities	**200**	576
	299,904	310,687
Current liabilities		
Secured bank loans	**14,411**	11,652
Finance lease liabilities	**362**	356
	14,773	12,008
Total loans and borrowings	**314,677**	322,695

Notes *(continued)*

25 Loans and borrowings *(continued)*

Terms and debt repayment schedule

The principal terms relating to outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value 2015 £000	Carrying amount* 2015 £000	Face value 2014 £000	Carrying amount* 2014 £000
Secured bank loan	Sterling	Libor + Margin**	2017-2019	**261,676**	**260,064**	279,350	271,349
Secured bank loan	US Dollar	Libor + Margin**	2017-2019	**54,386**	**54,051**	51,900	50,414
Finance lease liabilities	Sterling	7.4%	2017	**562**	**562**	932	932
Total interest-bearing liabilities				**316,624**	**314,677**	332,182	322,695

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

** Margin is in the range of 3% 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 2015 an Amendment to the terms of the secured bank loans was negotiated. This had the effect of extending maturities, easing one 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 and 2018 and interest margins on the individual tranches were in the 3.0% to 4.25% range.

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2015 £000	Interest 2015 £000	Present value of minimum lease payments 2015 £000	Future minimum lease payments 2014 £000	Interest 2014 £000	Present value of minimum lease payments 2014 £000
Less than one year	**384**	**22**	**362**	398	42	356
Between one and five years	**203**	**3**	**200**	603	27	576
	587	**25**	**562**	1,001	69	932

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 Limited 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.

IOS InterMoor AS, an indirectly owned subsidiary of Acteon Group Limited 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 in the income statement in respect of the schemes operated by the Group were as follows:

		2015	2014
		£000	£000
(i)	In respect of the Group's defined contribution schemes		
	- UK	**2,460**	2,231
	- Overseas	**1,386**	1,068
		3,846	3,299
(ii)	In respect of the Group's defined benefit schemes	**381**	277

Disclosure relating to the Group's defined benefit obligations

	2015	2014
	£000	£000
Total present value of unfunded obligations recognised as a liability – Menck GmbH	**1,442**	1,558
Total present value of funded obligations net of pension plan assets – IOS InterMoor AS	**426**	820
Net liability for defined benefit obligations at 31 December	**1,868**	2,378

Notes *(continued)*

26 Employee benefits *(continued)*

Movement in the present value of the defined benefit obligations

	IOS InterMoor AS		Menck GmbH	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Defined benefit obligations at 1 January	**(2,556)**	(1,989)	**(1,558)**	(1,368)
Benefits paid by the plan	**32**	36	**67**	71
Current service costs	**(341)**	(244)	**(40)**	(33)
Interest cost	**(53)**	(70)	**(31)**	(44)
Actuarial gain/(loss) recognised in equity (see below)	**383**	(585)	**29**	(270)
Payment of payroll taxes on pension obligations	**40**	44	**-**	-
Exchange rate movements on retranslation	**280**	252	**91**	86
Defined benefit obligations at 31 December	**(2,215)**	(2,556)	**(1,442)**	(1,558)

Movement in fair value of plan assets

Fair value of plan assets at 1 January	**1,736**	1,611	**-**	-
Interest income	**30**	50	**-**	-
Actuarial (loss)/gain on plan assets recognised in equity (see below)	**(30)**	8	**-**	-
Employer contributions	**275**	307	**-**	-
Benefits paid from plan	**(32)**	(36)	**-**	-
Exchange rate movements on retranslation	**(190)**	(204)	**-**	-
Fair value of plan assets at 31 December	**1,789**	1,736	**-**	-
Deficit recognised at 31 December	**(426)**	(820)	**(1,442)**	(1,558)

Notes *(continued)*

26 Employee benefits *(continued)*

Expense recognised in profit or loss

	IOS InterMoor AS		Menck GmbH	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Current service costs included in other administrative expenses	**(341)**	(244)	**(40)**	(33)
Interest on net obligation included in finance expense	**(23)**	(20)	**(31)**	(44)
Total	**(364)**	(264)	**(71)**	(77)

Actual return on plan assets

	IOS InterMoor AS	
	2015	2014
	£000	£000
Total	**1**	58

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

	IOS InterMoor AS		Menck GmbH	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Cumulative loss at 1 January	**(896)**	(319)	**(453)**	(183)
Recognised during the period:				
Actuarial gain arising from demographic assumptions	**-**	-	**2**	4
Actuarial gain/(loss) arising from financial assumptions	**353**	(577)	**27**	(274)
Cumulative loss at 31 December	**(543)**	(896)	**(424)**	(453)

Fair value of plan assets

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

	IOS InterMoor AS	
	2015	2014
	%	%
Equities	**8**	12
Corporate bonds	**76**	75
Property	**12**	9
Money market deposits	**2**	1
Other	**2**	3
	100	100

Notes *(continued)*

26 Employee benefits *(continued)*

Actuarial assumptions

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

	IOS InterMoor AS		Menck GmbH	
	2015	2014	**2015**	2014
	%	%	**%**	%
Discount rate	**2.70**	2.30	**2.30**	2.15
Interest rate on assets	**2.70**	2.30	**-**	-
Future salary increases	**2.50**	2.75	**-**	-
Staff turnover	**-**	-	**9.00**	8.00
Norwegian national insurance increases	**2.25**	2.50	**-**	-
Future pension increases	**0.00**	0.00	**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.

	IOS InterMoor AS		Menck GmbH	
2015	**£000**	**£000**	**£000**	**£000**
	+0.5%	**-0.5%**	**+0.5**	**-0.5%**
Discount rate	**269**	**(315)**	**102**	**(116)**
Future salary increases	**(192)**	**201**	**-**	**-**
Staff turnover	**-**	**-**	**1**	**(1)**
Norwegian national insurance increases	**73**	**(41)**	**-**	**-**
Future pension increases	**(162)**	**-**	**(80)**	**74**

	IOS InterMoor AS		Menck GmbH	
2014	£000	£000	£000	£000
	+0.5%	-0.5%	+0.5	-0.5%
Discount rate	371	(375)	110	(126)
Future salary increases	(222)	230	-	-
Staff turnover	-	-	1	(1)
Norwegian national insurance increases	80	(45)	-	-
Future pension increases	(189)	-	(88)	81

Notes *(continued)*

26 Employee benefits *(continued)*

Historical information – IOS InterMoor AS funded pension scheme

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of the defined benefit obligation	**(2,215)**	(2,556)	(1,989)	(1,697)	(1,849)
Fair value of the planned assets	**1,789**	1,736	1,611	1,547	1,295
Deficit in the plan	**(426)**	(820)	(378)	(150)	(554)
Experience gain/(loss) adjustments on plan liabilities	**53**	(56)	(49)	(72)	(40)
Experience (loss)/gain adjustments on plan assets	**(7)**	29	(15)	(39)	(52)

The plan obligations has a weighted average duration at the year end of 23 years (*2014: 23 years*), and in 2016 the Group expects to pay contributions totalling £278,000 into the plan.

Historical information – Menck GmbH unfunded pension scheme

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of the defined benefit obligation	**(1,442)**	(1,558)	(1,368)	(1,341)	(1,159)
Deficit in the plan	**(1,442)**	(1,558)	(1,368)	(1,341)	(1,159)
Experience (loss)/gain adjustments on plan liabilities	**(7)**	(5)	(18)	67	(15)

The plan obligations have a weighted average duration at the year end of 15 years (*2014: 15 years*). The scheme is an unfunded scheme and the Group expects to pay £70,000 in plan benefits during 2016. This will settle the liabilities to pensioners as they fall due.

27 Trade and other payables

	2015 £000	2014 £000
Trade payables	**18,332**	24,845
Other tax and social security	**2,855**	4,002
Other creditors	**5,135**	12,749
Accruals and deferred income	**32,968**	38,450
	59,290	80,046

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	
	2015	2014
	£000	£000
Trade and other receivables	**97,655**	142,373
Cash and cash equivalents	**85,273**	43,632
	182,928	186,005

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

	Carrying amount	
	2015	2014
	000	000
Sterling	**32,806**	74,591
US Dollars	**43,323**	39,763
Euros	**8,696**	6,311
Norwegian Kroner	**72,582**	111,785
Singapore Dollars	**6,488**	7,373

Notes *(continued)*

28 Financial instruments *(continued)*

Impairment losses

The Group contracts with customers under different credit terms.

The aging of trade receivables at the reporting date was:

	Gross 2015 £000	Provision for impairment 2015 £000	Net 2015 £000	Gross 2014 £000	Provision for impairment 2014 £000	Net 2014 £000
0-30 days	**53,043**	**-**	**53,043**	70,411	-	70,411
31-60 days	**18,717**	**(16)**	**18,701**	30,857	-	30,857
61-90 days	**7,420**	**(568)**	**6,852**	15,775	-	15,775
Over 91 days	**11,087**	**(6,817)**	**4,270**	11,764	(3,054)	8,710
Trade receivables	**90,267**	**(7,401)**	**82,866**	128,807	(3,054)	125,753

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

	2015 £000	2014 £000
Balance at 1 January	**3,054**	4,811
Impairment loss charged/(utilised and/or reversed)	**4,347**	(1,757)
Balance at 31 December	**7,401**	3,054

The impairment loss at 31 December 2015 relating to provisions against the recoverability of amounts on specific contracts totals £6,140,000 *(2014: £1,733,000).*

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

2015	**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	**314,115**	**369,888**	**15,524**	**15,334**	**36,080**	**302,950**
Finance lease liabilities	**562**	**587**	**187**	**197**	**203**	**-**
Trade and other payables	**59,290**	**59,290**	**59,290**	**-**	**-**	**-**
	373,967	**429,765**	**75,001**	**15,531**	**36,283**	**302,950**

2014	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	321,763	370,638	14,036	13,888	73,522	269,192
Finance lease liabilities	932	1,001	193	205	583	20
Trade and other payables	80,046	80,046	80,046	-	-	-
	402,741	451,685	94,275	14,093	74,105	269,212

Notes *(continued)*

28 Financial instruments *(continued)*

Exposure to currency risk

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

31 December 2015 Impact in 000s	**USD**	**Euro**	**SGD**	**NOK**
Trade receivables	**43,323**	**8,696**	**6,488**	**72,582**
Cash and cash equivalents	**111,092**	**6,000**	**7,788**	**52,824**
Secured bank loans	**(80,600)**	**-**	**-**	**-**
Trade payables	**(2,874)**	**(3,041)**	**(5,780)**	**(13,261)**
Gross balance sheet financial instrument exposure	**70,941**	**11,655**	**8,496**	**112,145**

31 December 2014 Impact in 000s	USD	Euro	SGD	NOK
Trade receivables	39,763	6,311	7,373	111,785
Cash and cash equivalents	73,380	6,498	4,457	67,289
Secured bank loans	(80,600)	-	-	-
Trade payables	(2,213)	(1,653)	(3,379)	(31,117)
Gross balance sheet financial instrument exposure	30,330	11,156	8,451	147,957

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2015	2014	**2015**	2014
	£	£	**£**	£
USD	**1.5255**	1.6447	**1.4820**	1.5530
Euro	**1.3823**	1.2451	**1.3570**	1.2780
SGD	**2.1026**	2.0861	**2.0960**	2.0550
NOK	**12.3993**	10.4518	**12.9670**	11.5500

Notes *(continued)*

28 Financial instruments *(continued)*

Sensitivity analysis

A 5 percent strengthening of Sterling against the following currencies at 31 December would have 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 2014.

Impact in £000	Balance sheet (Equity)	Income Statement (Profit after tax)
31 December 2015		
USD	**4,240**	**55**
Euro	**1,658**	**128**
SGD	**417**	**26**
NOK	**731**	**429**
31 December 2014		
USD	3,725	149
Euro	1,472	161
SGD	345	164
NOK	2,812	946

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 2015 £000	2014 £000
Fixed rate instruments		
Financial liabilities at 31 December	**562**	932
Variable rate instruments		
Financial liabilities at 31 December	**314,115**	321,763

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 2014.

Impact in £000	Balance sheet (Equity)	Income Statement (Profit before tax)
31 December 2015		
Variable rate instruments	**3,179**	**3,179**
Cash flow sensitivity	**3,179**	**3,179**
31 December 2014		
Variable rate instruments	3,104	3,104
Cash flow sensitivity	3,104	3,104

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:

	2015 Carrying amount £000	**2015** Fair value £000	2014 Carrying amount £000	2014 Fair value £000
Trade and other receivables	**104,686**	**104,686**	152,185	152,185
Cash and cash equivalents	**85,273**	**85,273**	43,632	43,632
Secured bank loans	**(314,115)**	**(313,384)**	(321,763)	(328,540)
Finance lease liabilities	**(562)**	**(530)**	(932)	(837)
Trade and other payables	**(59,290)**	**(59,290)**	(80,046)	(80,046)
	(184,008)	**(183,245)**	(206,924)	(213,606)

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:

	2015	2014
Loans and borrowings	**5.0%**	3.9%
Leases	**7.4%**	7.4%

29 Operating leases

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**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Unexpired period of the lease				
Less than one year	**7,509**	8,712	**1,106**	973
Between one and five years	**14,308**	17,306	**1,552**	2,188
More than five years	**17,314**	19,023	**-**	-
	39,131	45,041	**2,658**	3,161

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

30 Capital commitments

At 31 December 2015 the Group had entered into contracts to purchase property, plant and equipment totalling £2,545,000 *(2014: £7,696,000)* in respect of which delivery and settlement was expected to take place in the following financial year.

31 Contingent liabilities

The Group may, from time to time, be subject to 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 Limited, a company incorporated in Jersey.

The Company's ultimate parent undertaking is KKR Matterhorn Holdco Limited, a company incorporated in Jersey, and the ultimate controlling party is KKR & Co. LP, a limited partnership listed on the New York Stock Exchange. The general partner of KKR & Co. LP is KKR Management LLC.

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:

	2015	2014
	£000	£000
Short-term employee benefits	**1,518**	1,517
Post-employment benefits	**24**	24
Total	**1,542**	1,541
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 £319,000 (*2014: £314,000*). The amount owing to BHHM Pension Scheme at 31 December 2015 was £123,000 (*2014: £56,000*).

Balanus Assets Limited

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

Rent charged by Balanus Assets Limited amounted to £100,000 (*2014: £nil*). The amount owing to Balanus Assets Limited at 31 December 2015 was £46,000 (*2014: £nil*).

Directors' shareholdings

Directors of the Company control 14.6% *(2014: 14.6%)* of the voting shares of the Company.

(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**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Defined contribution schemes	**3,846**	3,299	**350**	344

Notes *(continued)*

33 Related parties *(continued)*

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

	** UTEC Group		Seatronics Group		Probe Oil Tools Limited	
	2015	2014	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000	**£000**	£000
Statement of Financial Position*						
Non-current assets	**14,188**	14,003	**15,261**	19,756	**2,150**	1,331
Current assets	**38,706**	28,029	**27,012**	25,968	**24,584**	23,181
Non-current liabilities	**(200)**	(576)	**-**	-	**-**	-
Current liabilities	**(8,386)**	(6,235)	**(4,074)**	(8,893)	**(1,684)**	(3,155)
Income Statement*						
Revenue	**58,881**	3,746	**32,967**	47,581	**9,215**	15,630
Profit/(loss) for the year	**116**	(137)	**934**	9,318	**3,693**	6,325

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

**The 2014 UTEC Group income statement information relates only to the post-acquisition period.

Company balance sheet and notes prepared under FRS 101

Balance Sheet
at 31 December 2015

	Note	2015		2014	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*35*		**66**		163
Intangible assets	*36*		**173**		-
Investments	*37*		**577,424**		542,868
			577,663		543,031
Current assets					
Debtors	*38*	**41,676**		65,964	
Cash at bank and in hand		**26,457**		-	
		68,133		65,964	
Creditors: amounts falling due within one year	*39*	**(68,988)**		(33,868)	
Net current (liabilities)/assets			**(855)**		32,096
Total assets less current liabilities			**576,808**		575,127
Creditors: amounts falling due after more than one year	*40*		**(299,704)**		(310,111)
Net assets			**277,104**		265,016
Capital and reserves					
Called up share capital	*43*		**11,659**		11,659
Share premium account			**16,437**		16,437
Capital redemption reserve			**1,154**		1,154
Other reserves			**89,248**		132,708
Profit and loss account			**158,606**		103,058
Shareholders' funds			**277,104**		265,016

These financial statements were approved by the board of directors on 24 March 2016 and were signed on its behalf by:

R C Higham
Director

K F Ovenden
Director

Statement of Changes in Equity

	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 2014	11,659	16,437	1,154	132,708	31,927	193,885
Profit for the year	-	-	-	-	71,131	71,131
Balance at 31 December 2014	11,659	16,437	1,154	132,708	103,058	265,016
Profit for the year	-	-	-	-	12,088	12,088
Transfer to other reserve*	-	-	-	(43,460)	43,460	-
Balance at 31 December 2015	**11,659**	**16,437**	**1,154**	**89,248**	**158,606**	**277,104**

* The transfer to the other reserve represents a £51,000,000 impairment arising on investments on subsidiaries which were carried at fair value prior to 1 January 2014, the Company's transition date, partly offset by an unrealised profit on disposal from a group reorganisation of £7,540,000.

The brought forward amount within the other reserve of £132,708,000 arose as a result of dividends received and the revaluation of certain investments in subsidiaries subsequent to a legal entity restructuring project.

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

Notes
(forming part of the financial statements)

34 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 for the first time in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 are effective immediately and have been applied.

In the transition to FRS 101, the Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards,* whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position is detailed in note 47.

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 and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

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 37 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)*

34 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 assets.

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 losses.

(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.

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.

Notes *(continued)*

34 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

35 Tangible fixed assets

	Fixtures, fittings and computer equipment £000
Cost	
Balance at 1 January 2015	783
Additions	22
Disposals	(4)
Balance at 31 December 2015	801
Depreciation and impairment	
Balance at 1 January 2015	620
Depreciation charge for the year	116
Disposals	(1)
Balance at 31 December 2015	735
Net book value	
At 31 December 2015	**66**
At 31 December 2014	163

36 Intangible fixed assets

	Software £000
Cost	
Balance at 1 January 2015	-
Additions	174
Balance at 31 December 2015	174
Depreciation and impairment	
Balance at 1 January 2015	-
Depreciation charge for the year	1
Balance at 31 December 2015	1
Net book value	
At 31 December 2015	**173**
At 31 December 2014	-

Included in additions in the year is £164,000 relating to software currently under development for which amortisation will not commence until the development is complete.

Notes *(continued)*

37 Fixed asset investments

	Shares in Subsidiary undertakings £000
Cost	
At 1 January 2015	551,778
Additions	113,524
Disposals	(15,181)
At 31 December 2015	650,121
Impairment	
At 1 January 2015	8,910
Impairment in the year	63,787
At 31 December 2015	72,697
Net book value	
At 31 December 2015	**577,424**
At 31 December 2014	542,868

The additions to investments arose as a result of the incorporation of an Irish company, Acteon Financing II (NOK) Limited with share capital of £53,083,000 and the increase in the share capital of an existing subsidiary, Acteon Financing I Limited, of £37,719,000.

During the year the Company sold its direct investment in UTEC NCS Survey Limited to a fellow subsidiary UTEC International Limited in a share-for-share exchange. As result of this transaction a further addition of £22,722,000 and disposal of £15,181,000 to investments was recognised in the year.

The increase in the impairment provision in the year resulted from a reduction in the value of the Company's indirect investment in various trading subsidiaries where their respective underlying net asset values or anticipated future trading prospects (based on value-in-use calculations) do not support the investment value.

In assessing value-in-use, pre-tax cash flow projections for a five to seven 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 medium-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 seven does not exceed the anticipated medium-term average growth rate for the market in which each company operates. The key inputs to these calculations are shown below:

Period on which management approved forecasts are based	1 year
Growth rate applied on average for years two to seven	5%
Growth rate applied to terminal value calculation	2%
Pre-tax discount rate	12% to 16%

Notes *(continued)*

37 **Fixed asset investments** *(continued)*

The Company has the following investments in subsidiaries:

	Country of incorporation		Ownership interest % in ordinary shares 2015	2014
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	Malaysia	*	**100**	100
2H Offshore Inc	USA	*	**100**	100
2H Offshore Projetos Limitada	Brazil	*	**100**	100
Acteon Angola Limitada	Angola		**100**	100
Acteon Financing I Limited	Republic of Ireland		**100**	100
Acteon Financing II (NOK) Limited	Republic of Ireland		**100**	-
Acteon Group Properties Limited	England		**100**	100
Acteon Middle East and Far East Investments Limited	England		**100**	100
Acteon Middle East FZE	UAE		**100**	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**	-
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
Cape Group Pte Ltd	Singapore		**100**	100
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
EURWA Survey Limited	Scotland	*	**94**	95
Fluke Tecnologia em Movimentacao de Carga Limitada	Brazil	*	**100**	100
Geoscan Group Limited	Scotland	*	**97**	97
InterAct Activity Management Limited	England		**100**	100
InterAct PMTI Inc	USA	*	**100**	100
InterMoor do Brasil Servicos Offshore de Instalacao Limitada	Brazil	*	**100**	100
InterMoor do Brasil Servicos Onshore Limitada (formerly Fluke Subsea Solucoes E Servicos Limitada)	Brazil	*	**100**	100
InterMoor Inc	USA	*	**100**	100
InterMoor Limited	Scotland		**100**	100
InterMoor Marine Services Limited	Scotland		**100**	100
InterMoor Mediterranean for Petroleum Services SAE	Egypt		**100**	100
InterMoor Mexico S de RL de CV	Mexico		**100**	100
InterMoor Personnel Servicios S de RL de CV	Mexico		**100**	100
InterMoor Pte Limited	Singapore	*	**100**	100
IOS InterMoor AS	Norway	*	**100**	100
IOS Offshore Holding AS	Norway		**100**	100

* Denotes indirect ownership

Notes *(continued)*

37 Fixed asset investments *(continued)*

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

	Country of incorporation		Ownership interest % in ordinary shares 2015	2014
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
Longreach Marine Pte Limited	Singapore	*	**94**	95
Menck GmbH	Germany		**100**	100
Menck Pte Limited	Singapore	*	**100**	100
Mirage Machines Limited	England		**90**	90
Mirage Machines Pte Limited	Singapore	*	**90**	90
Mirage Subsea Inc	USA	*	**100**	100
NCS Survey do Brasil Servicos do Levantamento E Posicionamento Limitada	Brazil	*	**94**	90
Offshore Installation Services Limited	England		**100**	100
PMTI Acquisition Inc	USA		**100**	100
Probe Oil Tools Limited	England		**80**	80
PT Cape Indonesia	Indonesia	*	**85**	85
PT UTEC Survey Indonesia	Indonesia	*	**94**	95
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	England	*	**97**	97
Seatronics Pte Limited	Singapore	*	**97**	97
Subsea Riser Products Limited	England		**100**	100
Team Drill Limited	England		**100**	100
Team Energy Resources Asia Pte Limited	Singapore	*	**100**	100
Team Energy Resources Limited	England		**100**	100
Team Energy Resources Middle East LLC	Qatar	*	**100**	100
UTEC Geomarine Limited	England	*	**94**	95
UTEC International Limited	Scotland		**94**	95
UTEC NCS Survey AS	Norway	*	**94**	90
UTEC NCS Survey Limited	Scotland	*	**94**	90
UTEC Star Net Geomatics Limited	Scotland	*	**94**	95
UTEC Survey Asia Pte Limited	Singapore	*	**94**	95
UTEC Survey Australia Pty Limited	Australia	*	**94**	95
UTEC Survey Canada Limited	Canada	*	**94**	95
UTEC Survey Construction Services Limited	Scotland	*	**94**	95
UTEC Survey do Brasil Limitada	Brasil	*	**94**	95
UTEC Survey Inc	USA	*	**94**	95
UTEC Survey JLT	UAE	*	**94**	95
UTEC Survey Mediterranean Srl	Italy	*	**94**	95
UTEC Survey South Africa Proprietary Limited	South Africa	*	**94**	95
UWG Limited	England		**100**	100

* Denotes indirect ownership

Notes *(continued)*

38 Debtors

	2015 £000	2014 £000
Amounts owed by group undertakings	**38,602**	59,389
Other debtors	**1,278**	5,097
Prepayments and accrued income	**156**	181
Deferred tax asset (see note 42)	**1,640**	1,297
	41,676	65,964

39 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank overdraft	**-**	2,665
Bank loans	**14,411**	11,652
Trade creditors	**856**	682
Amounts owed to group undertakings	**52,460**	17,482
Taxation and social security	**177**	192
Other creditors	**53**	116
Accruals and deferred income	**1,031**	1,079
	68,988	33,868

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

40 Creditors: amounts falling after more than one year

	2015 £000	2014 £000
Bank loans	**299,704**	310,111
	299,704	310,111

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

41 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £130,000 *(2014: £84,000).*

Notes *(continued)*

42 Deferred tax assets and liabilities

The movement in deferred tax during the year - 2015

	Balance 1 January 2015 £000	Recognised in income £000	**Balance 31 December 2015 £000**
Tangible fixed assets	106	(18)	**88**
Non-trade loan related interest	1,186	359	**1,545**
Other	5	2	**7**
	1,297	343	**1,640**

The movement in deferred tax during the year - 2014

	Balance 1 January 2014 £000	Recognised in income £000	Balance 31 December 2014 £000
Tangible fixed assets	63	43	106
Non-trade loan related interest	-	1,186	1,186
Other	5	-	5
	68	1,229	1,297

43 Share capital

	Allotted, called up and fully paid	
	No 000	**£000**
At 31 December 2014 and 31 December 2015		
Ordinary share of £0.01 each	**1,165,929**	**11,659**

44 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	**66**	81
Between one and five years	**-**	41
	66	122

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

45 Contingencies

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

Notes *(continued)*

46 Related parties

During the prior year UTEC International Limited, a subsidiary of the company, provided funding to the Company in the form of a loan. Interest charged at commercial rates totalled £377,000 *(2014: £40,000)*. The balance owed by the Company at the year-end amounted to £9,634,000 *(2014: £9,914,000)*. The Company also charged a management fee to the UTEC Group in the year of £957,000 *(2014: £nil)*.

Probe Oil Tools Limited, a subsidiary of the Company, provided loan funding to the Company during the year. Interest charged at commercial rates totalled £622,000 *(2014: £nil)*. The balance owed by the Company at the year-end amounted to £19,500,000 *(2014: £nil)*.

The Company was charged rent by BHHM Pension scheme, an entity associated by common directors/trustees, amounting to £83,000 *(2014: £81,000)*. No amounts were owing to BHHM Pension scheme at 31 December 2015 or 2014

47 Explanation of transition to FRS 101 from old UK GAAP

These are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies as detailed in note 34 have been applied in preparing the financial statements for the year-ended 31 December 2015 along with the comparative information for the prior year. The opening balance sheet at 1 January 2014 (the Company's date of transition) has also been prepared in accordance with FRS 101.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts previously stated in accordance with UK GAAP, the Company's previous basis for preparing its financial statements. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's balance sheet is set out in the following table and accompanying notes.

Notes *(continued)*

47 Explanation of transition to FRS 101 from old UK GAAP *(continued)*

Reconciliation of equity

		1 January 2014			**31 December 2014**		
	Note	UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000	**UK GAAP £000**	**Effect of transition to FRS 101 £000**	**FRS 101 £000**
Fixed assets							
Tangible fixed assets		241	-	241	**163**	-	**163**
Investments	*	398,450	-	398,450	**544,268**	**(1,400)**	**542,868**
		398,691	-	398,691	**544,431**	**(1,400)**	**543,031**
Net current assets		82,585	-	82,585	**32,096**	-	**32,096**
Total assets less current liabilities		481,276	-	481,276	**576,527**	**(1,400)**	**575,127**
Creditors: amounts falling due after more than one year		(287,391)	-	(287,391)	**(310,111)**	-	**(310,111)**
Net assets		193,885	-	193,885	**266,416**	**(1,400)**	**265,016**
Capital and reserves							
Called up share capital		11,659	-	11,659	**11,659**	-	**11,659**
Share premium account		16,437	-	16,437	**16,437**	-	**16,437**
Capital redemption reserve		1,154	-	1,154	**1,154**	-	**1,154**
Other reserves	**	15,395	117,313	132,708	**132,708**	-	**132,708**
Investment revaluation reserve	**	117,313	(117,313)	-	-	-	-
Profit and loss account	*	31,927	-	31,927	**104,458**	**(1,400)**	**103,058**
Shareholders' equity		193,885	-	193,885	**266,416**	**(1,400)**	**265,016**

* Directly attributable costs relating to the purchase of a subsidiary previously included in the investment value in accordance with UK GAAP have now been charged to the profit and loss account to comply with IFRS 3 *(revised), Business Combinations*.

** At the Company's transition date of 1 January 2014 the cost of investments in subsidiaries is deemed to be the previous GAAP carrying amount. In line with IFRS 1 the investment revaluation reserve has been reclassified to other reserves within equity.