Company's Registered Number: 03875779

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

Contents

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

M J Scott (resigned 10 November 2018)
J A M Walsh
J Grover (resigned 31 January 2018)
S A Hicks (appointed 31 January 2018)

REGISTERED OFFICE

Building 2, Fields End Business Park Davey Road
Thurnscoe
Goldthorpe
England
S63 0JF

BANKERS

Barclays Bank
1 Churchill Place
London
E14 5HP

INDEPENDENT AUDITORS

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3EY

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

STRATEGIC REPORT

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

The directors present their Strategic Report for the 8 month period ended 31 August 2018.

Following the acquisition by Altrad of Cape Group and its subsidiaries in 2017 the Company has changed its accounting reporting date to 31 August 2018, to align with the wider Altrad Group.

Principal activity

The principal activity of the company is process pipe descaling, separator cleaning and material handling in the offshore sector. There has been no significant change in this activity during the year.

Review of the business and future developments

Third party turnover for the year reduced to £2,288,000 from £3,019,000 in 2017 due to the shorter accounting period of 8 months. This produced a profit before tax of £628,000 (2017 loss £82,000). The 2018 year showed a turnaround from the 2017 position, which was challenging for the Company due to the well-publicised downturn in the oil and gas market.

Both the level of business and the year-end financial position were as expected. The directors expect the company to trade profitably in the coming year, with additional growth opportunities arising from cross-selling initiatives across the Altrad Group.

Principal risks and uncertainties

The Board of Altrad Investment Authority manages risks regionally and is committed to enhancing the Group's risk management capability through risk workshops and via the maintenance of risk registers. The updating of the risk registers is a continuous process involving the identification, evaluation and management of risks by individual managers. This enables the early identification of key risks and the taking of action to mitigate the likelihood of loss.

The principal risks and uncertainties facing the Group are broadly categorised as external, competitive, operational and commercial, and financial and are summarised below.

External
Altrad Investment Authority's business is diverse and operations in certain locations may be affected by factors outside the Group's control. These include changes to political, economic and environmental conditions in existing and new territories.

In the UK, the economic climate continues to be dominated by the potential impact of Brexit, leading to expectations of an overall economic slowdown within the UK. However, the Board remains confident that there will be no disruption to the business, regardless of the outcome of negotiations, and at this time no risk factors have been identified. Challenges remain, and the directors continue to monitor risk and to prepare for all potential outcomes.

Competitive
Altrad Investment Authority has a significant presence in the energy and natural resources sectors which relies on stable, long-term demand for oil, gas and electricity. In addition, losing certain key clients with which the Group has several contracts could have an adverse effect on the Group's revenues.

Operational and commercial
Health and safety
Many of the Group's operating environments have associated health and safety risks and failure to maintain the highest safety standards on site could result in injury to our employees, damage to the environment and a loss of clients, as well as damage to the Group's reputation.

Contract and project performance
The terms and conditions inherent in the Group's contracts, as well as actual project performance by Group subsidiaries, could expose the Group to cost overruns resulting in adverse financial performance.

Financial
The Group has exposure to foreign exchange and interest rate risks which are managed regionally by experienced local finance teams and overseen at Group level by an experienced finance, tax and treasury team in Altrad Investment Authority.

Credit risk, the risk of financial loss to the Group if a customer fails to meet its contractual obligations, is managed regionally and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Any customer requiring credit above twice the limit recommended by Coface or equivalent external rating agency must be approved by Altrad Investment Authority.

On behalf of the Board

John Walsh
Director

Date: 22 May 2019

Company's Registered Number: 03875779

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

DIRECTORS' REPORT

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

The directors present their report and the audited financial statements of the Company for the 8 month period ended 31 August 2018.

Results for the year
Revenue for the period was £2,288,000 (2017: £3,019,000).

The profit for the period of £455,000 (2017: loss £37,000) has been transferred to reserves.

No dividends were paid during 2018 (2017: £nil).

Directors
The following persons served as directors during the year and up to the date of signing the financial statements:

S A Hicks (appointed 31 January 2018)
J A M Walsh

The following persons served as directors during the year:

M J Scott (resigned 10 November 2018)
J Grover (resigned 31 January 2018)

The directors had no beneficial interests in the shares of the Company.

Going concern
The Company's business activities, together with risks likely to affect its financial position, are described in the Strategic Report.

The Company has adequate financial resources, together with long-term relationships with many customers and suppliers across different countries and industries and is now part of a larger group of companies under the Altrad Investment Authority group structure, which brings new opportunities for growth and synergies.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and for a period of not less than twelve months from signing the financial statements, having received a letter of support from Altrad Investment Authority SAS. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Qualifying third party indemnity provisions
As permitted by the Companies Act 2006, all directors are covered by indemnities from the parent undertaking. The directors are indemnified in respect of proceedings which may be brought by third parties and such indemnification was in place throughout the year and up to the date of approval of these Financial Statements. Neither these indemnifications nor insurance provides cover in the event that a director or officer is proved to have acted fraudulently or dishonestly.

The Company has not made any qualifying indemnity provisions.

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

DIRECTORS' REPORT (continued)

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

Auditors
The auditors, Ernst & Young LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

So far as each director is aware there is no relevant audit information of which the Company's auditor is unaware. Relevant information is defined as information needed by the Company's auditors in connection with preparing their report. Each director has taken all the steps he/she ought to have taken as a director (taking account of their individual capacity) in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Company law requires the directors to prepare financial statements for each financial period. 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), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

John Walsh
Director

Date: 22 May 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

Opinion

We have audited the financial statements of Cape Environmental Services Offshore Limited for the period ended 31 August 2018 which of the Profit and Loss Account, the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 18, 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 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 August 2018 and of its profit for the period 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 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE MEMBERS OF CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

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 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 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 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 company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE MEMBERS OF CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

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.

Tehseen Ali (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date: 24/5/2019

Company's Registered Number: 03875779

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

INCOME STATEMENT

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

	Notes	**8 months to 31 August 2018 Total £'000**	12 months to 31 December 2017 Total £'000
Turnover	3	2,288	3,019
Cost of sales		(1,695)	(2,938)
Gross profit		593	81
Administrative expenses		21	(169)
Profit on ordinary activities before Interest and Taxation	2	**614**	**(88)**
Interest receivable and similar income	7	14	6
Profit before tax		**628**	**(82)**
Tax	8	(173)	45
Profit for the year		**455**	**(37)**

The company has no recognised income or expenses other than those included in the results above, and therefore no separate statement of comprehensive income has been presented.

Company's Registered Number: 03875779

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE 8 MONTH PERIOD ENDED 31 AUGUST 2018

	Notes	Issued share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017		-	2,782	2,782
Loss for the year		-	(37)	(37)
Other comprehensive expense		-		
Total comprehensive expense for the year		-	(37)	(37)
Transactions with owners				
Share option charge		-	-	-
At 31 December 2017			2,745	2,745
Profit for the period		-	455	455
Other comprehensive income				
Total comprehensive income for the year		-	455	455
At 31 August 2018			3,200	3,200

Company's Registered Number: 03875779

CAPE ENVIRONMENTAL SERVICES OFFSHORE LIMITED

STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST 2018

	Notes	31 August 2018 £'000	31 December 2017 £'000
Non-current assets			
Tangible assets	9	**534**	662
Amounts owed by Group undertakings	13	**706**	706
Deferred tax assets	14	**191**	238
Total non-current assets		**1,431**	1,606
Current assets			
Inventories	10	**29**	31
Trade and other receivables	11	**1,369**	664
Cash and cash equivalents		**1,402**	856
Total current assets		**2,800**	1,551
Total assets		**4,231**	3,157
Current liabilities			
Creditors: Amounts falling due within one year	12	**(1,031)**	(412)
Total current liabilities		**(1,031)**	(412)
Net current assets		**1,769**	1,139
Total assets less current liabilities		**3,200**	2,745
Total non-current liabilities		**-**	-
Net assets		**3,200**	2,745
Capital and reserves			
Called up share capital	15	**-**	-
Profit and loss account		**3,200**	2,745
Total shareholders' funds		**3,200**	2,745

These Financial Statements on pages 13 to 26 were approved by the board of directors on 22 May 2019 and signed on its behalf by:

John Walsh
Director

Date:

1. Accounting policies

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Cape Environmental Services Offshore Limited (the "Company") for the period ended 31 August 2018 were authorised for issue by the board of directors on 22nd May 2019 and the balance sheet was signed by the board on behalf of Cape Environmental Services Offshore Limited, a Company incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements contain information about Cape Environmental Services Offshore Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is included with its subsidiary undertakings in the consolidated financial statements of Cape PLC. The financial statements of Cape PLC can be obtained as described in note 18.

The principal accounting policies adopted by the Company are set out below.

a) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The company has taken advantage of the following disclosure exemptions under FRS 101.

- IFRS 7 'Financial Instruments: Disclosures;
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The requirements of paragraph 38 of IAS 1 'Presentation of financial statements' regarding comparative information requirements in respect of:
  - Paragraph 79 (a) (iv) of IAS 1;
  - Paragraph 73 (e) of IAS 16 'Property, plant and equipment;
  - Paragraph 118 (e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1 'Presentation of financial statements';
  - 10 (d) statement of cash flows;
  - 10 (f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);

1. Accounting policies (continued)

a) Basis of preparation (continued)

  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7 'Statement of cash flow';
- The requirements of paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The requirements of paragraph 17 of IAS 24 'Related party disclosures' (key management compensation)
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The disclosure of related party transactions with other wholly owned members of the group headed by Cape plc .

Change of the Accounting Period
Following the acquisition by Altrad of Cape Group and its subsidiaries in 2017 the Company has changed its accounting reporting date to 31 August 2018, to align with the wider Altrad Group. As such, these financial statements are for the 8-month period ended 31 August 2018 whilst the comparative figures are for the 12-month period to 31 December 2017.

New and revised IFRSs applied
During the year, the Group applied IFRS 15 and IFRS 9 for the first time. The nature and the effect of the changes as a result of the adoption of these new standards are listed below.

• *IFRS 15 revenue from Contracts with Customers* (effective date 1 January 2018)
IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations and applies, with limited exceptions, to all revenue arising from contracts with customers. The Group has adopted IFRS 15 using a modified retrospective approach of adoption with the date of initial application being 1 January 2018.

The Group's revenue streams are not considered particularly complex in nature. IFRS 15 requires the identification of separate performance obligations within the contract. For those contracts where Group provides a single discipline within a maintenance contract, the identification of the performance obligations has not had an impact on the revenue recognition, as maintenance contracts are accounted for on an earned value basis.

For those multi-disciplinary construction contracts, under IFRS 15, revenue must be recognised separately for each performance obligation identified. The nature of the multi-disciplinary construction contracts is such that a work carried out means that each discipline provided is highly interdependent upon the others and, as a result, could be classed as one performance obligation, therefore there has been no material impact on the recognition of IFRS 15.

• *IFRS 9 Financial Instruments recognition and measurement* (effective date 1 January 2018)
IFRS 9 Financial Instruments replaces IAS 39 Financial instruments: Recognition and Measurement. The new standard adopted from 1 January 2018 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group only has simple financial instruments, in the form of trade receivables including contract assets and applies simplified approach in tracking "expected credit losses" ("ECLs") with respect to these receivables in that does not track the changes in credit risk, but instead recognises loss allowance based on lifetime ECLs at each reporting date. Loss allowances are based on historical credit loss experience, adjusted for forward looking factors specific to a debtor and economic environment. There has been no material impact on the recognition of IFRS 9.

1. **Accounting policies (continued)**

a) Basis of preparation (continued)

New and revised IFRSs in issue but not yet effective

- *IFRS 16 Leases* (effective date 1 January 2019) - Management do not expect this to have a material impact but an exercise is ongoing to quantify the impact

At the date of authorisation of these financial statements, the Group has not applied new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU.

b) Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Foreign currencies

a) Functional and presentational currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Sterling which is the parent company's functional and presentational currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within operating profit.

Non-monetary items that are measured in terms of their historic cost in a foreign currency are translated using the exchange rates at the date of their initial transaction.

Tangible assets

Property, plant and machinery and fixtures and fittings are stated at cost net of accumulated depreciation and any provision for impairment. Cost comprises purchase cost together with any incidental costs of acquisition. Interest is capitalised on qualifying assets as defined by IAS 23 'Borrowing Costs'.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives with the exception that no depreciation is provided on freehold land. The assets' residual values and useful economic lives are reviewed, and adjusted as appropriate, at the date of each statement of financial position. The following useful economic life is applied:

- freehold buildings – 50 years
- leasehold land and buildings – the shorter of 50 years and the period of the lease
- plant and machinery – 3 to 15 years
- fixtures and fittings – 3 to 10 years.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit before other items in the income statement. When re-valued assets are sold, the amounts included in other reserves are transferred to retained earnings.

The Company assesses at each reporting date whether its property, plant and equipment may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An

1. Accounting policies (continued)

b) Significant accounting policies (continued)

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

Assets held for sale
Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Provisions
Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation applying a pre-tax discount rate that reflects current risks specific to the liability. Where there is appropriate insurance in place, the benefit of any insurance reimbursement is recognised only when virtually certain.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets; and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the term of the lease or the useful economic life, if shorter.

Inventories
Inventories which include raw materials and consumables are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. Allowance is made for obsolete and slow moving items based on annual usage.

1. **Accounting policies (continued)**

b) Significant accounting policies (continued)

Revenue recognition
Revenue is recognised in accordance with IFRS 15 – Revenue from Contracts with Customers. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Claims on customers are claims made for work outside of contractual terms and, as such, are only recognised in revenue once accepted by the customer.

Construction contracts
The Group has adopted IFRS 15 using a modified retrospective approach of adoption with the date of initial application being 1 January 2018.

The Group's revenue streams are not considered particularly complex in nature. IFRS 15 requires the identification of separate performance obligations within the contract. For those contracts where Group provides a single discipline within a maintenance contract, the identification of the performance obligations has not had an impact on the revenue recognition, as maintenance contracts are accounted for on an earned value basis.

For those multi-disciplinary construction contracts, under IFRS 15, revenue must be recognised separately for each performance obligation identified. The nature of the multi-disciplinary construction contracts is such that a work carried out means that each discipline provided is highly interdependent upon the others and, as a result, could be classed as one performance obligation, therefore there has been no material impact on the recognition of IFRS 15.

Maintenance contracts
Revenues from maintenance contracts are recognised where persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be reliably measured and collection of the related receivable is reasonably assured.

IFRS 15 requires the identification of separate performance obligations within a contract. For those contracts where the company provides a single discipline, there has not been any impact under the new standard. Where the company provides multi-disciplinary services within a maintenance contract, the identification of performance obligations has not had an impact on how the company recognises revenue and profit or loss, as maintenance contracts are accounted for on an earned value basis.

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted and are expected to apply to the accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future.

Resultant deferred taxation assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted, or where there are deferred tax liabilities against which the assets can be recovered.

Deferred taxation 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 and laws enacted or substantively enacted at the balance sheet date.

1. Accounting policies (continued)

b) Significant accounting policies (continued)

Defined contribution pension schemes
A defined contribution pension scheme is a scheme to which the Company makes fixed contributions with no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle its post-employment benefits. The pension expense for defined contribution schemes represents contributions payable in the year.

Trade debtors
Trade receivables are initially recognised and carried at fair value and subsequently measured at amortised cost, less any provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

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

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held on call with banks.

Share capital
Ordinary shares are classified as equity.

Share based payments
The company's parent company issues equity settled share based payments to certain employees which must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options vest, the Group issues new shares which are then held in an employee benefit trust account until the options are exercised. Proceeds received on the exercise of share options, if any, are credited to share capital and share premium. Where the exercise price of an option is lower than par value of the issued share the difference is funded by debiting the Group's retained earnings.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash settled transaction.

All remaining share options were exercised after the acquisition by Altrad. There are no outstanding share options.

Financial risk factors
The Company's activities expose it to a variety of financial risks: market risk (including currency, cash flow interest rate and fair value interest rate risks), credit risk and liquidity risk. Altrad Investment Authority manages financial risk factors regionally and in line with an authority matrix operated across the Group. Assessment and early escalation of issues to Altrad management team is a responsibility of individual regional managers.

1. **Accounting policies (continued)**

c) Significant judgements and estimates
Certain of the Company's accounting policies described in note 1 section b require critical accounting estimates that involve subjective judgements and the use of assumptions, some of which may relate to matters that are inherently uncertain and susceptible to change.

Judgements
Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:

(i) Revenue recognition of maintenance contracts and assessment of long-term contract performance
The Company accounts for revenue in accordance with IFRS 15. This requires judgement to determine accurate estimates of the extent of progress towards contract completion and may involve estimates of the total contract costs, remaining costs to completion, total revenues, contract risks and other judegements.

(ii) Carrying value of property, plant and equipment
Assessing whether property, plant and equipment may be impaired requires a review for indicators of impairment and, where such indicators exist, an estimate of the asset's recoverable amount by reference to value in use. Management are required to exercise significant judgement in reviewing for and identifying asset indicators of impairment and subsequently calculating value in use.

(iii) Trade and other receivables
The Company provides for likely non-recovery of receivables to the extent that the carrying value is more than the present value of expected future cash flows. Assessing the value of the provision requires significant management judgement and review of individual receivables based upon individual customer creditworthiness, current economic trends and analysis of historical bad debts.

(iv) Deferred tax assets
The Company recognises deferred tax assets on all applicable temporary differences where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the amount of deferred tax that can be recognised based on the magnitude and likelihood of future taxable profits.

Estimates
The key assumptions affected by future uncertainty that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are:

(i) Onerous contracts
Provision is made for future losses on long-term contracts where it is considered that the contract costs are likely to exceed revenues in future years. Estimating future losses involves assumptions of contract performance targets and likely levels of future cost escalation over time.

(ii) Income tax
The company can be subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of required tax provisions on the basis of professional advice and the nature of current discussions with the tax authority concerned.

2. Profit / (loss) on ordinary activities before investment income, interest and taxation

	8 months to 31 August 2018 £000	12 months to 31 December 2017 £000
Loss / profit on ordinary activities before investment income, interest and taxation is stated after charging:		
Services provided by the company's auditors	8	9
Depreciation on tangible fixed assets:		
- owned assets	128	289
Rental/ hire of plant and machinery	186	423

Rental/hire of plant and machinery comprises short-term hire charges.

3. Revenue

Geographical analysis by origin and destination	8 months to 31 August 2018 £000	12 months to 31 December 2017 £000
Turnover		
Continuing operations		
United Kingdom	2,288	3,019
Other	-	-
	2,288	3,019

Assets related to contracts with customers	8 months to 31 August 2018 £000	12 months to 31 December 2017 £000
Amounts recoverable on contracts	402	-
Loss Allowance	-	-
	402	-

4. Directors' emoluments

The directors' remuneration, including pension contributions, was borne by another group company for services during the year.

5. Employees

	2018 No.	2017 No.
The average monthly number of persons employed by the company (including directors) during the year was as follows:		
Female	2	-
Male	21	32
	23	32

6. Employee costs

	8 months to 31 August 2018 £000	12 months to 31 December 2017 £000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	891	1,576
Social security costs	95	167
Other pension costs	3	11
Share based payment costs		
	989	1,754

7. Interest receivable and similar income

	31 August 2018 £000	31 December 2017 £000
Interest receivable from Group companies	14	6
Interest receivable and similar income	**14**	**6**

8. Tax on (loss) / profit on ordinary activities

	8 months to 31 August 2018 £000	12 months to 31 December 2017 £000
Current tax:		
United Kingdom		
- Corporation tax at 19.00% (2017: 19.25%)	144	15
- Double tax relief	-	-
- Adjustment in respect of previous years	(18)	-
Total current income tax charge	**125**	15
Deferred tax – United Kingdom		
- Origination and reversal of timing differences	48	(51)
- Adjustment in respect of previous years	-	(9)
Total deferred tax charge/(credit)	**48**	(60)
Tax charge/(credit) in the income statement	**173**	(45)

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained on the following page.

	8 months to 31 August 2018 £000	12 months to 31 December 2017 £000
Profit/(loss) on ordinary activities before tax	628	(82)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	119	(16)
Effects of:		
Adjustment to tax in respect of previous years	24	(9)
Expenses not deductible for tax purposes	-	-
Group relief	-	(30)
Change in tax rates	30	10
Total tax charge/ (credit) reported in the income statement	**173**	(45)

Legislation has been enacted in the UK to reduce the Corporation Tax rate to 17% from 1st April 2020. Any deferred tax balanes have been recognised at the rate at which they are expected to unwind.

9. Tangible assets

	Plant, machinery, fixtures and Fittings £000	Total £000
Cost or valuation:		
At 1 January 2018	3,095	3,095
Additions at cost	-	-
Disposals	-	-
At 31 August 2018	**3,095**	**3,095**
Accumulated depreciation:		
At 1 January 2018	(2,433)	(2,433)
Charged during the year	(128)	(128)
Disposals	-	-
At 31 August 2018	**(2,561)**	**(2,561)**
Net book values:		
At 31 August 2018	**534**	**534**
At 31 December 2017	662	662

10. Inventories

	31 August 2018 £000	31 December 2017 £000
Raw materials and consumables	**29**	31

11. Debtors

	31 August 2018 £000	31 December 2017 £000
Trade debtors	**103**	222
Amounts recoverable on contracts	**402**	154
Amounts owed by Group undertakings	**535**	217
Other debtors	**265**	31
Prepayments	**64**	40
	1,369	664

The amounts owed by Group undertakings are unsecured and will be repaid as and when agreed between the applicable parties.

12. Creditors: Amounts falling due within one year

	31 August 2018 £000	31 December 2017 £000
Trade creditors	**77**	58
Amounts owed to Group undertakings	**532**	48
UK corporation tax payable	**-**	10
Taxation and social security costs	**33**	31
Other creditors	**140**	121
Accruals and deferred income	**249**	144
Total current liabilities	**1,031**	412

The amounts owed to Group undertakings are unsecured and will be repaid as and when agreed between the applicable parties.

There are no obligations under finance leases and hire purchase contracts as at 31 August 2018 (2017: none).

13. Amounts owed by/(to) group undertakings

	31 August 2018 £000	31 December 2017 £000
Amount owed by group undertakings	**706**	706

The amounts owed by and to Group undertakings are unsecured. Interest is paid on the balance based on the average UK LIBOR interest rate for the year plus a margin.

14. Deferred tax assets

	31 August 2018 £000	31 December 2017 £000
Provided		
Accelerated capital allowances	**171**	212
Other timing differences	**20**	26
Net deferred tax asset	**191**	238

Net deferred taxation asset	31 August 2018 £000	31 December 2017 £000
At 1 January	**238**	177
Amount (charged)/credited to profit and loss account	**(47)**	61
At period end	**191**	238

Any deferred tax balances expected to unwind in the future periods have been measured at 17.25% reflecting the expected corporation tax rates at the time the balances unwind.

15. Called up share capital

	31 August 2018 £	31 December 2017 £
Allotted and fully paid:		
100 (2017: 100) ordinary shares of £1 each	**100**	100

16. Capital and financial commitments

At 31 August 2018 the Company had future minimum lease payments under non-cancellable operating leases as set out below:

	31 August 2018	31 December 2017
	£000	£000
Commitments under operating leases:		
Costs for commitments under operating leases expiring:		
Within one year	**19**	19
Between one year and five years	**26**	26
After five years	**-**	-
	45	45

17. Pensions

Pension costs incurred for the period of £3,000 (2017: £11,000), with no amounts outstanding and yet to be transferred at period end (2017: nil).

18. Ultimate parent undertaking

The immediate parent undertaking is Cape Intermediate Holdings Limited, a company registered in England and Wales.

On 8 September 2017, it was announced that Altrad's offer to acquire the entire issued and to be issued ordinary share capital of Cape plc became unconditional. As of that date, the ultimate parent undertaking of Cape Environmental Services Offshore Limited became Altrad Investment Authority SAS, a company registered in France. Copies of the financial statements of Cape PLC and Altrad Investment Authority SAS can be obtained from the Company Secretary, 125 Rue du Mas de Carbonnier, 34000 Montpellier, France.