Registered number: 01532141

AKER OFFSHORE PARTNER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 26 JUNE 2016

AKER OFFSHORE PARTNER LIMITED

COMPANY INFORMATION

Directors	David Clark Atle Evjen (resigned 22 June 2016) Erik Sjolie (resigned 22 June 2016) Stian Vemmestad (resigned 22 June 2016) Craig Wiggins Simon Walker (appointed 22 June 2016) Douglas Leslie Roger (appointed 22 June 2016)
Company secretary	Pinsent Masons Secretarial Limited
Registered number	01532141
Registered office	1 Park Row Leeds LS1 5AB

AKER OFFSHORE PARTNER LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE PERIOD ENDED 26 JUNE 2016

Introduction

The directors present their annual report and financial statements for the 6 month period ended 26 June 2016, along with an unqualified audit report from KPMG LLP, the Company's statutory auditors.

Business review

The Company's main asset continues to be its skilled workforce with engineering and design capabilities that extend from Front-End Engineering and Design (FEED); Engineering Consultancy; Engineering, Procurement and Construction (EPC) projects; Hook-up and Commissioning; Modifications Operations and Maintenance support; to Late Life Operations, Decommissioning and Removal.

In response to the continuing low oil price environment the Company has continued to focus on strengthening the Company's existing culture of continuous improvement, delivering cost efficiencies and creating a leaner organisation that can meet the challenges of operating in today's market.

Whilst the activity levels achieved in the period have reduced in comparison with the comparable 2015 period, the directors consider this is reflective of the market and the activity levels are in line with expectations.

On 1st July 2016, Aker Offshore Partner Limited sold the majority of its trading assets and liabilities at carrying value to Aker Solutions Limited, a wholly owned subsidiary of Aker Solutions Holding AS. This inter-group transfer included all trading assets and liabilities with the exception of those related to two contracts that will continue to be operated through Aker Offshore Partner Limited. The transfer will assist the Group to consolidate their service offerings and become more transparent to its Global customer base. In addition, it will also assist in continuing to deliver cost efficiencies across the Group.

Principal risks and uncertainties

Principal risks and uncertainties are the enduring risk of oil price volatility together with resource management and increasing technical difficulty of extraction, entering new countries and developing new customer relationships. More locally, innovative recruitment processes and consideration of new geographic centres for work execution will help address some key challenges moving forward.

Additional business risks which would impact on the ability of the company to execute its strategy are significant movements in energy prices. These are affected by the global market and any significant movements in these prices will impact on oil exploration and ongoing development of projects.

Financial risk includes currency, counterparty and liquidity risk. Currency risk is managed via corporate treasury when contracts are awarded. Cover is provided in functional currency. Counterparty risk is managed through assessment of significant contractual counterparties and sub-contractors. Risk is reduced through bank and parent company guarantees and/or structuring of payment terms. Liquidity risk is managed through the internal policies in place over working capital. Whilst working capital will vary over time, management of significant counter-party's will reduce liquidity risk.

Compliance and ethics are of significant importance for Aker Solutions. This includes management of ethical and political risks to prevent the company being involved in unethical behaviour, either directly or through third parties or partners, or involved in countries where international sanction regimes are in place. The risks arising are managed through regular country analysis, mandatory awareness training, compliance reviews and regular integrity due diligence.

Financial key performance indicators

Management use a wide range of performance indicators and statistics to measure the progress or development of the business and its contracts. These include financial as well as non-financial indicators.

Financial indicators include variance comparison against budget, short and long term forecasts. In particular, turnover, contribution and operating profit along with margin percentages are closely monitored.

The financial KPI's are set out below:

	26 June 2016 £000	*31 December 2015 £000*
Revenue	**101,952**	*278,651*
Gross Profit	**7,884**	*21,484*
Gross Margin (%)	**8**	*8*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,879**	*8,055*
EBITDA Margin (%)	**2**	*3*
Earnings before interest and tax ("EBIT")	**1,760**	*7,775*
EBIT Margin (%)	**2**	*3*

Other key performance indicators

The Company's top priority is the safety of its employees and the Company works continuously to prevent incidents that could harm personnel, material or non-material assets. It investigates all serious incidents, near misses and risk observations to learn form these and improve safety. The Company also did not experience any serious environmental or security incidents in the period.

There were 2 reportable injuries during the period, both of which resulted in lost time on operations. The injuries came from handling tools and materials. The lost-time injury frequency was 1.31 and the frequency of total reportable incidents was 1.63. Both frequencies are based on one million hours worked.

This report was approved by the board on 31 March 2017 and signed on its behalf.

Douglas Leslie Roger
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 26 JUNE 2016

The directors present their report and the financial statements for the period ended 26 June 2016.

Principal activity

The principal activity of the Company during the period was the provision of project management, engineering design, construction, maintenance, operations and decommissioning services to clients in the offshore oil and gas industry primarily in the UK with opportunities being sought in Africa. The Company also operates a branch in Korea.

Results and dividends

The profit for the period, after taxation, amounted to £1,323 thousand *(2015 - £5,827 thousand)*.

The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The directors who served during the period were:

David Clark
Atle Evjen (resigned 22 June 2016)
Erik Sjolie (resigned 22 June 2016)
Stian Vemmestad (resigned 22 June 2016)
Craig Wiggins
Simon Walker (appointed 22 June 2016)
Douglas Leslie Roger (appointed 22 June 2016)

Future developments

On 1st July 2016, Aker Offshore Partner Limited sold the majority of its trading assets and liabilities at carrying value to Aker Solutions Limited, a wholly owned subsidiary of Aker Solutions Holding AS. This inter-group transfer included all trading assets and liabilities with the exception of those related to two contracts that will continue to be operated through Aker Offshore Partner Limited. The transfer will assist the Group to consolidate their service offerings and become more transparent to its Global customer base. In addition, it will also assist in continuing to deliver cost efficiencies across the Group.

It is the intention of the directors that the contracts that have not been novated to Aker Solutions Limited will continue to be operated through Aker Offshore Partner Limited until completion. Completion is estimated to be in 2019 though there may be options to extend beyond this.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 26 JUNE 2016

Employee involvement

The Company recognises the importance of employee involvement. Employees are provided with information and consulted on matters which are, in the opinion of the directors, of concern to them as employees and likely to affect their interests. The company encourages all employees to enhance their competence and develop new skills via participation in locally arranged training programs. These programs are designed to stimulate and challenge employee and in so doing aid in the process of employee recruitment and retention. Regular meetings are held, where employees are made aware of financial and economic factors affecting the business.

Health and safety is a core value of the company and is at the forefront of every decision made. Continuous efforts are made to improve existing measures and procedures and to raise awareness and stimulate an interest in health and safety issues.

Aker Solutions' share purchase program in 2016 gave each employee the opportunity to purchase shares. Any future share purchase programs will be subject to Aker Solutions ASA Board approval.

Disabled employees

The Company is committed to a policy of equality of treatment and opportunity for all employees, including those who are disabled. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities. Accordingly, the only personal attributes which are taken into account in making decisions about employees are those which relate directly to actual or potential performance.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

On 1st July 2016, Aker Offshore Partner Limited sold the majority of its trading assets and liabilities at carrying value to Aker Solutions Limited, a wholly owned subsidiary of Aker Solutions Holding AS.

Auditors

Under section 487(2) of the Companies Act 2006, KPMG LLP, Statutory Auditor will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 31 March 2017 and signed on its behalf.

Douglas Leslie Roger
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PERIOD ENDED 26 JUNE 2016

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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;
- 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 AUDITORS' REPORT TO THE MEMBERS OF AKER OFFSHORE PARTNER LIMITED

We have audited the financial statements of Aker Offshore Partner Limited for the period ended 26 June 2016, set out on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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 Auditors

As explained more fully in the Statement of Directors' Responsibilities as set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 26 June 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AKER OFFSHORE PARTNER 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.

S. Gueddana

Slim Gueddana (Senior Statutory Auditor)

for and on behalf of
KPMG LLP, Statutory Auditor

Chartered Accountants

37 Albyn Place
Aberdeen
AB10 1JB

31 March 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 26 JUNE 2016

	Note	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
Turnover	3	**101,952**	*278,651*
Cost of sales		**(94,068)**	*(257,167)*
Gross profit		**7,884**	*21,484*
Administrative expenses		**(6,124)**	*(13,701)*
Operating profit	4	**1,760**	*7,783*
Interest receivable and similar income	8	**6**	*15*
Interest payable and similar charges	9	**(83)**	*(419)*
Other finance income		**-**	*(8)*
Profit before tax		**1,683**	*7,371*
Tax on profit	11	**(360)**	*(1,544)*
Profit for the period		**1,323**	*5,827*
Other comprehensive income:			
Other comprehensive income for the period/year		**-**	*-*
Total comprehensive income for the period/year		**1,323**	*5,827*

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

The notes on pages 13 to 35 form part of these financial statements.

AKER OFFSHORE PARTNER LIMITED
REGISTERED NUMBER: 01532141

BALANCE SHEET
AS AT 26 JUNE 2016

	Note		26 June 2016 £000		31 December 2015 £000
Fixed assets					
Intangible assets	12		1,519		*1,620*
Tangible assets	13		70		*83*
Investments	14		132		*132*
			1,721		*1,835*
Current assets					
Stocks	15	58		*313*	
Debtors: amounts falling due within one year	16	73,971		*50,852*	
Cash at bank and in hand		-		*10,128*	
		74,029		*61,293*	
Creditors: amounts falling due within one year	18	(58,589)		*(45,808)*	
Net current assets			15,440		*15,485*
Total assets less current liabilities			17,161		*17,320*
Creditors: amounts falling due after more than one year	19		(270)		*(805)*
			16,891		*16,515*
Provisions for liabilities					
Other provisions	22	-		*(947)*	
			-		*(947)*
Net assets			16,891		*15,568*

BALANCE SHEET (CONTINUED)
AS AT 26 JUNE 2016

	Note	26 June 2016 £000	*31 December 2015 £000*
Capital and reserves			
Called up share capital	23	3,000	*3,000*
Profit and loss account		13,891	*12,568*
		16,891	*15,568*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 March 2017.

Douglas Leslie Roger
Director
The notes on pages 13 to 35 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 26 JUNE 2016

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	3,000	12,568	15,568
Total comprehensive income for the period	-	1,323	1,323
At 30 June 2016	3,000	13,891	16,891

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2015

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2015	3,000	6,741	9,741
Total comprehensive income for the year	-	5,827	5,827
At 31 December 2015	3,000	12,568	15,568

The notes on pages 13 to 35 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

Aker Offshore Partner Limited (the Company) is a company incorporated and domiciled in England.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

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.

The following principal accounting policies have been applied:

1. Accounting policies (continued)

1.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company has adequate resources to meet its obligations as they fall due. If required, additional resources can be made available from the Aker Solutions group. The directors therefore believe that it remains appropriate for the financial statements to be prepared on a going concern basis.

1. **Accounting policies (continued)**

1.4 Revenue

Turnover represents work performed by the company in respect of technical, engineering design and engineering personnel services. Turnover is recorded at the fair value of consideration receivable, net of VAT. Turnover is recognised at the point when services are delivered. For turnover linked to key performance indicators, turnover is recognised when it is virtually certain that the performance targets have been achieved.

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represents turnover recognised in excess of payments on account.

1.5 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Other intangible fixed assets	-	10	years

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 4 - 5 years
Fixtures and fittings	- 4 - 5 years
Office equipment	- 4 - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.9 Stocks

Stocks are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost to complete and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditures for bringing them to their existing location and condition.

1.10 Debtors

Trade and other receivables are recognised at the original invoiced amount, less an allowance for doubtful receivables. The invoiced amount is considered to be approximately equal to the value derived if the amortised cost method would have been used.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits held at banks and other short-term highly liquid deposits with original maturity of three months or less.

1. Accounting policies (continued)

1.12 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

1.13 Creditors

Trade and other payables are recognized at the original invoiced amount. The invoiced amount is considered to be approximately equal to the value derived if the amortised cost method would have been used.

1. **Accounting policies (continued)**

1.14 Foreign currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Statement of Comprehensive Income.

The Company's functional and presentational currency is GBP.

1.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.17 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1.18 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

1. **Accounting policies (continued)**

1.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.20 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

1.21 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions each reporting period that affect the income statement and balance sheet. The accounting estimates will by definition seldom precisely match actual results. The items where judgments and estimates have been made are described below:

Revenue

The estimate of total contract cost is a critical financial reporting estimate for service contracts. Remaining project cost depends on the ability to properly execute the engineering and design phase, availability of skilled resources, productivity factors, performance of subcontractors and sometimes also weather conditions. Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that cost estimates may change significantly.

Liquidated damages are penalties for not achieving defined milestones. Liquidated damages are common in service contracts. If a project does not meet the defined milestone in a contract, a provision reducing project revenue is made when considered probable that a liquidated damage claim will be imposed. The estimated liquidated damage provision is highly judgmental and based on experience with similar situations and negotiations with customers.

The service contracts may have significant changes in scope of work and variation orders are normally agreed upfront. However, unapproved variation orders may be included in the project revenue where recovery is assessed as probable and other criteria are met.

Incentive payments are integral and are a significant part of contract revenue on many service contracts. Incentive payments include key performance indicators, bonuses, target sum mechanisms and productivity measures and can potentially both increase and decrease revenue.

Incentive payments are generally included when there is a high level of probability that the milestones or key performance indicators will be met. There is a risk that the actual payment of incentives differs from the estimated amount.

2. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Tangible fixed assets and other intangibles

Judgment is involved when determining depreciation/amortisation periods and when assessing impairment. Impairment indicators are assessed for individual development projects and for cash generating units as a whole. The impairment testing of a cash generating unit involves judgmental assumptions about future market development, cashflows, determination of WACC, growth rate and other assumptions that may change over time.

Stocks

The assessment of obsolete and slow-moving stock in order to determine stock write-downs is subject to management judgment. The selling price in the market has to be estimated, and there is a risk that the actual selling price turns out to be lower than the amount estimated by management.

Debtors

Judgment is involved when determining the allowance for doubtful receivables. The allowance is based on individual assessments of each receivable.

Provisions

Provisions are estimated based on a number of assumptions and are, in their nature, inherently judgmental. The assumptions and estimation uncertainties are discussed within the Provisions Note.

Current and deferred tax

Management judgment is required when assessing the valuation of unused losses, tax credits and other deferred tax assets. The recoverability is assessed by estimating taxable profits in future years. The discounted amount from these profits is compared to the net present value of the tax assets. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect future reporting periods.

3. Turnover

The whole of the turnover is attributable to technical, engineering design and engineering personnel services.

Analysis of turnover by country of destination:

	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
United Kingdom	91,793	*251,042*
Rest of Europe	16	*2,788*
Rest of the world	10,143	*24,821*
	101,952	*278,651*

4. Operating profit

The operating profit is stated after charging/(crediting):

	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
Depreciation of tangible fixed assets	18	*57*
Amortisation of intangible assets, including goodwill	101	*223*
Impairment of intangible assets	-	*23*
Exchange differences	(49)	*(39)*
Defined contribution pension cost	1,797	*3,112*
Operating lease payments	1,160	*4,011*

5. Auditors' remuneration

The amount payable by the company to its auditors in respect of the audit of the financial statements and for other services provided to the Company is £20 thousand (2015: £43 thousand).

The audit fee is borne by another group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group financial statements.

6. Employees

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

	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
Wages and salaries	32,874	*62,941*
Social security costs	4,040	*7,458*
Cost of defined contribution scheme	1,797	*3,112*
	38,711	*73,511*

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

	Period from 1 January 2016 to 26 June 2016 No.	*12 months to 31 December 2015 No.*
Operations	936	*875*
Administration	44	*44*
	980	*919*

7. Directors' remuneration

	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
Directors' emoluments	88	*95*
Company contributions to defined contribution pension schemes	7	*14*
	95	*109*

During the period retirement benefits were accruing to 1 director *(2015 - 1)* in respect of defined contribution pension schemes.

8. Interest receivable and similar income

	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
Other interest receivable	6	*15*
	6	*15*

9. Interest payable and similar charges

	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
Bank interest payable	83	*419*
	83	*419*

10. Other finance costs

Other finance costs include losses on purchase of Aker Solutions Employee Share Purchase of £nil (2015: £8,000), see note 24 for further information.

11. Taxation

	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
Corporation tax		
Current tax on profits for the year	358	*1,536*
Adjustments in respect of previous periods	-	*(16)*
	358	*1,520*
Total current tax	358	*1,520*
Deferred tax		
Origination and reversal of timing differences	9	*24*
Changes to tax rates	(7)	-
Total deferred tax	2	*24*
Taxation on profit on ordinary activities	360	*1,544*

11. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than *(2015 - higher than)* the standard rate of corporation tax in the UK of 20% *(2015 - 20.25%)*. The differences are explained below:

	Period from 1 January 2016 to 26 June 2016 £000	*12 months to 31 December 2015 £000*
Profit on ordinary activities before tax	**1,683**	*7,371*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	337	*1,493*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	21	*2*
Capital allowances for period/year lower than depreciation	-	*2*
Adjustment in research and development tax credit leading to an increase in the tax charge	-	*13*
Changes in provisions leading to a decrease in the tax charge	(7)	*(15)*
Other differences leading to an increase in the tax charge	9	*49*
Total tax charge for the period/year	**360**	*1,544*

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 26 June 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 26 June 2016 by £11 thousand.

In light of the transfer of the majority of the Company's trading assets and liabilities to Aker Solutions Limited on 1st July 2016, as assessment of the impact on the deferred tax balances has been performed. On the basis that the business will continue to trade, the directors are satisfied that there is no significant impact on the deferred tax balances.

12. Intangible assets

	Development £000
Cost	
At 1 January 2016	2,225
At 26 June 2016	2,225
Amortisation	
At 1 January 2016	605
Charge for the year	101
At 26 June 2016	706
Net book value	
At 26 June 2016	1,519
At 31 December 2015	*1,620*

Intangible fixed assets relate to the acquisition of International Design Engineering and Services Limited in 2013.

13. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost or valuation				
At 1 January 2016	386	2	307	695
Additions	-	-	6	6
Disposals	-	-	(173)	(173)
At 26 June 2016	386	2	140	528
Depreciation				
At 1 January 2016	342	2	269	613
Charge for the period on owned assets	9	-	9	18
Disposals	-	-	(173)	(173)
At 26 June 2016	351	2	105	458
Net book value				
At 26 June 2016	35	-	35	70
At 31 December 2015	*45*	-	*38*	*83*

14. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2016	132
At 26 June 2016	132
Net book value	
At 26 June 2016	132
At 31 December 2015	*132*

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
International Design Engineering and Services Limited	Ordinary	100 %	Non-trading

15. Stocks

	26 June 2016 £000	*31 December 2015 £000*
Raw materials and consumables	58	*313*
	58	*313*

16. Debtors

	26 June 2016 £000	*31 December 2015 £000*
Trade debtors	**54,292**	*20,596*
Amounts owed by group undertakings	**406**	*693*
Amounts owed by joint ventures and associated undertakings	**61**	*-*
Other debtors	**20**	*992*
Prepayments and accrued income	**19,107**	*28,484*
Deferred taxation	**85**	*87*
	73,971	*50,852*

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

17. Cash and cash equivalents

	26 June 2016 £000	*31 December 2015 £000*
Cash at bank and in hand	**-**	*10,128*
Less: bank overdrafts	**(12,991)**	*-*
	(12,991)	*10,128*

18. Creditors: Amounts falling due within one year

	26 June 2016 £000	31 December 2015 £000
Bank overdrafts	12,991	-
Trade creditors	7,219	9,857
Amounts owed to group undertakings	9,591	2,012
Amounts owed to other participating interests	262	123
Corporation tax	1,072	1,692
Taxation and social security	3,435	2,728
Other creditors	2,960	3,704
Accruals and deferred income	21,059	25,692
	58,589	45,808

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

19. Creditors: Amounts falling due after more than one year

	26 June 2016 £000	31 December 2015 £000
Other creditors	270	805
	270	805

20. Financial instruments

	26 June 2016 £000	31 December 2015 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**73,888**	*50,765*
	73,888	*50,765*
Financial liabilities		
Financial liabilities measured at amortised cost	**54,354**	*42,070*
	(54,354)	*(42,070)*

Financial assets measured at amortised cost comprise trade and other receivables.

Financial liabilities measured at amortised cost comprise trade and other payables.

21. Deferred taxation

	2016 £000
At beginning of year	87
Charged to the profit or loss	(2)
At end of year	**85**

The deferred tax asset is made up as follows:

	26 June 2016 £000
Accelerated capital allowances	27
Tax losses carried forward	32
Other timing differences	26
	85

22. Provisions

	Onerous Lease Provision £000
At 1 January 2016	947
Utilised in period	(947)
At 26 June 2016	-

The onerous contracts provision related to separable parts of leased office buildings that had been vacated. The lease of this property terminated on 30 June 2016 and the provision was released.

23. Share capital

	26 June 2016 £000	*31 December 2015 £000*
Shares classified as equity		
Authorised, allotted, called up and fully paid		
3,000,000 Ordinary shares of £1 each	3,000	*3,000*

24. Share based payments

The Company has a share option scheme for purchasing shares in its parent, whereby an employee could buy up to NOK 60,000 of Aker Solutions shares at a 25 percent reduction of cost price in addition to a discount of NOK 1,500. To encourage a long-term commitment to the company, a three-year lock-in period was part of the arrangement. The price reduction the employees receive upon purchase of the shares expensed during the period was £nil (2015: £7,745).

25. Pension commitments

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,797,000 (2015 - £3,112,000). Contributions totaling £388,861 (2015 - £249,655) were payable to the fund at the balance sheet date.

26. Commitments under operating leases

At 26 June 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	26 June 2016 £000	*31 December 2015 £000*
Not later than 1 year	169	*190*
Later than 1 year and not later than 5 years	443	*470*
Later than 5 years	-	*37*
	612	*697*

27. Related party transactions

During the period the Company entered into purchase of services transactions, in the ordinary course of business, with related parties. The transactions are detailed below.

	26 June 2016 £000	*31 December 2015 £000*
Frontica Business Solutions AS	**381**	*358*
Frontica Advantage Limited	**28,058**	*70,043*
Frontica Business Solutions Limited	**2,260**	*6,151*
Frontica Advantage AS	**-**	*70*
	30,699	*76,622*

There were no related party balances outstanding as at 26 June 2016.

In addition to the above, the Company has entered into transactions in the ordinary course of business with other companies wholly owned by its ultimate parent company.

28. Post balance sheet events

On 1st July 2016, Aker Offshore Partner Limited sold the majority of its trading assets and liabilities at carrying value to Aker Solutions Limited, a wholly owned subsidiary of Aker Solutions Holding AS. As the transfer has been made between two entities that are under common control, no gain or loss will result from the transaction. The transfer included all trading assets and liabilities with the exception of those related to the contracts that will continue to be operating through Aker Offshore Partner Limited.

29. Controlling party

The Company's immediate parent company is Aker Solutions AS, a company incorporated in Norway.

The only Group in which the results of the Company are consolidated is that headed by the Company's ultimate parent, Aker Solutions ASA, a public listed company incorporated in Norway. The consolidated financial statements of this Group are publicly available and may be obtained from the Group's website at www.akersolutions.com or from the registered office address at PO Box 169, NO-1325 Lysaker, Norway.