

ABS Europe Limited and its subsidiaries

**Directors' Report and Financial Statements
for the year ended 31 December 2017**

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Company Information

Directors

Karel van Campenhout
Richard Pride

Company secretary

Martha Adams
Anthony Jones

Company number

02562251

Registered office

ABS House
1 Frying Pan Alley
London
E1 7HR

Auditors

Ernst & Young LLP, Registered Auditor
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

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Strategic Report

The Directors present their Strategic and Directors' reports and the financial statements for the year ended 31 December 2017.

Principal activities

The Group's principal activities in the year under review were the testing, and surveying of vessels and other structures, together with industrial verification and consulting services, primarily for the benefit of the maritime industry within Europe and Africa.

Business review

The key financial and other performance indicators during the year were as follows

	2017 £000	2016 £000	Change %
Turnover	56,784	60,582	-6%
Gross Profit	11,113	15,975	-30%
Gross Profit % Sales	20%	26%	-23%
Operating Expenses	(54,761)	(56,563)	-3%
Operating Profit	2,023	4,019	50%
Other Financing Income	10,089	15,215	-34%

The turnover has been generated through the Group's operations located in the UK, Germany, France, Sweden, Spain, Denmark, Belgium, Cyprus, Portugal, Finland, Angola, Russia, Israel, Namibia, Congo, Lithuania and the Netherlands during the year and has decreased by 6% compared to 2016.

Operating expenses and turnover have decreased by 3% and 6% respectively. This along with the 6% decrease in Gross Profit margin has resulted in a decrease in Operating profit of 50%

Other financing income, representing the effect of the impact in foreign exchange movement on the translation of balances and transactions, including intercompany balances, amounts to £10,089,000. During the year the company entered into a transaction with its parent ABS to settle a significant proportion of the intercompany balances that existed at the end of the year. This resulted in a loss in the year of £2,117,000 (2016: gain of £31,342,000) which has been shown as part of the other financing income balance. Details regarding the above are outlined in the Principal risks and uncertainties section below.

Principal risks and uncertainties

ABS Europe Ltd, ABS Hellenic (subsidiary of ABS Europe Ltd) and ABS Italy Srl's (subsidiary of ABS Europe Ltd) principal margin risks, arising from a down turn in the shipbuilding business, have been to a great extent mitigated through the adoption of a revised pricing arrangement with the parent undertaking. However, in the event of significant downturn in business these companies may be required to reduce their cost bases, which is likely to materially impact the quantum of profits earned in the future. They continue to be exposed to fluctuating exchange rates on dollar denominated intercompany balances, as stated below.

During 2016 ABS and ABSEL entered an agreement to settle outstanding USD intercompany assets/liabilities by assigning an equivalent value of local currency balances at 31 December 2016, with any net residual balance to be held in local currency. A similar process has been undertaken during 2017. The effect of this on the accounts of ABSEL is to eliminate large opposing intercompany balances denominated in US dollars and local currency and consequently reduce the inherent foreign exchange risk.

In addition, ABS Europe Ltd, Hellenic and Italy Srl are exposed to risks arising from the continued existence of its sole revenue provider the American Bureau of Shipping although, given the significant history and track record of the American Bureau of Shipping, the Directors consider that the risk of reliance on one revenue provider is low. The business has a very low credit and litigation risk profile as much of this exposure is with the American Bureau of Shipping, the parent Company, although if events that challenge the business of American Bureau of Shipping arise, this may indirectly affect the risk profile of the business of ABS Europe Ltd and Italy Srl.

All Group companies require highly trained employees, and we have a range of benefits, including a final salary pension scheme, to attract and retain our employee base.



Karel van Campenhout

Director

Date: 18th June 2018

Directors' Report

Research and development

The Group and the Company does not undertake research and development activity as any such activity is carried out by the parent organisation in the US.

Results and dividends

The profit for the year, after taxation, amounted to £11,443,000 (2016: £17,366,000).

During the period, the Company paid no dividend (2016: nil), and the increase in retained earnings for the year of £11,443,000 (2016: increase £17,366,000) plus the other comprehensive profit £9,382,000 (2016: loss of £5,494,000) have been added to reserves.

Future developments

Although the market for classification services continues to be challenging in 2018, ABS Europe Ltd Operating Profit should be largely protected from the worst effects due to the presence of fixed profit margins and reduced risk of debtor default.

ABS Marine Services Ltd and ABS Group Ltd through their involvement in the offshore verification/LNG transportation and renewable energy sectors respectively, expect 2018 to be another challenging year with oil prices stabilizing at historically lower levels and the oil, gas, offshore and associated industries adapting to the changes. The effects of movement in exchange rates are mitigated by matching revenue and expense currencies whenever possible.

Provision of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company and the Group's auditors in connection with preparing their report and to establish that the Company and the Group's auditors are aware of that information.

Employees

Regular meetings are held with representatives of the UK employees which, in the opinion of the directors, fulfil the intent of the provisions of Section 2 of the Employment Act, 1982.

All employees participate in a non-contractual bonus scheme, which is related to the performance of the Company.

Health and safety matters are given special attention by the Group and it is Board policy to ensure that continued employment is offered, wherever possible, to employees who become temporarily disabled and special arrangements are made for those permanently disabled, including training and career development.

ABS Europe Ltd is an equal opportunity employer providing every qualified applicant with consideration for job openings without regard to race, colour, religion, gender, national origin, age or marital status.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 3. Notes 10-12 to the financial statements show the assets available to the Group to support its business in the future. ABS Europe Ltd and ABS Italy Srl having entered into revised agreements with American Bureau of Shipping to provide services on a basis that should considerably reduce the Group's exposure to external economic risk. This is because the arrangements provide for a stable margin with respect to operating costs of the business which flexes up or down in line with increases or decreases in the cost base. This is a low risk cost provider model, with revenue determined by applying a margin to the cost base. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors

The Director shown below has held office during the whole of the period from 1 January 2017 to the date of this report.

Karel van Campenhout

Richard Pride

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.


Karel van Campenhout
 Director

Date: 18th June 2018

The Board of Directors of ABS Europe Limited (the "Company") has reviewed the financial statements of the Company for the year ended 31 December 2017 and has approved them for issue.

The financial statements of the Company for the year ended 31 December 2017 are set out in the annual financial statements of the Company for the year ended 31 December 2017.

The Board of Directors of the Company has also approved the annual financial statements of the Company for the year ended 31 December 2017.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABS EUROPE LIMITED

Opinion

We have audited the financial statements of ABS Europe Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

A handwritten signature in black ink, appearing to read 'Giles Watson'.

Giles Watson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
18 June 2018

Consolidated Income Statement
for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	2	56,784	60,582
Cost of sales	3	<u>(45,671)</u>	<u>(44,607)</u>
Gross profit		11,113	15,975
Administrative expenses	3	<u>(9,090)</u>	<u>(11,956)</u>
Operating profit	4	2,023	4,019
Other financing income	5	<u>10,089</u>	<u>15,215</u>
Profit on ordinary activities before taxation	2	12,112	19,234
Tax on profit on ordinary activities	9	<u>(669)</u>	<u>(1,868)</u>
Profit for the year	18	<u>11,443</u>	<u>17,366</u>

All amounts relate to continuing operations.

The notes on pages 16 to 39 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Profit for the year	18	11,443	17,366
Exchange differences on retranslation of branches held at local currency	18	(222)	(1,495)
Remeasurement gain/(loss) recognised on defined benefit pension schemes		11,554	(5,008)
Movement on deferred tax relating to pension liability		(1,950)	1,009
Other comprehensive income/(loss)		9,382	(5,494)
Total comprehensive income attributable to equity shareholders of the Group		20,825	11,872

The notes on pages 16 to 39 form part of these financial statements.

Consolidated Balance Sheet
 as at 31 December 2017

		2017		2016	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	10		1,629		1,880
Investments	11		11		11
			<u>1,640</u>		<u>1,891</u>
Current assets					
Debtors	12	34,112		20,315	
Cash at bank and in hand		1,604		1,879	
		<u>35,716</u>		<u>22,194</u>	
Creditors: amounts falling due within one year	13	<u>(8,930)</u>		<u>(9,632)</u>	
Net current assets			<u>26,786</u>		<u>12,562</u>
Total assets less current liabilities			<u>28,426</u>		<u>14,453</u>
Creditors: amounts falling due after more than one year	14		<u>(3,287)</u>		<u>(1,551)</u>
Provisions for liabilities					
Provisions	16		<u>(2,689)</u>		<u>(3,254)</u>
Net assets excluding pension scheme assets/(liabilities)			<u>22,450</u>		<u>9,648</u>
Defined benefit pension assets	21	107,103		100,023	
Defined benefit pension liabilities	21	<u>(100,115)</u>		<u>(101,058)</u>	
			<u>6,988</u>		<u>(1,035)</u>
Net assets including pension scheme assets/(liabilities)	2		<u>29,438</u>		<u>8,613</u>
Capital and reserves					
Called up share capital	17		3,534		3,534
Profit and loss account	18		25,904		5,079
Shareholders' funds	19		<u>29,438</u>		<u>8,613</u>

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


 Karel van Campenhout

Director

Date: 18th June 2018

The notes on pages 16 to 39 form part of these financial statements.

Company Balance Sheet
as at 31 December 2017

		2017		2016	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	10		1,209		1,618
Investments	11		682		682
			<u>1,891</u>		<u>2,300</u>
Current assets					
Debtors	12	32,596		28,447	
Cash at bank and in hand		<u>1,292</u>		<u>943</u>	
		33,888		29,390	
Creditors: amounts falling due within one year	13	<u>(6,362)</u>		<u>(6,754)</u>	
Net current assets			<u>27,526</u>		<u>22,636</u>
Total assets less current liabilities			<u>29,417</u>		<u>24,936</u>
Creditors: amounts falling due after more than one year	14		<u>(3,287)</u>		<u>(1,551)</u>
Provisions for liabilities					
Provisions	16		<u>0</u>		<u>(672)</u>
Net assets excluding pension scheme assets/(liabilities)			<u>26,130</u>		<u>22,713</u>
Defined benefit pension assets	21	107,103		100,023	
Defined benefit pension liabilities	21	<u>(100,115)</u>		<u>(101,058)</u>	
			<u>6,988</u>		<u>(1,035)</u>
Net assets including pension scheme assets/(liabilities)			<u><u>33,118</u></u>		<u><u>21,678</u></u>
Capital and reserves					
Called up share capital	17		3,534		3,534
Profit and loss account	18		<u>29,584</u>		<u>18,144</u>
Shareholders' funds	19		<u><u>33,118</u></u>		<u><u>21,678</u></u>

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


Karel van Camperhout

Director

Date: 18th June 2018

The notes on pages 16 to 39 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Called-up share capital	Profit and loss account	Total Equity
	£000	£000	£000
At 1 January 2016	3,534	(6,793)	(3,259)
Profit for the year	-	17,366	17,366
Other comprehensive loss	-	(5,494)	(5,494)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	11,872	11,872
	<hr/>	<hr/>	<hr/>
At 31 December 2016	3,534	5,079	8,613
	<hr/>	<hr/>	<hr/>
Profit for the year	-	11,443	11,443
Other comprehensive income	-	9,382	9,382
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	20,825	20,825
	<hr/>	<hr/>	<hr/>
At 31 December 2017	3,534	25,904	29,438
	<hr/>	<hr/>	<hr/>

The notes on pages 16 to 38 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

Statement of compliance

ABS Europe Limited is a limited liability company incorporated in England. The registered office is 1 Frying Pan Alley, London E1 7HR. The Group's financial statements have been prepared in compliance with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland as it applies to the financial statements of the Group and Company for the year ended 31 December 2017.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The presentational currency used when preparing these accounts is GBP.

The directors deem that it is appropriate to treat the non UK entities as having local functional currencies and these are consolidated, in accordance with FRS102, into a UK sterling set of books for the purpose of reporting under UK law to the relevant UK authorities.

The financial statements have been prepared using the going concern basis of accounting.

As the Company is a wholly owned subsidiary of the American Bureau of Shipping, the Company has taken advantage of the exemption contained in FRS 102 Section 33 ("Related Party Disclosures") and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of the American Bureau of Shipping, within which this Company is included, can be obtained from the address given in note 24.

Under FRS 102 Section 7 ("Statement of Cash Flows ") the Company and the Group are exempt from the requirement to prepare a cash flow statement per FRS 102 Paragraph 3.17 on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December each year. No profit and loss account is presented for ABS Europe Limited as permitted by section 408 of the Companies Act 2006. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

1. Accounting policies (Continued)

Tangible assets and depreciation

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

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short term leasehold property	life of lease
Plant & machinery	20% per annum
Motor vehicles	20% per annum
Furniture & equipment	10% per annum

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

Investments

Investments in subsidiaries are valued at cost less provision for impairment.

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Non-monetary assets and liabilities denominated in foreign currencies, once translated and recorded in the balance sheet, are carried forward in local functional currency. No subsequent translations of these assets will normally need to be made.

The assets and liabilities of overseas subsidiary undertakings and branches are translated at the closing exchange rates. Exchange differences arising from the retranslation of the opening net assets of subsidiaries, branches and associates which have currencies of operation other than sterling and any related loans are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end. All resulting exchange differences are recognised in other comprehensive income.

Operating leases

The Company and its subsidiaries do not hold assets under finance lease agreements. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Any lease incentives are recognised over the lease term on a straight line basis.

1. Accounting policies (Continued)

Pensions

The Company operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that they are recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and the consolidated statement of comprehensive income. A summary of the pension arrangements for employees is included in note 21. Full independent actuarial valuations of the scheme are made every 3 years.

The Company also operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates substantially enacted at the balance sheet date.

Revenue Recognition

There are two main revenue streams for ABS Europe limited.

Revenue Stream One

Turnover represents the amounts from the provision of services to the American Bureau of Shipping. Revenue is accrued in line with service delivery, and is recorded net of VAT and similar sales tax.

1. Accounting policies (Continued)

Revenue Stream Two

Turnover, which is stated net of value added tax, represents the value of services provided to clients during the year, after provision for contingencies and anticipated future losses on contracts, including amounts not invoiced. The turnover and pre-tax profit is attributable to the provision of marine third party inspection, verification, quality consulting and other technical services to a broad range of clients in the energy sector.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The judgements discussed below would have the most significant effect on amounts recognised in the financial statements.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are based on historical retained earnings and latest forecasts, they do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model.

Pensions

The valuation of the pension scheme assets and liabilities are based on assumptions of professionally qualified actuaries.

Taxation

There are some areas of judgement in compiling current and deferred tax charges and these are referenced above in the Accounting Policies section; Taxation.

2. Analysis of turnover, net assets and profit on ordinary activities before tax

	2017			2016		
	Turnover	Net Profit/(loss) before tax	Net assets/(liabilities)	Turnover	Net Profit/(loss) before tax	Net assets/(liabilities)
	£000	£000	£000	£000	£000	£000
By activity						
Operational and technical	50,431	12,268	30,950	54,844	19,760	9,886
Industrial verification	5,813	63	(2,036)	4,183	(553)	(2,003)
Marine services	540	(219)	524	1,555	27	730
	<u>56,784</u>	<u>12,112</u>	<u>29,438</u>	<u>60,582</u>	<u>19,234</u>	<u>8,613</u>

	2017			2016		
	Turnover	Net Profit/(loss) before tax	Net assets/(liabilities)	Turnover	Net Profit/(loss) before tax	Net assets/(liabilities)
	£000	£000	£000	£000	£000	£000
By Geographical market						
UK	18,639	1,622	10,524	21,638	(4,464)	1,809
Rest of Europe	33,624	10,501	23,051	34,011	24,574	10,644
Rest of the World	4,521	(11)	(4,137)	4,933	(876)	(3,840)
	<u>56,784</u>	<u>12,112</u>	<u>29,438</u>	<u>60,582</u>	<u>19,234</u>	<u>8,613</u>

Turnover by destination is not materially different from turnover by origin.

3. Cost of sales and administrative expenses

Cost of sales of £45,671,000 (2016: £44,607,000) comprises salaries and related labour costs including contractors.

Administrative expenses comprise:

	2017	2016
	£000	£000
Office costs	3,172	2,956
Systems & telecom	567	621
Intercompany recharges to other offices	1,421	778
Marketing and promotional	574	970
Depreciation	490	554
Intercompany use of personnel	523	717
Other administrative expenses	2,343	5,360
	<u>9,090</u>	<u>11,956</u>

4. Operating Profit

The operating profit is stated after charging:

	2017	2016
	£000	£000
Depreciation of tangible fixed assets:		
- Plant and Machinery	123	181
- Short Leasehold Land and Buildings	274	246
- Motor Vehicles	23	31
- Furniture and equipment	70	96
Operating lease rentals:		
- other operating leases	1,619	1,311
	<u>1,619</u>	<u>1,311</u>

5. Other financing income

	2017
	£000
Underlying other financing income	10,089
Gain / (loss) on Fx to 31 December 2017 for the settled intercompany balances	2,117
Gain / (loss) on intercompany settlement agreement	(2,117)
	<u>10,089</u>

In the prior year the company entered into a transaction with its parent ABS to settle intercompany balances that existed at the end of the year. In the current year this transaction resulted in \$34m worth of dollar denominated balances discharged in exchange for an equivalent local currency value calculated by applying the average historical exchange rate, effectively removing gain or loss attributed to movements in forging exchange rates in the year. This resulted in a loss in the year of £2,117k which has been shown as part of the other financing income balance.

6. Auditors' Remuneration

	2017	2016
	£000	£000
Fees payable to the Company's auditor for the audit of ABSEL annual consolidated accounts (including the audit of subsidiary companies)	130	170
Fees payable to the Company's auditor in respect of the Group audit of the American Bureau of Shipping	340	298
	=====	=====

7. Staff numbers and costs

The average number of persons employed by the Group and the parent Company (including directors) during the period, analysed by category, was as follows:

	Group		Company	
	2017	2016	2017	2016
Operational	179	203	136	171
Technical	70	81	41	64
Administration	79	93	50	67
	=====	=====	=====	=====
	328	377	227	302

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Wages and salaries	22,710	22,425	15,572	17,860
Social security costs	3,878	3,918	2,323	2,816
Other pension costs	4,962	3,637	4,684	3,526
	=====	=====	=====	=====
	31,492	29,980	22,579	24,202

8. Directors' remuneration

	2017	2016
	£000	£000
Remuneration	833	609
	=====	=====

During the year retirement benefits were accruing to 1 director (2016 : 1) in respect of defined contribution pension schemes. The aggregate value of entity contributions paid into the scheme in the year was £77,000 (2016: £69,000).

The highest paid director received remuneration of £624,998 (2016 : £412,365) and entity contributions paid into the defined benefit pension scheme of £nil (2016: nil).

9. Taxation

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit/(loss) on ordinary activities for the year was as follows:

	2017 £000	2016 £000
Current Tax (see note below)		
UK corporation tax charge on profit/loss for the year	5	35
Adjustments in respect of prior periods	(116)	(441)
Foreign tax on income for the year	1,015	1,122
Foreign tax adjustments in respect of prior periods	(351)	(6)
Total current tax	553	710
Deferred tax		
Origination and reversal of timing differences	19	1,151
Adjustment in respect of prior periods	97	7
Total deferred tax	116	1,158
Tax on profit/loss on ordinary activities	669	1,868

Reconciliation of total tax charge/(credit) included in profit and loss

The effective tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016 – 20%). The differences are explained below:

	2017 £000	2016 £000
Profit / (Loss) on ordinary activities before tax	12,112	19,234
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	2,331	3,847
Effects of:		
Expenses not deductible for tax purposes	(1,540)	2,282
Additional tax on overseas income	305	317
Movement in unrecognised deferred tax attributes	(130)	(4,921)
Other items, including non-corporate taxes	73	184
Adjustments in respect of prior periods	(370)	159
Total tax charge/(credit) for the year	669	1,868

10. Tangible assets

	Short Leasehold land and buildings	Plant & machinery	Motor vehicles	Furniture & equipment	Total
Group	£000	£000	£000	£000	£000
Cost					
At 1 January 2017	3,359	884	399	1,435	6,077
Additions	153	50	-	68	271
Disposals	(19)	(32)	(103)	(1)	(155)
Exchange movements	5	10	(17)	22	20
At 31 December 2017	3,498	912	279	1,524	6,213
Depreciation					
At 1 January 2017	2,012	713	309	1,163	4,197
Charge for the year	274	123	23	70	490
On disposals	(6)	(31)	(80)	(1)	(118)
Exchange movements	2	6	(12)	19	15
At 31 December 2017	2,282	811	240	1,251	4,584
Net book value					
At 31 December 2017	1,216	101	39	273	1,629
At 31 December 2016	1,347	171	90	272	1,880
	Leasehold, land and buildings	Plant & machinery	Motor vehicles	Furniture & equipment	Total
Company	£000	£000	£000	£000	£000
Cost					
At 1 January 2017	3,141	667	348	1,007	5,163
Additions	9	44	-	-	53
Disposals	(19)	(32)	(103)	(1)	(155)
Exchange movements	(2)	7	(19)	10	(4)
At 31 December 2017	3,129	686	226	1,016	5,057
Depreciation					
At 1 January 2017	1,951	544	258	792	3,545
Charge for the year	236	105	23	58	422
On disposals	(6)	(31)	(80)	(1)	(118)
Exchange movements	2	2	(14)	9	(1)
At 31 December 2017	2,183	620	187	858	3,848
Net book value					
At 31 December 2017	946	66	39	158	1,209
At 31 December 2016	1,190	123	90	215	1,618

11. Investments

	Group investments £000	Company investments £000
Cost or valuation		
At 1 January 2017	11	3,577
Disposals	-	-
At 31 December 2017	11	3,577
Accumulated Impairment		
At 1 January 2017 and at 31 December 2017	-	2,895
Net book value		
At 31 December 2017	11	682
At 31 December 2016	11	682

The Group and Company investments include an £11k investment representing a 12.5% interest in ABS Mideast Ltd. The remaining Company investments are investments in subsidiaries.

Annually the directors undertake a review of the carrying value of the investments in subsidiaries. As a result of this review, the directors concluded that there had been no fundamental change in the expected long term prospects for the subsidiaries and therefore there should be no change in the level of impairment provision recognised.

Details of the principal subsidiaries can be found under note 25.

12. Debtors**Amounts falling due within one year**

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	1,635	1,824	941	564
Amounts owed by Group undertakings	27,726	12,829	27,991	22,820
Amounts recoverable on contracts	222	57	-	-
Other debtors	1,527	2,366	908	2,132
Prepayments and accrued income	485	375	277	269
Deferred tax asset (see note 15)	2,517	2,864	2,479	2,662
	34,112	20,315	32,596	28,447

13. Creditors:
Amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade creditors	483	630	198	317
Social security and other taxes	1,455	1,307	1,154	1,092
Other creditors	1,963	1,715	1,244	1,338
Accrued expenses	5,029	5,980	3,766	4,007
	8,930	9,632	6,362	6,754

14. Creditors:
Amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Deferred taxation	3,101	1,383	3,101	1,383
Other pension schemes	186	168	186	168
	3,287	1,551	3,287	1,551

No repayment date is specified for amounts owed to Group undertakings and no interest is payable on the outstanding amount. The amount in other pension schemes refers to amounts that ABS Europe Limited has committed to pay in respect of certain pension scheme arrangements but has not, to date, done so and does not expect to have to settle in the next 12 months.

15. Deferred tax asset

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
At beginning of year	2,864	3,573	2,662	3,394
Charged during the year	(347)	(709)	(183)	(732)
At end of year	2,517	2,864	2,479	2,662

15. Deferred tax asset (continued)

The deferred tax asset is made up as follows:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Accelerated capital allowances	32	32	32	32
Deferred tax on overseas pension schemes	1,816	1,609	1,816	1,609
Net operating losses	669	1,216	631	1,014
Amounts deductible in future periods due to currency revaluations	-	-	-	-
Other timing differences	-	7	-	7
	2,517	2,864	2,479	2,662

A deferred tax asset of £648,000 (2016: £458,000) has not been recognised in respect of unutilised net operating losses and other short term timing differences in the subsidiary companies. In the prior year this also included unrecognised deferred tax on currency translation differences which are no longer held as at 31 December 2017. These will potentially be available to relieve against future profits of the companies in which they arise

Summary of DTA not recognised

	2017	2016
	£000	£000
ABS Europe Limited	-	-
ABS Group Limited	518	365
ABS Marine Services Limited	130	93
	648	458

Gross values of tax losses

	2017	2016
	£000	£000
Denmark	-	97
Sweden	-	-
United Kingdom	3,278	4,965
ABS Group Limited	3,177	3,012
ABS Marine Services Limited	765	546
	7,220	8,620

A deferred tax liability of £3,101,000 (2016: £1,383,000) was recognised materially relating to deferred tax on the UK pension scheme asset / (liability).

Expected DTA/DTL net reversal in next 12 months

	2017	2016
	£000	£000
Tax losses utilisation (Denmark)	-	21
Tax losses utilisation (United Kingdom)	361	168
UK pension spreading DTA	-	243
	361	432

15. Deferred tax asset (continued)**Deferred tax on UK defined benefit pension scheme asset**

	Group and Company £000
Opening net deferred tax liability on pension surplus	(1,364)
Amount debited to profit and loss account during the period	121
Amounts credited to reserves during the period	(1,839)
	<hr/>
Closing net deferred tax liability on pension surplus	(3,082)
	<hr/> <hr/>

Factors that may affect future tax charges

The UK corporation tax rate for the period is 19.25% following a reduction in the rate from 20% to 19% as of 1 April 2017. The UK government has also substantively enacted a further rate reduction to 17% from 1 April 2020 as at the balance sheet date. The potential impact on deferred tax (recognised and unrecognised) has been taken into account.

16. Provisions

Group	Group Severance Provision £000	Ancillary Tax Provision £000	Total £000
At 1 January 2017	2,976	278	3254
Charged to the profit and loss account/provided in year	289	(278)	11
Payments	(719)	-	(719)
Foreign exchange	143	-	143
	<hr/>	<hr/>	<hr/>
At 31 December 2017	2,689	-	2,689
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Group Severance Provision

The severance provision relates to a statutory provision as required in certain countries where the Company has operations and employees.

Company	Severance Provision £000	Ancillary Tax Provision £000	Total £000
At 1 January 2017	394	278	672
Charged to the profit and loss account/provided in year	-	(278)	(278)
Payments	(394)	-	(394)
Foreign exchange	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. Provision (continued)**Ancillary Tax Provision**

During late 2013, the Directors became aware that a new, low profile, change to the consumption tax legislation had been introduced in one of the branch locations applicable from early 2012. As a result, the Directors estimated that they have a liability for back taxes which should have been charged to the party invoiced for the services (the ultimate parent company) and then paid to the tax authority, interest and penalties. Additionally ABS confirmed that it would also compensate the Company for interest and penalties ultimately payable. By the end of 2017 ABS had paid the tax payable and therefore this provision is no longer required.

17. Share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
3,534,064 Ordinary shares of £1 each	3,534	3,534

18. Reserves

Group	Profit and loss account £000
At 1 January 2017	5,079
Profit for the year	11,443
Dividends (Note 20)	-
Other Comprehensive Income	9,604
Movement on foreign exchange	(222)
At 31 December 2017	25,904
	Profit and loss account £000
Company	
At 1 January 2017	18,144
Profit for the year	2,213
Dividends (Note 20)	-
Other Comprehensive Income	9,603
Movement on foreign exchange	(376)
At 31 December 2017	29,584

19. Reconciliation of movement in shareholders' funds

Group	2017 £000	2016 £000
Opening shareholders' funds	8,613	(3,259)
Profit for the year	11,443	17,366
Other Comprehensive Income	9,604	(3,999)
Movement on foreign exchange	(222)	(1,495)
Closing shareholders' funds	29,438	8,613
Company	2017 £000	2016 £000
Opening shareholders' funds	21,678	(2,227)
Profit for the year	2,213	29,367
Other Comprehensive Income	9,603	(3,999)
Currency translations adjustments	(376)	(1,463)
Closing shareholders' funds	33,118	21,678

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss Account.

The profit for the year dealt with in the accounts of the Company was £2,213,000 (2016: Profit £29,367,000).

20. Dividends

	2017 £000	2016 £000
Dividends payable on equity capital	<u>nil</u>	<u>nil</u>

21. Pension commitments

The Group operates several defined contributions pension schemes. The pension charge for the period represents contributions payable by the Company to the defined contribution schemes amounting to £0.4 million (2016: £0.5 million).

In addition the Group has a number of defined benefit pension schemes, the details of which are set out below.

UK

In the UK the Company operates a pension scheme providing both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service.

A full actuarial valuation of the scheme was carried out as at 31 December 2016 and has been updated to 31 December 2017 by a qualified independent actuary.

The FRS102 standard was issued by the Financial Reporting Council in March 2013. The new standard came into force for periods commencing on or after 1 January 2015 and serves to replace the previous

FRS 17 standard. The disclosures shown below adopt this standard for the current period and the prior period.

21. Pension commitments (continued)

The most recent actuarial valuation showed that the market value of the scheme's assets was £88.5 million at 31 December 2017 (2016: £83.4million) and that the actuarial value of the assets represented 122% (2016: 111%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

Germany

In Germany the Company operates a pension scheme providing benefits based on final pensionable pay. The pension is unfunded in accordance with German law. The latest actuarial valuation was carried out at 31 December 2017 by a qualified independent actuary.

The most recent actuarial valuation showed that the market value of the scheme's assets was £nil at 31 December 2017 (2016: £nil) and that the actuarial value of the assets represented nil% (2016: nil%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

Netherlands

In the Netherlands the Company operates a pension scheme providing benefits based on final pensionable pay. The scheme is an insured pension scheme in accordance with Dutch law. The latest valuation was carried out at 31 December 2017 by a qualified independent actuary.

The most recent actuarial valuation showed that the market value of the scheme's assets was £14.1 million at 31 December 2017 (2016: £12.3 million) and that the actuarial value of the assets represented 92% (2016: 90%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

Belgium

In Belgium the Company operates a pension scheme providing benefits based on final pensionable pay. The scheme is an insured pension scheme in accordance with Belgian law. The latest full valuation was carried out at 31 December 2017 by a qualified independent actuary.

The most recent actuarial valuation showed that the market value of the scheme's assets was £1.4 million at 31 December 2017 (2016: £1.4 million) and that the actuarial value of the assets represented 66% (2016: 64%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

Spain

In Spain the Company operates a pension scheme providing benefits based on final pensionable pay. The scheme is an insured pension scheme in accordance with Spanish law. The latest valuation was carried out at 31 December 2017 under FRS102 by a qualified independent actuary.

The most recent actuarial valuation showed that the market value of the scheme's assets was £3.1 million at 31 December 2017 (2016: £2.9 million) and that the actuarial value of the assets represented 102% (2016: 103%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

21. Pension commitments (continued)

The major assumptions used in the valuations:

Assumptions at 2017	UK %	Germany %	Netherlands %	Belgium %	Spain %
Rate of increase in salaries	3.80	2.75	2.75	2.75	2.50
Rate of increase in pensions payment and deferred pensions	3.15	1.75	-	-	-
Discount rate applied to scheme liabilities	2.40	1.80	1.86	1.37	1.98
Inflation assumption	3.30	1.75	1.75	1.75	1.75
Assumptions at 2016	UK %	Germany %	Netherlands %	Belgium %	Spain %
Rate of increase in salaries	3.95	2.75	2.75	2.75	2.50
Rate of increase in pensions payment and deferred pensions	3.25	1.75	-	-	-
Discount rate applied to scheme liabilities	2.56	1.70	1.80	1.30	1.93
Inflation assumption	3.45	1.75	1.75	1.75	1.75

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

ABS Europe expects to contribute the following during the next annual period ended 31 December 2018.

	2018 £000	2017 £000
UK	1,636	2,411
Germany	69	57
Netherlands	235	360
Belgium	185	151
Spain	64	224

21. Pension commitments (continued)

2017	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Equities	24,988	-	-	-	-	24,988
Bonds	15,299	-	-	-	-	15,299
Real Estate	2,938	-	-	-	-	2,938
Other	45,260	-	14,099	1,385	3,134	63,878
Fair value of scheme assets	88,485	-	14,099	1,385	3,134	107,103
Present value of scheme liabilities	(72,472)	(7,080)	(15,404)	(2,101)	(3,058)	(100,115)
Gross pension surplus/(deficit)	16,013	(7,080)	(1,305)	(716)	76	6,988
2016	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Equities	26,715	-	-	-	-	26,715
Bonds	54,760	-	-	-	-	54,760
Real Estate	1,532	-	-	-	-	1,532
Other	445	-	12,306	1,372	2,893	17,016
Fair value of scheme assets	83,452	-	12,306	1,372	2,893	100,023
Present value of scheme liabilities	(75,371)	(6,997)	(13,733)	(2,142)	(2,815)	(101,058)
Gross pension surplus/(deficit)	8,081	(6,997)	(1,427)	(770)	78	(1,035)

The Company establishes the long-term expected rate of return on plan assets by developing a forward looking, long term result assumption for each asset class, taking into account factors such as the market yield of bond investments of appropriate duration and the expected outperformance for other asset classes based on analysis of long term historical trends. A single long term rate assumption is then calculated as the weighted average of the long term return assumption for each asset class, based on the target asset allocation.

21. Pension commitments (continued)

The amounts recognised in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income for the year are analysed as follows:

2017**Recognised in the Profit and Loss account**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Current service cost	4,156	423	486	147	228	5,440
Recognised in arriving at operating profit	4,156	423	486	147	228	5,440
Net interest on net defined benefit liability	(242)	125	23	11	(1)	(84)
Curtailments	(407)	-	-	-	-	(407)
Total recognised in the profit and loss account	3,507	548	509	158	227	4,949

Taken to other comprehensive income

Actual return on scheme assets	3,475	-	1,110	36	20	4,641
Actuarial gains/(losses) on the liabilities	6,133	649	(782)	39	138	6,177
	9,608	649	328	75	158	10,818

2016**Recognised in the Profit and Loss account**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Current service cost	3,056	400	383	150	234	4,223
Recognised in arriving at operating profit	3,056	400	383	150	234	4,223
Net interest on net defined benefit liability	(548)	136	22	17	2	(371)
Curtailments	(260)	-	-	-	-	(260)
Total recognised in the profit and loss account	2,248	536	405	167	236	3,592

Taken to other comprehensive income

Actual return on scheme assets	15,273	-	1,648	20	444	17,385
Actuarial gains/(losses) on the liabilities	(19,667)	(701)	(1,735)	-	(114)	(22,217)
	(4,394)	(701)	(87)	20	330	(4,832)

21. Pension commitments (continued)**Analysis of changes in the present value of the defined benefit obligations:**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
At 1 January 2016	53,116	4,895	9,889	1,894	2,603	72,397
Current service cost	3,056	400	383	150	234	4,223
Past service cost	-	-	-	-	-	-
Interest cost	2,040	136	273	40	79	2,568
Benefits paid	(2,700)	(45)	(365)	(35)	(655)	(3,800)
Contributions by scheme participants	452	-	-	20	-	472
Actuarial gains and losses	19,667	701	1,735	-	114	22,217
Liabilities extinguished on Curtailments	(260)	-	-	(254)	-	(514)
Foreign currency differences	-	910	1,818	327	440	3,495
As at 31 December 2016	75,371	6,997	13,733	2,142	2,815	101,158
Current service cost	4,156	423	486	147	228	5,440
Past service cost	-	-	-	-	-	-
Interest cost	1,895	125	250	28	56	2,354
Benefits paid	(2,747)	(53)	(419)	(266)	-	(3,485)
Contributions by scheme participants	337	-	-	18	-	355
Actuarial gains and losses	(6,133)	(649)	782	(39)	(138)	(6,177)
Liabilities extinguished on Curtailments	(407)	-	-	-	-	(407)
Foreign currency differences	-	237	572	71	97	977
As at 31 December 2017	72,472	7,080	15,404	2,101	3,058	100,115

Analysis of changes in the fair value of plan assets

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
At 1 January 2016	65,369	-	8,859	1,229	2,515	77,972
Actual return on plan assets	15,273	-	1,648	20	444	17,385
Interest income	2,588	-	251	23	77	2,939
Employer contributions	2,469	45	285	159	77	3,035

21. Pension commitments (continued)

Contribution by scheme participants	452	-	-	20	-	472
Benefits paid	(2,700)	(45)	(365)	(289)	(655)	(4,054)
Foreign currency differences	1	-	1,628	210	435	2,274
As at 31 December 2016	83,452	-	12,306	1,372	2,893	100,023
Actual return on plan assets	3,475	-	1,110	36	20	4,642
Interest income	2,137	-	227	17	57	2,438
Employer contributions	1,831	53	442	161	64	2,551
Contribution by scheme participants	337	-	-	18	-	354
Benefits paid	(2,747)	(53)	(419)	(266)	-	(3,485)
Foreign currency differences	-	-	433	47	100	579
As at 31 December 2017	88,485	-	14,099	1,385	3,134	107,103

2017	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000
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Difference between the expected and actual return on scheme assets

Amount (£000)	2,668	-	1,111	37	20
Percentage of year end scheme assets (%)	3%	-	8%	3%	1%

Actuarial gains and losses on scheme liabilities

Amount (£000)	(6,133)	(649)	782	(14)	(138)
Percentage of year end scheme liabilities (%)	(8%)	(9%)	5%	(2%)	(5%)

Total amount recognised in statement of comprehensive income

Amount (£000)	9,608	649	328	75	158
Percentage of year end scheme assets/liabilities (%)	60%	(9%)	(25%)	(10%)	210%

21. Pension commitments (continued)

2016	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000
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Difference between the expected and actual return on scheme assets

Amount (£000)	14,946	-	1,648	12	445
Percentage of year end scheme assets (%)	18%	-	13%	1%	15%

Actuarial gains and losses on scheme liabilities

Amount (£000)	19,667	701	(671)	2	(232)
Percentage of year end scheme liabilities (%)	26%	10%	13%	-	4%

Total amount recognised in statement of comprehensive income

Amount (£000)	(4,394)	(701)	(88)	19	330
Percentage of year end scheme assets/liabilities (%)	(54%)	10%	6%	(3%)	425%

Analysis of net assets/(deficit) for the Group

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Total fair value of scheme assets	107,103	100,023	77,972	75,293	62,971
Present value of funded scheme liabilities	(100,115)	(101,058)	(72,397)	(75,414)	(63,290)
Net (deficit)/assets	6,988	(1,035)	5,575	(121)	(319)

International Benefit Plan

Certain foreign employees of the Company are members of a funded defined benefit pension scheme of the American Bureau of Shipping, the details of which are disclosed in the consolidated accounts of the American Bureau of Shipping, an entity incorporated by special statute in the United States of America.

Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis the scheme will be accounted for by the Company as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 December 2017 using 1 January 2017 census data by a qualified actuary. The market value of the Group scheme's assets was \$99.0m (2016 \$85.1) and the present value of the scheme's liabilities which are derived from cash flow projections over a long period and are thus inherently uncertain were \$98.7m (2016 \$86.7m) giving rise to a scheme surplus of \$0.3m (2016 – deficit \$1.7m) before taking account of any deferred tax asset.

The Company is one of a number of participating employers and the implications of any surplus or deficit are considered on a Group basis.

22. Operating lease commitments

Minimum Lease payments under non-cancellable operating leases fall due as follows:

Group	2017 £000	2016 £000
Expiry date: Land & Buildings		
Within 1 year	243	472
Between 2 and 5 years	398	217
After more than 5 years	66	85
	<u> </u>	<u> </u>
Expiry date: Other		
Within 1 year	26	9
Between 2 and 5 years	33	1
After more than 5 years	-	-
	<u> </u>	<u> </u>

23. Post balance sheet events

There were no post balance sheet events in 2018.

24. Ultimate parent undertaking

The Company is a subsidiary undertaking of the American Bureau of Shipping, an entity incorporated by special statute in the United States of America. The accounts are available from the following address:

ABS Plaza
16855 Northchase Drive
Houston
TX 77060

25. Subsidiaries

ABS Europe Limited directly holds the percentage of ordinary shares and voting rights in the following subsidiaries:

Company name	Registered Office	Percentage Shareholding	Description
ABS Marine Services Limited	ABS House 1 Frying Pan Alley London E1 7HR	99	Marine Services
ABS Group Limited	EQE House The Beacons Warrington Road Birchwood Warrington Cheshire WA3 6WJ	99	Industrial verification

ABS Quality Evaluations Limited	EQE House The Beacons Warrington Road Birchwood Warrington Cheshire WA3 6WJ	99	Dormant
ABS Italy Srl	GENOVA (GE) VIA AL PORTO ANTICO - EDIFICIO MILLO CAP 16126 Italy	99	Classification services
ABS Hellas	PARADEISOU 10 MAROUSSI ATHENS Greece 15125	99	Dormant
ABS Hellenic Single Member Ltd	SACHTOURI -1 & NAVARINOU-1 KΑΛΛΙΘΕΑ ATHENS Greece 17674	100	Classification services

All the entities above have been included in the Group consolidation and the subsidiary accounts are filed in the relevant countries.