

ABS Europe Limited and its subsidiaries

**Directors' Report and Financial Statements
for the year ended 31 December 2019**



Company Information

Directors	Karel van Campenhout Philip Midgley-Carver
Company secretary	Daniel Finn
Company number	02562251
Registered office	111 Old Broad Street London EC2N 1AP
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

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Strategic Report

The Directors present their Strategic and Directors' reports and the financial statements for the year ended 31 December 2019. Together, they form the annual report and accounts.

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

	2019 £000	2018 £000	Change %
Turnover	52,737	50,696	4%
Gross Profit	10,441	9,305	12%
Gross Profit %	20%	18%	11%
Operating Expenses	(51,129)	(50,149)	(2%)
Operating Profit	1,608	547	194%
Other Financing Income/ (Expenditure)	10,090	(13,032)	177%

The turnover generated by the Company's operations has remained stable during the year. An increase in Cost Plus revenue from the increased cost base, together with the new Monitor, Report and Verify revenue stream, in our ABS Hellenic operation have contributed to an increase in revenue of £1.2m. There was a £0.9m increase in turnover for ABS Group Ltd due to an increase in activity on a third party inspection master service agreement.

Other financing income for the year totals £10,090,000. This includes the effect of the impact in foreign exchange movement on the translation of balances and transactions, including intercompany balances, and the net interest cost on defined benefit liabilities. In common with previous periods, the company settled a significant proportion of the intercompany balances that it had with its parent, American Bureau of Shipping (ABS) in order to mitigate ABS Europe Ltd's exposure to foreign exchange movements. Arrangements were extended to include foreign exchange movements arising in Angola. Further details regarding the above are outlined in the Principal risks and uncertainties section below.

Principal risks and uncertainties

For ABS Europe Ltd and its subsidiaries, namely: ABS Hellenic Single Member Ltd (Hellenic) and ABS Italy Srl's (Italy Srl) operating profit margin risks, arising from a down turn in the shipbuilding business, have been to a great extent mitigated through the adoption of a cost plus pricing arrangement with the parent undertaking. However, in the event of a significant downturn in business, future profits could be impacted by a reduction in the cost base of these companies (and the resulting reduction in turnover).

With effect from year end ended 31 December 2016, The American Bureau of Shipping (ABS) and ABS Europe Limited (ABSEL) entered an agreement to settle outstanding USD denominated intercompany assets/ liabilities by assigning the USD balances a local currency equivalent value at the end of the year. In doing so, the foreign currency risk attached to those USD denominated intercompany assets/ liabilities held by ABSEL, is transferred to ABS. Any net residual balance is held by ABSEL in local currency. A similar process has been undertaken during 2019. The effect of this on the accounts of ABSEL is to eliminate large opposing intercompany balances denominated in US dollars and local currency and consequently reduce exposure to the inherent foreign exchange risk. In 2019 this agreement was extended to cover foreign exchange movements in ABSEL's branch in Angola, the impact of which was to increase other financing income by £6,842,000.

In addition, ABSEL, Hellenic and Italy Srl are exposed to risks arising from the continued existence of its sole customer and parent, the American Bureau of Shipping (ABS). The Directors consider that the risk of reliance on one revenue provider is low with revenues guaranteed through its cost plus agreement and the strong liquidity position of its one client, ABS. The businesses have a very low credit and litigation risk profile as much of this exposure is with ABS. However, this profile could be indirectly affected by events that challenge ABS.

The effects of movement in exchange rates are mitigated by matching revenue and expense currencies whenever possible.

Section 172(1) Companies Act 2006 statement

A director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long-term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

Stakeholder Engagement

The Board has identified key stakeholders (as set out in this statement) and undertook a variety of activities to engage with stakeholders during 2019. Details are set out below, together with additional information on related engagement activities undertaken with ABS & affiliated companies (ABSAC) which impacted ABSEL.

Customers/ Shareholders

The company's parent company, ABS, is also our main customer. The company recognises its contribution to the overall success of ABSAC. The ABSAC reporting structure means that The Board, regularly report into and have regular communication with senior management of ABSAC in order to achieve the defined goals of ABSAC.

Employees

Employees are the biggest asset to the company, without which, it would not be able to deliver its service to its customer. Our Senior Management engaged with employees in several ways including town hall meetings, email communications and online videos with opportunities for employees to ask questions. Regular meetings between managers and their direct reports and the structured annual employee performance evaluation process enable concerns from employees to be passed up to senior management. The digital newsletter (ABS Insider) ensures that staff remained informed and engaged about what is happening in ABSAC.

In 2019 ABSAC announced a new career development program called Beacon. This framework is designed to facilitate ongoing learning for all employees, enabling staff to build and manage their careers.

Safety and People are two of the ABSAC Values, so the safety of our people is paramount. With the input and the participation of our workers, we are committed to continually improving the effectiveness of our Health, Safety, Quality and Environmental (HSQE) performance and management system. This is achieved by identifying risks and opportunities that help to eliminate hazards and reduce risks and by providing safe and healthy working conditions for the prevention of work-related injury, ill health and pollution. Employee meetings are held in our offices on a regular basis with a safety topic being discussed at the beginning of any larger office group meetings. There is regular HSQE training delivered to all employees and employees are encouraged to report incidents on the internal online Health & Safety Incident Management System.

We strive to achieve zero lost time accidents annually. For 2019, ABSAC, globally achieved a Lost Time Incident rate of 0 (per million hours) and a Total Reportable Incident Index of 0.3 (per 200,000 hours). Both were better than the targets set for the year.

In 2019, ABSAC received the ISO 45001:2018 certificate which demonstrate compliance with the new global standard recognizing the management system for a safe and healthy workplace.

Pension Schemes and Pensioners

The board takes direct responsibility for safeguarding the interests of employees, former employees, pensioners and the company's obligations to its defined benefit pension schemes. This includes ensuring that Pension Trustees include employee representation.

Suppliers

Procurement of goods and services is an important part of the Company's business operations and can deliver significant value through a consistent approach to planning and implementation of procurement best practices. The Company has a defined procurement policy and is dedicated to the highest standards of ethical conduct, which go beyond the written word. It is the Company's goal to remain in good standing with our suppliers. Our payment practice is to pay invoices once approved before due dates. Regular assessment of a supplier's performance during any contractual engagement ensures that the relationship remains not only competitive but mutually beneficial.

Community and Environment

The mission of ABSAC is to serve the public interest as well as the needs of our members and clients by promoting the security of life and property and preserving the natural environment. As the global maritime industry continues to transform, digital technologies will be a key enabler in our quest to build a cleaner, better, and more safe and sustainable future. In this rapid evolution of technology, ABSAC is well-positioned as a technical and safety leader. The core engineering and technology competence of our people and the wealth of experience they bring to problem-solving is a key differentiator for us. That's why at ABSAC we are focused on continuing to develop our employee base to be best in class through continuous learning, training and preparation to support our commitment to set standards of excellence as a leader in maritime safety — now and in the future.

ABSEL operates an Environmental Management System which complies with the requirements of ISO 14001:2015, with each office maintaining a local list of Environmental aspects that are managed and measured.

Business Conduct

One of our most important assets at ABSAC is our reputation for ethical and reliable service. It affects every aspect of our business and operations. Whether we are providing classification services, assisting clients with asset integrity and reliability, certifying systems or processes, or engaging in any number of other tasks, the industries we serve count on us to provide an independent and impartial view that can be trusted. Our day-to-day business is guided by the relentless focus on Safety, People, Integrity, Reliability, Innovation, Teamwork and Quality. The Code of Ethics is applicable to all employees of ABSAC and its affiliates. The Code also applies to third parties who work on behalf of the Company, such as agents, independent contractors and other non-employee representatives.

Principal Decisions

ABS Europe Ltd (ABSEL) recognises the importance of engaging with stakeholders to help inform strategy and Board decision making. Relevant stakeholder interests help inform strategy and Board decision making. Relevant stakeholder interests including those of employees, suppliers, customers and others are taken into account by the Board when it takes decisions.

ABSEL defines principal decisions as those that are material, or of strategic importance, to ABSEL, and also those that are significant to any of its key stakeholder groups. As a subsidiary company, principal decisions are delegated to senior management at parent company level and also within the company. The

Board consists of directors which form part of this senior management group and formally approves decisions affecting the company where legally required.

How stakeholder interests have influenced decision making

During 2019 the ABSEL London headquarters was relocated from Frying Pan Alley. The cost of maintaining and updating the existing offices no longer made economic sense to the parent company while employee dissatisfaction with facilities was a major factor in the decision to relocate to Old Broad Street. The new modern ergonomically designed office space is in line with company HSQE standards and has addressed many of the shortcomings of the previous offices, improving employee satisfaction and longer term sustainability both from an economic and an environmental point.

Philip Midgley-Carver

Director



Date: 28 August 2020

Directors' Report

Research and development

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

Results and dividends

The profit for the year, after taxation, amounted to £10,770,000 (2018: loss of £12,769,000).

During the period, the Company paid no dividend (2018: nil) and the increase in retained earnings for the year of £10,770,000 (2018: decrease of £12,679,000) plus the other comprehensive expense £1,283,000 (2018: income of £4,358,000) have been taken to reserves.

The global COVID-19 pandemic has occurred since the end of the year. The impact of this on the Company is described in Note 23 (Post Balance Sheet Events) to the Financial Statements.

Future developments

Although the market for classification services continued to be challenging in 2019, ABS Europe Ltd's Operating Profit should be largely protected from the worst effects due to the presence of fixed profit margins and reduced risk of debtor default as it transacts with its parent company.

The main trading activity of ABS Europe Ltd is that of the provision of support services within the UK, EU and Africa to a customer based in the United States. These services are not subject to EU regulation or control and do not rely on barrier free access to the European Market by the UK or vice versa. We expect that the ability of a UK company to provide unregulated services to a US customer will be broadly unaffected by Brexit, regardless of the outcome. Therefore, we do not believe that Brexit will have a material impact on the business of ABS Europe Ltd.

The parent company will continue to support ABSEL through the anticipated global recession post COVID 19. There are no plans to restructure the business during the forthcoming year and revenues will therefore be largely unaffected.

ABS Marine Services Ltd and ABS Group Ltd through their involvement in the offshore verification, Liquefied Natural Gas transportation and renewable energy sectors respectively, expect 2020 to be another challenging year with extraordinary market conditions adding to the volatility of oil prices and the oil, gas, offshore and associated industries adapting to the changes. A review of existing and potential services was completed during 2019. The strategy to focus these two businesses on more profitable service lines and digital services will be implemented during 2020.

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 Company 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.

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.

Going concern

ABS Europe Ltd and ABS Italy Srl have agreements in place with ABS to provide services on a basis that should considerably reduce the Group's exposure to external economic risk. 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 due ensuring that an operating profit should be made going forward.

In considering whether it is appropriate to prepare the financial statements on a going concern basis the directors have considered the expected future performance and cashflows of the business, including consideration of the negative impact of the COVID-19 pandemic on the maritime industry to which the Company is exposed. On the basis that there is significant uncertainty regarding the ability of ABSEL to meet liabilities as they fall due the Directors have requested, and received, a letter of support from The American Bureau of Shipping which confirms the willingness of the parent to provide the necessary financial support for a period of at least 12 months from the date of approval of the financial statements.

In light of the negative economic impact of COVID-19 the directors have considered the financial strength of the parent company and have had specific regard to its current liquidity position and its annual expenses, concluding that The American Bureau of Shipping has sufficient financial resources to meet the expenses of all of its companies, including ABSEL, for at least 12 months following the signing of these accounts.

Directors

The Director shown below has held office during the whole of the period from 1 January 2019 to the date of this report.

Karel van Campenhout

Philip Midgley-Carver

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.



Philip Midgley-Carver
Director

Date: 28 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABS EUROPE LIMITED

Opinion

We have audited the financial statements of ABS Europe Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 23 of the financial statements, which describes the economic and social consequences the company is facing as a result of Covid-19 which is impacting the maritime industry, and to the going concern statement in note 1 which describes the basis upon which the Directors have concluded it is appropriate to adopt the going concern basis of preparation. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



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

Leeds

Date: 28 August 2020

Consolidated Income Statement
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	52,737	50,696
Cost of sales	3	(42,296)	(41,391)
Gross profit		10,441	9,305
Administrative expenses	3	(8,833)	(8,758)
Operating profit	4	1,608	547
Other financing income/(expenditure)	5	10,090	(13,032)
Profit/(loss) on ordinary activities before taxation	2	11,698	(12,485)
Tax on profit/(loss) on ordinary activities	9	(928)	(284)
Profit/(loss) for the year	19	10,770	(12,769)

All amounts relate to continuing operations.

The notes on pages 16 to 40 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Profit/(loss) for the year	19	10,770	(12,769)
Exchange differences on retranslation of branches held at local currency	18	767	(552)
Remeasurement (loss)/gain recognised on defined benefit pension schemes	21	(2,777)	6,028
Movement on deferred tax relating to pension liability		727	(1,118)
		<hr/>	<hr/>
Other comprehensive (expense)/income		(1,283)	4,358
		<hr/>	<hr/>
Total comprehensive income/(expense) attributable to equity shareholders of the Group		9,487	(8,411)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 16 to 40 form part of these financial statements.

Consolidated Balance Sheet
as at 31 December 2019

		2019		2018	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	10		1,589		1,265
Investments	11		11		11
			<u>1,600</u>		<u>1,276</u>
Current assets					
Debtors	12	42,810		28,939	
Cash at bank and in hand		3,173		825	
		<u>45,983</u>		<u>29,764</u>	
Creditors: amounts falling due within one year	13	<u>(18,525)</u>		<u>(14,666)</u>	
Net current assets			<u>27,458</u>		<u>15,098</u>
Total assets less current liabilities			<u>29,058</u>		<u>16,374</u>
Creditors: amounts falling due after more than one year	14		(3,361)		(3,546)
Provisions for liabilities					
Provisions	16		(2,688)		(2,628)
Net assets excluding pension scheme assets/(liabilities)			<u>23,009</u>		<u>10,200</u>
Defined benefit pension assets	21	114,808		103,465	
Defined benefit pension liabilities	21	(107,303)		(92,638)	
			<u>7,505</u>		<u>10,827</u>
Net assets including pension scheme assets/(liabilities)	2		<u>30,514</u>		<u>21,027</u>
Capital and reserves					
Called up share capital	17		3,534		3,534
Profit and loss account	18		26,980		17,493
Shareholders' funds	19		<u>30,514</u>		<u>21,027</u>

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



Philip Midgley-Carver
Director

Date: 28 August 2020

The notes on pages 16 to 40 form part of these financial statements.

Company Balance Sheet
as at 31 December 2019

		2019		2018	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	10		1,285		904
Investments	11		11		11
			<u>1,296</u>		<u>915</u>
Current assets					
Debtors	12	37,005		24,227	
Cash at bank and in hand		<u>2,158</u>		<u>454</u>	
		39,163		24,681	
Creditors: amounts falling due within one year	13	<u>(4,646)</u>		<u>(5,198)</u>	
Net current assets			<u>34,517</u>		<u>19,483</u>
Total assets less current liabilities			<u>35,813</u>		<u>20,398</u>
Creditors: amounts falling due after more than one year	14		<u>(3,361)</u>		<u>(3,546)</u>
Net assets excluding pension scheme assets/(liabilities)			<u>32,452</u>		<u>16,852</u>
Defined benefit pension assets	21	114,808		103,465	
Defined benefit pension liabilities	21	<u>(107,303)</u>		<u>(92,638)</u>	
			<u>7,505</u>		<u>10,827</u>
Net assets including pension scheme assets/(liabilities)			<u>39,957</u>		<u>27,679</u>
Capital and reserves					
Called up share capital	17		3,534		3,534
Profit and loss account	18		<u>36,423</u>		<u>24,145</u>
Shareholders' funds	19		<u>39,957</u>		<u>27,679</u>

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



Philip Midgley-Carver
Director

Date: 28 August 2020

The notes on pages 16 to 40 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	Called-up share capital	Profit and loss account	Total Equity
	£000	£000	£000
At 1 January 2018	3,534	25,904	29,438
Loss for the year	-	(12,769)	(12,769)
Other comprehensive income	-	4,358	4,358
	<hr/>	<hr/>	<hr/>
Total comprehensive expenditure for the year	-	(8,411)	(8,411)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	3,534	17,493	21,027
	<hr/>	<hr/>	<hr/>
Profit for the year	-	10,770	10,770
Other comprehensive expenditure	-	(1,283)	(1,283)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	9,487	9,487
	<hr/>	<hr/>	<hr/>
At 31 December 2019	3,534	26,980	30,514
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 16 to 40 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

Statement of compliance

ABS Europe Limited is a private company limited by shares and is incorporated in England. The registered office is 111 Old Broad Street, London, EC2N 1AP. The Group's financial statements have been prepared in compliance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland as it applies to the financial statements of the Group and Company for the year ended 31 December 2019.

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.

The financial statements have been prepared on a going concern basis. As explained more fully in the directors report on page 6, there is significant uncertainty as to whether the company will be able to meet liabilities as they fall due and hence a letter of support has been provided by the parent company. Having assessed the ability of the parent to provide the necessary support, including consideration of the impact of COVID-19 on its' available financial resources, the directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

As the Company is a wholly owned subsidiary of the American Bureau of Shipping (ABS), the Company has taken advantage of the exemption contained in FRS 102 Section 33 ("Related Party Disclosures") and has therefore not disclosed transactions with entities which form part of the ABS Group of companies (or investees of the ABS Group of companies 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 24.

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 Company 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:

Fixtures and fittings	6-20% per annum
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. 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. With effect from year end ended 31 December 2016, ABS and ABS Europe Limited (ABSEL) entered an agreement to settle outstanding USD intercompany assets/liabilities by assigning an equivalent value of local currency balances at the end of each year, with any net residual balance to be held in local currency. The effect of this on the accounts of ABSEL is to eliminate large opposing intercompany balances denominated in US dollars and local currency and consequently reduce the translation exchange gains and losses arising.

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 agreements. 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.

1. Accounting policies (Continued)

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 the consolidated statement of comprehensive income. A summary of the pension arrangements for employees is included in note 21. Full 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.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 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.

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

There are two main revenue streams for ABS Europe Limited.

Revenue Stream One

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.

1. Accounting policies (Continued)**Revenue Stream Two**

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.

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 would have 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 a combination of assumptions by professionally qualified actuaries and fair value of the scheme assets.

Taxation

There are some areas of judgement in compiling current and deferred tax charges and these are referenced above in the Accounting Policies section; Taxation.

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

	2019			2018		
	Turnover £000	Net profit/ (loss) before tax £000	Net assets/ (liabilities) £000	Turnover £000	Net profit/ (loss) before tax £000	Net assets/ (liabilities) £000
By activity						
Operational and technical	47,222	12,105	32,893	45,825	(12,094)	23,279
Industrial verification	5,231	(115)	(2,397)	4,347	(190)	(2,562)
Marine services	284	(292)	18	524	(201)	310
	<u>52,737</u>	<u>11,698</u>	<u>30,514</u>	<u>50,696</u>	<u>(12,485)</u>	<u>21,027</u>

	2019			2018		
	Turnover £000	Net profit/ (loss) before tax £000	Net assets/ (liabilities) £000	Turnover £000	Net profit/ (loss) before tax £000	Net assets/ (liabilities) £000
By Geographical market						
UK	16,232	(3,770)	14,357	17,029	(826)	14,569
Rest of Europe	33,541	3,341	18,625	30,544	(1,535)	20,941
Rest of the World	2,964	12,127	(2,468)	3,123	(10,124)	(14,483)
	<u>52,737</u>	<u>11,698</u>	<u>30,514</u>	<u>50,696</u>	<u>(12,485)</u>	<u>21,027</u>

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

3. Cost of sales and administrative expenses

Cost of sales of £42,296,000 (2018: £41,391,000) comprises salaries and related labour costs including contractors.

Administrative expenses comprise:

	2019	2018
	£000	£000
Salaries and benefits	420	-
Office costs	2,673	2,903
Systems & telecom	502	783
Intercompany recharges from other offices	729	1,188
Outside Services	1,487	-
Travel	91	-
Marketing and promotional	477	1,132
Insurance	207	102
Depreciation	354	384
Intercompany use of personnel	-	411
Restructuring costs	1,074	1,356
Dues and fees	58	104
Loss on disposal of fixed assets	614	-
Other administrative expenses	147	395
	<u>8,833</u>	<u>8,758</u>

4. Operating Profit

The operating profit is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets:		
- Plant and Machinery	116	68
- Fixtures and fittings	182	252
- Motor Vehicles	8	15
- Furniture and Equipment	48	49
Operating lease rentals:		
- other operating leases	1,494	1,369
	<u>1,494</u>	<u>1,369</u>

5. Other financing income/ (expenditure)

	2019	2018
	£000	£000
Underlying other financing income/ (expenditure)	10,090	(13,032)
Gain / (loss) on Fx to 31 December 2019 for the settled intercompany balances	918	(458)
(Loss)/ gain on intercompany settlement agreement	(918)	458
	10,090	(13,032)

During the year the company extended its agreement to mitigate the impact of foreign exchange movements with ABS, to include its branch in Angola. This removed the inherent foreign exchange risk of USD denominated balances. The impact of this change on other financing income was a gain of £6,842,000.

6. Auditors' Remuneration

	2019	2018
	£000	£000
Fees payable to the Company's auditor for the audit of ABSEL annual consolidated accounts (including the audit of subsidiary companies)	117	165
Fees payable to the Company's auditor in respect of the Group audit of the American Bureau of Shipping	61	86
Fees payable to the Company's auditor in respect of the audit of the Company's UK Pension Scheme	12	12

These amounts are exclusive of VAT and out of pocket expenses.

7. 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:

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
Operational	177	159	133	125
Technical	61	62	30	40
Administration	79	79	42	50
	<u>317</u>	<u>300</u>	<u>205</u>	<u>215</u>

The aggregate payroll costs of these persons were as follows:

	<u>Group</u>		<u>Company</u>	
	2019 £000	2018 £000	2019 £000	2018 £000
Wages and salaries	23,052	22,157	15,351	14,319
Social security costs	4,121	3,906	2,426	2,192
Other pension costs	4,231	4,246	4,015	4,139
	<u>31,404</u>	<u>30,309</u>	<u>21,792</u>	<u>20,650</u>

8. Directors' remuneration

	2019 £000	2018 £000
Remuneration	<u>550</u>	<u>729</u>

During the year retirement benefits were accruing to 1 director (2018: 1) in respect of defined contribution pension schemes. The aggregate value of employer contributions paid into the scheme in the year was £97,000 (2018: £83,000).

The highest paid director received remuneration of £343,000 (2018: £309,000) and entity contributions paid into the defined benefit pension scheme of £nil (2018: nil).

9. Taxation

Analysis of the tax charge/(credit)

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

	2019 £000	2018 £000
Current Tax (see note below)		
UK corporation tax charge on profit/loss for the year	-	-
Adjustments in respect of prior periods	(6)	32
Foreign tax on income for the year	1,080	872
Foreign tax adjustments in respect of prior periods	(62)	(93)
Total current tax	<u>1,012</u>	<u>811</u>
Deferred tax		
Origination and reversal of timing differences	(123)	(502)
Adjustment in respect of prior periods	39	(25)
Total deferred tax	<u>(84)</u>	<u>(527)</u>
Tax on profit/loss on ordinary activities	<u>928</u>	<u>284</u>

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 19% (2018 – 19%). The differences are explained below:

	2019 £000	2018 £000
Profit/ (loss) on ordinary activities before tax	<u>11,698</u>	<u>(12,485)</u>
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	2,223	(2,372)
Effects of:		
Expenses not deductible for tax purposes	(1,590)	2,744
Additional tax on overseas income	307	250
Deferred tax rate change adjustments	-	(360)
Movement in unrecognised deferred tax attributes	(27)	70
Other items, including non-corporate taxes	43	39
Adjustments in respect of prior periods	(28)	(87)
Total tax charge/(credit) for the year	<u>928</u>	<u>284</u>

10. Tangible assets

Group	Fixtures & Fittings £000	Plant & machinery £000	Motor vehicles £000	Furniture & equipment £000	Total £000
Cost					
At 1 January 2019	3,457	906	137	1,432	5,932
Additions	796	229	-	304	1,329
Disposals	(2,815)	(1)	(6)	(586)	(3,408)
Exchange movements	(58)	(32)	(36)	(50)	(176)
At 31 December 2019	1,380	1,102	95	1,100	3,677
Depreciation					
At 1 January 2019	2,476	856	127	1,208	4,667
Charge for the year	182	116	8	48	354
On disposals	(2,263)	(1)	(6)	(524)	(2,794)
Exchange movements	(30)	(36)	(35)	(38)	(139)
At 31 December 2019	365	935	94	694	2,088
Net book value					
At 31 December 2019	1,015	167	1	406	1,589
At 31 December 2018	981	50	10	224	1,265
Company	Fixtures & Fittings £000	Plant & machinery £000	Motor vehicles £000	Furniture & equipment £000	Total £000
Cost					
At 1 January 2019	3,114	676	107	911	4,808
Additions	796	161	-	304	1,261
Disposals	(2,815)	(1)	(6)	(586)	(3,408)
Exchange movements	(38)	(24)	(33)	(25)	(120)
At 31 December 2019	1,057	812	68	604	2,541
Depreciation					
At 1 January 2019	2,369	644	97	794	3,904
Charge for the year	146	54	8	36	244
On disposals	(2,263)	(1)	(6)	(524)	(2,794)
Exchange movements	(21)	(24)	(32)	(21)	(98)
At 31 December 2019	231	673	67	285	1,256
Net book value					
At 31 December 2019	826	139	1	319	1,285
At 31 December 2018	745	32	10	117	904

11. Investments

	Group investments £000	Company investments £000
Cost or valuation		
At 1 January 2019	11	3,577
Disposals	-	-
	<u>11</u>	<u>3,577</u>
At 31 December 2019	<u>11</u>	<u>3,577</u>
Accumulated Impairment		
At 1 January 2019	-	3,566
Movement in the period	-	-
	<u>-</u>	<u>-</u>
At 31 December 2019	<u>-</u>	<u>3,566</u>
Net book value		
	<u>11</u>	<u>11</u>
At 31 December 2019	<u>11</u>	<u>11</u>
	<u>11</u>	<u>11</u>
At 31 December 2018	<u>11</u>	<u>11</u>

The Group and Company investments include an £11k investment representing a 12.5% interest in ABS Mideast Ltd and a 1% investment in ABS Mozambique Limited. 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 no change in the level of impairment provision recognised.

Details of the principal subsidiaries can be found under note 25.

**12. Debtors:
Amounts falling due within one year**

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade debtors	1,308	441	116	55
Amounts owed by Group undertakings	36,174	22,975	32,651	20,078
Amounts recoverable on contracts	635	544	-	-
Corporation tax recoverable	228	513	228	431
Other debtors	1,253	1,800	1,002	1,154
Prepayments and accrued income	427	382	223	225
Deferred tax asset (see note 15)	2,785	2,284	2,785	2,284
	<u>42,810</u>	<u>28,939</u>	<u>37,005</u>	<u>24,227</u>

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

	<u>Group</u>		<u>Company</u>	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade creditors	508	1,596	228	1,085
Amounts owed to Group undertakings	11,045	6,393	0	0
Corporation Tax Payable	724	552	494	540
Other creditors	2,162	1,665	1,237	922
Accrued expenses	4,086	4,460	2,687	2,651
	18,525	14,666	4,646	5,198

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

	<u>Group</u>		<u>Company</u>	
	2019 £000	2018 £000	2019 £000	2018 £000
Deferred taxation	3,279	3,460	3,279	3,460
Other pension schemes	82	86	82	86
	3,361	3,546	3,361	3,546

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.

15. Deferred tax asset

	<u>Group</u>		<u>Company</u>	
	2019 £000	2018 £000	2019 £000	2018 £000
At beginning of year	2,284	2,517	2,284	2,479
Charged/(released) during the year	501	(233)	501	(195)
At end of year	2,785	2,284	2,785	2,284

15. Deferred tax asset (continued)

The deferred tax asset is made up as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Accelerated capital allowances	-	32	-	32
Deferred tax on overseas pension schemes	2,372	1,827	2,372	1,827
Net operating losses	413	425	413	425
Amounts deductible in future periods due to currency revaluations	-	-	-	-
Other timing differences	-	-	-	-
	<u>2,785</u>	<u>2,284</u>	<u>2,785</u>	<u>2,284</u>

A deferred tax asset of £867,000 (2018: £767,000) has not been recognised in respect of unutilised net operating losses and other short term timing differences in the subsidiary companies. These will potentially be available to relieve against future profits of the companies in which they arise.

	2019 £000	2018 £000
Summary of DTA not recognised		
ABS Europe Limited	-	-
ABS Group Limited	658	607
ABS Marine Services Limited	209	160
	<u>867</u>	<u>767</u>
Gross values of tax losses		
United Kingdom	2,169	2,233
ABS Group Limited	3,872	3,536
ABS Marine Services Limited	1,229	940
	<u>7,270</u>	<u>6,709</u>
Expected DTA/DTL net reversal in next 12 months		
Tax losses utilisation (United Kingdom)	152	228
	<u>152</u>	<u>228</u>

15. Deferred tax asset (continued)

Deferred tax on UK defined benefit pension scheme asset

	Group and Company £000
Opening net deferred tax liability on pension surplus	(3,460)
Amount debited to profit and loss account during the period	84
Amounts debited to reserves during the period	169
	<hr/>
Closing net deferred tax liability on pension surplus	(3,207)
	<hr/> <hr/>

Factors that may affect future tax charges

The UK corporation tax rate for the period is 19%. The UK government has maintained the 19% tax rate from 1 April 2020. The potential impact on deferred tax (recognised and unrecognised) has been taken into account.

16. Provisions

Group Severance Provision

The severance provision relates to a statutory provision for retirement lump sum costs as required in certain countries where the Group has operations and employees.

Group	Group Severance Provision £000	Total £000
At 1 January 2019	2,628	2,628
Charged to the profit and loss account/provided in year	207	207
Payments	(33)	(33)
Foreign exchange	(114)	(114)
	<hr/>	<hr/>
At 31 December 2019	2,688	2,688
	<hr/> <hr/>	<hr/> <hr/>

17. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
3,534,064 Ordinary shares of £1 each	3,534	3,534
	<hr/>	<hr/>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

18. Reserves

Group	Profit and loss account £000
At 1 January 2019	17,493
Profit for the year	10,770
Other comprehensive expense	(2,050)
Currency translation adjustments	767
	<u>26,980</u>
At 31 December 2019	<u>26,980</u>
Company	Profit and loss account £000
At 1 January 2019	24,145
Profit for the year	13,753
Other comprehensive expense	(2,050)
Currency translation adjustments	575
	<u>36,423</u>
At 31 December 2019	<u>36,423</u>

19. Reconciliation of movement in shareholders' funds

Group	2019 £000	2018 £000
Opening shareholders' funds	21,027	29,438
Profit/(loss) for the year	10,770	(12,769)
Other comprehensive (expense)/ income	(2,050)	4,910
Currency translation adjustments	767	(552)
	<u>30,514</u>	<u>21,027</u>
Closing shareholders' funds	<u>30,514</u>	<u>21,027</u>
Company	2019 £000	2018 £000
Opening shareholders' funds	27,679	33,118
Profit/(loss) for the year	13,753	(9,990)
Other comprehensive (expense)/ income	(2,050)	4,910
Currency translations adjustments	575	(359)
	<u>39,957</u>	<u>27,679</u>
Closing shareholders' funds	<u>39,957</u>	<u>27,679</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 profit for the year dealt with in the accounts of the Company was £13,753,000 (2018: Loss £9,990,000).

20. Dividends

	2019	2018
	£000	£000
Dividends payable on equity capital	<u>Nil</u>	<u>Nil</u>

21. 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 £0.2 million (2018: £0.2 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 2016 and has been updated to 31 December 2019 by a qualified independent actuary.

The most recent actuarial valuation showed that the market value of the scheme's assets was £94.5 million at 31 December 2019 (2018: £84.0million) and that the actuarial value of the assets represented 125% (2018: 132%) 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 2019 by a qualified independent actuary.

The most recent actuarial valuation showed that the market value of the scheme's assets was £nil at 31 December 2019 (2018: £nil) and that the actuarial value of the assets represented nil% (2018: 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. The latest valuation was carried out at 31 December 2019 by a qualified independent actuary

The most recent actuarial valuation showed that the market value of the scheme's assets was £15.6 million at 31 December 2019 (2018: £14.5 million) and that the actuarial value of the assets represented 91% (2018: 91%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

21. 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 2019 by a qualified independent actuary.

The most recent actuarial valuation showed that the market value of the scheme's assets was £1.8 million at 31 December 2019 (2018: £1.6 million) and that the actuarial value of the assets represented 70% (2018: 71%) 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 valuation was carried out at 31 December 2019 under FRS102 by a qualified independent actuary.

The most recent actuarial valuation showed that the market value of the scheme's assets was £2.9 million at 31 December 2019 (2018: £3.4 million) and that the actuarial value of the assets represented 100% (2018: 100%) of the benefits that had accrued to members, before allowing for expected future increases in earnings.

The major assumptions used in the valuations:

Assumptions at 2019	UK %	Germany %	Netherlands %	Belgium %	Spain %
Rate of increase in salaries	3.35	2.80	2.75	2.75	2.50
Rate of increase in pensions payment and deferred pensions	2.80	1.75	-	-	-
Discount rate applied to scheme liabilities	2.03	1.00	1.15	0.83	1.10
Inflation assumption	2.85	1.75	1.75	1.75	1.75
Assumptions at 2018	UK %	Germany %	Netherlands %	Belgium %	Spain %
Rate of increase in salaries	3.75	2.75	2.75	2.75	2.50
Rate of increase in pensions payment and deferred pensions	3.15	1.75	-	-	-
Discount rate applied to scheme liabilities	2.82	1.90	1.86	1.48	1.96
Inflation assumption	3.25	1.75	1.75	1.75	1.75

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.

21. Pension commitments (continued)

ABS Europe expects to contribute the following during the next annual period ended 31 December 2020.

	2020	2019
	£000	£000
UK	1,635	1,609
Germany	70	76
Netherlands	415	411
Belgium	188	230
Spain	22	66

2019	UK	Germany	Netherlands	Belgium	Spain	Total
	£000	£000	£000	£000	£000	£000
Pension asset classes:						
Equities	27,015	-	-	-	-	27,015
Bonds	17,959	-	-	-	-	17,959
Real Estate	2,839	-	-	-	-	2,839
Other	46,710	-	15,591	1,785	2,909	66,995
Fair value of scheme assets	94,523	-	15,591	1,785	2,909	114,808
Present value of scheme liabilities	(75,756)	(8,897)	(17,194)	(2,547)	(2,909)	(107,303)
Gross pension surplus/(deficit)	18,767	(8,897)	(1,603)	(762)	-	7,505

2018	UK	Germany	Netherlands	Belgium	Spain	Total
	£000	£000	£000	£000	£000	£000
Pension asset classes:						
Equities	23,314	-	-	-	-	23,314
Bonds	17,637	-	-	-	-	17,637
Real Estate	1,760	-	-	-	-	1,760
Other	41,272	-	14,487	1,636	3,359	60,754
Fair value of scheme assets	83,983	-	14,487	1,636	3,359	103,465
Present value of scheme liabilities	(63,632)	(7,443)	(15,886)	(2,316)	(3,361)	(92,638)
Gross pension surplus/(deficit)	20,351	(7,443)	(1,399)	(680)	(2)	10,827

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

21. Pension commitments (continued)

the weighted average of the long-term return assumption for each asset class, based on the target asset allocation.

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

2019**Recognised in the Profit and Loss account**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Current service cost	2,687	405	437	164	234	3,927
Past service cost	-	-	-	-	-	-
Recognised in arriving at operating profit	2,687	405	437	164	234	3,927
Net interest on net defined benefit liability	(608)	148	33	10	4	(413)
Total recognised in the profit and loss account	2,079	553	470	174	238	3,514

Taken to other comprehensive income

Actual return on scheme assets	9,097	-	2,054	43	858	12,052
Actuarial gains/(losses) on the liabilities	(10,185)	(1,546)	(2,225)	(230)	(643)	(14,829)
	(1,088)	(1,546)	(171)	(187)	216	(2,777)

2018**Recognised in the Profit and Loss account**

	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Current service cost	3,022	366	417	154	235	4,194
Past service cost	199	-	-	-	-	199
Recognised in arriving at operating profit	3,221	366	417	154	235	4,393
Net interest on net defined benefit liability	(407)	131	23	10	1	(242)
Total recognised in the profit and loss account	2,814	497	440	164	236	4,151

Taken to other comprehensive income

Actual return on scheme assets	(6,021)	-	(64)	36	56	(5,993)
Actuarial gains/(losses) on the liabilities	11,589	244	129	(10)	69	12,021
	5,568	244	65	26	125	6,028

21. 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 2018	72,472	7,080	15,404	2,101	3,058	100,115
Current service cost	3,022	366	417	154	235	4,194
Past service cost	199	-	-	-	-	199
Interest cost	1,710	131	288	30	63	2,222
Benefits paid	(2,473)	(54)	(444)	(48)	-	(3,019)
Contributions by scheme participants	291	-	-	19	-	310
Actuarial gains and losses	(11,589)	(244)	(129)	10	(69)	(12,021)
Settlements	-	-	-	-	-	-
Foreign currency differences	-	164	350	50	74	638
As at 31 December 2018	63,632	7,443	15,886	2,316	3,361	92,638
Current service cost	2,687	405	437	164	234	3,927
Past service cost	-	-	-	-	-	-
Interest cost	1,755	148	301	36	58	2,298
Benefits paid	(2,793)	(55)	(546)	(55)	-	(3,449)
Contributions by scheme participants	290	-	-	21	-	311
Actuarial gains and losses	10,185	1,546	2,225	230	643	14,829
Settlements	-	-	-	-	(1,213)	(1,213)
Foreign currency differences	-	(590)	(1,109)	(165)	(174)	(2,038)
As at 31 December 2019	75,756	8,897	17,194	2,547	2,909	107,303

Of the defined benefit pension obligations above, £913,000 (2018:£913,000) relates to past directors

21. Pension commitments (continued)

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 2018	88,485	-	14,099	1,385	3,134	107,103
Actual return on plan assets	(6,021)	-	(64)	36	56	(5,993)
Interest income	2,117	-	265	20	62	2,464
Employer contributions	1,584	54	310	189	33	2,170
Contribution by scheme participants	291	-	-	19	-	310
Benefits paid	(2,473)	(54)	(444)	(48)	-	(3,019)
Settlements	-	-	-	-	-	-
Foreign currency differences	-	-	321	35	74	430
As at 31 December 2018	83,983	-	14,487	1,636	3,359	103,465
Actual return on plan assets	9,097	-	2,054	43	858	12,052
Interest income	2,363	-	268	26	54	2,711
Employer contributions	1,583	55	332	229	24	2,223
Contribution by scheme participants	290	-	-	21	-	311
Benefits paid	(2,793)	(55)	(546)	(55)	-	(3,449)
Settlements	-	-	-	-	(1,213)	(1,213)
Foreign currency differences	-	-	(1,004)	(115)	(173)	(1,292)
As at 31 December 2019	94,523	-	15,591	1,785	2,909	114,808

21. Pension commitments (continued)

The return on plan assets was:

2019	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Interest income	2,363	-	268	26	54	2,711
Return on plan assets less interest income	9,097	-	2,054	43	858	12,052
Total return on plan assets	11,460	-	2,322	69	912	14,763
2018	UK £000	Germany £000	Netherlands £000	Belgium £000	Spain £000	Total £000
Interest income	2,117	-	265	20	62	2,464
Return on plan assets less interest income	(6,021)	-	(64)	36	56	(5,993)
Total return on plan assets	(3,904)	-	201	56	118	(3,529)

Analysis of net assets/(deficit) for the Group

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Total fair value of scheme assets	114,808	103,465	107,103	100,023	77,972
Present value of funded scheme liabilities	(107,303)	(92,638)	(100,115)	(101,058)	(72,397)
Net (deficit)/assets	7,505	10,827	6,988	(1,035)	5,575

21. Pension commitments (continued)

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 31 December 2019 using 1 January 2019 census data by a qualified actuary. The market value of the Group scheme's assets was \$102.2m (2018 \$88.0m) 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 \$93.2m (2018 \$82.9m) giving rise to a scheme surplus of \$9.0m (2018 \$5.1m) 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.

22. Operating lease commitments

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

Group	2019	2018
	£000	£000
Expiry date: Land & Buildings		
Within 1 year	687	194
Between 2 and 5 years	1,980	289
After more than 5 years	348	63
	<u> </u>	<u> </u>
Expiry date: Other		
Within 1 year	92	28
Between 2 and 5 years	97	35
After more than 5 years	-	1
	<u> </u>	<u> </u>

23. Post balance sheet events

Since it was first identified in China in the latter part of 2019 the COVID-19 pandemic has had a significant adverse impact on societies and economies around the world, including the maritime industry as a result of impacts associated with preventive and precautionary measures that the company, other businesses and governments are taking.

Operationally the business continues to function with office-based staff working remotely and operational field work continuing in accordance with local restrictions.

The pandemic has had no impact on activities with staff and office costs which are the main revenue drivers, remaining unaffected. It has not been necessary for headcount reductions nor staff to be furloughed and plans are in place to re-open all of our offices when it is deemed safe to do so. The business has seen a reduction in travel and reimbursable expenses due to the remote working. The company continues to invoice ABS for its services. It is not possible to say with certainty what the ultimate impact of the COVID-19 pandemic will be but, as at the date of approving the financial statements there is no impact on the assets and liabilities reported on the balance sheet as at 31 December 2019.

The directors consider the impact of the COVID 19 outbreak to be a non-adjusting event.

There have been no further events after balance sheet date that require disclosure.

24. 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:

1701 City Plaza Drive
Spring
Texas
TX 77389
USA

25. Subsidiaries

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

Company name	Registered Office	Percentage Shareholding	Description
ABS Marine Services Limited	111 Old Broad Street London EC2N 1AP	99	Marine Services
ABS Group Limited	EQE House The Beacons Warrington Road Birchwood Warrington Cheshire WA3 6WJ	99	Industrial verification
ABS Quality Evaluations Limited	EQE House The Beacons Warrington Road Birchwood Warrington Cheshire WA3 6WJ	99	Dormant
ABS Italy Srl	GENOVA (GE) VIA AL PORTO ANTICO - EDIFICIO MILLO CAP 16126 Italy	99	Classification services
ABS Hellas	PARADEISOU 10 MAROUSSI ATHENS Greece 15125	99	Dormant
ABS Hellenic Single Member Ltd	SACHTOURI -1 & NAVARINOU-1 ΚΑΛΛΙΘΕΑ ATHENS Greece 17674	100	Classification services

All the entities above have been included in the Group consolidation and the subsidiary accounts are filed in the relevant countries.