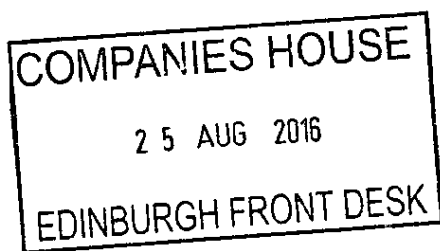


Company Registration No. 3467183

IKM Testing UK Limited

Annual report and Financial Statements

For the year ended 31 December 2015



IKM Testing UK Limited

Report and financial statements 2015

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IKM Testing UK Limited

Report and financial statements 2015

Officers and professional advisers

Directors

AS Perkin
S Kingnorth

Secretary

E Meinich Bache

Registered Office

42 Colbourne Crescent
Nelson Park Industrial Estate
Cramlington
Northumberland
NE23 1WB

Independent Auditor

Deloitte LLP
Aberdeen

IKM Testing UK Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006

Principal activities

The principal activity of IKM Testing UK Limited (the Company) is to provide process and pipeline services (covering both personnel and equipment rental) to the oil and gas industry including onshore and offshore pre-commissioning, commissioning, operational and decommissioning activities

IKM operates from two sites in the UK, with its Cramlington office predominately servicing the offshore fabrication yards, industry and refineries and its Aberdeen office servicing the onshore and offshore industry in the North Sea whilst supporting global expansion for the International Division. The Company also provides personnel and equipment to other IKM companies within the IKM Group.

The Company has a number of Framework agreements in place with operators and large contractors within the oil and gas sector.

Key performance indicators

IKM uses a number of performance indicators to measure day-to-day operational and financial activity in the business. Most of these are studied on a daily, weekly or monthly basis. A well-developed management accounts pack, including profit and loss statements, is prepared for each office on a monthly basis. Below are a number of key performance indicators used to measure the long-term health of the business and monitor progress in implementing the strategic objectives:

- Safety
- Days sales outstanding
- Gross profit margin
- Customer loyalty
- Staff turnover

Business review and results

The current economic environment is difficult due to continued low oil price and the company has reported an operating loss for the year.

Revenue for the year ended 31 December 2015 decreased by 22% to £15,890,735 (2014: £20,318,751) with a loss after tax of £1,280,632 (2014: profit after tax £747,422). Equipment utilisation fell significantly from previous years, impacting the 2015 profit margins. The reduction in performance in the current year can be attributed to the challenging industry conditions experienced in the Oil and Gas sector since the downturn in oil price at the end of 2014. The directors consider that the outlook presents significant challenges in terms of revenue, however, have instituted measures to preserve cash and reduce operating costs.

Future developments

The Company is looking to identify any new markets which current technology and equipment would allow easy transition to, in order to expand the services provided to both existing and new customers.

IKM Testing UK Limited

Strategic report (continued)

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

During 2015 the Company adopted a cost reduction programme to bring costs in line with the reduced revenue levels, the full extent of these savings will be seen in 2016 results.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current borrowing facilities and the directors are not aware of any reason why the facilities might be withdrawn.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Principal risks and uncertainties

Below are the principal risks the Company work to mitigate and manage.

Economic conditions

There is a link between demand for the Company's services and levels of economic activity. Variations in demand can lead to larger variations in profitability. An economic factor to consider is the price of crude oil, a high price produces higher levels of wealth to oil producing countries which is recycled into infrastructure investment from which the company generates revenue.

Competition

IKM monitors competition activity carefully but the only protection from suffering material damage to the business by competitors is to work relentlessly to provide customers with a high quality service at a price they believe provides good value.

Signed on behalf of the Board



AS Perkin
Director

10th August 2016

IKM Testing UK Limited

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2015

Directors

The directors who held office during the year and to the date of this report were as follows

S Kyllingstad (resigned 15 December 2015)

S Kingnorth

AS Perkin

Future developments and going concern

Details of future developments and going concern can be found in the Strategic Report on pages 2 and 3

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk

Cash flow risk

IKM's products and services are mainly priced in sterling, however, some contracts do require invoicing in US Dollars and Norwegian NOK, exposing the Company to some currency exchange risk. The Company utilises foreign currency bank accounts to mitigate these exposures

Credit risk

The Company's principal financial assets are bank balances and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The failure to collect a major debt could result in an unexpected and possibly significant reduction in profit

The vast majority of the contracts into which the Company enters into are small relative to the size of the business and if a customer fails to pay a debt, this is dealt with in the normal course. IKM constantly monitor the risk profile and debtor position on all contracts and deploy a variety of techniques to mitigate the risk of delayed or non-payment. The mitigation will vary from customer to customer but methods include advance payments and letters of credit. As a result of this rigorous approach to risk management the Company have never had a significant loss. The Company has a good track record of cash generation and as part of the IKM Group has sufficient working capital for its business needs

The amounts presented in the balance sheet are net of allowances for doubtful receivables

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The company has no significant concentration of credit risk, with exposure spread over a significant number of customers

Liquidity risk

In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long and short-term debt finance

Political and charitable contributions

The company made no political donations and incurred no political expenditure during the year. Charitable donations amounted to £6,622 (2014 £2,105)

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the current financial year (2014 no dividend paid)

IKM Testing UK Limited

Directors' report (continued)

Disclosure of information to the auditor

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

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006

Auditor

Deloitte LLP has indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed auditors in the absence of an Annual General Meeting

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued the following year. Objections may be served on the Company by IKM Testing A/S as the immediate parent of the entity, or by IKM Gruppen A/S.

Approved by the Board and signed on its behalf by



AS Perkin
Director

10th August 2016

IKM Testing UK Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

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 profit or loss of the company for that period. In preparing these 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of IKM Testing UK Limited

We have audited the financial statements of IKM Testing UK Limited for the year ended 31 December 2015 which comprise the statement of income and retained earnings, the balance sheet and the related notes 1 to 21. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss 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 matters prescribed in the Companies Act 2006

In our opinion the information 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.

Independent auditor's report to the members of IKM Testing UK Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

L. Cowie

Lyn Cowie (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Aberdeen, United Kingdom

22 August 2016

IKM Testing UK Limited

Statement of income and retained earnings Year ended 31 December 2015

	Notes	2015 £	2014 (restated) £
Turnover	3	15,890,735	20,318,751
Cost of sales		(12,159,361)	(14,079,734)
Gross profit		3,731,374	6,239,017
Administrative expenses		(4,755,571)	(5,055,030)
Operating (loss)/profit	4	(1,024,197)	1,183,987
Profit on sale of fixed assets		24,137	87,696
Interest receivable and similar income	7	6,673	3,821
Interest payable and similar charges	8	(347,770)	(283,540)
(Loss)/profit on ordinary activities before taxation		(1,341,157)	991,964
Tax credit/(Tax on profit on ordinary activities)	9	60,525	(244,542)
(Loss)/profit for the financial year		(1,280,632)	747,422
Retained profits at 1 January		6,432,911	5,685,489
Retained profits at 31 December		5,152,279	6,432,911

All of the results for the current and prior year are derived from continuing operations

The company had no recognised gains or losses other than those included in the results above. Accordingly, no statement of comprehensive income is presented.

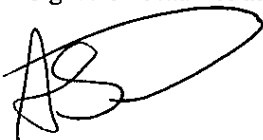
IKM Testing UK Limited

Balance sheet As at 31 December 2015

	Notes	2015 £	2014 (restated) £
Fixed assets			
Tangible assets	10	5,548,332	6,131,054
		<u>5,548,332</u>	<u>6,131,054</u>
Current assets			
Stock	11	547,002	310,454
Debtors	12	3,886,962	4,286,796
Cash at bank and in hand		837,435	2,208,249
		<u>5,271,399</u>	<u>6,805,499</u>
Creditors amounts falling due within one year	13	<u>(4,035,679)</u>	<u>(3,592,191)</u>
Net current assets		<u>1,235,720</u>	<u>3,213,308</u>
Total assets less current liabilities		6,784,052	9,344,362
Debtors: amounts falling due after more than one year	12	323,338	-
Creditors: amounts falling due after more than one year	14	(1,829,969)	(2,814,319)
Provisions	15	<u>(80,142)</u>	<u>(52,132)</u>
Net assets		<u>5,197,279</u>	<u>6,477,911</u>
Capital and reserves			
Called up share capital	16	45,000	45,000
Profit and loss account		<u>5,152,279</u>	<u>6,432,911</u>
Shareholders' funds		<u>5,197,279</u>	<u>6,477,911</u>

The financial statements of IKM Testing UK Limited, registered number 3467183 were approved by the Board of Directors on 10th August 2016

Signed on behalf of the Board of Directors



AS Perkin
Director

IKM Testing UK Limited

Notes to the financial statements Year ended 31 December 2015

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

IKM Testing UK Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. This is the first year in which the financial statements have been prepared under FRS 102. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. Refer to note 21 for an explanation of the transition.

The functional and presentational currencies of the company are considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. IKM Testing UK Limited is consolidated in the financial statements of its parent, IKM Gruppen A/S, which may be obtained at the address in note 20. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and related party transactions with the companies controlled by the parent.

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 Strategic report on pages 2 and 3.

At the year end the company had net assets of £5.2 million. The company manages its day-to-day working capital requirements through its available cash resources, cash flow from operating activities and a £1 million revolving credit facility as detailed in note 13. The directors have considered the financial position and trading prospects for the company and have also received confirmation of the continuing financial support of the ultimate parent undertaking.

At the year end £1,000,000 of the available credit facility was utilised. The company has received confirmation from IKM Gruppen A/S, its ultimate parent undertaking, that it will continue to provide such financial and other support as the company may require, to enable it to meet its liabilities as they fall due, for at least twelve months following the date of approval of these financial statements, and thereafter for the foreseeable future.

Having regard for the company's forecasts and projections, taking account of reasonably possible changes in trading performance as a result of the global downturn in oil price, and the additional financial support available from the parent undertaking, the directors believe that the company is well placed to manage its business risks.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

IKM Testing UK Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their useful economic lives as follows:

Plant and machinery	5-10 years
Fixtures, fittings, tools and equipment	10 years
Office equipment	3 years
Motor vehicles	3 years
Tenant improvements	10 years

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 and losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases, including similar hire purchase contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital element of future lease obligations are shown in creditors, while the interest elements are charged to the profit and loss account over the period of the leases.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in a separately administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed by the balance sheet date, except as otherwise indicated.

Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised.

IKM Testing UK Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

1. Accounting policies (continued)

Bank borrowings

Interest-bearing bank drawdowns and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the profit and loss account using the effective interest rate method.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of professional staff, equipment and testing services to customers.

Turnover represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities of the Company are represented by cash and cash equivalents, account receivables, borrowings, account payables and other financial liabilities.

When a financial asset or financial liability is recognised initially, it is measured at transaction price unless the arrangement constitutes, in effect, a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The Company has no financial instruments that upon their initial recognition are designated as at fair value through profit or loss. Therefore, subsequent to initial recognition, financial assets and liabilities of the Company are measured at amortised cost using the effective interest method, unless they are classified as payable or receivable within one year on initial recognition, in which case they are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

IKM Testing UK Limited

Notes to the financial statements (continued) Year ended 31 December 2015

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision if the revision affects current and future periods.

Critical judgements in applying the company's accounting policies

The critical judgements made by in the process of applying the company's accounting policies and has the most significant effect on the amounts recognised in the financial statements is considered below.

Revenue recognition

Determining revenue where a contract has only been partially completed at the balance sheet is based on the stage of completion of the contract activity at the balance sheet date.

Key sources of estimation uncertainty

Recoverability of 3rd party debtors and related party balances

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors with third parties, management consider factors including the current credit rating of the debtor, the aging profile of debtors and historical collection experience.

Income and corporate taxes

The company is subject to income taxes in numerous jurisdictions. Judgement is required in assessing the tax consequences of transaction and estimating the provision for income and corporate taxes. Where the final outcome is different from the amounts initially recorded, such differences will impact the current and deferred taxes assets and liabilities in the year in which such determination is made.

Impairment of plant and machinery

Determining whether rental assets included into Plant and Machinery category are impaired requires estimation of their value in use, which in turn is based on the assessment of their future utilisation and revenue generation. The carrying amount of Plant and Machinery at the balance sheet date is £4,594,457 with no impairment loss recognised during the year.

3. Analysis of turnover

The directors consider the company to have one class of business being the provision of professional staff, equipment and testing services to customers.

Analysis by geographical market is as follows

	2015 £	2014 £
UK	9,391,977	11,918,180
Europe	2,737,224	5,406,932
Rest of the world	3,761,534	2,993,639
	<u>15,890,735</u>	<u>20,318,751</u>

IKM Testing UK Limited

Notes to the financial statements (continued) Year ended 31 December 2015

4. (Loss)/Profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging/ (crediting)

	2015 £	2014 £
Depreciation of tangible fixed assets (note 10)		
- owned	725,729	487,659
- leased	452,050	537,389
Operating lease rentals	472,497	465,860
Profit on sale of fixed assets	(24,137)	(87,696)
Net foreign exchange loss/(gain)	57,009	(53,947)
Auditor's remuneration		
Audit of these financial statements	34,943	21,291
Other services relating to taxation	9,417	6,225

During the year ended 31 December 2015, directors concluded that depreciation of rental assets should be classified as "cost of sales" rather than "administrative expenses". The updated presentation supports the true and fair view of the financial statements ensuring that all expenses are presented in accordance with their function. Presentation of depreciation charge in the year ended 31 December 2014 (£811,661) was updated accordingly.

5. Remuneration of directors

	2015 £	2014 £
Directors' emoluments	122,038	110,250
Company contributions to money purchase pension schemes	29,552	31,333

Retirement benefits are accruing to the following number of directors under Money purchase schemes

No.	No.
1	1

IKM Testing UK Limited

Notes to the financial statements (continued) Year ended 31 December 2015

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows

	2015 No.	2014 No.
Administration and management	39	40
Engineering	91	89
	<u>130</u>	<u>129</u>

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	7,499,348	7,240,283
Social security costs	671,498	705,700
Pension costs (see note 18)	259,499	258,296
	<u>8,430,345</u>	<u>8,204,279</u>

7. Interest receivable and similar income

	2015 £	2014 £
Bank interest	<u>6,673</u>	<u>3,821</u>

8. Interest payable and similar charges

	2015 £	2014 £
Finance charges payable in respect of finance leases	320,489	263,313
Bank interest	27,281	20,227
	<u>347,770</u>	<u>283,540</u>

IKM Testing UK Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

9. Taxation

Analysis of tax charge in period

	2015 £	2014 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	128,453
Adjustment in respect of previous periods	(115,788)	17,490
	<u>(115,788)</u>	<u>145,943</u>
Double taxation relief	-	(12,665)
	<u>-</u>	<u>(12,665)</u>
<i>Foreign tax</i>		
Current tax on income for the year	27,253	38,765
Adjustment in respect of prior periods	-	(9,206)
	<u>27,253</u>	<u>29,559</u>
Total current tax (credit)/charge	(88,535)	162,837
Deferred tax	33,223	81,705
Effect of tax rate change	(5,213)	-
	<u>28,010</u>	<u>81,705</u>
Total deferred tax charge (see note 15)	28,010	81,705
Total (tax credit)/tax on profit on ordinary activities	<u>(60,525)</u>	<u>244,542</u>

IKM Testing UK Limited

Notes to the financial statements (continued) Year ended 31 December 2015

9. Taxation (continued)

Factors affecting the tax charge for the current period

The difference between the total (tax credit)/charge shown above and the amount calculated by applying the standard rate of corporation tax in the UK (20 25%, 2014 21 49%) to the (loss)/profit before tax is as follows

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	(1,341,157)	991,964
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20 25% (2014 21 49%)	(271,538)	213,173
<i>Effects of</i>		
Expenses not deductible for tax purposes	7,019	8,134
Losses carried back	280,852	-
Foreign tax credits	27,253	29,559
Fixed asset differences	2,880	2,265
Other permanent differences	(4,177)	(11,240)
Adjustments to tax charge in respect of previous periods	(115,788)	971
Adjustment to closing deferred tax rate	12,974	1,680
Tax (credit)/charge for the period	(60,525)	244,542

Factors that may affect future current and total tax charges

Deferred tax as at 31 December 2015 has been calculated at 18% (2014 20%)

10 Tangible fixed assets

	Tenant improvements £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
Cost					
At 1 January	503,266	8,949,899	390,802	403,899	10,247,866
Additions	-	332,758	269,563	-	602,321
Disposals	-	(86,723)	(13,519)	(21,920)	(122,162)
At 31 December	503,266	9,195,934	646,846	381,979	10,728,025
Depreciation					
At 1 January	35,009	3,750,015	171,268	160,520	4,116,812
Charge for the year	50,327	930,921	88,124	108,407	1,177,779
On disposals	-	(79,459)	(13,519)	(21,920)	(114,898)
At 31 December	85,336	4,601,477	245,873	247,007	5,179,693
Net book value					
At 31 December 2015	417,930	4,594,457	400,973	134,972	5,548,332
At 31 December 2014	468,257	5,199,884	219,534	243,379	6,131,054

IKM Testing UK Limited

Notes to the financial statements (continued) Year ended 31 December 2015

10. Tangible fixed assets (continued)

Included in the total net book value of plant and machinery is £3,166,138 (2014 £4,648,809) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £452,050 (2014 £537,389)

11. Stock

	2015 £	2014 £
Raw materials	218,619	133,139
Work in progress	328,383	177,315
	<u>547,002</u>	<u>310,454</u>

12. Debtors

	2015 £	2014 £
Amounts falling due within one year		
Trade debtors	3,480,521	3,151,992
Amounts owed by group undertakings	111,517	751,055
Other debtors	21,638	29,717
Prepayments and accrued income	161,440	354,032
Corporation tax	111,846	-
	<u>3,886,962</u>	<u>4,286,796</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>323,338</u>	<u>-</u>

13. Creditors: amounts falling due within one year

	2015 £	2014 (Restated) £
Obligations under HP/finance leases (note 14)	1,039,048	1,086,505
Bank borrowings (note 14)	1,042,448	537,434
Trade creditors	410,132	451,482
Amounts owed to group undertakings	640,533	298,735
Other taxes and social security	263,321	573,688
Corporation tax (note 9)	-	42,472
Other creditors	295,595	219,944
Accruals and deferred income	344,602	381,931
	<u>4,035,679</u>	<u>3,592,191</u>

During the year ended 31 December 2015, directors concluded that bank borrowings in respect of a revolving credit facility which was entered into on 25 May 2013 should be classified within current rather than non-current liabilities due to being payable on demand in accordance with the terms of the loan agreement. Presentation of bank borrowings at the year ended 31 December 2014 (£537,434) was updated accordingly.

IKM Testing UK Limited

Notes to the financial statements (continued) Year ended 31 December 2015

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

	2015	2014 (Restated)
	£	£
Obligations under finance leases	1,136,065	1,873,777
Obligations under hire purchase agreements	682,433	886,621
Obligations under loan agreements	11,471	53,921
	<u>1,829,969</u>	<u>2,814,319</u>
<i>Maturity of debt</i>		
Due within one year (note 13)	2,081,496	1,623,938
Due in more than one year but not more than five years	<u>1,829,969</u>	<u>2,814,319</u>
	<u>3,911,465</u>	<u>4,438,257</u>

The maturity of obligations under finance leases and hire purchase are as follows

	2015	2014 (Restated)
	£	£
Within one year (note 13)	1,039,048	1,086,505
In second to fifth years	<u>1,818,498</u>	<u>2,760,398</u>
	<u>2,857,546</u>	<u>3,846,903</u>

Obligations under finance leases are secured on the assets to which they relate

IKM Testing UK Limited

Notes to the financial statements (continued) Year ended 31 December 2015

15. Provision for liabilities

	Deferred taxation £
At beginning of year	52,132
Charged to the profit and loss account for the year (see note 9)	28,010
At end of year	<u>80,142</u>

The elements of deferred taxation are as follows

	2015 £	2014 £
Difference between accumulated depreciation and capital allowances	80,142	(29,573)
Short term timing differences	-	81,705
Deferred tax liability	<u>80,142</u>	<u>52,132</u>

A deferred tax asset on tax losses carried forward of £178,000 (2014 nil) is not recognised as its recoverability is dependent on the future profitability

16. Called up share capital

	2015 £	2014 £
Allotted, called up and fully paid 45,000 Ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>

17. Commitments

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows

	2015		2014	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	368,106	65,524	368,106	83,832
In the second to fifth years inclusive	1,290,924	67,278	1,340,424	133,323
Over five years	2,708,151	-	3,026,757	-
	<u>4,367,181</u>	<u>132,802</u>	<u>4,735,287</u>	<u>217,155</u>

Capital expenditure

The company had no capital commitments at the end of the current or previous year

IKM Testing UK Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

18. Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £259,499 (2014: £258,296).

19. Related Party Transactions

During the year, the company rented property from IKM Property Limited, an associated company, for £286,745 (2014: £235,157). This was fully paid during the year.

The company has taken advantage of FRS 102 33 1A 'Related Party Disclosures' and hence not disclosed details of transactions with other group companies in which IKM Gruppen A/S ultimately owns 100% of the share capital.

20. Ultimate parent company

The company is a subsidiary undertaking of IKM Gruppen A/S, which is the ultimate parent company incorporated in Norway.

The only group in which the results of the company are consolidated is that headed by IKM Gruppen A/S. Copies of the financial statements of IKM Gruppen A/S may be requested from the company secretary at IKM Gruppen A/S, Ljosheimveien 3, N-4050 Sola, Norway.

21. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard, these have had no material impact on the financial statements.

A change has been required to the presentation of group intercompany receivables and payables. Previously these balances were offset; however, per FRS 102 11.34 these balances now require to be presented gross. This presentational change resulted in a restatement of the 2014 balance sheet to increase both debtors and creditors within one year by £111,546. This change has no impact on the equity or the profit of the company.