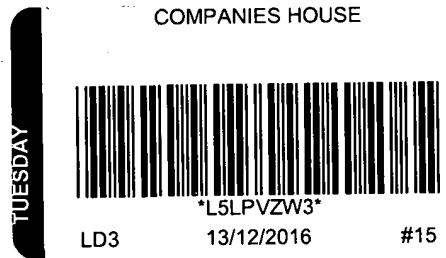


# **ABS Europe Limited and its subsidiaries**

**Directors' Report and Financial Statements  
for the year ended 31 December 2015**



## **Company Information**

<b>Directors</b>	Karel van Campenhout Richard Pride
<b>Company secretary</b>	Martha Adams Anthony Jones
<b>Company number</b>	02562251
<b>Registered office</b>	ABS House 1 Frying Pan Alley London E1 7HR
<b>Auditors</b>	Ernst & Young LLP, Registered Auditor 25 Churchill Place Canary Warf London E14 5EY

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## Strategic report

The Directors present their Strategic and Directors' Reports and the financial statements for the year ended 31 December 2015.

### Principal activities

The Group's principal activities in the year under review were the testing, and surveying of vessels and other structures, together with industrial verification and consulting services, primarily for the benefit of the maritime industry within Europe and Africa.

### Business review

The key financial and other performance indicators during the year were as follows:

	2015 £000	2014 £000	Change %
Turnover	74,107	74,558	-0.6%
Gross Profit	23,385	22,648	3.3%
Gross Profit % Sales	32%	30%	1%
Operating Profit	4,216	5,908	-29%
Other Financing (Expenditure)/ Income	(16,551)	(20,488)	-19%

During 2010 the Directors reviewed the arrangements between ABS Europe Ltd and its subsidiary, ABS Italy Srl, with the parent, American Bureau of Shipping such that since 2010, services between these companies and the parent are now supplied on a cost plus basis.

The turnover has been generated through the Group's operations located in the UK, Germany, France, Sweden, Spain, Denmark, Belgium, Cyprus, Portugal, Finland, Angola, Russia, Israel, Namibia, Congo, Lithuania and the Netherlands during the year and has decreased by 0.6% compared to 2014.

Operating profit decreased by 29%. However, last year this was stated after a gain of £1,082,000 representing an exceptional item consisting of various historic adjustments reviewed by the management during the year. The conclusion was reached that these adjustments were no longer supported and therefore should be written back to the Profit and Loss account. Adjusting for this, underlying operating profit was 12% lower than in the previous year due to increased contractor costs on an Angolan contract.

Other financing expenditure, representing the effect of the adverse impact in foreign exchange movement on intercompany balances, amounts to £16,551,000.

### Principal risks and uncertainties

ABS Europe Ltd and ABS Italy Srl's principal margin risks, arising from a down turn in the shipbuilding business, have been to a great extent mitigated through the adoption of a revised pricing arrangement with the parent undertaking. However, in the event of significant downturn in business these companies may be required to reduce their cost bases, which is likely to materially impact the quantum of profits earned in the future. They continue to be exposed to fluctuating exchange rates on dollar denominated intercompany balances, as stated below.

The intercompany balances between the Group, but mainly the Company, and other ABS entities are significant. The nature of transactions is such that there are large offsetting balances denominated in local currency and US dollars. Consequently, on revaluation the overall foreign exchange impact can be significant. In this reporting period the movement in exchange rates has resulted in a significant foreign exchange loss (expense). This along with branch cash transfers and intercompany transactions arising from ordinary business operations, has contributed to a change in the amounts due to or from group undertakings from a net debtor position to a net creditor position.

In addition, ABS Europe Ltd and Italy Srl are exposed to risks arising from the continued existence of its sole revenue provider the American Bureau of Shipping although, given the significant history and track record of the American Bureau of Shipping, the Directors consider that the risk of reliance on one revenue provider is low. The business has a very low credit and litigation risk profile as much of this exposure is with the American Bureau of Shipping, the parent Company, although if events that challenge the business of American Bureau of Shipping arise, this may indirectly affect the risk profile of the business of ABS Europe Ltd and Italy Srl.

All Group companies require highly trained employees, and we have a range of benefits, including a final salary pension scheme, to attract and retain our employee base.



**Karel van Campenhout**

Director

Date: 12 December 2016

## **Directors' report**

### **Research and development**

The Group and the Company does not undertake research and development activity as any such activity is carried out by the parent organisation in the US.

### **Results and dividends**

The loss for the year, after taxation, amounted to £14,751,109 (2014 – loss of £10,500,000).

During the period, the Company paid no dividend (2014: nil), and the decrease in retained earnings for the year of £14,751,109 (2014: decrease £10,500,000) net of the other comprehensive income £5,647,000 has been removed from reserves.

### **Future developments**

Although the market for classification services continues to be challenging in 2016, ABS Europe Ltd Operating Profit should be largely protected from the worst effects due to the presence of fixed profit margins and reduced risk of debtor default.

ABS Marine Services Ltd and ABS Group Ltd through their involvement in the offshore verification/LNG transportation and renewable energy sectors respectively, expect 2016 to be another challenging year with the low price of oil affecting the oil, gas, offshore and associated industries.

### **Provision 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 that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company and the Group's auditors in connection with preparing their report and to establish that the Company and the Group's auditors are aware of that information.

### **Employees**

Regular meetings are held with representatives of the UK employees which, in the opinion of the directors, fulfil the intent of the provisions of Section 2 of the Employment Act, 1982.

All employees participate in a non-contractual bonus scheme, which is related to the performance of the Company.

Health and safety matters are given special attention by the Group and it is Board policy to ensure that continued employment is offered, wherever possible, to employees who become temporarily disabled and special arrangements are made for those permanently disabled, including training and career development.

ABS Europe Ltd is an equal opportunity employer providing every qualified applicant with consideration for job openings without regard to race, colour, religion, gender, national origin, age or marital status.

**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 Business Review on page 3. Notes 11-13 to the financial statements show the assets available to the Group to support its business in the future. ABS Europe Ltd and ABS Italy Srl having entered into revised agreements with American Bureau of Shipping to provide services on a basis that should considerably reduce the Group's exposure to external economic risk. This is because the arrangements provide for a stable margin with respect to operating costs of the business which flexes up or down in line with increases or decreases in the cost base. This is a low risk cost provider model, with revenue determined by applying a margin to the cost base. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**Directors**

The Director shown below has held office during the whole of the period from 1 January 2015 to the date of this report.

Karel van Campenhout

Other changes in directors holding office are as follows:

Richard Pride was appointed as a director on 24<sup>th</sup> February 2016

Kirsi Tikka ceased to be a director on 24<sup>th</sup> February 2016

**Statement of directors' responsibilities**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Group and of the profit or loss of the Group 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 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 Group 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 Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP 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 and signed on its behalf.



**Karel van Campenhout**  
Director

Date: 12 December 2016



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABS EUROPE LIMITED**

We have audited the financial statements of ABS Europe Limited for the year ended 31<sup>st</sup> December 2015 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes In Equity and the related notes 1 to 27. 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 Statement of Directors' Responsibilities set out on Page 6 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 group's and the parent 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 Directors' Report and Financial Statements 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 group's and of the parent company's affairs as at 31<sup>st</sup> December 2015 and of the group's loss for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the parent company 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.



Giles Watson (Senior statutory auditor)  
for and on behalf of  
Ernst & Young LLP, Statutory Auditor  
London

Date: 12/12/2016

**Consolidated Income Statement**  
**for the year ended 31 December 2015**

	<b>Note</b>	<b>2015 £000</b>	<b>2014 £000</b>
<b>Turnover</b>	<b>2</b>	74,107	74,558
Cost of sales	<b>3</b>	(50,722)	(51,910)
<b>Gross profit</b>		<u>23,385</u>	<u>22,648</u>
Administrative expenses before exceptional items	<b>3</b>	(19,169)	(17,822)
Exceptional item	<b>5</b>	-	1,082
Operating profit	<b>4</b>	<u>4,216</u>	<u>5,908</u>
Waiver of intercompany balance	<b>5</b>	-	2,365
Other financing expenditure	<b>6</b>	(16,551)	(20,488)
<b>Loss on ordinary activities before taxation</b>	<b>2</b>	<u>(12,335)</u>	<u>(12,215)</u>
Tax on loss on ordinary activities	<b>10</b>	(2,416)	1,715
<b>Result for the year</b>	<b>20</b>	<u><u>(14,751)</u></u>	<u><u>(10,500)</u></u>

All amounts relate to continuing operations.

The notes on pages 15 to 39 form part of these financial statements.

**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2015**

	<b>Note</b>	<b>2015 £000</b>	<b>2014 £000</b>
<b>Loss for the year</b>	20	(14,751)	(10,500)
Exchange differences on retranslation of subsidiary undertakings	20	932	600
Remeasurement gain/(loss) recognised on defined benefit pension schemes		5,996	(4,724)
Movement on deferred tax relating to pension liability		(1,281)	1,333
<b>Other Comprehensive income</b>		<b>5,647</b>	<b>(2,791)</b>
<b>Total comprehensive income attributable to equity shareholders of the Group</b>		<b>(9,104)</b>	<b>(13,291)</b>

The notes on pages 15 to 39 form part of these financial statements.

**Consolidated balance sheet**  
as at 31 December 2015

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	11	2,087	2,295
Investments	12	11	11
		<u>2,098</u>	<u>2,306</u>
<b>Current assets</b>			
Debtors	13	12,037	14,143
Cash at bank and in hand		2,475	5,469
		<u>14,512</u>	<u>19,612</u>
<b>Creditors: amounts falling due within one year</b>	14	(22,261)	(13,721)
<b>Net current assets</b>		<u>(7,749)</u>	<u>5,891</u>
<b>Total assets less current liabilities</b>		<u>(5,651)</u>	<u>8,197</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(135)	(130)
<b>Provisions for liabilities</b>			
Provisions	17	(3,048)	(2,101)
<b>Net assets excluding pension scheme assets/(liabilities)</b>		<u>(8,834)</u>	<u>5,966</u>
Defined benefit pension assets	22	77,972	75,293
Defined benefit pension liabilities	22	(72,397)	(75,414)
		<u>5,575</u>	<u>(121)</u>
<b>Net assets including pension scheme assets/(liabilities)</b>	2	<u>(3,259)</u>	<u>5,845</u>
<b>Capital and reserves</b>			
Called up share capital	18	3,534	3,534
Profit and loss account	19	(6,793)	2,311
<b>Shareholders' funds</b>	20	<u>(3,259)</u>	<u>5,845</u>

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

Karel van Campenhout

Director

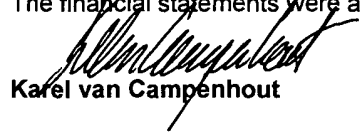
Date: 12 December 2016

The notes on pages 15 to 39 form part of these financial statements.

**Company balance sheet**  
**as at 31 December 2015**

		2015		2014	
	Note	£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	11		2,017		2,205
Investments	12		682		682
			<u>2,699</u>		<u>2,887</u>
<b>Current assets</b>					
Debtors	13	10,726		10,291	
Cash at bank and in hand		1,903		4,907	
		<u>12,629</u>		<u>15,198</u>	
<b>Creditors: amounts falling due within one year</b>	14	(21,524)		(7,363)	
<b>Net current assets</b>			(8,895)		7,835
<b>Total assets less current liabilities</b>			(6,196)		10,722
<b>Creditors: amounts falling due after more than one year</b>	15		(135)		(139)
<b>Provisions for liabilities</b>					
Provisions	17		(1,471)		(451)
<b>Net assets excluding pension scheme assets/(liabilities)</b>			(7,802)		10,132
Defined benefit pension assets	22	77,972		75,293	
Defined benefit pension liabilities	22	(72,397)		(75,414)	
			<u>5,575</u>		<u>(121)</u>
<b>Net assets including pension scheme assets/(liabilities)</b>			(2,227)		10,011
<b>Capital and reserves</b>					
Called up share capital	18		3,534		3,534
Profit and loss account	19		(5,761)		6,477
<b>Shareholders' funds</b>	20		<u>(2,227)</u>		<u>10,011</u>

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

  
Karel van Campenhout

Director

Date: 12 December 2016

**Consolidated Statement of  
changes in equity  
for the year ended 31 December 2015**

	<b>Called-up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total Equity £000</b>
At 1 January 2014	3,534	15,602	19,136
Loss for the year	-	(10,500)	(10,500)
Other comprehensive income	-	(2,791)	(2,791)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(13,291)	(13,291)
Equity dividends paid	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2014	3,534	2,311	5,845
	<hr/>	<hr/>	<hr/>
Loss for the year	-	(14,751)	(14,751)
Other comprehensive income	-	5,647	5,647
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(9,104)	(9,104)
Equity dividends paid	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2015	3,534	(6,793)	(3,259)
	<hr/>	<hr/>	<hr/>

The notes on pages 15 to 39 form part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

#### Statement of compliance

ABS Europe Limited is a limited liability company incorporated in England. The Registered Office is 1 Frying Pan Alley, London E1 7HR. The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2015. The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 27.

#### Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The presentational currency used when preparing these accounts is GBP.

The directors deem that it is appropriate to treat the non UK entities as having local functional currencies and these are consolidated, in accordance with FRS102, into a UK sterling set of books for the purpose of reporting under UK law to the relevant UK authorities - in sterling.

The financial statements have been prepared using the going concern basis of accounting

As the Company is a wholly owned subsidiary of the American Bureau of Shipping, the Company has taken advantage of the exemption contained in FRS 102 Section 33 ("Related Party Disclosures") and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of the American Bureau of Shipping, within which this Company is included, can be obtained from the address given in note 25.

Under FRS 102 Section 7 ("Statement of Cash Flows") the Company and the Group are exempt from the requirement to prepare a cash flow statement per FRS 102 Paragraph 3.17 on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December each year. No profit and loss account is presented for ABS Europe Limited as permitted by section 408 of the Companies Act 2006. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

#### Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.



## 1. Accounting policies (Continued)

### Tangible assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short term leasehold property	-	life of lease
Plant & machinery	-	20% per annum
Motor vehicles	-	20% per annum
Furniture & equipment	-	10% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### Investments

Investments in subsidiaries are valued at cost less provision for impairment.

### Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

### Foreign currencies

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 profit and loss account.

Non-monetary assets and liabilities denominated in foreign currencies, once translated and recorded in the balance sheet, are carried forward in local functional currency. No subsequent translations of these assets will normally need to be made.

The assets and liabilities of overseas subsidiary undertakings and branches are translated at the closing exchange rates. Exchange differences arising from the retranslation of the opening net assets of subsidiaries, branches and associates which have currencies of operation other than sterling and any related loans are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end. All resulting exchange differences are recognised in other comprehensive income.

### Operating leases

The Company and its subsidiaries do not hold assets under finance lease agreement. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Any lease incentives are recognised over the lease term on a straight line basis.

## Pensions

The Company operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that they are recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the consolidated statement of comprehensive income. A summary of the pension arrangements for employees is included in note 22. Independent actuarial valuations of the scheme are made every 3 years.

The Company also operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

## Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates substantially enacted at the balance sheet date.

## Revenue Recognition

### ***ABS Europe Limited (Company) & ABS Italy Srl***

Turnover represents the amounts from the provision of services to the American Bureau of Shipping. Revenue is accrued in line with service delivery, and is recorded net of VAT and similar sales tax.

### ***ABS Marine Services Limited & ABS Group Limited***

Turnover, which is stated net of value added tax, represents the value of services provided to clients during the year, after provision for contingencies and anticipated future losses on contracts, including amounts not invoiced. The turnover and pre-tax profit is attributable to the provision of marine third party inspection, verification, quality consulting and other technical services to a broad range of clients in the energy sector.

## **1. Accounting policies (Continued)**

### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The judgements discussed below had the most significant effect on amounts recognised in the financial statements.

### **Impairment of non-financial assets**

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are based on historical retained earnings and latest forecasts, they do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model.

### **Pensions**

The valuation of the pension scheme assets and liabilities are based on assumptions of professionally qualified actuaries.

**2. Analysis of turnover, net assets and profit on ordinary activities before tax**

	2015			2014		
	Turnover £000	Net loss before tax £000	Net assets/ liabilities £000	Turnover £000	Net profit before tax £000	Net assets/ liabilities £000
By activity						
Operational and technical	69,068	(11,865)	(2,730)	68,464	(12,342)	7,117
Industrial verification	3,738	(381)	(1,163)	5,256	284	(1,942)
Marine services	1,301	(89)	634	838	(157)	670
	<u>74,107</u>	<u>(12,335)</u>	<u>(3,259)</u>	<u>74,558</u>	<u>(12,215)</u>	<u>5,845</u>

	2015			2014		
	Turnover £000	Net loss before tax £000	Net assets/ liabilities £000	Turnover £000	Net profit before tax £000	Net assets/ liabilities £000
By geographical market						
UK	37,131	6,062	1,844	35,721	(11,080)	23,555
Europe	30,351	(17,203)	(2,327)	32,066	(1,415)	(17,677)
Rest of the World	6,625	(1,194)	(2,776)	6,771	280	(33)
	<u>74,107</u>	<u>(12,335)</u>	<u>(3,259)</u>	<u>74,558</u>	<u>(12,215)</u>	<u>5,845</u>

Turnover by destination is not materially different from turnover by origin.

**3. Cost of sales and administrative expenses**

Cost of sales of £50,722,000 (2014: £51,910,406) comprises salaries and related labour costs including contractors.

Administrative expenses comprise:

	2015	2014
	£000	£000
Office costs	2,954	2,986
Systems & telecom	638	917
Intercompany recharges to other offices	766	600
Marketing and promotional	973	1,708
Depreciation	522	492
Intercompany use of personnel	9,975	8,978
Other administrative expenses	3,341	2,141
	<u>19,169</u>	<u>17,822</u>

**4. Operating profit**

The operating profit is stated after charging:

	2015	2014
	£000	£000
Depreciation of tangible fixed assets:		
- Plant and Machinery	158	154
- Other	364	337
Operating lease rentals:		
- other operating leases	1,315	1,314
	<u></u>	<u></u>

**5. Waiver of intercompany balance and exceptional item**

During 2014, the parent company, American Bureau of Shipping has reviewed the balance of intercompany transactions within the Group and as a result irrevocably waived its right to repayment of intercompany balance due of £2,365,000.

In addition to the above, during 2014, the management undertook a review of historic adjustment and concluded that some of these balances were no longer supported. The effect of re-examining these concluded that some of these adjustments was a decrease in the value of direct expenses in the year by £1,082,000.

**6. Other financing expenditure or income**

During 2013 an exercise was undertaken to translate the majority of the Group's intercompany currency balances to US dollars to ensure consistency across the global organization. In line with our accounting policy these dollar balances have been translated to GBP in these financial statements of ABS Europe Ltd. This has resulted in a revaluation amount in Other Financing Expenditure of £16,551,000 (2014: Other Financing Expenditure £20,488,000).

**7. Auditors' remuneration**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor for the audit of the ABSEL annual consolidated accounts (including the audit of subsidiary companies)	<b>103</b>	154
Fees payable to the Company's auditor in respect of the Group audit of the American Bureau of Shipping	<b>251</b>	202
	<b>=====</b>	<b>=====</b>

The auditor did not provide any non-audit services during the period.

**8. Staff numbers and costs**

The average number of persons employed by the Group and the parent Company (including directors) during the period, analysed by category, was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Operational	<b>226</b>	226	<b>197</b>	197
Technical	<b>87</b>	95	<b>76</b>	82
Administration	<b>95</b>	131	<b>72</b>	95
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
	<b>408</b>	452	<b>345</b>	374

The aggregate payroll costs of these persons were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>26,269</b>	25,844	<b>22,960</b>	22,617
Social security costs	<b>4,104</b>	4,009	<b>3,209</b>	3,032
Other pension costs	<b>4,045</b>	2,108	<b>3,928</b>	2,039
Redundancy payments	<b>256</b>	343	<b>36</b>	118
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
	<b>34,674</b>	32,304	<b>30,133</b>	27,806

**9. Directors' remuneration**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Remuneration	<b>616</b>	664
	<b>=====</b>	<b>=====</b>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes. The aggregate value of entity contributions paid into the scheme in the year was £41,396 (2014: £29,000).

The highest paid director received remuneration of £441,453 (2014 - £501,088) and entity contributions paid into the defined benefit pension scheme of £nil (2014: nil).

**10. Taxation****Analysis of the tax charge/(credit)**

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	<b>2015</b>	2014
	<b>£000</b>	£000
<b>Current Tax (see note below)</b>		
UK corporation tax charge on profit for the year	<b>625</b>	508
Group Relief receivable from other UK companies	-	-
Adjustments in respect of prior periods	<b>121</b>	(423)
Foreign tax on income for the year	<b>1,097</b>	1,018
Foreign tax adjustments in respect of prior periods	<b>(329)</b>	626
<b>Total current tax</b>	<b>1,514</b>	1,729
<b>Deferred tax</b>		
Deferred tax	<b>14</b>	(822)
Adjustment in respect of prior periods	<b>888</b>	(2,622)
<b>Total deferred tax (see note 16)</b>	<b>902</b>	(3,444)
<b>Tax on loss on ordinary activities</b>	<b>2,416</b>	(1,715)

**Reconciliation of total tax charge/(credit) included in profit and loss**

The effective tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

	<b>2015</b>	2014
	<b>£000</b>	£000
Loss on ordinary activities before tax	<b>(12,335)</b>	(12,215)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	<b>(2,497)</b>	(2,626)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>157</b>	77
Differences between UK and overseas tax rates	<b>311</b>	332
Movement in unrecognised deferred tax attributes	<b>3,605</b>	3,524
Other items, including non-corporate taxes	<b>160</b>	(604)
Adjustments in respect of prior periods	<b>680</b>	(2,419)
<b>Total tax charge/(credit) for the year (see note above)</b>	<b>2,416</b>	(1,715)

**11. Tangible assets**

<b>Group</b>	<b>Short leasehold land and buildings</b>	<b>Plant &amp; machinery</b>	<b>Motor vehicles</b>	<b>Furniture &amp; equipment</b>	<b>Total</b>
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 January 2015	3,106	1,343	537	1,342	6,328
Additions	87	167	67	60	381
Disposals	-	(75)	(189)	(77)	(341)
Exchange movements	(22)	(39)	(2)	(47)	(110)
<b>At 31 December 2015</b>	<b>3,171</b>	<b>1,396</b>	<b>413</b>	<b>1,278</b>	<b>6,258</b>
<b>Depreciation</b>					
At 1 January 2015	1,522	1,087	442	982	4,033
Charge for the year	230	158	36	98	522
On disposals	-	(67)	(187)	(56)	(310)
Exchange movements	(7)	(31)	1	(37)	(74)
<b>At 31 December 2015</b>	<b>1,745</b>	<b>1,147</b>	<b>292</b>	<b>987</b>	<b>4,171</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>1,426</b>	<b>249</b>	<b>121</b>	<b>291</b>	<b>2,087</b>
<b>At 31 December 2014</b>	<b>1,584</b>	<b>256</b>	<b>95</b>	<b>360</b>	<b>2,295</b>

<b>Company</b>	<b>Short leasehold land and buildings</b>	<b>Plant &amp; machinery</b>	<b>Motor vehicles</b>	<b>Furniture &amp; equipment</b>	<b>Total</b>
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 January 2015	3,034	1,169	490	984	5,677
Additions	87	145	67	60	359
Disposals	-	(37)	(189)	(77)	(303)
Exchange movements	(16)	(30)	2	(24)	(68)
<b>At 31 December 2015</b>	<b>3,105</b>	<b>1,247</b>	<b>370</b>	<b>943</b>	<b>5,665</b>
<b>Depreciation</b>					
At 1 January 2015	1,479	964	396	633	3,472
Charge for the year	224	140	36	93	493
On disposals	-	(37)	(187)	(55)	(279)
Exchange movements	(3)	(24)	4	(15)	(38)
<b>At 31 December 2015</b>	<b>1,700</b>	<b>1,043</b>	<b>249</b>	<b>656</b>	<b>3,648</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>1,405</b>	<b>204</b>	<b>121</b>	<b>287</b>	<b>2,017</b>
<b>At 31 December 2014</b>	<b>1,555</b>	<b>205</b>	<b>94</b>	<b>351</b>	<b>2,205</b>



**12. Investments**

	Group investments £000	Company investments £000
<b>Cost or valuation</b>		
At 1 January 2015 and at 31 December 2015	<u>11</u>	<u>3,577</u>
<b>Impairment</b>		
At 1 January 2015 and at 31 December 2015	<u>-</u>	<u>2,895</u>
<b>Net book value</b>		
At 31 December 2015	<u>11</u>	<u>682</u>
At 31 December 2014	<u>11</u>	<u>682</u>

The Group and Company investments include an £11k investment representing a 12.5% interest in ABS Mideast Ltd. The remaining Company investments are investments in subsidiaries.

Annually the directors undertake a review of the carrying value of the investments in subsidiaries. As a result of this review, the directors concluded that there had been no fundamental change in the expected long term prospects for the subsidiaries and therefore there should be no change in the level of impairment provision recognised.

Details of the principal subsidiaries can be found under note 26.

**13. Debtors**

	<b>Group</b>		<b>Company</b>	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade debtors	1,273	1,106	96	156
Amounts owed by Group undertakings	-	-	-	303
Overpaid taxes recoverable	211	476	144	476
Amounts recoverable on contracts	30	1,721	-	-
Other debtors	6,505	5,519	6,298	5,226
Prepayments and accrued income	445	879	336	746
Deferred tax asset (see note 16)	3,573	4,442	3,394	3,384
	<u>12,037</u>	<u>14,143</u>	<u>10,268</u>	<u>10,291</u>

**14. Creditors:**  
**Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade creditors	484	648	379	474
Amounts owed by Group undertakings	12,203	5,062	12,509	-
Amounts recoverable on contracts	0	-	4	4
Social security and other taxes	1,877	1,919	1,760	1,747
Deferred taxation (see note 16)	1,951	198	1,951	198
Other creditors	1,149	623	1,024	549
Accrued expenses	4,597	5,271	3,439	4,391
	<u>22,261</u>	<u>13,721</u>	<u>21,066</u>	<u>7,363</u>

The inter-company balance shown in creditors is made up of large, and offsetting, sterling and dollar denominated balances such that the resulting exchange difference, shown in other financing(expenditure)/income, is substantially greater than the result you would get from revaluing the net inter-company balance.

**15. Creditors:**  
**Amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	2015	2014	2015	2014
	£000	£000	£000	£000
Amounts owed to Group undertakings	-	(9)	-	-
Other pension schemes	135	139	135	139
	<u>135</u>	<u>130</u>	<u>135</u>	<u>139</u>

No repayment date is specified for amounts owed to Group undertakings and no interest is payable on the outstanding amount. The amount in Other pension schemes refers to amounts that ABS Europe Limited has committed to pay in respect of certain pension scheme arrangements but has not, to date, done so and does not expect to have to settle in the next 12 months.

**16. Deferred tax asset**

	<b>Group</b>		<b>Company</b>	
	2015	2014	2015	2014
	£000	£000	£000	£000
At beginning of year	4,442	2,541	3,384	2,027
Charged during the year	(869)	1,901	10	1,357
At end of year	<u>3,573</u>	<u>4,442</u>	<u>3,394</u>	<u>3,384</u>

**16. Deferred tax asset (continued)**

The deferred tax asset is made up as follows:

	<b>Group</b>		<b>Company</b>	
	2015 £000	2014 £000	2015 £000	2014 £000
Accelerated capital allowances	31	51	31	51
Deferred tax on overseas pension schemes	1,370	2,214	1,370	2,214
Net operating losses	190	489	56	133
Amounts deductible in future periods due to currency revaluations	1,982	1,688	1,937	986
Other timing differences	-	-	-	-
	<u>3,573</u>	<u>4,442</u>	<u>3,394</u>	<u>3,384</u>

A deferred tax asset of £8,278,833 (2014: £3,006,000) has not been recognised in respect of unutilised net operating losses, currency translations, and other timing differences in the branches and subsidiary companies. These will potentially be available to relieve against future profits of the companies in which they arise.

**Summary of DTA not recognised**

	2015 £000	2014 £000
ABS Europe Limited	7,717	2,658
ABS Group Limited	422	202
ABS Marine Services Limited	139	146
	<u>8,278</u>	<u>3,006</u>

**Gross values of tax losses**

	2015 £000	2014 £000
Denmark	237	533
Sweden	186	0
ABS Group Limited	2,685	2,579
ABS Marine Services Limited	728	728
	<u>3,836</u>	<u>3,840</u>

A deferred tax liability of £1,951,467 (2014: £1,519,200) was recognised materially relating to deferred tax on the UK pension scheme asset / (liability) and amounts taxable in future periods relating to the currency revaluation referred to in note 6. The expected unwind of deferred tax assets and liabilities in the next 12 months is as follows:

**Expected DTA/DTL net reversal in next 12 months**

	2015 £000	2014 £000
Tax losses utilisation (Denmark)	56	78
	<u>56</u>	<u>78</u>

**Deferred tax on UK defined benefit pension scheme asset / (liability)**

	<b>Group and Company £000</b>
Opening net deferred tax liability on pension asset / (liabilities)	(1,321)
Amount debited to profit and loss account during the period	(236)
Amounts credited to reserves during the period	(389)
	<hr/>
Closing net deferred tax liability on pension assets / (liabilities)	(1,946)
	<hr/>

**Factors that may affect future tax charges**

The UK corporation tax rate for the period is 20.25% following a reduction in the rate from 21% to 20% as of 1 April 2015. The government had also substantively enacted a further two rate reductions to 19% from 1 April 2017 and 18% from 1 April 2017 as at the balance sheet date. A further reduction to 17%, to apply from 1 April 2020 instead of the 18% rate, was enacted following the balance sheet date. The potential impact on deferred tax recognised and unrecognised is considered to be immaterial at this stage.

**17. Provisions**

<b>Group</b>	<b>Group Severance Provision £000</b>	<b>Ancillary Tax Provision £000</b>	<b>Total £000</b>
At 1 January 2015	1,650	451	2,101
Charged to the profit and loss account/provided in year	1,307	(30)	1,277
Payments	(217)	-	(217)
Foreign exchange	(132)	19	(113)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	2,608	440	3,048
	<hr/>	<hr/>	<hr/>

**Group Severance Provision**

The severance provision relates to a statutory provision as required in certain countries where the Company has operations and employees.

<b>Company</b>	<b>Severance Provision £000</b>	<b>Ancillary Tax Provision £000</b>	<b>Total £000</b>
At 1 January 2015	-	451	451
Charged to the profit and loss account/provided in year	1,101	(30)	1,071
Payments	(70)	-	(70)
Foreign exchange	-	19	19
	<hr/>	<hr/>	<hr/>
At 31 December 2015	1,031	440	1,471
	<hr/>	<hr/>	<hr/>

### Ancillary Tax Provision

During late 2013, the Directors became aware that a new, low profile, change to the consumption tax legislation had been introduced in one of the branch locations applicable from early 2012. As a result, the Directors estimate that they have a liability for back taxes which should have been charged to the party invoiced for the services (the ultimate parent company) and then paid to the tax authority, interest and penalties from 2012 through to 31 December 2013 amounting to £364,000. ABS has recorded £440,000 at December 2015. Under the terms of the service agreement in place with ABS, as noted above the Company will retrospectively invoice ABS for the tax amounts due. Additionally ABS has confirmed that it will also compensate the Company for interest and penalties ultimately payable. The Directors are currently consulting with the local tax advisors on how and when the company will settle the tax, interest and penalties due with the relevant local tax authority.

### 18. Share capital

	2015 £000	2014 £000
<b>Allotted, called up and fully paid</b>		
3,534,064 Ordinary shares of £1 each	3,534	3,534

### 19. Reserves

Group	Profit and loss account £000
At 1 January 2015	2,311
Loss for the year	(14,751)
Dividends (Note 21)	-
AOCI	4,715
Movement on foreign exchange	932
At 31 December 2015	(6,793)
Company	Profit and loss account £000
At 1 January 2015	6,477
Loss for the year	(17,964)
Dividends (Note 21)	-
AOCI	4,715
Movement on foreign exchange	1,011
At 31 December 2015	(5,761)

**20. Reconciliation of movement in shareholders' funds**

	<b>2015</b>	<b>2014</b>
<b>Group</b>	<b>£000</b>	<b>£000</b>
Opening shareholders' funds	5,845	19,136
Loss for the year	(14,751)	(10,500)
AOCI	4,715	(3,391)
Movement on foreign exchange	932	600
Closing shareholders' funds	<u>(3,259)</u>	<u>5,845</u>
<b>Company</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Opening shareholders' funds	10,011	20,391
Loss for the year	(17,964)	(8,228)
AOCI	4,715	(3,391)
Currency translations adjustments	1,011	1,239
Closing shareholders' funds	<u>(2,227)</u>	<u>10,011</u>

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss Account.

The loss for the year dealt with in the accounts of the Company was £17,964,000 (2014: loss £8,228,000).

**21. Dividends**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Dividends payable on equity capital	<u>nil</u>	<u>nil</u>

**22. Pension commitments**

The Group operates several defined contributions pension schemes. The pension charge for the period represents contributions payable by the Company to the defined contribution schemes amounting to £3.2 million (2014: £8.2 million).

In addition the Group has a number of defined benefit pension schemes, the details of which are set out below.

**UK**

In the UK the Company operates a pension scheme providing both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service.

A full actuarial valuation of the scheme was carried out as at 31 December 2013 and has been updated to 31 December 2015 by a qualified independent actuary. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and rates of increase in salaries and pensions.

The FRS102 standard was issued by the Financial Reporting Council in March 2013. The new standard came into force for periods commencing on or after 1 January 2015 and serves to replace the previous FRS17 standard. The disclosures shown below adopt this standard for the current period and the prior period has been re-stated accordingly.

The most recent actuarial valuation showed that the market value of the scheme's assets was £65.4 million at 31 December 2015 (2014: £62.9 million) and that the actuarial value of the assets represented 123% (2014: 120%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

**Germany**

In Germany the Company operates a pension scheme providing benefits based on final pensionable pay. The pension is unfunded in accordance with German law. The latest actuarial valuation was carried out at 31 December 2015 by a qualified independent actuary. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and rates of increase in salaries and pensions.

The most recent actuarial valuation showed that the market value of the scheme's assets was £nil at 31 December 2015 (2014: £nil) and that the actuarial value of the assets represented nil% (2014: nil%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

**Netherlands**

In the Netherlands the Company operates a pension scheme providing benefits based on final pensionable pay. The scheme is an insured pension scheme in accordance with Dutch law. Results are based on a roll-forward of the last actuarial valuation at 31 December 2014.. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and change of method to determine the assets of the scheme.

The most recent actuarial valuation showed that the market value of the scheme's assets was £8.9 million at 31 December 2015 (2014: £7.3 million) and that the actuarial value of the assets represented 90% (2014: 66%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

**22. Pension commitments (continued)****Belgium**

In Belgium the Company operates a pension scheme providing benefits based on final pensionable pay. The scheme is an insured pension scheme in accordance with Belgian law. The latest full valuation was carried out at 31 December 2015 by a qualified independent actuary. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and rates of increase in salaries and pensions.

The most recent actuarial valuation showed that the market value of the scheme's assets was £1.2 million at 31 December 2015 (2014: £1.1 million) and that the actuarial value of the assets represented 65% (2014: 60%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

**Spain**

In Spain the Company operates a pension scheme providing benefits based on final pensionable pay. The scheme is an insured pension scheme in accordance with Spanish law. The latest full valuation was carried out at 31 December 2015 under FRS102 by a qualified independent actuary. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and rates of increase in salaries and pensions.

The most recent actuarial valuation showed that the market value of the scheme's assets was £2.5 million at 31 December 2015 (2014: £3.9 million) and that the actuarial value of the assets represented 97% (2014: 109%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.



**22. Pension commitments (continued)**

The major assumptions used in the valuations

<b>Assumptions at 2015</b>	<b>UK %</b>	<b>Germany %</b>	<b>Netherlands %</b>	<b>Belgium %</b>	<b>Spain %</b>
Rate of increase in salaries	<b>3.60</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>
Rate of increase in pensions payment and deferred pensions	<b>3.00</b>	<b>1.75</b>	-	-	-
Discount rate applied to scheme liabilities	<b>3.94</b>	<b>2.50</b>	<b>2.50</b>	<b>1.50</b>	<b>2.70</b>
Inflation assumption	<b>3.10</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>

<b>Assumptions at 2014</b>	<b>UK %</b>	<b>Germany %</b>	<b>Netherlands %</b>	<b>Belgium %</b>	<b>Spain %</b>
Rate of increase in salaries	3.50	2.75	2.75	2.75	3.00
Rate of increase in pensions payment and deferred pensions	2.90	1.75	-	-	-
Discount rate applied to scheme liabilities	3.60	2.10	2.10	1.50	2.20
Inflation assumption	3.00	1.75	1.75	1.75	2.00

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

ABS Europe expects to contribute the following during the next annual period ended 31 December 2016.

	<b>2015 £000</b>	<b>2014 £000</b>
UK	<b>2,802</b>	2,448
Germany	<b>40</b>	33
Netherlands	<b>290</b>	370
Belgium	<b>150</b>	148
Spain	<b>639</b>	261

**22. Pension commitments (continued)**

<b>2015</b>	<b>UK £000</b>	<b>Germany £000</b>	<b>Netherlands £000</b>	<b>Belgium £000</b>	<b>Spain £000</b>	<b>Total £000</b>
Equities	22,653	-	-	-	-	22,653
Bonds	41,035	-	-	-	-	41,035
Real Estate	1,457					1,457
Other	224	-	8,859	1,229	2,515	12,827
Fair value of scheme assets	65,369	-	8,859	1,229	2,515	77,972
Present value of scheme liabilities	(53,116)	(4,895)	(9,889)	(1,894)	(2,603)	(72,397)
Gross pension surplus/(deficit)	12,253	(4,895)	(1,030)	(665)	(88)	5,575
<b>2014</b>	<b>UK £000</b>	<b>Germany £000</b>	<b>Netherlands £000</b>	<b>Belgium £000</b>	<b>Spain £000</b>	<b>Total £000</b>
Equities	22,726	-	-	-	-	22,726
Bonds	38,369	-	-	-	-	38,369
Real Estate	1,355					1,355
Other	421	-	7,344	1,149	3,929	12,843
Fair value of scheme assets	62,871	-	7,344	1,149	3,929	75,293
Present value of scheme liabilities	(53,805)	(4,939)	(11,165)	(1,907)	(3,598)	(75,414)
Gross pension surplus/(deficit)	9,066	(4,939)	(3,821)	(758)	331	(121)

The Company establishes the long-term expected rate of return on plan assets by developing a forward looking, long term result assumption for each asset class, taking into account factors such as the market yield of bond investments of appropriate duration and the expected outperformance for other asset classes based on analysis of long term historical trends. A single long term rate assumption is then calculated as the weighted average of the long term return assumption for each asset class, based on the target asset allocation.

**22. Pension commitments (continued)**

The amounts recognised in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income for the year are analysed as follows:

**2015****Recognised in the Consolidated Income Statement**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Current service cost	3,219	315	366	123	246	4,269
Recognised in arriving at operating profit	3,219	315	366	123	246	4,269
Net interest on net defined benefit liability	(426)	104	213	26	73	(10)
Total recognised in the profit and loss account	2,793	419	579	149	319	4,259

**Taken to other comprehensive income**

Actual return on scheme assets less amounts included in net interest on the net defined benefit liability	(1,413)	-	1,926	30	(385)	158
Actuarial gains/(losses) on the liabilities	3,334	47	671	(2)	232	4,282
Other actuarial gains/(losses)	-	101	-	-	-	101
	1,921	148	2,597	28	(153)	(4,541)

**2014****Recognised in the Consolidated Income Statement**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Current service cost	2,307	229	244	98	165	3,043
Recognised in arriving at operating profit	2,307	229	244	98	165	3,043
Net interest on net defined benefit liability	(294)	138	331	46	99	320
Total recognised in the profit and loss account	2,013	367	575	144	264	3,363

**Taken to other comprehensive income**

Actual return on scheme assets less amounts included in net interest on the net defined benefit liability	4,179	-	(467)	6	1,156	4,874
Actuarial gains/(losses) on the liabilities	(4,265)	(1,241)	(2,205)	(247)	(1,081)	(9,039)
Other actuarial gains/(losses)	-	40	-	-	-	40
	(86)	(1,201)	(2,672)	(241)	75	(4,125)

**22. Pension commitments (continued)****Analysis of changes in the present value of the defined benefit obligations:**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
At 1 January 2014	45,977	3,602	9,456	1,635	2,621	63,291
Current service cost	2,307	229	244	98	165	3,043
Past service cost	-	-	(143)	-	-	(143)
Interest cost	2,082	138	331	46	99	2,696
Benefits paid	(2,570)	(26)	(348)	(33)	(189)	(3,166)
Contributions by scheme participants	423	-	18	17	-	458
Actuarial gains and losses	4,265	1,241	2,205	247	1,081	9,039
Related Deferred Tax Liability	1,321	-	-	-	-	1,321
Foreign currency differences	-	(245)	(598)	(103)	(179)	(1,125)
As at 31 December 2014	53,805	4,939	11,165	1,907	3,598	75,414
Current service cost	3,219	315	366	123	246	4,269
Past service cost	-	-	-	-	-	-
Interest cost	1,867	104	213	26	73	2,283
Benefits paid	(1,622)	(30)	(310)	(32)	(801)	(2,795)
Contributions by scheme participants	502	-	-	17	-	519
Actuarial gains and losses	(3,334)	(47)	(671)	2	(232)	(4,282)
Deferred Tax reversal	(1,321)	-	-	-	-	(1,321)
Foreign currency differences	-	(386)	(874)	(149)	(281)	(1,690)
As at 31 December 2015	53,116	4,895	9,889	1,894	2,603	72,397

**Analysis of changes in the fair value of plan assets**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
At 1 January 2014	51,144	-	8,003	1,055	2,769	62,971
Actual return on plan assets	4,179	-	(230)	40	1,260	5,249
Interest income	2,376	-	-	-	-	2,376
Employer contributions	7,319	-	359	135	280	8,093
Contribution by scheme participants	423	-	18	17	-	458
Benefits paid	(2,570)	-	(348)	(33)	(189)	(3,140)
Foreign currency differences	-	-	(458)	(65)	(191)	(714)
As at 31 December 2014	62,871	-	7,344	1,149	3,929	75,293
Actual return on plan assets	(1,413)	-	2,071	47	(305)	400
Interest income	2,293	-	-	-	-	2,293
Employer contributions	2,738	-	329	138	-	3,205
Contribution by scheme participants	502	-	-	17	-	519
Benefits paid	(1,622)	-	(310)	(32)	(801)	(2,765)
Foreign currency differences	-	-	(575)	(90)	(308)	(973)
As at 31 December 2015	65,369	-	8,859	1,229	2,515	77,972

**22. Pension commitments (continued)**

2015	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000
<b>Difference between the expected and actual return on scheme assets</b>					
Amount (£000)	(1,413)	-	1,926	30	(385)
Percentage of year end scheme assets (%)	(2)	-	22	2	(15)
<b>Actuarial gains and losses on scheme liabilities</b>					
Amount (£000)	(3,334)	(47)	(671)	2	(232)
Percentage of year end scheme liabilities (%)	(6)	(1)	(7)	-	(9)
<b>Total amount recognised in statement of comprehensive income</b>					
Amount (£000)	1,921	148	2,597	28	(153)
Percentage of year end scheme assets/liabilities (%)	16	3	252	4	(174)
<b>2014</b>					
	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000
<b>Difference between the expected and actual return on scheme assets</b>					
Amount (£000)	4,179	-	(467)	6	1,156
Percentage of year end scheme assets (%)	7	-	(6)	1	29
<b>Actuarial gains and losses on scheme liabilities</b>					
Amount (£000)	4,265	1,241	2,205	247	1,081
Percentage of year end scheme liabilities (%)	8	25	20	13	30
<b>Total amount recognised in statement of comprehensive income</b>					
Amount (£000)	(86)	(1,201)	(2,672)	(241)	75
Percentage of year end scheme assets/liabilities (%)	(1)	(24)	(70)	(32)	23

**22. Pension commitments (continued)****Analysis of net assets/(deficit) for the Group**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total fair value of scheme assets	<b>77,972</b>	<b>75,293</b>	<b>62,971</b>	<b>56,630</b>	<b>50,452</b>
Present value of funded scheme liabilities	<b>(72,397)</b>	<b>(75,414)</b>	<b>(63,290)</b>	<b>(58,984)</b>	<b>(49,180)</b>
Net (deficit)/assets	<b>5,575</b>	<b>(121)</b>	<b>(319)</b>	<b>(2,354)</b>	<b>1,272</b>

**International Benefit Plan**

Certain foreign employees of the Company are members of a funded defined benefit pension scheme of the American Bureau of Shipping, the details of which are disclosed in the consolidated accounts of the American Bureau of Shipping, an entity incorporated by special statute in the United States of America.

Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis the scheme will be accounted for by the Company as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 1 January 2016 by a qualified actuary. The market value of the Group scheme's assets was \$81.5m (2014 \$80.7m) and the present value of the scheme's liabilities which are derived from cash flow projections over a long period and are thus inherently uncertain were \$83.7m (2014 \$82.2m) giving rise to a scheme deficit of \$2.2m (2014 – deficit \$1.5m) before taking account of any deferred tax asset.

The Company is one of a number of participating employers and the implications of any surplus or deficit are considered on a Group basis.

**23. Operating lease commitments**

Minimum Lease payments under non-cancellable operating leases fall due as follows:

	2015 £000	2014 £000
<b>Group</b>		
<b>Expiry date: Land &amp; Buildings</b>		
Within 1 year	540	86
Between 2 and 5 years	574	617
After more than 5 years	300	4,014
	<u>          </u>	<u>          </u>
<b>Expiry date: Other</b>		
Within 1 year	141	21
Between 2 and 5 years	114	183
After more than 5 years	-	-
	<u>          </u>	<u>          </u>

**24. Post Balance Sheet Events**

During 2016, additional restructuring costs were incurred in relation to the closure of offices and severance of employees. A provision of £1,078k has been made in these financial statements for costs relating to restructuring.

**25. Ultimate parent undertaking**

The Company is a subsidiary undertaking of the American Bureau of Shipping, an entity incorporated by special statute in the United States of America. The accounts are available from the following address:

ABS Plaza  
16855 Northchase Drive  
Houston  
TX 77060

**26. Subsidiaries**

ABS Europe Limited directly holds the percentage of ordinary shares and voting rights in the following subsidiaries:

Company name	Country	Percentage Shareholding	Description
ABS Marine Services Limited	Great Britain	99	Marine Services
ABS Group Limited	Great Britain	99	Industrial verification
ABS Quality Evaluations Limited	Great Britain	99	Dormant
ABS Italy Srl	Italy	99	Classification services
ABS Hellas	Greece	99	Dormant
ABS Hellenic Single Member Ltd	Greece	100	Classification services

All the above entities have been included in the Group consolidation.

## 27. Transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2015 and the date of transition to FRS 102 was therefore 1 January 2015. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

ABS Europe Limited has taken exemption from preparing cash flows. Under FRS 102 Section 7 ("Statement of Cash Flows") the Company and the Group are exempt from the requirement to prepare a cash flow statement per FRS 102 Paragraph 3.17 on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

ABS Europe Limited's policy on foreign currencies and impairment on non-financial assets has been shown in the financial statements for the first time. ABS undertook a review of the functional currency's used by the subsidiaries included in these financial statements to ensure that these are disclosed correctly.

ABS Europe Limited assessed its holiday pay liability and provided for any shortfalls in accordance with FRS 102.

The policy and notes for deferred tax recognition has been updated to be consistent with the requirements of FRS 102.

### Reconciliation of equity

Note	At 1 January 2015 £000	At 31 December 2015 £000
Equity reported under previous UK GAAP	5,845	(3,661)
<b>Adjustments to equity on transition to FRS 102</b>		
1 FRS Pension Adjustment	-	402
Equity reported under FRS 102	5,845	(3,259)

### Notes to the reconciliation of equity at 31 December 2015

1. The represents the adjustment required for the change from FRS 17 to FRS102