Aquatic Engineering & Construction Limited

Annual report and financial statements

Registered number SC123734

31 December 2018

Contents

Strategic Report

The directors present their Strategic report for the year ended 31 December 2018.

Principal activities

Aquatic Engineering & Construction Limited ("the Company") is part of the Projects Support Services business of the Acteon Group, which is a global subsea services organisation. The Group comprises a number of industry-leading brands, which are principally focused on those aspects of offshore oil and gas development and operations which link infrastructure on the seabed with facilities on the surface, but also has significant (and increasing) involvement in renewable energy, aquaculture and marine construction such as bridges and port installations.

Business model

Aquatic Engineering & Construction Limited supplies a range of power reel systems which are developed by clients for flexible pipe and umbilical lay. The Company also possess leading engineering skills in many of the areas in which it operates.

It employs approximately 60 people, most with technical skills, from its base in Aberdeen, UK. The company works both independently and in partnerships with other Acteon companies to serve industry clients.

Business review and results

2018 saw a continuation in the recovery of crude oil prices following a lengthy period of considerable weakness which started in the second half of 2014. While Brent Crude (spot) had averaged $109 per barrel across the first half of 2014, the average for 2015 was $52, followed by $44 for 2016 and $54 for 2017. 2018 saw materially stronger prices, averaging $71 for the year as a whole, with a range of monthly averages within the year of $57-$81.

As reported previously, this sustained period of materially lower crude oil prices resulted in significant changes in the investment plans and activity levels of oil and gas companies in order to conserve cash and support profit margins, with a consequent impact on the Company's activity levels. However in overall terms the level of expenditure by the global oil and gas industry increased in 2018 compared to 2017.

Despite of the improved oil prices and increased global activity, the Company's financial performance in 2018 continues to reflect the slow recovery within the oil and gas market and the time it takes for planned activities of oil exploration and production companies to commence. Turnover in the year was £6,322,000 *(2017: £7,781,000)* and the loss before taxation was £4,330,000 *(2017: £3,564,000)*.

The balance sheet reports net current liabilities of £2,668,000 *(2017: £741,000)*. The accounts have been prepared on a going concern basis due to the continued support received from its parent company as explained in note 1.

Key performance indicators

Key performance indicators pertinent to the Company are shown below. This demonstrates the underlying operational performance (gross margin and EBITDA) and the level of continued investment in the Company's underlying revenue generating resources (tangible fixed assets and average number of employees).

	2018	2017
	£000	£000
Gross Margin % of revenues	**(27.4%)**	0.6%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000)*	**(1,714)**	(1,586)
Net book value of tangible fixed assets (£000)	**11,396**	13,407
Average number of employees	**61**	76

* Prior to impairments of £750,000 (*2017: £nil*) and certain costs totalling £151,000 (*2017: £200,000*) of a non-operating nature.

Principal risks and uncertainties

The directors have taken steps to ensure that the day-to-day risks which face the Company such as health and safety and commercial risks, are managed comprehensively by insurance covers which should mitigate the impact of risks turning into reality, and by the preparation and review of comprehensive monthly management financial reporting packages which can alert the board where appropriate to developments in trading performance and cash management. Continual communication with its parent undertaking is also maintained throughout the year.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Any business operates against a background of risks and uncertainties. The directors believe that the principal risks facing the Company are:

- A further reduction in the current activity levels in the offshore oil and gas exploration and production industry worldwide as a result of various factors including, but not limited to, a fall in oil prices;
- Lead times and availability of raw materials and components which are required in order for the Company to provide its products and services could deteriorate from their current levels;
- It could become more difficult to recruit and retain the highly qualified and experienced staff required in order to operate; and
- The considerable health and safety risks which are inherent to the offshore oil and gas industry.

Future developments

Since the end of 2018 the Brent crude oil price has shown a generally improving trend. Though there is an element of price volatility, partly driven by international trade issues and political uncertainty, the price level is generally more steady than it was in 2017 and earlier and this has created a macro environment in which oil exploration and production companies can plan their activities for both operational expenditure and their investment programmes. As a result of this, the directors believe that the Company will see a return to revenue and earnings growth during 2019.

The Company will continue to undertake measures to optimise its trading performance in these slightly improving markets, to protect its margins, profitability and cash flow, while seeking to retain and augment its capabilities and skills which will be necessary when higher activity levels arise.

By order of the board

Dr B Bruggaier
Director

Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

9 August 2019

Directors' report

The directors present their report for the year ended 31 December 2018

Financial instruments

The Company sells to most of its clients on customary credit terms and is, as a result, exposed to the usual credit risk and cash flow risk associated with this form of trading. It manages this risk through its credit control procedures. The existence of these trade credit facilities does not expose the Company to price risk or liquidity risk.

The Company does not currently deploy interest rate or currency hedging since these risks are dealt with by, and at the level of, its parent company.

Proposed dividend

The directors do not recommend the payment of a dividend *(2017: £nil)*.

Directors

The directors who served during the year and up to date of this report are as follows:

M Charles
Dr B Bruggaier

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Dr B Bruggaier
Director

Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

9 August 2019

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these 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;
- assess the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

KPMG

Independent auditor's report to the members of Aquatic Engineering & Construction Limited

Opinion

We have audited the financial statements of Aquatic Engineering & Construction Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of non-current assets, treatment of deferred taxes and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

KPMG

Independent auditor's report to the members of Aquatic Engineering & Construction Limited *(continued)*

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Paula Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

9 August 2019

Profit and Loss Account and Other Comprehensive Income

for year ended 31 December 2018

	Note	**2018** **£000**	2017 £000
Turnover	*2*	**6,322**	7,781
Cost of sales		**(8,060)**	(7,734)
Gross (loss)/profit		**(1,738)**	47
Exceptional expenses	*3*	**(750)**	(460)
Administrative expenses		**(1,695)**	(2,975)
Total administrative expenses		**(2,445)**	(3,435)
Operating loss	*3-5*	**(4,183)**	(3,388)
Interest receivable and similar income	*6*	**4**	-
Interest payable and similar expenses	*7*	**(151)**	(176)
Loss before taxation		**(4,330)**	(3,564)
Tax on loss	*8*	**755**	690
Loss for the financial year		**(3,575)**	(2,874)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(3,575)**	(2,874)

All results relate to continuing activities.

Balance sheet
at 31 December 2018

	Note	2018		2017	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*9*	183		183	
Tangible assets	*10*	11,396		13,407	
Investments	*11*	206		206	
			11,785		13,796
Current assets					
Stocks	*12*	35		65	
Debtors	*13*	3,477		2,640	
Cash at bank and in hand		2		2	
		3,514		2,707	
Creditors: amounts falling due within one year	*14*	(6,182)		(3,448)	
Net current liabilities			(2,668)		(741)
Total assets less current liabilities			9,117		13,055
Provisions for liabilities					
Deferred tax liability	*16*	(183)		(546)	
			(183)		(546)
Net assets			8,934		12,509
Capital and reserves					
Called up share capital	*17*		152		152
Share premium account			3		3
Capital redemption reserve			210		210
Profit and loss account			8,569		12,144
Shareholder's funds			8,934		12,509

These financial statements were approved by the board of directors on 9 Aug 2019 and were signed on its behalf by:

M. Charles

M Charles
Director

Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	152	3	210	15,018	15,383
Total comprehensive loss for the year					
Loss for the year	-	-	-	(2,874)	(2,874)
Balance at 31 December 2017	**152**	**3**	**210**	**12,144**	**12,509**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	152	3	210	12,144	12,509
Total comprehensive loss for the year					
Loss for the year	-	-	-	(3,575)	(3,575)
Balance at 31 December 2018	**152**	**3**	**210**	**8,569**	**8,934**

Notes

(forming part of the financial statements)

1 Accounting policies

Aquatic Engineering & Construction Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is SC123734 and the registered address is Union Plaza, Union Wynd, Aberdeen, AB10 1DQ.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework *("FRS101")*.

These financial statements are presented in Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest £1,000.

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), making amendments where necessary in order to comply with the Companies Act 2006. The Company has also taken advantage of the available FRS 101 disclosure exemptions in relation to the following:

- A Cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The Company's parent undertaking, Acteon Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Acteon Group Limited are prepared in accordance with Adopted IFRS and are available to the public and may be obtained from Companies House, Cardiff, CF14 3UZ.

The consolidated financial statements of Acteon Group Limited include the disclosures required by IAS 36 *Impairment of assets*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurements*, both relating to financial instruments. As a consequence, the Company has taken the exemption under FRS 101 not to include the equivalent disclosures in respect of financial instruments, apart from those which are relevant for financial instruments held at fair value and are not either held as part of a trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgments made by the director in the application of these accounting policies that have a significant effect on these financial statements, or in relation to estimates with a significant risk of material adjustment in the next year, are discussed in note 10 in relation to impairment of tangible assets. During the year, an impairment provision on assets of £750,000 *(2017: £nil)* was expensed to the profit and loss account in relation to one specific asset where recoverability was considered at risk.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £2,668,000 (*2017: £741,000*), which the directors believe to be appropriate. The Company is dependent on the use of funds guaranteed by other group companies for its working capital. The Company's parent, Acteon Group Limited, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Intangible fixed assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete the development, future economic benefits are probable, and the Company can measure reliably the expenditure attributable to the intangible asset during development. Development activities involve a plan or design for the production of a new or substantially improved product or process. The expenditure capitalised includes the cost of material, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. These costs are amortised over their estimated useful life of 15 years.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use specific software. These costs are amortised over their estimated useful life, which is typically 3-5 years.

1.4 Tangible fixed assets

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

When an element of a tangible fixed asset item has a different useful life, it is accounted for as a separate tangible fixed asset item.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed asset. The estimated useful lives are as follows:

Plant and equipment	3-15 years straight line
Fixtures and Fittings	5 years straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Depreciation is provided on assets in the course of construction from the date they are brought into use.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other debtors, contract assets, cash and borrowings, and trade and other creditors.

Investments

Investments in subsidiaries are carried at cost less impairment.

Notes *(continued)*

1 **Accounting policies** *(continued)*

1.5 ***Non-derivative financial instruments*** *(continued)*

Trade and other debtors

Following the adoption of IFRS 9, *Financial Instruments* (see below), trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any provision for expected credit losses.

The Company has applied the simplified approach to measuring the expected credit loss which uses a lifetime expected loss allowance. To measure the expected credit loss, trade debtors have been grouped together based on the number of days they are overdue.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method

1.6 ***Stocks***

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.7 ***Classification of financial instruments issued by the company***

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.8 ***Turnover***

Prior to the adoption in the current period of IFRS 15, *Revenue from Contracts with Customers*, the Company's turnover recognition policy was as detailed below and this policy has been applied for comparative periods to 31 December 2017. Details of the Company's revised policy applied from 1 January 2018, is disclosed within the "Impact of new standards adopted in the year" below.

Turnover comprises the value of services supplied by the Company in the normal course of business, net of trade discounts and sales taxes.

The Company recognises turnover in line with the fulfilment of its contractual obligations. In most cases relating to the supply of goods and services this represents the fulfilment of all obligations contained in its contracts, however in certain circumstances specific elements of the total income relating to a contract are recognised where completion of these elements entitles the Company to the income.

Rental and operating lease income ('rendering of services') is recognised on a straight-line basis over the period of the rental or lease contract. Turnover includes revenue on incidental disposals of ex-rental assets as and when they are sold.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Interest receivable and interest payable

Interest payable and similar expenses include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.11 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account on a net basis.

1.12 Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss.

1.13 Defined contribution

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Intra group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.15 Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

1.16 New accounting standards adopted in the year

The Company has adopted all new or amended Accounting Standards issued by the International Accounting Standards Board that are mandatory for the current reporting period. The most relevant of these are:

(i) IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 introduces an "expected loss" impairment model that requires the recognition of impairment provisions based on total expected losses ("ECL") rather than on incurred credit losses in accordance with the previous financial instrument standard IAS 39. Impairments are determined either using a twelve-month ECL method or, if the credit risk has increased significantly since initial recognition, a lifetime ECL method is used. For debtors, including trade debtors, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available; this applies to all financial assets including those classified at amortised cost, contract assets under IFRS 15 (see below), lease receivables, loan commitments and certain guarantee contracts. For the Company this principally applies to trade debtors where the simplified approach to measuring ECL has been adopted.

No significant impact on the reported financial performance and position for the Company has arisen on adoption of this standard, with impairments being consistent using either the ECL or incurred credit loss methods. As a result, the comparative figures as previously stated for the year-ended 31 December 2017 have not been restated.

(ii) IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

The Company adopted IFRS 15 from 1 January 2018 using the cumulative effect method on transition. The standard has therefore only been applied to the most recent period presented in the financial statements, with a cumulative effect adjustment (if any) reflected in the profit and loss account in the balance sheet; the comparative figures have not been restated and are presented in accordance with IAS 18, *Revenue* and IAS 11, *Construction contracts* and the Company's previous turnover recognition accounting policies as disclosed above.

The new standard provides a single comprehensive model for turnover recognition. The core principle is that an entity recognises turnover which reflects the transfer of control of goods and services promised to customers for a consideration to which the entity expects to be entitled in exchange for those goods or services. The new contract-based turnover recognition model incorporates a measurement approach that considers the allocation of the transaction price (contract price) with respect to the distinct performance obligations within the contract.

Turnover is recognised in line with the timing of the fulfilment of those distinct performance obligations, whether over time or at a point in time. Within the balance sheet, balances relating to contracts with customers are either disclosed as a contract liability, contract asset, or a receivable (trade debtor), depending on the relationship between the Company's performance of contract obligations and the corresponding customer payment. Costs to obtain and to fulfil a contract are, subject to certain criteria, capitalised as a contract cost and amortised over the contract period.

The impact on the financial performance and position of the Company from adopting this new standard in the year is detailed in note 23.

Change in accounting policies

The introduction of IFRS 9 has not had any significant impact on the accounting policies applied by the Company, except for how the impairment provision on trade debtors is assessed as detailed in the accounting policy above. The introduction of IFRS 15, however, has impacted the Company's accounting policies from the date of transition (1 January 2018) as detailed below.

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 New accounting standards adopted in the year (continued)

Turnover recognition

Turnover is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company:

- Identifies the contract with the customer.
- Identifies the separable performance obligations in the contract.
- Determines the overall transaction (contract) price, allowing for estimates of variable consideration and the time value of money.
- Allocates the transaction price across the separable performance obligations on the basis of the relative standalone selling prices of each distinct good or service to be delivered, applying any overall discounts across the entire contract (or on specific performance obligations if more appropriate).
- Recognise turnover when, or as, each performance obligation is satisfied in a manner that reflects the transfer of control of the goods or services promised to the customer.

The variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds and any other contingent events. Such estimates are determined using the expected value method and are only recognised when they are highly probable. If any uncertainty exists with respect to a potential refund of the variable consideration received, this consideration is recognised as deferred income until the uncertainly is resolved.

(i) Sale of goods

Turnover from performance obligations for the sale of non-customer specific goods is recognised at a point in time when the customer obtains control of those goods. This is typically at the point of delivery. If the sale is for goods which are specifically designed or manufactured for a customer and there is no readily available alternative use for those goods, and the Company has an enforceable right to payment for the performance completed to date, turnover is recognised over time in line with the contract's progression (assessed on a cost input method) up to the point of delivery.

(ii) Rendering of services

The Company recognises turnover for service performance obligations over time as those services are fulfilled. The turnover will be based either on a fixed price or on an hourly/day rate. When a fixed price is used the Company assesses the stage of fulfilment based on a cost input method. Where the rendering of services includes rental income which is not considered to be lease income, the rental income element is recognised on a straight-line basis over the contract period in accordance with quoted day rates. Where the contract for rental income meets the definition of a lease, turnover is also recognised on a straight-line basis over the contract period but is disclosed separately from turnover from contracts with customers.

(iii) Mobilisation and demobilisation services

Where contracts contain specific mobilisation and demobilisation services, the Company evaluates whether these are separate performance obligations within the contract. When deemed as separate performance obligations, turnover for these services is accounted for separately and recognised at a point in time. This is normally when each service is fully completed. In other cases, turnover is recognised over time as an integral part of the contract.

(iv) Contracts with a significant financing component

Contracts containing a significant financing component, where the customer pays more than twelve months in advance of receiving the goods or services, the time-value of money is incorporated into the transaction price and an implicit interest expense is subsequently recorded within interest payable at the rate embedded within the contract. This treatment recognises the effective borrowing period by the Company for any such advance receipts up to the point at which the performance obligation is fulfilled and turnover recognised.

Where contracts have a significant financing component but the financing period is less than twelve months, the Company has elected to use the practical expedient permitted by paragraph 63 of IFRS 15 and not adjust the transaction price for this financing element.

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 New accounting standards adopted in the year (continued)

Contract costs

Contract costs represent incremental costs of obtaining a contract and the costs incurred to fulfil it.

(i) Costs of obtaining a contract

Incremental costs of obtaining a contract with a customer are capitalised when it is expected that these costs will be recoverable. These costs are then amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that are incurred regardless of whether or not the contract is obtained, or costs which are not otherwise recoverable from the customer, are expensed immediately in the profit and loss account. Incremental costs of obtaining a contract where the contract term is less than one year are also immediately expensed to the profit and loss account.

(ii) Costs to fulfil customer contracts

Customer contract fulfilment costs are capitalised when all of the following are met:

- The costs relate directly to the contract.
- The costs generate or enhance resources that will be used to satisfy the contract's future performance obligations.
- The costs are expected to be recovered.

Capitalised customer contract fulfilment costs are charged to the profit and loss account in line with the fulfilment of the specific performance obligation to which they relate.

Contract assets

Contract assets are recognised when the Company has satisfied the performance obligations in a sales contract and have either not recognised a trade debtor to reflect its unconditional right to the consideration or, the consideration is not yet due. Contract assets are treated as financial assets for impairment purposes and therefore subject to impairment reviews on the same basis as trade and other debtors.

Contract liabilities

Contract liabilities are recognised when a customer pays consideration or when the Company recognises a trade debtor to reflect its unconditional right to consideration (whichever is earlier), prior to the Company transferring the goods to, or performing the services for, that customer. The liability represents the Company's responsibility to fulfil the contractual performance obligations for which it has already been paid.

Notes *(continued)*

2 Turnover

The following tables disaggregate the Company's turnover by its nature, geographical markets and timing of recognition.

	2018 £000	2017* £000
Nature of turnover		
Sale of goods	**12**	1,256
Rendering of services	**6,310**	6,525
	6,322	7,781
Geographical markets		
Europe	**3,599**	2,485
Africa	**635**	704
North America	**34**	440
South America	**-**	29
Asia and Asia Pacific	**1,380**	2,181
Middle East/Caspian	**674**	1,942
	6,322	7,781
Timing of turnover recognition		
Products and services recognised at a point in time	**609**	801
Products and services recognised over time	**5,713**	6,980
	6,322	7,781

Where the Company rents equipment to customers without the provision of other associated services, the equipment rental contract with the customer may meet the definition of a lease and be outside of the scope of IFRS 15 *Revenue from Contracts with Customers*. Such turnover (to the extent the lease definition is met) has not been presented separately from the Company's IFRS 15 turnover disclosures on the basis that a combined disclosure reflects a more consistent and relevant presentation of the Company's principal trading activities with its customers.

* The Company has initially applied IFRS 15 using the cumulative effect method. The comparative information has not been restated to incorporate turnover recognition changes (if any) as a result of this new standard.

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in operating loss are the following:

	2018 £000	2017 £000
Depreciation and other amounts written off tangible fixed assets – Owned	**1,555**	1,575
Amortisation of intangible assets	**13**	27
Hire of plant and machinery – operating leases	**54**	54
Hire of other assets – operating leases	**113**	113
Restructuring costs expensed as incurred – exceptional expenses	**-**	76
Trading dispute settlement – exceptional expenses	**-**	384
Impairment of tangible assets – exceptional expense	**750**	-
Auditor's remuneration:		
Audit of these financial statements	**11**	11

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Acteon Group Limited.

4 Staff numbers and costs

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

	Number of employees 2018	2017
Directors	**2**	2
Technical and administration	**59**	74
	61	76

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**2,700**	3,479
Social security costs	**344**	424
Contribution to defined contribution plans *(note 18)*	**138**	156
	3,182	4,059

Notes *(continued)*

5 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	**195**	176
Company contributions to money purchase pension plans	**9**	9
	204	185

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under Money purchase schemes	**1**	1

The directors also hold office in other group undertakings. Emoluments, paid to the directors for services to other group companies are disclosed within those financial statements.

6 Interest receivable and similar income

	2018 £000	2017 £000
Net foreign exchange gains	**4**	-
Total interest receivable and similar income	**4**	-

7 Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable on bank borrowings	**151**	64
Exchange losses	**-**	112
Total interest payable and similar expenses	**151**	176

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account

	2018		2017	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on expense for the year	**(387)**		(381)	
Adjustments in respect of prior years	**(32)**		19	
		(419)		(362)
Foreign tax				
Current tax on income for the year	**27**		5	
		27		5
Total current tax		**(392)**		(357)
Deferred tax (note 16)				
Origination and reversal of temporary differences	**(396)**		(295)	
Adjustments in respect of prior years	**33**		(38)	
Total deferred tax		**(363)**		(333)
Tax on loss		**(755)**		(690)

Reconciliation of effective tax rate

	2018	2017
	£000	£000
Loss for the year	**(3,575)**	(2,874)
Total tax credit	**(755)**	(690)
Loss excluding taxation	**(4,330)**	(3,564)
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	**(823)**	(686)
Non-deductible expenses	**45**	11
Adjustments in respect of prior years	**1**	(19)
Foreign taxation	**22**	4
Tax on loss	**(755)**	(690)

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax accordingly. The deferred tax liability at 31 December 2018 has been calculated based on these rates.

Notes *(continued)*

9 Intangible assets

	Development costs £000	Software £000	Total £000
Cost			
Balance at 1 January 2018	196	163	359
Additions	13	-	13
Balance at 31 December 2018	209	163	372
Amortisation and impairment			
Balance at 1 January 2018	13	163	176
Amortisation for the year	13	-	13
Balance at 31 December 2018	26	163	189
Net book value			
At 1 January 2018	183	-	183
At 31 December 2018	**183**	-	**183**

The amortisation charge of £13,000 *(2017: £27,000)* is recognised within administrative expenses in profit and loss account.

Notes *(continued)*

10 Tangible fixed assets

	Plant and equipment, fixtures & fittings £000	Assets under construction £000	Total £000
Cost			
Balance at 1 January 2018	25,443	84	25,527
Additions	116	179	295
Disposals	(4)	-	(4)
Transfer	227	(227)	-
Balance at 31 December 2018	25,782	36	25,818
Depreciation and impairment			
Balance at 1 January 2018	12,120	-	12,120
Depreciation charge for the year	1,555	-	1,555
Disposals	(3)	-	(3)
Impairment losses	750	-	750
Balance at 31 December 2018	14,422	-	14,422
Net book value			
At 1 January 2018	13,323	84	13,407
At 31 December 2018	**11,360**	**36**	**11,396**

During the year, an impairment of £750,000 was recognised against a specific asset as a result of a period of weakness in the Oil and Gas sector. The recoverable amount of the asset, calculated as its value in use, is £2,021,000. A discount rate of 12% was used in this assessment.

11 Fixed asset investments

	Shares in group undertakings £000
Cost and net book value	
At beginning and end of year	206

The Company has the following investments in subsidiaries:

	Class of Shares held	Registered Address	Ownership 2018	Ownership 2017
Aquatic Asia Pacific Pte Ltd	Ordinary share capital	4 Robinson Road, #05-01 The House of Eden, Singapore, 048543	**100%**	100%

Notes *(continued)*

12 Stocks

	2018 £000	2017 £000
Raw materials and consumables	**35**	65
	35	65

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £30,000 *(2017: £18,000)*.

13 Debtors

	2018 £000	2017 £000
Trade debtors	**504**	1,302
Contract assets (*note 15*)	**825**	-
Amounts owed by group undertakings	**1,765**	651
Other debtors	**155**	10
Prepayments and accrued income	**210**	667
Corporation tax	**18**	10
	3,477	2,640

The amounts owed by group undertakings are non-interest bearing and payable on demand.

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank overdraft	**4,065**	1,959
Trade creditors	**310**	196
Contract liabilities (*note 15*)	**152**	-
Amounts owed to group undertakings	**113**	117
Taxation and social security	**96**	162
Other creditors	**88**	279
Accruals and deferred income	**1,358**	735
	6,182	3,448

The amounts owed to group undertakings are non-interest bearing and repayable on demand.

Notes *(continued)*

15 Contract balances and unsatisfied performance obligations

(a) Contract balances

	2018 £000	1 January 2018* £000
Receivables (Trade debtors) which are included in Debtors (*note 13*)	**504**	1,302
Contract assets	**825**	460
Contract liabilities	**(152)**	-

* The Company has chosen to recognise the cumulative effect of adopting IFRS 15 as an adjustment to the opening balance at 1 January 2018 rather than restating prior-year reported results.

In some contracts the Company receives payments from customers based on explicit billing schedules. Contract assets primarily relate to the Company's conditional right to consideration for completed performance obligations under those contracts. These are transferred to receivables (trade debtors) once this right has become unconditional (typically on invoicing). Contract liabilities relate to payments received in advance of performing the obligations under a contract and exist where significant costs are expected to be incurred prior to the fulfilment of a performance obligation where turnover is to be recognised at a later point in time.

The changes in contract assets and contract liabilities during the year were as follows:

Contract assets

	2018 £000
Balance at 1 January 2018	**460**
Brought forward balance transferred to trade debtors	**(460)**
Conditional right to consideration at the year-end (accrued income)	**825**
Balance at 31 December 2018	**825**

Contract liabilities

	2018 £000
Balance at 1 January 2018	-
Payments received/invoices raised in advance of recognising turnover at the year-end	**152**
Balance at 31 December 2018	**152**

(b) Unsatisfied performance obligations

The aggregate amount of the transaction price (contracted turnover value) allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2018 totals £591,000. The Company expects these to be satisfied in 2019.

Notes *(continued)*

16 Deferred tax assets and liabilities

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Tangible fixed assets		-	197	561
Losses carried forward	**(10)**	(11)	-	-
Other	**(4)**	(4)	-	-
Tax (assets)/liabilities	**(14)**	(15)	197	561
Net deferred tax liabilities			183	546

Movement in deferred tax during the year

	1 January 2018 £000	**Recognised in income £000**	**31 December 2018 £000**
Tangible fixed assets	**561**	**(364)**	**197**
Losses carried forward	**(11)**	**1**	**(10)**
Other	**(4)**	**-**	**(4)**
	546	**(363)**	**(183)**

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets	883	(322)	561
Losses carried forward	-	(11)	(11)
Other	(4)	-	(4)
	879	(333)	546

17 Capital and reserves

Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
106,500 *(2017: 106,500)* Ordinary shares of £1 each	**107**	107
45,000 *(2017: 45,000)* "A" Ordinary shares of £1 each	**45**	45
	152	152

Notes *(continued)*

17 Capital and reserves *(continued)*

The specific rights attaching to the 'A' ordinary shares are as follows:

The 'A' ordinary shares are entitled to a participating dividend based on adjusted profit on ordinary activities before taxation and amounts payable to ordinary shareholders.

The 'A' ordinary shares may be converted to a like number of ordinary shares at any time.

The holders of these shares are entitled to attend and vote at general meetings and are entitled to the same voting rights as the ordinary shareholders.

The 'A' ordinary shareholders would rank before the ordinary shareholders on a winding up of the Company. In such circumstances they are entitled to the subscription price paid for the shares plus all dividend arrears. Any capital surplus remaining after distribution to ordinary shareholders is payable to both 'A' ordinary and ordinary classes of shares as if all shares were of the same class.

Share premium

Share premium represents the excess of the proceeds received from the issue of shares over the nominal value of those shares.

Capital and redemption reserve

The capital redemption reserve arose on the repurchase of own shares by the Company.

Profit and loss account

Profit and loss account comprises cumulative undistributed earnings of the Company.

18 Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £138,000 *(2017: £156,000)*.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and building		**Other**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Less than one year	**104**	104	**12**	36
Between one and five years	**379**	371	**3**	12
More than five years	**-**	112	**-**	-
	483	587	**15**	48

The Company leases warehouse and office facilities under operating leases. Land and buildings have been considered separately for lease classification.

During the year £167,000 *(2017: £167,000)* was recognised as an expense in the profit and loss account in respect of operating leases.

20 Contingencies

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

Notes *(continued)*

21 Related parties

During the year, the Company traded with certain related parties in the ordinary course of business as follows:

Related party	Relationship	Transactions	2018 £000	2017 £000
TecAfrica Offshore Limited	Common control	Sales	93	-

The amounts owed to related parties at the balance sheet date were as follows:

Related party	Relationship	Balances	2018 £000	2017 £000
UTEC NCS Survey Limited	Common control	Debtor	-	6
Seatronics Limited	Common control	Debtor	-	2
TecAfrica Offshore Limited	Common control	Debtor	86	-

22 Parent and ultimate controlling party

The Company is a subsidiary undertaking of Acteon Group Limited, a company incorporated in the United Kingdom with its registered office at Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW.

The largest and smallest group in which the results of the Company are consolidated is that headed by Acteon Group Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Cardiff, CF14 3UZ.

The Company's ultimate parent undertaking is KKR Matterhorn Holdco Limited, a company incorporated in Jersey, and the ultimate controlling party is KKR & Co Inc, a company listed on the New York Stock Exchange.

The registered office address of KKR Matterhorn Holdco Limited is 47 Esplanade, St Helier, Jersey, JE1 0BD.

KKR & Co Inc's registered office address is Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA.

23 Impact on the financial statements arising from the adoption of IFRS 15

As stated in note 1 the Company adopted IFRS 15 from 1 January 2018 using the cumulative effect method on transition. The standard has therefore been applied to the most recent period only presented in the financial statements with a cumulative effect adjustment (if any) reflected in the profit and loss account reserve on the balance sheet. The impact the adoption of this standard has had on the Company's financial statements for the year-ended 31 December 2018 can be summarised as follows.

(i) Profit and loss account

The adoption of IFRS 15 has had no effect on the turnover (or costs) recognised by the Company when compared to prior standards. There has therefore been no impact on the reported results within the profit and loss account during the current year.

(ii) Balance sheet

The current year balance sheet has only been affected by the categorisation within debtors and creditors due within one year. Contract assets and contract liabilities have now been disclosed separately whereas under prior standards they would have been included within the prepayments and accrued income and accruals and deferred income figures respectively.