

**COMPANIES HOUSE
EDINBURGH**

14 SEP 2018

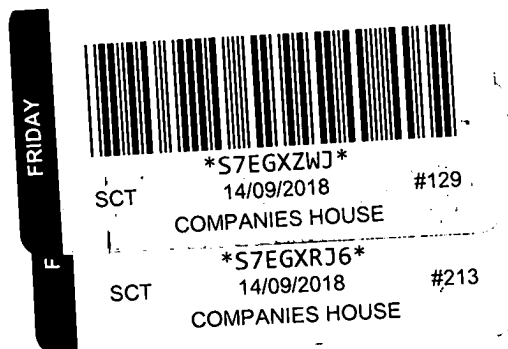
FRONT DESK

Aquatic Engineering & Construction Limited

Annual report and financial statements

Registered number SC123734

31 December 2017



Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements	4
Independent auditor's report to the members of Aquatic Engineering & Construction Limited	5
Profit and Loss Account and Other Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes	10

Strategic Report

The directors present their Strategic report for the year ended 31 December 2017.

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 wells on the seabed with facilities on the surface.

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 75 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

2017 saw a continuation in the recovery in the price of crude oil 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, by the end of that year it had declined to approximately \$48. 2015 initially saw a modest recovery but this was followed by a further decline to \$36. During 2016 Brent was predominantly in the \$45 to \$50 range ending at \$53, and 2017 saw prices typically in the \$45 to \$64 range, ending at a high of \$64.

As previously reported, this sustained period of materially lower – though improving of late - crude oil prices has 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.

The Company's financial performance in 2017 fully reflects the continued impact of weak crude oil prices. Turnover in the year was £7,781,000 (2016: £11,046,000) and the loss before taxation was £3,564,000 (2016: loss £1,551,000).

The balance sheet reports net current liabilities of £741,000 (2016: net current assets of £780,000). 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).

	2017 £000	2016 £000
Gross Margin % of revenues	0.6%	17.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000)*	(1,586)	20
Net book value of tangible fixed assets (£000)	13,407	15,262
Average number of employees	76	82

* Prior to certain costs totalling £200,000 (2016: £287,000) 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:

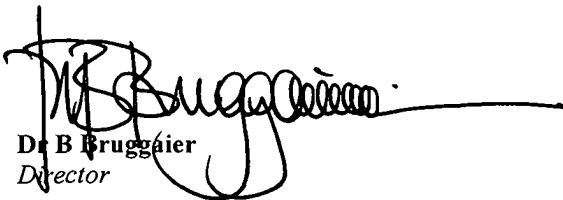
- A further reduction in the current activity levels in the offshore oil and gas exploration and production industry worldwide as a result of various factors including, but not limited to, a fall in oil prices;
- Lead times and availability of raw materials and components which are required in order 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 2017 the Brent crude oil price has averaged \$68 per barrel, with one end-of-week observation slightly above \$70. These higher prices, along with a generally better level of price stability, helps 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 see a return to revenue and earnings growth during 2018.

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

28th May 2018

Directors' report

The directors present their report for the year ended 31 December 2017

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 paid a dividend of £nil (2016: £1,800,000) in the year.

Directors

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

M Charles
Dr B Bruggaier

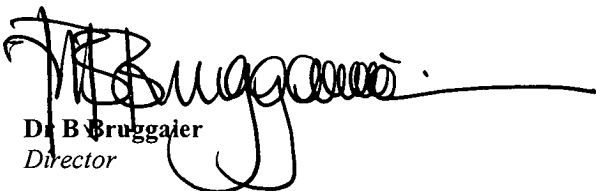
Disclosure of information to auditor

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

25th May 2018

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.



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 2017 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 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

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.



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

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

30 May 2018

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2017

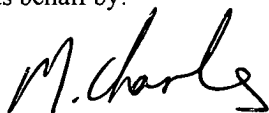
	<i>Note</i>	2017 £000	2016 £000
Turnover	2	7,781	11,046
Cost of sales		(7,734)	(9,142)
Gross profit		47	1,904
Exceptional expenses	3	(460)	(125)
Administrative expenses		(2,975)	(3,695)
Total administrative expenses		(3,435)	(3,820)
Operating loss	3-5	(3,388)	(1,916)
Interest receivable and similar income	6	-	386
Interest payable and similar expenses	7	(176)	(21)
Loss before taxation		(3,564)	(1,551)
Tax on loss	8	690	200
Loss for the financial year		(2,874)	(1,351)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,874)	(1,351)

All results relate to continuing activities.

Balance sheet
at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	10	183	14
Tangible assets	11	13,407	15,262
Investments	12	206	206
		<u>13,796</u>	<u>15,482</u>
Current assets			
Stocks	13	65	117
Debtors	14	2,640	1,376
Cash at bank and in hand		2	879
		<u>2,707</u>	<u>2,372</u>
Creditors: amounts falling due within one year	15	<u>(3,448)</u>	<u>(1,592)</u>
Net current (liabilities)/assets		<u>(741)</u>	<u>780</u>
Total assets less current liabilities		<u>13,055</u>	<u>16,262</u>
Provisions for liabilities			
Deferred tax liability	16	<u>(546)</u>	<u>(879)</u>
		<u>(546)</u>	<u>(879)</u>
Net assets		<u>12,509</u>	<u>15,383</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		12,144	15,018
Shareholder's funds		<u>12,509</u>	<u>15,383</u>

These financial statements were approved by the board of directors on 25th May 2018 and were signed on its behalf by:



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 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
	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

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 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*, 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 accounting policy 1.12 in relation to impairment of receivables. During the year, an impairment provision of trade receivables of £nil (2016: £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 financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £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, cash and 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments *(continued)*

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

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Taxation *(continued)*

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.

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.

Notes (continued)

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.

	2017 £000	2016 £000
Sale of goods	1,256	-
Rendering of services	6,525	11,046
Total turnover	<u>7,781</u>	<u>11,046</u>

3 Expenses and auditor's remuneration

Included in operating loss are the following:

	2017 £000	2016 £000
Depreciation and other amounts written off tangible fixed assets – Owned	1,575	1,623
Hire of plant and machinery – operating leases	54	21
Hire of other assets – operating leases	113	113
Restructuring costs expensed as incurred – exceptional expenses	76	125
Trading dispute settlement – exceptional expenses	384	-
Bad debt provision	-	1,101
Amortisation of intangible assets	27	26
	<u>11</u>	<u>11</u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	11	11
	<u>11</u>	<u>11</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	
	2017	2016
Directors	2	2
Technical and administration	74	80
	<u>76</u>	<u>82</u>

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	3,479	3,713
Social security costs	424	435
Contribution to defined contribution plans (note 18)	156	271
	<u>4,059</u>	<u>4,419</u>

5 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	176	176
Company contributions to money purchase pension plans	9	14
	<u>185</u>	<u>190</u>

	Number of directors	
	2017	2016
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 those financial statements.

6 Interest receivable and similar income

	2017 £000	2016 £000
Net foreign exchange gains	-	379
Other interest receivable	-	7
	<u>-</u>	<u>386</u>
Total interest receivable and similar income	<u>-</u>	<u>386</u>

7 Interest payable and similar expenses

	2017 £000	2016 £000
Interest payable on bank borrowings	64	-
Interest payable to group undertakings	-	21
Exchange losses	112	-
	<u>176</u>	<u>21</u>
Total interest payable and similar expenses	<u>176</u>	<u>21</u>

Notes (continued)

8 Taxation

Recognised in the profit and loss account

	2017	2016
	£000	£000
<i>UK corporation tax</i>		
Current tax on expense for the year	(381)	(19)
Adjustments in respect of prior years	19	(124)
	<u>(362)</u>	<u>(143)</u>
<i>Foreign tax</i>		
Current tax on income for the year	5	192
	<u>5</u>	<u>192</u>
Total current tax	<u>(357)</u>	<u>49</u>
<i>Deferred tax (see note 16)</i>		
Origination and reversal of temporary differences	(295)	(252)
Adjustments in respect of prior years	(38)	66
Effect of change in rate of tax	-	(63)
	<u>(333)</u>	<u>(249)</u>
Tax on loss	<u>(690)</u>	<u>(200)</u>

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Loss for the year	(2,874)	(1,351)
Total tax credit	(690)	(200)
Loss excluding taxation	<u>(3,564)</u>	<u>(1,551)</u>
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	(686)	(310)
Non-deductible expenses	11	2
Adjustments in respect of prior years	(19)	(58)
Foreign taxation	4	152
Other permanent differences	-	19
Impact of graduated tax rates	-	(5)
Tax on loss	<u>(690)</u>	<u>(200)</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 2017 has been calculated based on these rates.

Notes (continued)

9 Dividends paid

	2017 £000	2016 £000
Dividends paid during the year (2016: £11.88 per qualifying ordinary share)	-	1,800

10 Intangible assets

	Development costs £000	Software £000	Total £000
Cost			
Balance at 1 January 2017	-	163	163
Additions	196	-	196
Balance at 31 December 2017	196	163	359
Amortisation and impairment			
Balance at 1 January 2017	-	149	149
Amortisation for the year	13	14	27
Balance at 31 December 2017	13	163	176
Net book value			
At 1 January 2017	-	14	14
At 31 December 2017	183	-	183

The amortisation charge of £27,000 (2016: £26,000) is recognised within administrative expenses in profit and loss account.

Notes (continued)

11 Tangible fixed assets

	Plant and equipment, fixtures & fittings £000	Assets under construction £000	Total £000
Cost			
Balance at 1 January 2017	26,110	210	26,320
Additions	13	9	22
Disposals	(815)	-	(815)
Transfer	135	(135)	-
Balance at 31 December 2017	25,443	84	25,527
Depreciation and impairment			
Balance at 1 January 2017	11,058	-	11,058
Depreciation charge for the year	1,575	-	1,575
Disposals	(513)	-	(513)
Balance at 31 December 2017	12,120	-	12,120
Net book value			
At 1 January 2017	15,052	210	15,262
At 31 December 2017	13,323	84	13,407

12 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	
			2017	2016
Aquatic Asia Pacific Pte Ltd	Ordinary share capital	4 Robinson Road, #05-01 The House of Eden, Singapore, 048543	100%	100%

Notes (continued)

13 Stocks

	2017 £000	2016 £000
Raw materials and consumable	65	65
Work in progress	-	52
	<u>65</u>	<u>117</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £18,000 (2016: £85,000).

14 Debtors

	2017 £000	2016 £000
Trade debtors	1,302	447
Amounts owed by group undertakings	651	569
Other debtors	10	161
Prepayments and accrued income	667	190
Corporation tax	10	9
	<u>2,640</u>	<u>1,376</u>

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

15 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank overdraft	1,959	-
Trade creditors	196	215
Amounts owed to group undertakings	117	71
Taxation and social security	162	164
Other creditors	279	295
Accruals and deferred income	735	847
	<u>3,448</u>	<u>1,592</u>

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

Notes (continued)

16 Deferred tax assets and liabilities

	Assets		Liabilities	
	2017 £000	2016 £000	2017 £000	2016 £000
Tangible fixed assets	-	-	561	883
Losses carried forward	(11)	-	-	-
Other	(4)	(4)	-	-
	<u>(15)</u>	<u>(4)</u>	<u>561</u>	<u>883</u>
Tax (assets)/liabilities				
	<u>(15)</u>	<u>(4)</u>	<u>561</u>	<u>883</u>
Net deferred tax liabilities			<u>546</u>	<u>879</u>

Movement in deferred tax during the year

	1 January 2017 £000	Recognised in income £000	31 December 2017 £000
Tangible fixed assets	883	(322)	561
Losses carried forward	-	(11)	(11)
Other	(4)	-	(4)
	<u>879</u>	<u>(333)</u>	<u>546</u>

Movement in deferred tax during the prior year

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

17 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
106,500 (2016: 106,500) Ordinary shares of £1 each	107	107
45,000 (2016: 45,000) "A" Ordinary shares of £1 each	45	45
	<u>152</u>	<u>152</u>

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 £156,000 (2016: £271,000).

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and building		Other	
	2017 £000	2016 £000	2017 £000	2016 £000
Less than one year	104	104	36	51
Between one and five years	371	391	12	42
More than five years	112	196	-	-
	<u>587</u>	<u>691</u>	<u>48</u>	<u>93</u>

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 (2016: £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.

Notes (continued)

21 Related parties

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

Related party	Relationship	Balances	2017 £000	2016 £000
UTEC NCS Survey Limited	Common control	Debtor	6	-
Seatronics Limited	Common control	Debtor	2	-
J2 Subsea Limited	Common control	Debtor	-	1
			<u> </u>	<u> </u>

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 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