

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

Annual Report and Financial Statements

Year Ended

31 December 2016

Company Number 00238721



# TeamFurmanite Limited (formerly Furmanite International Limited)

## Company Information

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<b>Directors</b>	J A Jarvis G L Boane A C Bouchard
<b>Company secretary</b>	R Dixon
<b>Registered number</b>	00238721
<b>Registered office</b>	Furman House Shap Road Kendal Cumbria LA9 6RU
<b>Independent auditor</b>	BDO LLP 3 Hardman Street Manchester M3 3AT
<b>Bankers</b>	National Westminster Bank Plc 10 Elephant Yard Kendal Cumbria LA9 4RZ
<b>Solicitors</b>	SHK Solicitors Wood Lea Westoby Lane Barrow upon Humber North Lincs DN19 7DJ

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Contents**

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	<b>Page</b>
<b>Strategic Report</b>	<b>1 - 2</b>
<b>Directors' Report</b>	<b>3 - 4</b>
<b>Directors' Responsibilities Statement</b>	<b>5</b>
<b>Independent Auditor's Report</b>	<b>6 - 7</b>
<b>Statement of Comprehensive Income</b>	<b>8</b>
<b>Statement of Financial Position</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10 - 11</b>
<b>Notes to the Financial Statements</b>	<b>12 - 32</b>

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Strategic Report For the Year Ended 31 December 2016**

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The directors present the strategic report together with the audited financial statements for the year ended 31 December 2016.

### **Review of the business**

2016 saw a decrease in turnover primarily within the UK offshore market. This was indicative of the prevailing macro-economic climate in our major industrial markets including falling oil prices, deferred maintenance & project work, reduction in market activities and closure of UK plants losing key customers. In addition, we saw a reduction in revenues achieved within the Russian international region due to the change in the foreign exchange rate, making purchasing from us unfavourable. The gross profit % decrease in 2016 reflects the reduced revenue and impact of indirect costs within the business and increased pressure from customers to hold or reduce price to remain competitive. The results are showing a reduction in operating profit for 2016, when the gain resulting from the fire insurance claim is taken into consideration this reduction is sustained by the reduction in gross profit achieved during 2016.

2016 has not yet demonstrated the full benefits we expected to see from the change in the ultimate parent ownership which took place on 29 February 2016 when the entire share capital of Furmanite Corporation was acquired by Team Inc. Benefits including the introduction of new technologies, better resource utilisation, efficiencies and cost saving opportunities and longer term investment in future service offerings. Going into 2017 we are progressing well in terms of diversification of service & product availability and continued development of international markets.

### **Principal risks and uncertainties**

#### **Market conditions:**

Risk - Demand for services continue to decline due to ongoing low oil prices.

Mitigation - Introduction of new services in 2017 to offset any reductions in existing services and continuous monitoring of customer requirements.

#### **Project delivery:**

Risk - Projects are delivered utilising highly engineered solutions in what can be uncertain environmental conditions and often in remote locations. Poor project delivery can result in a negative financial impact.

Mitigation - Employment of industry leading engineering resources together with extensive equipment testing facilities minimise the risk of onsite issues.

#### **Financial risk management:**

Interest rate risk - Bank borrowings are negotiated by the ultimate parent company on a group basis and provide for long term interest rate stability.

Foreign currency risk - The company, on occasion, has revenue receipts in foreign currencies. Risk to exchange rate fluctuations is minimised by utilising these funds in payment of outstanding liabilities in these currencies.

Credit risk - To manage credit risk, management set credit limits based on a combination of third party credit references and payment history. Debt ageing is reviewed on a regular basis by management. The customer base is comprised primarily of large national and international organisations.

#### **Product obsolescence:**

Regular management reviews ensure that potential slow moving inventory items are identified in a timely manner and actions taken to address any known issues.

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Strategic Report (continued) For the Year Ended 31 December 2016**

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### **Financial key performance indicators**

The company measures and monitors the following on an ongoing regular basis.

Profit and loss accounts - All operating and support functions are reported on an individual basis and actual performance is measured against agreed budget expectations and prior year performance.

Project delivery - Detailed costs are collated for every job to ensure that actual performance is in line with the expected contribution margins.

Business plans - Longer term business plans are prepared by geographical area and by service line and reviewed on a regular basis to ensure expectations are being met.

### **Future developments**

The company has made further development and growth for our manufacturing base via increased sales regarding Nuclear precision parts manufacturing. R&D investment has given the opportunity to enter into the wind energy sector via a unique machining solution designed and manufactured in house.

The company now has hardware which is tried and tested to provide a 'lifetime' solution for leak sealing enclosures. Further expansion into new territories in our international sectors is established and progressing during 2017. A new national contract secured for provision of services within the utility sector to be maximised in 2018. Ongoing sales and marketing initiatives and drive are planned and monitored. A new quality system has been established and will be in place 2018.

This report was approved by the board on 28/09/2017, and signed on its behalf.



**R Dixon**  
Secretary

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Directors' Report For the Year Ended 31 December 2016**

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The directors present their report together with the audited financial statements for the year ended 31 December 2016.

On 23 December 2016 the company changed its name from Furmanite International Limited to Team Furmanite Limited and on 30 December 2016 to TeamFurmanite Limited.

### **Results and dividends**

The profit for the year, after taxation, amounted to £792,000 (2015 - £4,815,000).

The directors do not recommend the payment of a dividend (2015 - £Nil).

### **Directors**

The directors who served during the year were:

J A Jarvis  
G L Boane (appointed 31 December 2016)  
A C Bouchard (appointed 31 December 2016)  
R Muff (resigned 1 March 2016)

### **Employee involvement**

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is an employee share scheme in place which at present is closed to new entrants, but the directors are considering re-opening the scheme to new entrants as a means of further encouraging the involvement of employees in the company's performance.

### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Directors' Report (continued) For the Year Ended 31 December 2016

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### Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28/09/17 and signed on its behalf.



**R Dixon**  
Secretary

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Directors' Responsibilities Statement For the Year Ended 31 December 2016**

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The directors are responsible for preparing the strategic report, the directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the result of the company for that period.

In preparing these audited financial statements, the directors are required to:

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

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



# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Independent Auditor's Report to the Members of TeamFurmanite Limited (formerly Furmanite International Limited)**

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We have audited the financial statements of TeamFurmanite Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](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 company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Independent Auditor's Report to the Members of TeamFurmanite Limited (formerly Furmanite International Limited) (continued)

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### Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained during the course of the audit we have identified no material misstatements in the strategic report or the director's report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

BDO LLP

**Steven Roberts** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester  
United Kingdom

29/9/17

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Statement of Comprehensive Income For the Year Ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	4	36,828	38,669
Cost of sales		(28,243)	(27,221)
<b>Gross profit</b>		<b>8,585</b>	<b>11,448</b>
Administrative expenses		(6,148)	(6,391)
Other operating income	5	-	2,718
<b>Operating profit</b>	6	<b>2,437</b>	<b>7,775</b>
Interest receivable and similar income	10	138	31
Interest payable and similar charges	11	(1,571)	(1,870)
<b>Profit before tax</b>		<b>1,004</b>	<b>5,936</b>
Tax charge on profit	12	(212)	(1,121)
<b>Profit for the year</b>		<b>792</b>	<b>4,815</b>
<b>Other comprehensive income for the year</b>			
Revaluation reserve depreciation transfer		14	14
Remeasurement of the net pension liability	19	(6,589)	(1,452)
Movement of deferred tax relating to pension scheme		598	152
<b>Other comprehensive expense for the year</b>		<b>(5,977)</b>	<b>(1,286)</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(5,185)</b>	<b>3,529</b>

The notes on pages 12 to 32 form part of these financial statements.

# TeamFurmanite Limited (formerly Furmanite International Limited)

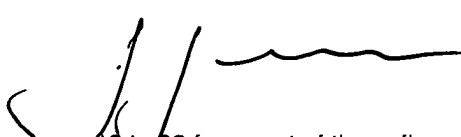
Registered number: 00238721

## Statement of Financial Position As at 31 December 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
<b>Fixed assets</b>					
Tangible assets	13		5,818		2,913
Investments	14		120		120
			<u>5,938</u>		<u>3,033</u>
<b>Current assets</b>					
Stocks	15	3,011		3,722	
Debtors: amounts falling due after more than one year	16	2,905		2,235	
Debtors due within 1 year	16	35,955		35,222	
Cash at bank and in hand		4,915		8,422	
		<u>46,786</u>		<u>49,601</u>	
Creditors: amounts falling due within one year	17	(9,752)		(10,131)	
<b>Net current assets</b>			<u>37,034</u>		<u>39,470</u>
<b>Total assets less current liabilities</b>			<u>42,972</u>		<u>42,503</u>
<b>Provisions for liabilities</b>					
Deferred tax	18		(185)		(451)
Pension liability	19		(17,085)		(11,163)
<b>Net assets</b>			<u>25,702</u>		<u>30,889</u>
<b>Capital and reserves</b>					
Called up share capital	20		733		733
Share premium account	21		619		619
Revaluation reserve	21		352		366
Other reserves	21		6,012		6,012
Profit and loss account	21		17,986		23,159
<b>Total equity</b>			<u>25,702</u>		<u>30,889</u>

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

J A Jarvis  
Director



28/09/17

The notes on pages 12 to 32 form part of these financial statements.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2016	733	619	366	6,012	23,159	30,889
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	792	792
Remeasurement of net pension liability, net of deferred tax	-	-	-	-	(5,979)	(5,979)
Revaluation reserve depreciation transfer	-	-	(14)	-	14	-
<b>Other comprehensive income for the year</b>	-	-	(14)	-	(5,965)	(5,979)
<b>Total comprehensive income for the year</b>	-	-	(14)	-	(5,173)	(5,187)
<b>At 31 December 2016</b>	<b>733</b>	<b>619</b>	<b>352</b>	<b>6,012</b>	<b>17,986</b>	<b>25,702</b>

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Statement of Changes in Equity For the Year Ended 31 December 2015

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2015	733	619	380	6,012	19,630	27,374
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	4,815	4,815
Remeasurement of net pension liability, net of deferred tax	-	-	-	-	(1,300)	(1,300)
Revaluation reserve depreciation transfer	-	-	(14)	-	14	-
<b>Other comprehensive income for the year</b>	-	-	(14)	-	(1,286)	(1,300)
<b>Total comprehensive income for the year</b>	-	-	(14)	-	3,529	3,515
<b>At 31 December 2015</b>	<b>733</b>	<b>619</b>	<b>366</b>	<b>6,012</b>	<b>23,159</b>	<b>30,889</b>

The notes on pages 12 to 32 form part of these financial statements.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

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### 1. General information

TeamFurmanite Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are that of repair of leak sealing and repair services to pipes, tank vessels and other structure.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Team Inc as at 31 December 2016 and these financial statements may be obtained from [www.teaminc.com](http://www.teaminc.com).

#### 2.3 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Team Inc, a company incorporated in the United States of America, and included in the consolidated accounts of that company.

#### 2.4 Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts. Turnover is recognised by the company when goods are delivered or when services are performed, except where goods are supplied on an "ex works" basis when revenue is recognised in line with the terms and conditions specified in the contract.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

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### 2. Accounting policies (continued)

#### 2.5 Tangible fixed assets

Tangible fixed assets, other than land and buildings, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 20 to 50 years
Land and building leasehold	- 15 to 50 years
Plant and machinery	- 3 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the statement of comprehensive income.

#### 2.6 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

#### 2.7 Stock and work in progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.



# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Notes to the Financial Statements For the Year Ended 31 December 2016**

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### **2. Accounting policies (continued)**

#### **2.8 Debtors**

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

#### **2.9 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **2.10 Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Notes to the Financial Statements For the Year Ended 31 December 2016**

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### **2. Accounting policies (continued)**

#### **2.11 Creditors**

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

#### **2.12 Foreign currency translation**

##### **Functional and presentation currency**

The company's functional and presentational currency is GBP.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

#### **2.13 Finance costs**

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **2.14 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Notes to the Financial Statements For the Year Ended 31 December 2016**

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### **2. Accounting policies (continued)**

#### **2.15 Pensions**

##### **Defined contribution scheme**

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the statement of comprehensive income in the year they are payable.

##### **Defined benefit scheme**

The company also operates a defined benefit scheme for certain employees.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of other comprehensive income.

#### **2.16 Interest income**

Interest income is recognised in the statement of comprehensive income using the effective interest method.

#### **2.17 Borrowing costs**

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Notes to the Financial Statements For the Year Ended 31 December 2016**

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### **2. Accounting policies (continued)**

#### **2.18 Current and deferred taxation**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# **TeamFurmanite Limited (formerly Furmanite International Limited)**

## **Notes to the Financial Statements For the Year Ended 31 December 2016**

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### **3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have had to make the following judgements:

#### **Impairment**

Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### **Bad debt provision**

Determine whether there are indicators of a required provision against the trade debtors asset. Factors taken into consideration in reaching such a decision include professional judgement of expected future settlement of the debt and knowledge of communications received from the debtors.

#### **Inventory provision**

Determine whether there are indicators of a requirement of an inventory provision. Factors taken into consideration in reaching such a decision include the periodic professional assessment of slow moving inventory and judgement made for a reserve in anticipation of an inventory write off. Management also ensure periodic inventory reviews are conducted to identify specific write offs in relation to inventory has expired.

#### **Taxes**

Determining income tax provisions involves judgement on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is possible that there will be taxable revenue against which these can be offset. Management has made judgements as to the probability of future taxable revenues being generated against tax losses that will be available for offset.

Other key sources of estimation uncertainty include:

#### **Pensions**

Actuarial assumptions are made in valuing future defined benefit pension obligations as set out in note 19 and are updated periodically. The principal assumptions related to the rate of inflation and the discount rate. The assumed rate of inflation affects the rate at which salaries grow and therefore the size of the pensions that employees receive on retirement. The discount rate is equal to the yield on high-quality corporate bonds that have a term to maturity approximating that of the related liability, and is potentially subject to significant variation. As a result, there is uncertainty that these assumptions will continue in the future. Whilst changes in other assumptions would have an impact, the effect would not be as significant.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 4. Turnover

	2016 £000	2015 £000
Rendering of services	31,681	32,707
Sale of goods	5,147	5,962
	<u>36,828</u>	<u>38,669</u>

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	26,524	26,372
Rest of Europe	2,641	2,399
Rest of the world	7,663	9,898
	<u>36,828</u>	<u>38,669</u>

### 5. Other operating income

	2016 £000	2015 £000
Other operating income	-	2,718
	<u>-</u>	<u>2,718</u>

Furmanite International Limited suffered a major fire on 7 March 2015 that affected two industrial bays owned by the company situated on the Kendal site. These bays stored plant and machinery, inventory and housed various office staff. As at the year ended 31 December 2016 the insurance claim and fire recovery was on-going. The prior year gain associated with the fire within other operating income is £2,718,324, of which £2,591,824 relates to plant and machinery, IT equipment, stock and buildings and £126,500 relates to profits on specific lost revenues.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 6. Operating profit

The operating profit is stated after charging/(crediting):

	2016 £000	2015 £000
Depreciation of tangible fixed assets	631	487
(Gain)/loss on disposal of tangible assets	(401)	406
Operating lease rentals		
- Plant and machinery	899	837
- Other operating lease rentals	322	319
Exchange differences	(445)	(329)
Defined contribution pension cost	555	569
	<u>555</u>	<u>569</u>

### 7. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	29	45
	<u>29</u>	<u>45</u>

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 8. Employees

Staff costs, including directors' remuneration were as follows:

	2016 £000	2015 £000
Wages and salaries	14,582	14,801
Social security costs	1,520	1,532
Cost of defined contribution scheme	555	569
	<u>16,657</u>	<u>16,902</u>

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

	2016 No.	2015 No.
Sales	6	10
Administration	70	65
Operatives	244	265
	<u>320</u>	<u>340</u>

### 9. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	201	24
Company contributions to defined contribution pension schemes	8	1
	<u>209</u>	<u>25</u>

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £201,000 (2015 - £24,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,000 (2015 - £1,000).



# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 10. Interest receivable and similar income

	2016 £000	2015 £000
Other interest	138	31

### 11. Interest payable and similar charges

	2016 £000	2015 £000
Bank interest payable	-	17
Royalty and management fee payable	1,146	1,487
Net finance cost in respect of defined benefit pension scheme (see note 19)	425	366
	1,571	1,870

### 12. Taxation

	2016 £000	2015 £000
<b>Corporation tax</b>		
UK corporation tax	10	639
Adjustment for prior years	27	(24)
Double taxation relief	(10)	(450)
	27	165
<b>Foreign tax</b>		
Foreign corporation tax	523	529
<b>Total current tax</b>	550	694
<b>Deferred tax</b>		
Origination and reversal of timing differences	(369)	460
Prior year adjustment	(72)	(33)
Effect of tax rate change on opening balance	103	-
<b>Total deferred tax (credit)/charge</b>	(338)	427
<b>Taxation on profit on ordinary activities</b>	212	1,121

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 12. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	1,004	5,936
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	201	1,202
<b>Effects of:</b>		
Non-deductible expenses	-	62
Income not taxable for tax purposes	(47)	-
Capital allowances	-	(349)
Fixed asset differences	47	-
Adjustments to tax charge in respect of previous periods	27	(24)
Adjustments to tax charge in respect of previous periods - deferred tax	(72)	-
Amounts charged directly to OCI or otherwise transferred	(670)	(152)
Foreign tax credits	517	-
Deferred tax not recognised	-	427
Adjustments to deferred tax average rate	224	-
Pension provision	-	(141)
Chargeable gains	-	96
Other	(15)	-
<b>Total tax charge for the year</b>	<b>212</b>	<b>1,121</b>

#### Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the group's future tax charge accordingly. The deferred tax assets and liabilities at 31 December 2016 have been calculated based at the rates substantively enacted at the date of the statement of financial position.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 13. Tangible fixed assets

	Land and buildings freehold £000	Land and buildings leasehold £000	Plant and machinery £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2016	1,564	427	7,205	-	9,196
Additions	-	-	1,106	2,568	3,674
Disposals	(178)	-	(770)	-	(948)
At 31 December 2016	<u>1,386</u>	<u>427</u>	<u>7,541</u>	<u>2,568</u>	<u>11,922</u>
<b>Depreciation</b>					
At 1 January 2016	702	193	5,388	-	6,283
Charge for the year on owned assets	55	32	544	-	631
Disposals	(89)	-	(721)	-	(810)
At 31 December 2016	<u>668</u>	<u>225</u>	<u>5,211</u>	<u>-</u>	<u>6,104</u>
<b>Net book value</b>					
At 31 December 2016	<u>718</u>	<u>202</u>	<u>2,330</u>	<u>2,568</u>	<u>5,818</u>
At 31 December 2015	<u>862</u>	<u>234</u>	<u>1,817</u>	<u>-</u>	<u>2,913</u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £000	2015 £000
Cost	1,795	1,795
Accumulated depreciation	(770)	(735)
<b>Net book value</b>	<u>1,025</u>	<u>1,060</u>

The company's freehold property was valued on 30 September 1990 by the directors, based on an independent valuation carried out at that date on an open market basis.

On transition to FRS 102 the company elected to use previous UK GAAP valuations carried out before the date of transition as its deemed cost at the transition date.

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 14. Fixed asset investments

	Shares in subsidiary undertakings £000
<b>Cost or valuation</b>	
At 1 January 2016	120
At 31 December 2016	120
<b>Net book value</b>	
At 31 December 2016	120
At 31 December 2015	120

### Subsidiary undertakings

The company holds share capital of the following companies:

Name	Class of shares	Holding	Principal activity
Furmanite Middle East SPC	Ordinary	100 %	Specialist engineering
Furmanite West Africa Limited	Ordinary	100 %	Specialist engineering

The registered office address for the subsidiaries listed above is Building 90, Road 60, Block 604, Qarya, Kingdom of Bahrain and 13 Sumbo Jibowu Street, Ikoyi, Lagos, Nigeria, respectively.

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Capital and reserves 2016 £000	Profit/(loss) for the year £000
Furmanite Middle East SPC	1,930	74
Furmanite West Africa Limited	506	100

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 15. Stocks

	2016 £000	2015 £000
Raw materials and consumables	2,381	2,058
Work in progress	424	1,622
Finished goods and goods for resale	206	42
	<u>3,011</u>	<u>3,722</u>

Stock recognised in cost of sales during the year as an expense was £2,212,426 (2015 - £2,264,747).

An impairment loss of £20,541 (2015 - £1,394,131) was recognised in cost of sales against stock during the year due to slow-moving, obsolete stock and the impact of the flood and the fire in the prior year.

### 16. Debtors

	2016 £000	2015 £000
<b>Due after more than one year</b>		
Deferred tax asset	<u>2,905</u>	<u>2,235</u>
	2016 £000	2015 £000
<b>Due within one year</b>		
Trade debtors	4,886	6,298
Amounts owed by group undertakings	26,019	24,419
Other debtors	3,077	3,620
Prepayments and accrued income	1,973	887
	<u>35,955</u>	<u>35,224</u>

The impairment loss recognised in the company profit or loss for the year in respect of bad and doubtful trade debtors was £381,907 (2015 - £233,903).

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 17. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	1,740	2,006
Amounts owed to group undertakings	6,279	6,192
Corporation tax	9	44
Other taxation and social security	620	900
Accruals and deferred income	1,104	989
	<u>9,752</u>	<u>10,131</u>

The bank overdraft is secured by a charge of cash deposit and a standby letter of credit.

### 18. Deferred taxation

	2016 £000
At beginning of year	1,784
Credited to profit or loss	338
Credited to other comprehensive income	598
<b>At end of year</b>	<u><b>2,720</b></u>

The provision for deferred taxation is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	(185)	(451)
Pension surplus	2,905	2,235
	<u>(2,720)</u>	<u>(1,784)</u>
<b>Comprising:</b>		
Asset - due after one year	2,905	2,235
Liability	(185)	(451)
	<u>2,720</u>	<u>1,784</u>

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £555,000 (2015 - £569,000). Contributions totalling £Nil (2015 - £Nil) were payable to the fund at the reporting date.

The company operates a defined benefit pension scheme.

The company sponsors the Pension and Life Assurance Plan of Furmanite International Limited, a funded defined benefit pension scheme in the UK. The plan is set up on a tax relieved basis as a separate trust independent of the company. The trustees are responsible for ensuring that the correct benefits are paid, that the plan is appropriately funded and that plan assets are appropriately invested.

The Plan closed to future benefit accrual on 31 October 2013. On closure, the link to pensionable salary for active members ceased and all active members at that time became deferred members of the Plan. The Plan provides pensions and lump sums to members on retirement and to their dependants on death. Since the closure of the Plan to benefit accrual on 31 October 2013, no employee contributions have been paid. The company meets the ongoing funding costs of the Plan, as determined by regular actuarial valuations, which are usually carried out every three years. The trustees are required to use prudent assumptions to value the liabilities and costs of the plan whereas the accounting assumptions must be best estimates.

Under the existing Schedule of Contributions, the company has agreed to make fixed monthly contributions into the scheme totalling £1m per annum with effect from 1 January 2013, increasing each subsequent 1 January by 3%.

A formal valuation is currently being carried out as at 1 November 2014. The initial results of that valuation have been projected to 31 December 2016 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

Reconciliation of present value of plan liabilities:

	2016 £000	2015 £000
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	57,663	58,049
Interest cost	2,263	2,110
Actuarial losses/(gains)	14,123	(89)
Benefits paid	(2,652)	(2,407)
<b>At the end of the year</b>	<b>71,397</b>	<b>57,663</b>

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 19. Pension commitments (continued)

	2016 £000	2015 £000
At the beginning of the year	46,500	47,643
Interest income	1,838	1,744
Return on assets	7,533	(1,541)
Contributions	1,093	1,061
Benefits paid	(2,652)	(2,407)
<b>At the end of the year</b>	<b>54,312</b>	<b>46,500</b>
Composition of plan assets:		
	2016 £000	2015 £000
Return seeking	36,544	32,786
Bonds	10,744	8,815
Cash	7,024	4,899
<b>Total plan assets</b>	<b>54,312</b>	<b>46,500</b>
	2016 £000	2015 £000
Fair value of plan assets	54,312	46,500
Present value of plan liabilities	(71,397)	(57,663)
<b>Net pension scheme liability</b>	<b>(17,085)</b>	<b>(11,163)</b>



# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 19. Pension commitments (continued)

The amounts recognised in comprehensive income are as follows:

	2016 £000	2015 £000
Net interest expense	425	366
<b>Total recognised in profit or loss</b>	<b>425</b>	<b>366</b>
<b>Remeasurements of the net liability</b>		
Return on scheme assets (excluding amount included in net interest expense)	(7,534)	1,541
Actuarial losses/(gains)	14,123	(89)
<b>Charge recorded in other comprehensive income</b>	<b>6,589</b>	<b>1,452</b>

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	2.65	4.00
Revaluation of deferred pensions	2.30	2.00
Increase in pensions in payment accrued after 5 April 1997	3.20	2.90
Inflation assumption - RPI	3.30	3.00
Inflation assumption - CPI	2.30	2.00
Mortality rates		
- for a male aged 65 now	85.9	85.9
- at 65 for a male aged 45 now	86.8	86.8
- for a female aged 65 now	87.9	87.8
- at 65 for a female aged 45 now	89.0	88.9

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 20. Share capital

	2016 £000	2015 £000
<b>Allotted, called up and fully paid</b>		
732,670 ordinary shares of £1 each	<u>733</u>	<u>733</u>

### 21. Reserves

The company's capital and reserves are as follows:

#### Called up share capital

Called up share capital represents the nominal value of the shares issued.

#### Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

#### Revaluation reserve

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the statement of comprehensive income.

#### Other reserves

In 2009 TeamFurmanite Limited received a capital contribution from the parent undertaking, Furmanite Limited.

#### Profit and loss account

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

# TeamFurmanite Limited (formerly Furmanite International Limited)

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 22. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
<b>Operating leases which expire:</b>		
Not later than 1 year	976	921
Later than 1 year and not later than 5 years	1,703	1,176
Later than 5 years	1,117	994
<b>Total</b>	<b>3,796</b>	<b>3,091</b>

### 23. Related party transactions

The company has taken advantage of the exemption available in section 33.1A of FRS 102 not to disclose transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

### 24. Ultimate parent undertaking and controlling party

The immediate parent company is Furmanite 1986 Limited, a company registered in the UK.

The group was subject to a change in the ultimate parent ownership on 29 February 2016 when the entire share capital of Furmanite Corporation was acquired by Team Inc.

As at 31 December 2016, the directors regard Team Inc as the ultimate parent company and controlling party.

The largest group in which the results of the company are consolidated is that headed by Team Inc, a company incorporated in the USA. The consolidated financial statements of Team Inc can be obtained from [www.teaminc.com](http://www.teaminc.com).