

Aquatic Engineering & Construction Limited

Annual report and financial statements

Registered number SC123734

31 December 2016

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Strategic report

The directors present their Strategic report for the year ended 31 December 2016.

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 industrial-leading brands, which are principally focused on those aspects of offshore oil and gas development and operations which link wells on the seabed with facilities on the surface.

Business model

Aquatic Engineering & Construction Limited supplies a range of power reel systems which are deployed 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 80 people, most with technical skills, from its base in Aberdeen, UK. The Company works both independently and in partnership with other Acteon companies to serve industry clients.

Business review and results

2016 saw a modest recovery in the price of crude oil, following a period of weakness which started in the second half of 2014. While Brent Crude (spot) had averaged \$109 per barrel across the first half of 2014, by the end of 2014 it had declined to approximately \$48. 2015 saw a modest recovery in prices, peaking at around \$65 in June, but the later months of the year saw a further decline and the price ended 2015 at \$36. During 2016 prices were predominantly in the \$45 to \$50 range, and ended the year at \$53.

This sustained period of materially lower crude oil prices has led to significant changes in the investment plans and activity levels of oil and gas companies in order to conserve cash and support profit margins.

The Company's financial performance in 2016 fully reflects this change in market conditions. Turnover in the year was £11,046,000 (2015: £13,569,000) and the loss before taxation was £1,551,000 (2015: profit £1,729,000).

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).

	2016	2015
Gross Margin % of revenues	17.2%	25.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000)*	20	2,132
Net book value of tangible fixed assets (£000)	15,262	16,739
Average number of employees	82	102

* Prior to certain costs totalling £287,000 (2015: £643,000) 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.

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.
- The considerable health and safety risks which are inherent to the offshore oil and gas industry.

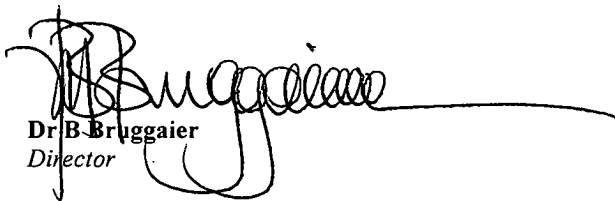
Strategic report *(continued)*

Future developments

Since the end of 2016, crude oil prices have averaged approximately \$55 per barrel, continuing the trend which was established during the first quarter of 2016. The impact of higher prices, and considerably more price stability, is to create an 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 start to see a stabilisation of its revenue during 2017 and a return to growth in the medium-term.

The Company will continue to undertake measures to optimise its trading performance in these weak but slightly improving markets, to protect its margins, profitability and cash flow, while seeking to retain the 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

6 June 2017

Directors' report

The directors present their report for the year ended 31 December 2016.

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 have paid a dividend of £1,800,000 (2015: £nil) in the year.

Directors

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

M Charles
Dr B Bruggaier

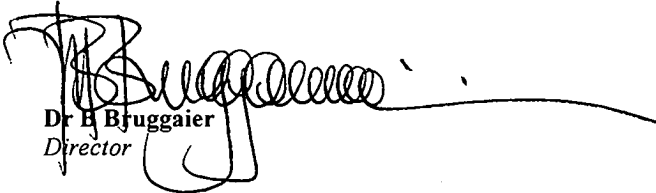
Disclosure of information to auditor

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

6 June 2017

Statement of directors' responsibilities in respect of the Strategic report, 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



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

We have audited the financial statements of Aquatic Engineering & Construction Limited for the year ended 31 December 2016 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including *FRS 101 Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

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

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

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

8 JUNE 2017

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	2	11,046	13,569
Cost of sales		(9,142)	(10,137)
Gross profit		1,904	3,432
Restructuring costs		(125)	(443)
Administrative expenses		(3,695)	(3,169)
Total administrative expenses		(3,820)	(3,612)
Operating loss		(1,916)	(180)
Income from shares in group undertakings		-	1,961
Interest receivable and similar income	6	386	46
Interest payable and similar expenses	7	(21)	(98)
(Loss)/profit before taxation	3-5	(1,551)	1,729
Tax credit on (loss)/profit	8	200	147
(Loss)/profit for the financial year		(1,351)	1,876
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(1,351)	1,876

All results relate to continuing activities.

Balance Sheet
at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	10	14	-
Tangible assets	11	15,262	16,739
Investments	12	206	206
		<u>15,482</u>	<u>16,945</u>
Current assets			
Stocks	13	117	63
Debtors	14	1,376	2,259
Cash at bank and in hand		879	3,896
		<u>2,372</u>	<u>6,218</u>
Creditors: amounts falling due within one year	15	(1,592)	(3,501)
Net current assets		<u>780</u>	<u>2,717</u>
Total assets less current liabilities		<u>16,262</u>	<u>19,662</u>
Provisions for liabilities			
Deferred tax liability	16	(879)	(1,128)
		<u>(879)</u>	<u>(1,128)</u>
Net assets		<u>15,383</u>	<u>18,534</u>
Capital and reserves			
Called up share capital	17	152	152
Share premium account		3	3
Capital redemption reserve		210	210
Profit and loss account		15,018	18,169
Shareholder's funds		<u>15,383</u>	<u>18,534</u>

These financial statements were approved by the board of directors on 6 June 2017 and were signed on its behalf by:



M Charles
Director

Statement of Changes in Equity
for the year ended 31 December 2016

	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 2015	152	3	210	16,293	16,658
Total comprehensive income for the year					
Profit for the year	-	-	-	1,876	1,876
Balance at 31 December 2015	152	3	210	18,169	18,534

	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 2016	152	3	210	18,169	18,534
Total comprehensive loss for the year					
Loss for the year	-	-	-	(1,351)	(1,351)
Transactions with owners, recorded directly in equity					
Dividend paid	-	-	-	(1,800)	(1,800)
Balance at 31 December 2016	152	3	210	15,018	15,383

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 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"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied. 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 fixed assets 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*, and IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurements*, both relating to financial instruments. As a consequence the Company has taken the exemptions 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 accounting policy 1.12 in relation to impairment of receivables. During the year, an impairment provision of trade receivables of £1,101,000 was expensed to the profit and loss account in relation to one specific aged receivable where payment 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 Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 1 to 2.

The Company is expected to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

On the basis of their assessment of the Company's financial position and of the enquiries made to the directors of the parent company Acteon Group Limited, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Acteon Group to continue as a going concern or its ability to continue with the current banking arrangements.

1.3 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 assets. 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, cash and bank borrowings, and trade and other creditors.

Investments

Investments in subsidiaries are carried at cost less impairment.

Trade and other debtors

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 impairment losses.

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.

Notes (continued)

1 Accounting policies (continued)

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

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 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.

1.9 Interest receivable, interest payable and dividend income

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. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

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.

Notes (continued)

1 Accounting policies (continued)

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 plan

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.

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.

2 Turnover

Disclosure by geographical sector has not been made as required under SI2008 No. 410 Schedule 1 paragraph 68 (2) of the Companies Act 2006 as the directors are of the opinion that disclosure of such information would be seriously prejudicial to the interests of the Company.

	2016 £000	2015 £000
Rendering of services	11,046	13,569
Total turnover	<u>11,046</u>	<u>13,569</u>

Notes (continued)

3 Expenses and auditor's remuneration

Included in operating profit/(loss) are the following:

	2016 £000	2015 £000
Depreciation and other amounts written off tangible fixed assets – Owned	1,623	1,669
Hire of plant and machinery – operating leases	21	32
Hire of other assets – operating leases	113	113
Restructuring costs expensed as incurred	125	443
Bad debt provision	1,101	-
Amortisation of intangible assets	26	-
	<u>11</u>	<u>14</u>

Auditor's remuneration:

Audit of these financial statements	11	14
	<u>11</u>	<u>14</u>

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 2016	2015
Directors	2	1
Technical and administration	80	101
	<u>82</u>	<u>102</u>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	3,713	3,914
Social security costs	435	530
Contributions to defined contribution plans (note 18)	271	344
	<u>4,419</u>	<u>4,788</u>

Notes (continued)

5 Directors' remuneration

	2016 £000	2015 £000
Directors' remuneration	176	73
Company contributions to money purchase pension plans	14	6
	<u>190</u>	<u>79</u>

	Number of directors 2016	2015
Retirement benefits are accruing to the following number of directors under Money purchase schemes	<u>1</u>	<u>1</u>

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

6 Interest receivable and similar income

	2016 £000	2015 £000
Net foreign exchange gain	379	46
Other interest receivable	7	-
	<u>386</u>	<u>46</u>

7 Interest payable and similar expenses

	2016 £000	2015 £000
Interest payable on bank borrowings	-	2
Interest payable to group undertakings	21	95
Other interest payable	-	1
	<u>21</u>	<u>98</u>

Notes (continued)

8 Taxation

Recognised in the profit and loss account

	2016	2015
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	(19)	(192)
Adjustments in respect of prior years	(124)	(622)
	<u>(143)</u>	<u>(814)</u>
<i>Foreign tax</i>		
Current tax on income for the year	192	(113)
Adjustments in respect of prior years	-	784
	<u>192</u>	<u>671</u>
Total current tax	<u>49</u>	<u>(143)</u>
<i>Deferred tax (see note 16)</i>		
Origination and reversal of temporary differences	(252)	109
Adjustments in respect of prior years	66	-
Effect of change in rate of tax	(63)	(113)
Total deferred tax	<u>(249)</u>	<u>(4)</u>
Tax on ordinary activities	<u><u>(200)</u></u>	<u><u>(147)</u></u>

Reconciliation of effective tax rate

	2016	2015
	£000	£000
(Loss)/profit for the year	(1,351)	1,876
Total tax credit	(200)	(147)
(Loss)/profit excluding taxation	<u>(1,551)</u>	<u>1,729</u>
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	(310)	350
Income not taxable for tax purposes	-	(397)
Non-deductible expenses	2	3
Adjustments in respect of prior years	(58)	162
Foreign taxation	152	(183)
Other permanent differences	19	(14)
Foreign tax credits	-	70
Utilisation of tax losses carried back	-	(11)
Impact of graduated tax rates	(5)	(127)
Total tax credit	<u><u>(200)</u></u>	<u><u>(147)</u></u>

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were 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 2016 has been calculated based on these rates.

Notes (continued)

9 Dividends paid

	2016 £000	2015 £000
Dividends paid during the year (£11.88 per qualifying ordinary share)	<u>1,800</u>	<u>-</u>

10 Intangible assets

	Software £000
Cost	
Balance at 1 January 2016	-
Reclassified from tangible fixed assets	163
Balance at 31 December 2016	<u>163</u>
Amortisation and impairment	
Balance at 1 January 2016	-
Amortisation for the year	26
Reclassified from tangible fixed assets	123
Balance at 31 December 2016	<u>149</u>
Net book value	
At 1 January 2016	<u>-</u>
At 31 December 2016	<u>14</u>

The amortisation charge of £26,000 (2015: £nil) is recognised within administrative expenses in profit and loss account.

11 Tangible fixed assets

	Plant and equipment £000	Fixtures & fittings £000	Assets under construction £000	Total £000
Cost				
Balance at 1 January 2016	25,530	431	338	26,299
Additions	25	3	158	186
Disposals	(2)	-	-	(2)
Transfer	286	-	(286)	-
Reclassified to intangible assets	-	(163)	-	(163)
Balance at 31 December 2016	<u>25,839</u>	<u>271</u>	<u>210</u>	<u>26,320</u>
Depreciation and impairment				
Balance at 1 January 2016	9,194	366	-	9,560
Depreciation charge for the year	1,604	19	-	1,623
Disposals	(2)	-	-	(2)
Reclassified to intangible assets	-	(123)	-	(123)
Balance at 31 December 2016	<u>10,796</u>	<u>262</u>	<u>-</u>	<u>11,058</u>
Net book value				
At 1 January 2016	<u>16,336</u>	<u>65</u>	<u>338</u>	<u>16,739</u>
At 31 December 2016	<u>15,043</u>	<u>9</u>	<u>210</u>	<u>15,262</u>

Notes (continued)

12 Fixed asset investments

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

The Company has the following investments in subsidiaries:

	Class of shares held	Registered address	Ownership 2016	Ownership 2015
Aquatic Asia Pacific Pte Ltd	Ordinary share capital	4 Robinson Road, #05-01 The House of Eden, Singapore, 048543	100%	100%

13 Stocks

	2016 £000	2015 £000
Raw materials and consumable	65	63
Work in progress	52	-
	<u>117</u>	<u>63</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £85,000 (2015: £143,000).

14 Debtors

	2016 £000	2015 £000
Trade debtors	447	1,171
Amounts owed by group undertakings	569	562
Other debtors	161	70
Prepayments and accrued income	190	265
Corporation tax	9	191
	<u>1,376</u>	<u>2,259</u>

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

15 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	215	121
Amounts owed to group undertakings	71	1,875
Taxation and social security	164	193
Other creditors	295	338
Accruals and deferred income	847	974
	<u>1,592</u>	<u>3,501</u>

The amounts owed to group undertakings is payable on demand and an element of the balance in 2015, which has been repaid in 2016, was interest bearing.

Notes (continued)

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2016 £000	2015 £000	2016 £000	2015 £000
Tangible fixed assets	-	-	883	1,132
Other	(4)	(4)	-	-
Tax (assets)/liabilities	(4)	(4)	883	1,132
Net deferred tax liabilities			879	1,128

Movement in deferred tax during the year

	1 January 2016 £000	Recognised in income £000	31 December 2016 £000
Tangible fixed assets	1,132	(249)	883
Other	(4)	-	(4)
	1,128	(249)	879

Movement in deferred tax during the prior year

	1 January 2015 £000	Recognised in income £000	31 December 2015 £000
Tangible fixed assets	1,139	(7)	1,132
Other	(7)	3	(4)
	1,132	(4)	1,128

17 Capital and reserves

Share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
106,500 (2015: 106,500) Ordinary shares of £1 each	107	107
45,000 (2015: 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 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 £271,000 (2015: £344,000).

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and building		Other	
	2016 £000	2015 £000	2016 £000	2015 £000
Less than one year	104	104	51	45
Between one and five years	391	411	42	56
More than five years	196	280	-	-
	<u>691</u>	<u>795</u>	<u>93</u>	<u>101</u>

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

During the year £145,000 (2015: £145,000) 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.

21 Related parties

The amounts owed to and by related parties at the balance sheet date were as follows;

Related party	Relationship	Balances	2016 £000	2015 £000
J2 Subsea Limited	Common control	Debtor	<u>1</u>	<u>-</u>

Notes *(continued)*

22 Parent and ultimate controlling party

The Company is a subsidiary undertaking of Acteon Group Limited, incorporated in the United Kingdom.

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 registered office of Acteon Group Limited is Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW.

The Company's ultimate parent undertaking is KKR Matterhorn Holdco Limited, a company incorporated in Jersey, and the ultimate controlling party is KKR & Co LP, a limited partnership listed on the New York Stock Exchange. The general partner of KKR & Co LP is KKR Management LLC.

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

KKR & Co. LP and KKR Management LLC's registered office address is 9 West 57th Street, Suite 4200, New York, NY 10019, USA