Company Registration No. SC195474 (Scotland)

DOF SUBSEA UK LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

DOF SUBSEA UK LIMITED

COMPANY INFORMATION

Directors	M S Aase	
	J I Nore	
	J K Haukeland	
	G Corbetta	(Resigned 10 June 2015)
	R Gillespie	(Appointed 4 April 2016)
Secretary	B Asher	
Company number	SC195474	
Registered office	Horizons House 81 - 83 Waterloo Quay Aberdeen UK AB11 5DE	
Independent Auditors	PricewaterhouseCoopers LLP 32 Albyn Place Aberdeen AB10 1YL	

DOF SUBSEA UK LIMITED

CONTENTS

The directors present the strategic report and audited financial statements for the year ended 31 December 2015.

Review of the business

DOF Subsea UK Limited is a Company registered and domiciled in the UK. The Company is wholly owned by DOF Subsea AS with its head office located at Thormohlensgate 53C 5006 Bergen, Norway.

DOF Subsea UK Limited provides Subsea services and Subsea construction and engineering services from state of the art vessels with latest available technology and highly competent and experienced project and marine manning. The Company's vision is to be the preferred vendor for construction support, FPSO and Inspection, maintenance and repair services within the offshore Subsea market in the UK North Sea, Baltic Sea, Mediterranean and West Africa geographical areas.

Our business depends on the level of clients' activity in the oil and gas industry and consequently, any significant change in the level of timing of our clients' expenditure and capital investment plans could adversely impact our intake. Such plans could be impacted by demand for and supply of oil and gas, and the price of oil.

Like all companies operating in our industry, the Company experienced a downturn in activity from the second half of 2014, and has continued to experience this downturn all through 2015. However, the Company is in a strong financial position, at the year end and is of the opinion that it will weather the downturn, and will be prepared for the market turnaround.
In order to be better positioned, the Company is looking to increase its Diving capabilities, and is also working closely with its client to understand their future plans, while also seeking to diversify selectively into new geographical markets within the oil and gas sector.

Principal risks and uncertainties

The directors have considered the principal risks to be those associated with the global oil and gas market where changes in oil prices could impact upon the level of activity and demand for the Company's services.

It is still difficult to predict when the activity levels will recover. We expect 2016 will be a tough year for the offshore industry. The Company has a strong focus on tendering, market intelligence and increasing the backlog. We find that there is increased competition, there are less new projects due to limited investment and the clients are focused on price. With these challenges, we continue to try and drive our efficiency up and our cost down. Several initiatives to prepare the Company for a longer period with low activity level has been implemented and we continue to evaluate the organisation based on the latest activity updates.

Expansion into new geographical markets, new service offerings and expanding the customer base is expected to spread this risk.

Financial risk

The Company's activities entail various kinds of financial risks, including cash flow and liquidity risk, foreign exchange risk, credit risk, price risk, and revenue recognition risk. The Company's governing risk management strategy focuses on the predictability of the capital markets and seeks to minimise the potential negative effects on Company results and also on the Group's financial results.
The Company's risk management is exercised in line with guidelines approved by the Group's Board of Directors. Accordingly, financial risk is identified, evaluated and hedged if appropriate. The Group's Board of Directors issues written principles for governing risk management and sets out written guidelines for specific areas such as the foreign exchange risk, interest risk, credit risk, use of financial derivatives and other financial instruments, as well as investment of surplus liquidity. More information on specific areas is detailed below

Cash flow and liquidity risk
The Company's working capital position is affected by the timing of the contract cash flows where the timing of the receipts from clients (typically based on completion of milestones) may not necessarily match the timing of payments the Company makes to its suppliers.

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Company uses a mixture of intra-group funding and short term bank finance. With the financial support of the group, the directors have reasonable expectation that the Company have adequate financial resource to continue in operation for the foreseeable future and therefore have prepared the financial statements on the going concern basis.

The Company's cash position and access to liquidity are monitored closely by the Executive Management Team.

Foreign exchange risk
The Company operates in various geographical locations and is exposed to foreign exchange risk arising from various currency transactions, mainly with respect to USD, NOK and EUR. Foreign exchange risk arises when future commercial transactions and contractual obligations are dominated in a foreign currency.

The Company mitigates this risk by hedging foreign exchange transactions internally within the group, which is executed on a net basis. Subsequently, foreign exchange contracts with third parties are generated at Group level.

Currency changes in receivables, liabilities and currency swaps are recognised as financial income/expense in the statement of comprehensive income. Fluctuations in foreign exchange rates will therefore have an effect on the statement of comprehensive income and the statement of financial position.

Credit risk
The Company's principal financial assets are bank balances and cash, trade receivables and amounts owed by group undertakings. The Company's credit risk is primarily attributable to its trade receivables. The Company has no significant concentration of credit risk, with exposure spread over a number of customers and counterparties. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Price risk
The Company wins most of its work through a competitive tendering process with a reasonable portion of the operations delivered under fixed contracts. A failure to estimate and understand all risks, costs and contractual terms resulting from the contracts could have an adverse impact on the Company's profitability.

All tenders in the Company are subject to the Group's estimating and tendering processes and authority levels. Cost estimates are prepared on the basis of a detailed standard costing analysis and the selling price and contract terms are based on our commercial standards and market conditions.

Revenue recognition risk
Individual period performance may be affected by the timing of contract completion, at which point the final outcome of a project may be fully determined. Until then, the Company in common with other companies in the sector uses the percentage of completion method of accounting for revenue and margin recognition. This method relies on the Company's ability to estimate future costs in an accurate manner over the remaining life of a project. As projects may take more than one financial reporting period to execute, this process requires a significant degree of judgement, with changes to estimates or unexpected costs or recoveries potentially resulting in significant fluctuations in revenue and profitability.

Project Performance is monitored by means of Project Manager's Report (PMR) which record the costs to date and estimates of costs to completion and the probable profitability outcome of each project. These PMRs are subject to rigorous review and challenge at the executive management level.

Market and operations in 2015
During 2015, DOF Subsea UK Limited operated the following ROV Construction / Survey vessels within its geographical market area; MV Skandi Skansen, MV Skandi Admiral, MV Skandi Iceman, and MV Normand reach. In addition the Company also supplied ROV Services on internal vessels. The customer base remains largely of Subsea construction companies and international operators such as Shell, Saipem, BG, SubC partner, and BW Catcher.

It was a challenging first quarter, during which some of the worst of the market predictions made at the end of 2014 about oil price and activity levels were realised. Due to oversupply, the price of oil remained at an unprecedented low, and our clients' activity was significantly reduced.

Delays and cancellations in construction work and reduction in vessel requirements were the norm in 2015, which severely affected our performance for the year. There was also a near total stop on FPSO projects in the North Sea but there are a handful of FPSO projects coming out for tender in West Africa, which the Company is actively tendering.

In response to the change in the marketplace, we have been compelled to realign our strategy, and commit to streamlining the Company to be more competitive and meet demand for lower operating costs. Our task has been to lower cost across the whole region while ensuring teams are still well placed to service client commitments and maintain the high standard of project delivery the Company is known for, and that we retain the capacity to make the most of future opportunities in the pipeline.

The following performance indicators are used to monitor the progress:

Year	2015	2014
• Turnover	£32,973,343	£130,537,095
• Operating (loss)/Profit	(22.3%)	6.4%
• Current Ratio	2.5	1.8

Although turnover decreased year on year, there was an increase in the gross profit margin. The Company, along with all other companies in our operating sector, experienced a downturn in business, and this has contributed to the reduction in operating margins year on year.

The current ratio has increased year on year indicating that the Company is in a relatively stronger liquidity position

Future Developments
The management believe that we have entered a new phase in the history of our industry, where IMR (Installation, Maintenance and Repair) frame agreements are less lucrative, and due to reduction in exploration and SURF (Subsea, Umbilicals, Risers and Flowlines) projects there is less need for Survey.

The decommissioning market in the UK and Norwegian North Sea is strictly regulated, so we do expect to see some projects in the coming years. We remain strongly committed to delivering on our existing commitments, and maintain a high quality level of service to our clients. We are actively pursuing new work in our specialist areas and our tendering activity remains high so as to secure as much back-log as possible for the short and medium term.

As mentioned above, the market in the region we operate is suffering a downturn, and management does not foresee any growth in 2016. Management is currently focused on keeping all costs under control, and is actively pursuing all revenue opportunities wherever they arise. The Company is also continuously evaluating the organisation structure and manning based on the latest updates of the market forecasts, and will ensure that it is in a position to take advantage of any upturn in the market.

Administration and employees
Operations on the vessels are now administered from offices in Horizons House 81-83 Waterloo Quay, Aberdeen AB11 5DE, following a move out of the Exchange No 1 – Aberdeen. AB11 5PJ in December 2015

The average employees in 2015 were 171 (2014 - 212).

R D Gillespie

R Gillespie
Managing Director

9th May 2016

DOF SUBSEA UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual audited report and financial statements for the year ended 31 December 2015.

Results and dividends

The results for the year are set out on page 9.

An interim ordinary dividend was paid amounting to £4,104,922. The directors do not recommend payment of a final dividend.

Future Developments and principle risks and uncertainties

This information has been included within the strategic report.

Directors

The directors, who served throughout the year and up to the date of signing the financial statements (except as noted) were as follows:

M S Aase	
J I Nore	
J K Haukeland	
G Corbetta	(Resigned 10 June 2015)
R Gillespie	(Appointed 4 April 2016)

Change in leadership

G Corbetta resigned from the role of Managing Director of DOF Subsea UK Limited on the 10th June 2015 to seek other business opportunities. Following this, R Gillespie has been appointed Managing Director for DOF Subsea UK Limited where he is responsible to direct and lead operations and provide strategic guidance and direction to ensure that the Company's mission and objectives are met. R Gillespie joined the Company in February 2016.

Independent Auditors

In accordance with the Company's articles, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditors of the Company will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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.

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.

Disclosure of information to auditors

Each director in office at the date of approval of this annual report confirms that:

- As far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Health, Environment, Safety and Quality

The Company has established a HSEQ-system that is founded on corporate policies. The Company is certified according to ISO 9001:2000 and ISO 14001:2004, and has implemented international HSEQ- standards into the operational conduct. In 2016 the Company will be certified against the revised ISO 9001:2015 and ISO 1001:2015.

Health, Environment and Safety have the highest priority. If any conflict arises between HSE and commercial interests – HSE is given priority. The Company focuses to reduce any negative environmental effect from the Company's operations, and annual environmental targets are set and measured.

In order to focus on Risk Management and developing a good safety culture, Safe the RITE way is still developing. Safe the RITE way is now very well implemented and the awareness around our values, critical safety barriers and Life Saving rules is constantly on the agenda. This focus will continue in 2016.

On behalf of the board

R Gillespie

R Gillespie
Managing Director

9th May 2016

Independent auditors' report to the members of DOF Subsea UK Limited

Report on the financial statements

Our opinion

In our opinion, DOF Subsea UK Limited 's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Comprehensive Income for the year then ended;
- the Balance Sheet as at 31 December 2015;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of DOF Subsea UK Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard J Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
9 May 2016

DOF SUBSEA UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover	3	32,973,343	130,537,095
Cost of sales		(28,608,910)	(119,223,870)
Gross profit		4,364,433	11,313,225
Administrative expenses		(11,730,082)	(10,484,079)
Operating (loss)/profit	4	(7,365,649)	829,146
Interest receivable and similar income	7	166,686	168,346
Interest payable and similar charges	8	(41,729)	(43,870)
(Loss)/profit before taxation		(7,240,692)	953,622
Tax on (loss)/profit on ordinary activities	9	(119,696)	(729,892)
(Loss)/profit for the financial year/Total comprehensive (expense)/income for the financial year		(7,360,388)	223,730

DOF SUBSEA UK LIMITED

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible fixed assets	11	2,364,035	2,148,967
Current assets			
Stocks	12	-	170,408
Deferred tax asset	16	-	158,163
Debtors	14	6,878,160	39,356,817
Cash at bank and in hand		18,014,036	18,362,254
		24,892,196	58,047,642
Creditors: amounts falling due within one year			
Creditors	15	9,841,343	30,260,434
Taxation and social security		115,267	1,159,790
		9,956,610	31,420,224
Net current assets		14,935,586	26,627,418
Total assets less current liabilities		17,299,621	28,776,385
Provisions for liabilities			
Deferred taxation	16	13,746	-
Net assets		17,285,875	28,776,385
Capital and reserves			
Called up share capital	18	1,140,254	1,140,254
Share premium account	19	6,952,433	6,952,433
Profit and loss account		9,193,188	20,683,698
Total equity		17,285,875	28,776,385

The financial statements on pages 9 to 28 were approved by the Board of directors and authorised for issue on 9th May 2016

Signed on its behalf by:

R D Gillespie

R Gillespie
Managing Director

Company Registration No. SC195474

DOF SUBSEA UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
Balance at 1 January 2014	1,140,254	6,952,433	20,459,968	28,552,655
Total comprehensive income for the financial year	-	-	223,730	223,730
Balance at 31 December 2014	1,140,254	6,952,433	20,683,698	28,776,385
Total comprehensive expense for the financial year	-	-	(7,360,388)	(7,360,388)
Dividends (Note 10)	-	-	(4,104,922)	(4,104,922)
Group contribution	-	-	(25,200)	(25,200)
Balance at 31 December 2015	1,140,254	6,952,433	9,193,188	17,285,875

1 **Accounting policies**

1.1 **Accounting convention**

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council.

The financial statements have therefore been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial reporting Standards (IFRS 1), whilst ensuring that its assets and liabilities are measured in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The financial statements have been prepared on the historical cost basis. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Disclosure Exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of DOF Subsea ASA in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the group accounts of DOF Subsea AS. The group accounts of DOF Subsea AS are available to the public and can be obtained from Alfabygget, 5392 Storebo, Norway.

1 Accounting policies (continued)

1.2 Going concern

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

1.3 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and value added tax. Turnover from services is recognised as the services are rendered, including where they are based on contractual rates per man days. Revenue on lump-sum contracts for services is recognised according to the stage of completion reached in the contract by reference to work done.

1.4 Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and any recognised impairment losses

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, on a straight line basis

Fixtures, fittings & equipment	3 years
Plant and machinery	3-15 years
Motor vehicles	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1 Accounting policies (continued)

1.5 Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.7 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the Company from the adoption of IFRS 13.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (continued)

1.10 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1 Accounting policies (continued)

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.13 Employee benefits

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Critical accounting estimates and judgements

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

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

2 Critical accounting estimates and judgements (continued)

Project turnover and costs
For lump sum projects, contract revenue and expenses are recognized in accordance with the stage of completion of a contract as set out in IAS 11. The stage of completion method is calculated by dividing contract costs incurred to date by the total estimated contract costs. Revenue earned to date can then be calculated by allocating the percentage of completion based on cost to total contract revenue.
Contract revenue comprises the set amount of revenue agreed by the client in the contract plus variation orders where applicable. Variation orders will only be included in the contract revenue to the extent they will likely result in revenue, they are capable of being reliably measured and they have been reviewed and approved by the client.

Cost forecasts are reviewed on a continuous basis and the project accounts are updated in a monthly project manager's report (PMR).

Where the outcome of a project cannot be reliably measured, revenue will be recognized only to the extent that costs are recoverable. Where it is probable that contract costs will not be recovered, it is only costs incurred that are recognized in the statement of comprehensive income.

In the event that it is probable total contract costs will exceed contract revenue, the anticipated loss is immediately recognized as an operating expense in the statement of comprehensive income. Expected losses are determined by reference to the latest estimate of project results at completion

Provisions
A provision is recognized when there is a legal or constructive obligation arising from past events, or in cases of doubt as to the existence of an obligation, when it is more likely than not that a legal or constructive obligation has arisen from a past event and the amount can be estimated reliably.

The amount recognized as provision is the best estimate of the expenditure required to settle the present, and which will have to be paid to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

3 Turnover

Geographical market

	2015	2014
	£	£
United Kingdom	25,308,667	89,939,170
Africa	559,121	23,815,101
Rest of European Economic Area	7,068,660	16,649,683
Asia and South Pacific	-	120,060
South America	-	13,081
North America	36,895	-
	32,973,343	130,537,095

The amount of contract revenue arising on construction contracts recognised as turnover in the year was £98,660, (2014 - £0).

The directors believe that there is only one class of business, which is the provision of marine vessels ROV services, survey and positioning services and project management in the oil and gas markets.

4 Operating (loss) /profit for the year	2015 £	2014 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Depreciation of tangible assets	554,298	716,434
Cost of stocks recognised as an expense	1,558,394	3,938,909
Stocks written down	170,408	-
Foreign Exchange gain	(670,027)	(1,470,650)
Staff costs	19,094,699	15,903,029

Stocks recognised as an expense in 2015 is £ 1,558,394 (2014: £ 3,938,909). This amount relates to the bunkers and lube consumed during the normal offshore operations of vessels in the financial year.

5 Auditors' remuneration

The analysis of auditors remuneration is as follows:

	2015 £	2014 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	19,200	34,580

6 Employees

The average monthly number of employees (including non-executive directors) are shown below:

	2015 Number	2014 Number
Sales and business support	36	80
Administration	4	5
Operations	131	137
	171	222

Their aggregate remuneration comprised:

Employment costs	2015 £	2014 £
Wages and salaries	12,791,910	24,296,056
Social security costs	1,246,550	1,350,096
Other pension costs	632,982	488,382
	14,671,442	26,134,534

Redundancy payments in the year amount to £124,534 (2014 - £-).

		2015	2014
7	**Interest receivable and similar income**	**£**	**£**
	Interest income		
	Interest on bank deposits	66,022	62,627
	On loans to group undertakings	100,664	105,719
	Total interest receivable	166,686	168,346

		2015	2014
8	**Interest payable and similar charges**	**£**	**£**
	Interest on bank overdrafts and loans	10,023	43,870
	On amounts payable to group undertakings	31,706	-
	Total interest payable	41,729	43,870

9 Tax on (loss)/profit on ordinary activities

	2015	2014
	£	£
Corporation tax		
Other foreign taxes	(239,087)	179,519
Adjustment in respect of prior periods	177,552	327,842
Other tax reliefs	-	565,313
	(61,534)	1,072,674
Deferred tax		
Origination and reversal of temporary differences	165,414	(317,061)
Changes in tax rates	15,816	22,027
Adjustment in respect of prior periods	-	(47,748)
	181,230	(342,782)
Total tax charge	119,696	729,892

The charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows:

	2015	2014
	£	£
(Loss)/profit before taxation on continued operations	(7,240,692)	953,622
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.25% (2014 – 21.49%)	(1,465,992)	204,933
Taxation impact of factors affecting tax charge:		
Expenses not deductible in determining taxable profit	737,774	8,240
Other permanent differences	48,407	-
Foreign tax adjustments	(239,087)	179,519
Adjustment in respect of prior periods	177,552	327,842
Adjustment in respect of prior years- deferred taxes	-	(47,748)
Deferred tax not recognised	761,761	-
Changes in tax rates	15,816	22,027
Other tax adjustments	83,465	35,079
	1,585,688	524,959
Total tax charge	119,696	729,892

10 Dividends

The proposed final dividend in the year ended 31 December 2015 is: £4,104,922 (2014: nil)

	2015 per share	2014 per share	2015 £	2014 £
Amounts recognised as distributions to equity holders:				
Called up and fully paid				
Interim dividend paid	3.60	-	4,104,922	-

11 **Tangible fixed assets**

	Fixtures, fittings & equipment	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2015	109,259	3,155,538	11,360	3,276,157
Additions	54,809	714,557	-	769,366
At 31 December 2015	164,068	3,870,098	11,360	4,045,523
Accumulated depreciation				
At 1 January 2015	49,727	1,066,103	11,360	1,127,190
Charge for the year	59,532	494,766	-	554,298
At 31 December 2015	109,259	1,560,869	11,360	1,681,488
Carrying amount				
At 31 December 2015	45,221	2,318,814	-	2,364,035
At 31 December 2014	59,532	2,089,435	-	2,148,967

12 Stocks

	2015 £	2014 £
Finished goods and goods for re-sale	-	170,408

13 Construction contracts

	2015 £	2014 £
Contracts in progress at the reporting end date		
Amounts due to contract customers included in trade and other payables	(269,451)	-
Contract costs incurred	103,876	-
Add: recognised profits	-	-
Less: recognised losses to date	(741,638)	-
Contract cost incurred plus recognised profits less recognised losses to date	(637,762)	-
Progress billings	368,311	-
Contracts in progress at the reporting end date	(269,451)	-

14 Debtors

	2015 £	2014 £
Trade debtors	608,187	23,583,787
Provision for bad and doubtful debts	(384,912)	-
	223,275	23,583,787
Other debtors	2,799,554	830,374
Corporation tax recoverable	-	30,966
Amounts due from fellow group undertakings	3,616,481	14,800,908
Prepayments and accrued income	238,850	110,781
	6,878,160	39,356,817

All trade debtors disclosed above fall due within one year and are classified as receivables and are therefore measured at amortised cost. Amounts due from fellow group undertakings are interest free and repayable on demand.

15 Creditors

	Due within one year	
	2015	2014
	£	£
Trade Creditors	148,061	1,032,864
Amounts due to contract customers	269,451	-
Amounts due to fellow group undertakings	952,515	9,115,997
Accruals	8,471,316	20,111,573
	9,841,343	30,260,434

The total creditors balance is due within one year, with the exception of £46,667 provision for dilapidations payable on the warehouse.

All trade creditors disclosed above fall due within one year and are classified as payables therefore measured at amortised cost.

Amounts due from fellow group undertakings are interest free and repayable on demand.

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs	Short Term Temporary Differences	Tax Losses	Total
	£	£	£	£
Deferred tax liability/(asset) at 1 January 2014	186,030	(1,411)	-	184,619
Credited to profit and loss account during year	(118,981)	(223,801)	-	(342,782)
Deferred tax liability/(asset) at 1 January 2015	67,049	(225,212)	-	(158,163)
(Credited)/Charged to profit and loss account during year	(53,303)	234,533	-	181,230
Deferred tax liability at 31 December 2015	13,746	-	-	13,746
Deferred tax asset not recognised at 31 December 2015	-	(413,565)	(348,196)	(761,761)
Deferred tax asset not recognised at 31 December 2014	-	-	-	-

16 Deferred taxation (continued)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015 £	2014 £
Deferred tax liabilities/(assets)	13,746	(158,163)

17 Defined contribution schemes

The total costs charged to income in respect of defined contribution plans is £632,982 (2014 - £488,382).

18 Called up share capital

	2015 £	2014 £
Ordinary share capital		
Authorised		
1,140,254 Called up and fully paid of £1 each	1,140,254	1,140,254
Issued and fully paid		
1,140,254 (2014: 1,140,254) Called up and fully paid of £1 each	1,140,254	1,140,254

19 Share premium account

	£
At 1 January 2014 & at 1 January 2015	6,952,433
At 31 December 2014 & at 31 December 2015	6,952,433

20 Operating leases commitments

Lessee

Operating lease payments represent rentals payable by the Company for office premises and warehouse. The leases terms are between 5 and 15 years with an option to renew the lease at the end of the lease term.

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2015	2014
	£	£
Minimum lease payments under operating leases	(633,457)	(482,822)

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015	2014
	£	£
Within one year	1,290,384	175,800
Between two and five years	5,124,036	-
In over five years	11,403,840	-
	17,818,260	175,800

21 Ultimate parent undertaking

The Company's immediate parent undertaking is DOF Subsea AS.

The ultimate parent undertaking and controlling party is DOF ASA, a company incorporated in Norway. DOF ASA is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2015. The consolidated financial statements of DOF ASA are available from the Company's website at www.dof.no.

DOF Subsea AS is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of DOF Subsea AS can be obtained from Alfabygget, 5392 Storebø, Norway.

22 Directors' remuneration

	2015	2014
	£	£
Remuneration for qualifying services	147,951	251,500
Company pension contributions to defined contribution schemes	19,537	24,500
Compensation for loss of office	68,875	-
	236,363	276,000

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2014 - 1).

23 Comparative amounts

Certain comparatives have been reclassified to conform to current year's presentation.