

Company Registration No. SC286421

Xodus Group Limited

Annual report and financial statements

For the year ended 31 December 2016



Xodus Group Limited

Report and financial statements 2016

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	7
Profit and loss account and statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

Xodus Group Limited

Report and financial statements 2016

Officers and professional advisers

Directors

W van der Zande
S Swindell
E Kilner-Abazed

Company Secretary

T Hart

Registered Office

Xodus House
50 Huntly Street
Aberdeen
AB10 1RS

Auditor

Deloitte LLP
Union Plaza
1 Union Wynd
Aberdeen
AB10 1SL

Xodus Group Limited

Strategic report

Principal activities

The principal activity of the company is the provision of consultancy services to the oil and gas/energy sector and services in the renewable; environmental; and decommissioning business areas. The company primarily operates in the UK; Europe; as well as having activities in and the Middle East, Far East and Australasia.

Results and key performance indicators

In the year ended 31 December 2016, the company achieved turnover of £27.6 million (2015: £38.7 million) and incurred an operating loss of £6.9 million (2015: £18.7 million), including exceptional expenses of £2.6 million (2015: £16.3 million). The loss for the year amounted to £7.0 million (2015: £20.2 million). The directors do not recommend payment of a dividend in the current or prior year.

The directors consider the key performance indicators of the business to be turnover, operating result and the non-financial measure of staff utilisation.

Business review and future developments

Last year there was a continuing decline in the oil and gas sector for brown field and even more for green field project and resource developments. The beginning of 2016 started with an even worse market situation as all asset support work was put on hold by most of our clients resulting in a further dive in the utilization of the staff. That recovered in the second quarter of the year with initial integrity work and other type of asset support services. Greenfield and Brownfield project developments only started to pick up through the end of the second half of the year. These market conditions necessitated further reductions in staffing and other cost savings to be implemented including converting the office in Norway into a sales support hub and reducing the operating and support staff in the Middle East and European offices. Overall a reduction of 20% of overhead costs was achieved. However excessive office space could not immediately being subleased or transferred back to the owners and consequently remains a burden on the overhead costs.

The Environmental services and the initiated Decommissioning business have shown potential and are expected to further expand in 2017. Environmental services with its unique services program will be expanded geographically, and we anticipate the headcount in this area to grow by 20% in the coming year. The Decommissioning business has a planned delivery program from financing management, environment, preplanning, implementation and post decommissioning, so a full lifecycle including necessary lifetime extension.

The Xodus Subsea Limited joint venture ceased trading in 2016 and is now a dormant company with all resources transferred to Xodus Group allowing for these services to continue to be provided. This has strengthened the integrated services of subsea, process & facilities and the environment group.

Following the decision of the UK to exit the EU there has been a consequence on pound sterling and it creates, at present, an advantage as it is weaker than some previous years mainly due an element of revenue being denominated in USD.

Principal risks and uncertainties

The company faces a variety of risks and uncertainties, both foreseeable and unforeseeable. The board consider the main risks to be:

Unpredictability of oil & gas market

Activity levels are influenced by oil and gas price fluctuations. Any reduction in activity could lead to a decline in the demand for the services provided by the company impacting utilisation and day rates. The company has put in place a strategy to manage through the period of downturn and position the company to grow when market conditions improve. In addition the company is expanding into other business areas such as LNG and other midstream businesses aiming to diversify its portfolio.

Xodus Group Limited

Strategic report

Principal risks and uncertainties (continued)

Political risks

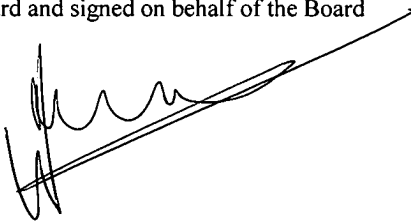
Political risks deter expansion and diversification of the company portfolio. The company manages political risk by carrying out a risk assessment of all projects at proposal stage.

The financial risk management policies and objectives are discussed in the Directors' report on pages 4-5.

Approved by the Board and signed on behalf of the Board

Wim van der Zande
Director

30 June 2017

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned over the text of the signature block.

Xodus Group Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Information on the principal activities, review of business, future developments and principal risks and uncertainties is included in the Strategic Report on pages 2 and 3.

Directors and Company Secretary

The directors who each served throughout the year and to the date of this report, are listed on page 1.

On 1 August 2016 S Swindell resigned as Company Secretary, on which date T Hart was appointed.

Existence of branches outside the UK

The company has one registered branch outside the UK being in Abu-Dhabi, UAE.

Financial risk management

The company's activities expose it to a number of financial risks including cash flow, credit, liquidity and interest risk.

Cash flow risk

The company's activities expose it primarily to the risks of changes in foreign currency exchange rates. The company monitors exposure on an ongoing basis and considers the merits of forward contracts and hedging. At 31 December 2016 no contracts were in place.

Credit risk

The company's principal financial assets are trade and other receivables as well as bank balances.

The company's credit risk is primarily attributable to its trade receivables, amounts due from related parties and bank and cash balances. The amounts presented in the balance sheet are net of allowance 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 company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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

Liquidity risk

The company manages liquidity through cash generated from operations and has access to a mixture of short term debt arrangements and funding from the wider Chiyoda group for ongoing operations.

Interest rate risk

The company is exposed to interest rate risk on borrowings and monitors debt levels and associated finance costs on an ongoing basis to assist in developing appropriate measures and actions.

Going concern

The company has net liabilities of £2.8 million as at 31 December 2016. The directors, having considered the financial position of the company and future trading prospects and having received confirmation of the continuing financial support of the ultimate parent company are of the opinion that the company will continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Research and development

During 2016 the group continued to develop software updates as part of the upgrading process of internal software systems. The associated costs expensed in the year were £641,000.

Xodus Group Limited

Directors' report

Directors' indemnities

The group has qualifying third party indemnity provisions in place for the benefit of its directors which remain in force at the date of this report.

Employee consultation and communication

We place considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Xodus group of companies. This is achieved through formal and informal meetings and the group magazine, "XTRA".

In preparing this Directors' Report, the Directors have complied with S414C (11) of the Companies Act 2006 by including certain disclosures required by S416 (4) within the Strategic Report.

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by the shareholder holding in aggregate 5 per cent or more of the total allocated shares in the Company. They should be served no later than 31 December 2017.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so 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 himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

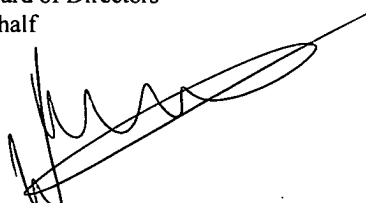
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on its behalf

Wim van der Zande
Director

30 June 2017



Xodus Group Limited

Directors' responsibilities statement

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments and accounting 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 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.

Independent auditor's report to the members of Xodus Group Limited

We have audited the financial statements of Xodus Group Limited for the year ended 31 December 2016 which comprise the profit and loss account and statement of comprehensive income statement, the balance sheet, the statement of changes in equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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, 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

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. 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.

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 United Kingdom 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

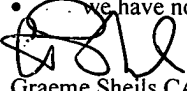
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Independent auditor's report to the members of Xodus Group Limited (continued)

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.


Graeme Sheils CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom

26 July 2017

Xodus Group Limited

Profit and loss account and statement of comprehensive income For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	27,626	38,748
Cost of sales		(23,494)	(32,152)
Gross profit		4,132	6,596
Administrative expenses - recurring		(9,260)	(11,985)
Administrative expenses - exceptional	5	(2,557)	(16,285)
Other operating income		774	2,934
Operating loss	4	(6,911)	(18,740)
Interest payable and similar charges	8	(69)	(68)
Loss before taxation		(6,980)	(18,808)
Taxation	9	-	(1,440)
Loss for the financial year		(6,980)	(20,248)
Debt forgiven by the immediate parent		-	30,932
Currency translation gain on foreign currency operation		84	-
Other comprehensive income for the year		84	30,932
Total comprehensive (loss)/income for the year		(6,896)	10,684

All of the result for the current and prior year relates to continuing operations.

Xodus Group Limited

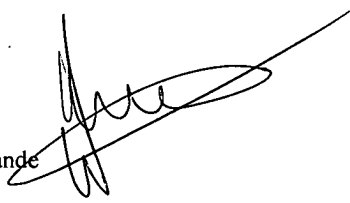
Balance sheet As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	10	1,388	1,702
Tangible assets	11	550	962
Investments	12	976	1,676
		<u>2,914</u>	<u>4,340</u>
Current assets			
Debtors	13	13,677	12,736
Cash at bank and in hand		311	138
		<u>13,988</u>	<u>12,874</u>
Creditors: amounts falling due within one year	14	<u>(19,330)</u>	<u>(12,689)</u>
Net current (liabilities)/assets		<u>(5,342)</u>	<u>185</u>
Total assets less current liabilities		<u>(2,428)</u>	<u>4,525</u>
Creditors: amounts falling due after more than one year	15	(11)	(145)
Provisions for liabilities	18	<u>(321)</u>	<u>(244)</u>
Net (liabilities)/assets		<u><u>(2,760)</u></u>	<u><u>4,136</u></u>
Capital and reserves			
Called up share capital	19	235	235
Share premium		115	115
Other reserves		31,016	30,932
Profit and loss account		<u>(34,126)</u>	<u>(27,146)</u>
Shareholders' (deficit)/funds		<u><u>(2,760)</u></u>	<u><u>4,136</u></u>

The financial statements of Xodus Group Limited, registered number SC286421, were approved by the board of directors and authorised for issue on 30 June 2017.

Signed on behalf of the Board of Directors

Wim van der Zande
Director



Xodus Group Limited

Statement of changes in equity For the year ended 31 December 2016

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Other reserves £'000	Total £'000
As at 1 January 2015	235	115	(6,898)	-	(6,548)
Loss for the financial year	-	-	(20,248)	-	(20,248)
Debts forgiven by the immediate parent	-	-	-	30,932	30,932
Total comprehensive (loss)/income	-	-	(20,248)	30,932	10,684
As at 31 December 2015	235	115	(27,146)	30,932	4,136
Loss for the financial year	-	-	(6,980)	-	(6,980)
Currency translation gain on foreign currency operation	-	-	-	84	84
Total comprehensive (loss)/income	-	-	(6,980)	84	(6,896)
As at 31 December 2016	235	115	(34,126)	31,016	(2,760)

Xodus Group Limited

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies

The particular accounting policies adopted are described below.

General information and basis of accounting

Xodus Group Limited is a company limited by shares is incorporated in the UK under the Companies Act 2016, and is registered in Scotland. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Xodus Group Limited is considered to be pounds sterling being the currency of the primary economic environment in which the company operates. The financial statements are presented in pounds sterling.

The company is a wholly owned subsidiary of Xodus Group (Holdings) Limited. It is included in the consolidated financial statements of Xodus Group (Holdings) Limited, which are publicly available (note 23). The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

Xodus Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of available exemptions in relation to certain disclosures on financial instruments, related party transactions within the group, remuneration of key management personnel, and presentation of the cash flow statement.

Going concern

The company has net liabilities of £2.8 million as at 31 December 2016. The directors have considered the financial position and trading prospects for the company and have also received confirmation of the continuing financial support of the immediate and the ultimate parent (note 23). Accordingly, the going concern basis continues to be applied in preparing the financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives as follows:

Furniture, fittings and equipment	25-33% straight line
Tenant improvements	10-20% straight line, or period of lease if shorter
Computer equipment	33% straight line

Investments

Investments in subsidiaries and joint ventures are recorded at cost less impairment. Provision for impairment is recognised when identified.

Intangible assets

Goodwill represents the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life, estimated at 10 years.

Licenses are recorded at cost and are amortised in equal instalments over their estimated economic lives, which range from 3 to 10 years. Provisions are made for any impairment when identified.

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated into pound sterling at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

The results of overseas operations are translated into sterling at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity. Other exchange differences are recognised in profit or loss in the period in which they arise.

Leases

Assets held under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of finance charges. The finance element is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the net obligation outstanding.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Pension

The company operates a defined contribution pension scheme. The annual contributions payable are charged to the profit and loss account. Differences between payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viabilities of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the expected period of benefit. Provision is made for any impairment when identified.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion in terms of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Xodus Group Limited

Notes to the financial statements (continued) **For the year ended 31 December 2016**

1. Accounting policies (continued)

Turnover

Turnover represents the value of services rendered, net of sales taxes and discounts. Turnover represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Exceptional items

Exceptional items, as disclosed on the face of the statement of the profit and loss account, are items which due to their significance and/or non-recurring nature are deemed appropriate to identify separately in order to draw them to the attention of the reader of the financial statements.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are represented by cash and cash equivalents, account receivables, borrowings, account payables and other financial liabilities.

When a financial asset or financial liability is recognised initially, it is measured at transaction price unless the arrangement constitutes, in effect, a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The company has no financial instruments that upon their initial recognition are designated as at fair value through profit or loss. Therefore, subsequent to initial recognition financial assets and liabilities of the company are measured at amortised cost using the effective interest method, unless they are classified as payable or receivable within one year on initial recognition, in which case they are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The accounting policies for key financial instruments held by the company are set out below in this note.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash with banks, and deposits with an original maturity of less than three months.

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

1. Accounting policies (continued)

Financial instruments (continued)

Accounts receivable

Accounts receivable held by the company, are non-interest bearing and current, and are stated at transaction price, which approximates to their fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised subsequent to initial recognition in the profit and loss statement when there is objective evidence that an asset is impaired.

Invoice discounting advance, other loans ("Borrowings")

Borrowings are initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument which is normally approximated by the amount of net proceeds received, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds and the settlement or redemption amount is recognised over the term of the borrowings and recorded as finance costs.

Trade and other accounts payable

Accounts payable are short term and are measured at the undiscounted amount of the cash or other consideration expected to be paid which normally constitute a transaction price.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, judgements, estimates and assumptions are required about the carrying amounts 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 subject to regular review. 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.

Critical judgements in applying the company's accounting policies

The critical judgements made in the process of applying the company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are considered below.

Revenue recognition

For reimbursable day rate contracts turnover (£16,191,000) is recognised as the work is performed based on time spent by personnel on respective projects and contracted day rates. Revenue recognition criteria is judged to be satisfied through the time charged on respective projects with service revenue being recognised to the extent that the receipt of the related revenues is considered probable.

Turnover for lump sum contracts (£4,842,000) is calculated by reference to the estimated stage of completion. In making the judgement on the stage of completion management considers the value of work performed to date as a proportion of the total contract value and prior history of completion of similar projects.

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. ... Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value of the cash-generating units to which goodwill has been allocated. The value calculation requires the identification of cash-generating units, estimating the future cash flows expected to arise from each cash-generating unit and application of suitable discount rates to calculate the present value. The carrying amount of goodwill at the balance sheet date is £589,000 (2015: £725,000). No impairment loss is identified.

Recoverability of 3rd party debtors and related party balances

The recoverable value of trade and other debtors requires to be estimated. When assessing impairment of trade and other debtors with third parties, consideration is given to factors including the current credit rating of the debtor, the aging profile and historical collection experience. The trade and other debtors at 31 December 2016 are stated net of a provision of £201,000 (2015: £43,000).

Impairment of investments

Determining whether investments are impaired requires estimation of fair value. The assessment of fair value considers the future prospects for the investments. The carrying amount of investments at the balance sheet date is £976,000 (2015: £1,676,000), net of estimated impairment of £2,364,000 (2015: £1,664,000) (note 12).

Onerous lease provision

A provision for onerous lease contracts of £321,000 exists at 31 December 2016 (2015: £244,000) and represents the future lease payments that the company is presently obligated to make under non-cancellable contracts, less future revenue expected to be achieved on the subletting, where applicable. The estimate will be impacted by changes in the utilisation of the leased properties and sub-lease arrangements.

3. Turnover

Revenue represents to time based charges for consulting services in a number of areas including energy production, technology development and environmental safety and compliance. No further analysis by class of business is considered necessary.

An analysis of the company's turnover by geographical market is set out below:

	2016 £'000	2015 £'000
Europe	21,278	29,712
Middle East	1,759	4,572
Far East and Australasia	1,187	3,006
Africa	3,014	958
America	388	500
	27,626	38,748

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

4. Operating loss

Operating loss is stated after charging:

	2016 £'000	2015 £'000
Amortisation of intangible assets:		
Goodwill	136	136
Licences	456	379
Depreciation of tangible fixed assets:		
Owned	367	541
Held under finance leases	58	79
Operating lease rentals:		
Plant and machinery	96	124
Other	1,470	1,576
Foreign exchange loss/(gain)	18	(149)
Research and development	641	691

Fees payable to the company's auditor and associates for:

	2016 £'000	2015 £'000
Audit of the company's annual accounts	64	69
Total audit fees	64	69
Tax compliance services and total non-audit	16	25
Total	80	94

5. Administrative expenses- exceptional

The exceptional costs of £2,557,000 comprise restructuring costs of £454,000 (2015: £697,000), the impairment of an investment in a joint venture of £700,000 (2015: £1,664,000) (note 12), and the impairment of amounts receivable primarily from fellow group undertakings of £1,403,000 (2015: £13,924,000). The restructuring costs mainly represent redundancy costs and onerous lease charges. These costs are identified as exceptional by virtue of size.

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

6. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2016 £'000	2015 £'000
Wages and salaries	12,839	14,604
Social security costs	1,317	1,594
Other pension costs (note 20)	1,288	1,582
	<u>15,444</u>	<u>17,780</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Directors	3	3
Administration	47	67
Technical	154	182
	<u>204</u>	<u>252</u>

7. Directors' remuneration

	2016 £'000	2015 £'000
Emoluments	330	294
Company pension contributions to defined contribution pension schemes	22	14
	<u>352</u>	<u>308</u>

During the year retirement benefits accrued to two directors (2015: one) in respect of a defined contribution pension scheme.

The highest paid director received remuneration of £171,000 (2015: £197,000).

8. Interest payable

	2016 £'000	2015 £'000
On bank loans and overdrafts	1	-
Finance lease	12	20
Invoice discount interest	56	48
	<u>69</u>	<u>68</u>

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

9. Taxation

	2016 £'000	2015 £'000
Analysis of tax charge in the year		
Current tax		
Foreign tax on income for the year	-	1,184
Deferred tax		
Origination and reversal of timing differences	-	255
Adjustment relating to prior year	-	4
Effect of changes in rates	-	(3)
Total deferred tax	-	256
Tax on loss on ordinary activities	-	1,440

The standard rate of current tax for the year, based on the UK standard rate of corporation tax was 20 % (2015: 20.25%). The actual rate for the current year and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(6,980)	(18,808)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(1,396)	(3,809)
Effects of:		
Impairment of balances due from related parties	276	2,739
Non-deductible expenses for tax purposes	115	-
Impairment of investment	140	336
Adjustments to tax charge in respect of prior periods	-	5
Tax rate changes	-	(3)
Deferred tax not recognised	865	1,197
Impact of overseas taxation	-	975
Total tax charge for the year	-	1,440

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

10. Intangible assets

	Goodwill £'000	Licences £'000	Total £'000
Cost			
At 1 January 2016	1,270	2,809	4,079
Additions	-	287	287
Disposals		(54)	(54)
At 31 December 2016	1,270	3,042	4,312
Amortisation			
At 1 January 2016	545	1,832	2,377
Charge for the year	136	456	592
Amortisation on disposals	-	(45)	(45)
At 31 December 2016	681	2,243	2,924
Net book value			
At 31 December 2016	589	799	1,388
At 31 December 2015	725	977	1,702

11. Tangible assets

	Furniture, fittings and equipment £'000	Tenant improvements £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2016	755	1,671	3,073	5,499
Additions	1	12	-	13
At 31 December 2016	756	1,683	3,073	5,512
Depreciation				
At 1 January 2016	678	1,110	2,749	4,537
Charge for the year	63	140	222	425
At 31 December 2016	741	1,250	2,971	4,962
Net book value				
At 31 December 2016	15	433	102	550
At 31 December 2015	77	561	324	962

The net book value of assets held under finance leases included above is:

	2016 £'000	2015 £'000
Computer equipment	50	108

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

12. Investments

	Investments in subsidiaries £'000	Investments in joint ventures £'000	Total £'000
Cost			
At 1 January 2016 and 31 December 2016	539	2,801	3,340
Provision for impairment			
At 1 January 2016	-	1,664	1,664
Charge for the year	-	700	700
At 31 December 2016	-	2,364	2,364
Net book value			
At 31 December 2016	539	437	976
At 31 December 2015	539	1,137	1,676

Subsidiary undertakings

Name of company	Registered office	Nature of business	Proportion of ordinary shares held
Xodus Group DMCC	Unit 3601B, Floor 36, Saba Tower 1, Jumeirah Lakes Towers, PO Box 487286, Dubai, United Arab Emirates	Oil and gas consulting	100%
Xodus Group Pty	580 Hay St SE 150, 6000 Perth, Australia	Oil and gas consulting	100%
Xodus Group A/S	8. Etasje, 0280 Oslo, Norway	Oil and gas consulting	100%
Xodus Group Inc	11210 Equity Dr, STE 250, 77041-8239, Houston, USA	Non-trading	100%
Xodus Group BV	Oranjestraat 4, 2514 JB 'S-Gravenhage, Netherlands	Non-trading	100%

Joint ventures

Name of company	Country of incorporation	Nature of business	Proportion of ordinary shares held
XMOS Africa Limited	LR NO 2/173 The Methodist, Ministries Centre, 00200 Nairobi, Kenya	Non-trading	49%
Xodus Subsea Limited	Xodus House, Huntly Street, Aberdeen, AB10 1RS	Non-trading	40%

Xodus Group Limited

Notes to the financial statements (continued) **For the year ended 31 December 2016**

13. Debtors

	2016	2015
	£'000	£'000
Trade debtors	4,743	4,486
Amounts owed by group undertakings	98	-
Amounts owed by related parties (note 22)	5,113	3,998
Prepayments and accrued income	3,668	4,217
Other debtors	55	35
	<u>13,677</u>	<u>12,736</u>

14. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Finance lease obligations (note 16)	111	203
Invoice discounting (note 16)	1,453	1,909
Trade creditors	1,105	1,265
Amounts owed to group undertakings	7,582	633
Amounts owed to related parties (note 22)	6,233	5,476
Social security and other taxes	633	985
Accruals and deferred income	1,871	2,063
Other creditors	342	155
	<u>19,330</u>	<u>12,689</u>

The invoice discounting advance is secured over the associated trade debtors.

Amounts owed to group undertakings mainly represent amounts due to the immediate parent company, are interest free and repayable on demand.

15. Creditors: amounts falling due after more than one year

	2016	2015
	£'000	£'000
Finance lease obligations (note 16)	<u>11</u>	<u>145</u>

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

16. Borrowings

	2016 £'000	2015 £'000
Total borrowings:		
Invoice discounting advance	1,453	1,909
Finance leases obligations	122	348
	<u>1,575</u>	<u>2,257</u>
	2016 £'000	2015 £'000
The total borrowings above are repayable as follows:		
Within one year	1,575	2,112
Between one and two years	-	135
Between two and five years	-	10
	<u>1,575</u>	<u>2,257</u>

Finance lease obligations are secured over the relevant asset.

17. Deferred tax asset

	2016 £'000	2015 £'000
At 1 January	-	256
(Charge)/credit in year	-	(252)
Adjustment in respect of prior years	-	(4)
	<u>-</u>	<u>-</u>
At 31 December	-	-

A potential deferred tax asset amounting to £1,640,000 (2015: £1,064,000) is not recognised as its recoverability is dependent on future profitability and considered uncertain in the foreseeable future.

18. Provisions for liabilities

	Onerous lease £'000
At 1 January 2016	244
Transferred from fellow group undertaking	145
Transferred to the profit and loss account	(68)
	<u>321</u>
At 31 December 2016	321

The onerous lease provision is in relation to unoccupied properties. In the current and prior year, the company vacated properties as part of restructuring measures. The provision represents the estimated shortfall in future lease costs that will not be covered by sublet or alternative use within the company.

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

19. Called up share capital and reserves

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
200,000 Ordinary A shares of £1 each	200	200
35,025 Ordinary B shares of £1 each	35	35
	<u>235</u>	<u>235</u>

The Ordinary A & B shares rank pari passu with respect to dividends and have full voting rights. On the winding up, liquidation or capital reduction of the company, the Ordinary B shares have right to repayment in advance of the Ordinary A shares of the sum of £4.28 per share. Thereafter, after repayment of £1 per share to the holders of A shares, the holders of A & B shares are entitled to share any remaining surplus assets of the company in proportion to the number of shares owned.

The company's other reserves are as follows:

The share premium reserve represents the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative losses.

The other reserve represents a in the prior year arising on the forgiveness of debtors due the immediate parent company.

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost in the year amounted to £1,288,000 (2015: £1,582,000). At 31 December 2016 contributions of £107,000 (2015: £130,000) were outstanding.

21. Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Expiry date:				
Within 1 year	12	-	87	103
Between 2 and 5 years	1,912	2,915	-	-
After more than 5 years	6,148	6,619	-	-
	<u>8,072</u>	<u>9,534</u>	<u>87</u>	<u>103</u>

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

22. Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard 102 with regard to non-disclosure of transactions between wholly owned group companies.

The total remuneration for key management personnel of the company is disclosed in note 7. The company considers key management personnel to be the directors.

During the year the company rendered and purchased a range of consulting services to and from related parties that are not subsidiaries of the wider group as summarised below. These amounts all relate to trading activities and do not have any associated receivables or payables at year end.

Related party	Relationship	2016		2015	
		Sales £'000	Purchases £'000	Sales £'000	Purchases £'000
Chiyoda Corporation and subsidiaries	Ultimate parent party	649	1,269	2,739	59
United Resources Limited	Immediate parent owning 9.9% interest	-	702	18	1,459
Xodus Subsea Limited and subsidiaries	Joint venture	1,126	929	3,914	5,448
Xmos Africa Limited	Joint venture	-	-	33	-
		<u>1,775</u>	<u>2,900</u>	<u>6,704</u>	<u>6,966</u>

In addition to trading activities summarised above, the following transactions were performed with related parties during the year:

The company advanced £42,000 to United Resources Ltd (2015: recovered £293,000).

The company advanced nil (2015: £114,000) to XMOS Africa Limited, a 49% owned joint venture.

The company acquired consulting services amounting to £1,265,000 (2015: £282,000) from two companies controlled by one of the group directors.

The following balances were outstanding with related parties at the end of the year:

Related party	Type of balance	2016		2015	
		Due from £'000	Due to £'000	Due from £'000	Due to £'000
Chiyoda Corporation and subsidiaries	Trade balances and loans from related party	98	-	-	-
Xodus Subsea Limited	Trade balances	4,865	6,233	3,815	5,476
United Resources Limited	Loans to related party	248	-	183	-
XMOS Africa Limited	Loans to related party	-	-	114	-
		<u>5,211</u>	<u>6,233</u>	<u>4,112</u>	<u>5,476</u>

At 31 December 2016 and 2015 amounts due from XMOS Africa Limited and fully provided.

Xodus Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

23. Ultimate parent company

The company's immediate parent company is Xodus Group (Holdings) Limited, a company registered in Scotland. The smallest group in which the results of the company are consolidated is that headed by Xodus Group (Holdings) Limited. The group accounts may be obtained from the Registered Office, Xodus House, Huntly Street, Aberdeen. The largest group in which the results of the company are consolidated is that headed by Chiyoda Corporation, a company registered in Japan. Copies of the financial statements can be obtained from Chiyoda Corporation, Minato Mirai Grand Central Tower, 4-6-2, Minatomirai, Nishi-ku, Yokohama 220-8765, Japan. Chiyoda Corporation is not considered to have a controlling party.