TELE-FONIKA HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

TELE-FONIKA HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr P M Bak Ms M Cupial-Zgryzek Mr M P Hassa
Company secretary	EBS Corporate Services Limited
Registered number	09902725
Registered office	Innovation Centre Warwick Technology Park Warwick Warwickshire CV34 6UW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY

TELE-FONIKA HOLDINGS LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

Tele-Fonika Holdings Limited (TFH) was established on 4th December 2015 in Warwick. TFH operates as an investment and holding company.

Business review

On 20th April 2017 Holding JDR Limited was established, in which TFH owns 100% shares, and on 31st August 2017 Holding JDR Limited acquired 100% shares in JDR Cable Systems (Holdings) Limited and its subsidiary undertakings for the total consideration of £50,155,368. After this acquisition the business activity of Tele-Fonika Holdings Limited Group is based on JDR Cable Systems Limited business.

JDR Cable Systems Limited business spans oil, gas and renewable energy, serving a global customer base. Over the last decade JDR Cable Systems Limited ("JDR") has been transformed into a multi-faceted company that can partner with customers through the complete product and project lifecycle; from design to manufacture and global service support. The infrastructure investments we have made enable us to support our global customer network.

Key performance indicators

We measure a range of operational and financial metrics to help us manage our performance and achieve our business plans.

The key financial metrics are Order intake (new contracts won) Revenue, and EBITDA (measured as Earnings before Interest, Tax, Depreciation and Amortisation and after adding back exceptional items).

Future developments & outlook

The Group is well positioned to deliver stable and reliable earnings growth due to its development of a diverse portfolio of products, design engineering and recent investments in plant and equipment. JDR's new umbilical and cable lay-up machine was commissioned in 2016, providing further opportunity for growth in 2017 and beyond. Alongside this, the acquisition into the Tele-Fonika Kable family increases JDR's financial stability and access to even more diverse products and geographies.

JDR operates in a highly specialised global market, and is one of a small number of companies that manufactures subsea production umbilicals and power cables that provide the vital connection between offshore facilities. Significant new energy resources are predominantly found offshore in increasingly deeper water, which underpins demand for the Company's products and services. We believe new discoveries of oil and gas offshore in West Africa, Australia, Asia, Brazil and the Middle East will offer significant growth opportunities for the Company.

In addition, the move by European governments and utilities toward offshore wind and wave energy projects presents the Company with exciting opportunities for growth.

Financial risk management

The Company's activities expose it to a number of financial risks including credit risk, cash flow and foreign exchange risk and liquidity risk. The use of financial derivatives is controlled by the Board and finance function. The Company does not use derivative financial instruments for speculative purposes.

(a) Foreign exchange risk

The Company's activities expose it primarily to the financial risks of changes to foreign currency exchange rates, although revenues and costs are matched where possible. The Company uses foreign exchange forward contracts where necessary to hedge residual material exposures.

(b) Credit risk
The Company's principal financial assets are bank balances and cash, and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, most of which have high credit ratings.

(c) Liquidity risk
The Company enjoys a committed revolving facility to meet its working capital needs.

(d) Revenue Recognition
The Company's management reviews the main projects on a monthly basis through the Project Reports, where estimated costs to complete are reviewed.

This report was approved by the board on 13th September 2018 and signed on its behalf.

Monika Cupial-Zgryzek
Director

Pawel Bak
Director

Michal Hassa
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Principal activity

The principal activity of the Company is the design and manufacture of umbilical systems and subsea power cables for the offshore oil and gas and renewable energy industries. These products are some of the essential components for the development and production of offshore oil and gas and the delivery of energy derived from offshore wind farms.

Registered head office

Tele-Fonika Holdings Limited, Innovation Centre, Gallows Hill, Warwick, CV34 6UW, United Kingdom. Registered Company number: 09902725.

Results and dividends

The loss for the year, after taxation, amounted to £6,515,000 *(2016: profit £626,000).*

The directors do not recommend the payment of a dividend *(2016: £Nil).*

Going concern

As described more fully in the Statement of Directors Responsibilities on Page 4, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served during the year were:

Mr P M Bak
Ms M Cupial-Zgryzek
Mr M P Hassa

Employee policy and involvement

The Board believes that the Company's success is due to the quality and commitment of its workforce. The Company's employee management priorities, including its remuneration strategies, are based on recruiting and retaining the best people in the industry and encouraging working practices that improve productivity, reduce costs, develop talent and provide job satisfaction. Further, the Board recognises the need for communication with employees at every level and is committed to on-going interaction with all its employees. This is achieved in a number of ways, including regular newsletters, and frequent "all hands" presentations by the Executive Management Team to staff at all Company locations. During the period, Tele-Fonika employed, on average, 458 employees, excluding contractors.

The Company is committed to a policy of equal opportunity in matters relating to employment, training and career development, and is opposed to any form of less favourable treatment afforded on the grounds of age, disability, sex, marital status, sexual orientation, nationality, race or religion.

Disabled employees

Applications for employment for disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as is possible, be identical to that of other employees.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). The financial statements are required by law to 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditors

The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office.

Gender pay gap

The Board is aware that the Company will need to publish its gender pay gap report on its website and appropriate measures have been taken for such publication.

Bribery act

Tele-Fonika has an anti-bribery policy which introduced robust procedures to ensure full compliance with the Bribery Act 2010 and that ensure that the highest standards of professional ethical conduct are maintained. All employees and those working for, or on behalf of, the Company are aware of their legal obligations when conducting Company business.

Modern slavery act

The Board is aware of the Company's obligation to publish a statement outlining the steps that have been taken to ensure that the Company and its supply chain are operating free from all forms of slavery, and such statement will shortly be made available.

This report was approved by the board on 13 th September 2018 and signed on its behalf.

Monika Cupial-Zgryzek	**Pawel Bak**	**Michal Hassa**
Director	Director	Director

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELE-FONIKA HOLDINGS LIMITED (CONTINUED)

Opinion

We have audited the financial statements of Tele-Fonika Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Balance sheets, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, 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 Financial Reporting Standard 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 state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

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.

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELE-FONIKA HOLDINGS LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 Group 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 Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by the Companies Act 2006

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 Group strategic report or the Directors' report.

Matters on which we are required to report by exception

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 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.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELE-FONIKA HOLDINGS LIMITED (CONTINUED)

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: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.

Grant Thornton UK LLP

David Newstead (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Cambridge
Date: 20 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	*2016 £000*
Revenue	4	**36,509**	-
Cost of sales		**(28,006)**	-
Gross profit		**8,503**	-
Administrative expenses		**(9,062)**	*(5)*
Administrative expenses – exceptional	11	**(4,232)**	-
Other operating income		**394**	*850*
Operating (loss)/profit before goodwill amortisation	5	**(4,397)**	*845*
Goodwill amortisation		**(1,877)**	-
Operating (loss)/profit		**(6,274)**	*845*
Net Interest payable	9	**(756)**	*(32)*
(Loss)/profit before taxation		**(7,030)**	*813*
Tax on (loss)/profit	10	**515**	*(187)*
(Loss)/profit for the financial year		**(6,515)**	*626*
Currency translation differences		**(54)**	-
Other comprehensive income for the year		**(54)**	-
Total comprehensive income for the year		**(6,569)**	*626*

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

All operations are continuing.

The accompanying accounting policies and the notes shown on page 19 - 41 form an integral part of these financial statements.

TELE-FONIKA HOLDINGS LIMITED
REGISTERED NUMBER:09902725

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		*2016 £000*
Fixed assets					
Intangible assets	12		**16,894**		-
Tangible assets	13		**36,872**		-
			53,766		-
Current assets					
Stocks	15	**13,818**		-	
Debtors: amounts falling due within one year	16	**38,876**		*818*	
Cash at bank and in hand	17	**5,040**		*22*	
		57,734		*840*	
Creditors: amounts falling due within one year	18	**(54,342)**		*(189)*	
Net current assets			**3,392**		
Total assets less current liabilities			**57,158**		*651*
Creditors: amounts falling due after more than one year	19		**(55,495)**		-
Provisions for liabilities					
Other provisions	22	**(7,581)**		-	
Net (liabilities)/assets			**(5,918)**		*651*
Capital and reserves					
Called up share capital	23		**25**		*25*
Profit and loss account	24		**(5,943)**		*626*
			(5,918)		*651*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
13 September 2018

Monika Cupial-Zgryzek
Director

Pawel Bak
Director

Michal Hassa
Director

The notes on pages 19 to 41 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		2016 £000
Fixed assets					
Investments	14		-		-
Current assets					
Debtors: amounts falling due within one year	16	909		818	
Cash at bank and in hand	17	258		22	
		1,167		840	
Creditors: amounts falling due within one year	18	(42)		(189)	
Net current assets			1,125		651
Total assets less current liabilities			1,125		651
Net assets			1,125		651
Capital and reserves					
Called up share capital	23		25		25
Profit and loss account			1,100		626
			1,125		651

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year/period was £474,000 (2016: £626,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
13 September 2018

Monika Cupial-Zgryzek
Director

Pawel Bak
Director

Michal Hassa
Director

The notes on pages 19 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2017	25	626	651
Comprehensive income for the year			
Loss and total comprehensive income for the year	-	(6,569)	(6,569)
Total comprehensive income for the year	-	(6,569)	(6,569)
At 31 December 2017	25	(5,943)	(5,918)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Comprehensive income for the period			
Profit for the period	-	626	626
Total comprehensive income for the period	-	626	626
Shares issued during the period	25	-	25
At 31 December 2016	25	626	651

The notes on pages 19 to 41 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2017	25	626	651
Comprehensive income for the period			
Profit for the year	-	474	474
Total comprehensive income for the year	-	474	474
At 31 December 2017	25	1,100	1,125

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Comprehensive income for the period			
Profit for the period	-	626	626
Total comprehensive income for the period	-	626	626
Contributions by and distributions to owners			
Shares issued during the period	25	-	25
Total transactions with owners	25	-	25
At 31 December 2016	25	626	651

The notes on pages 19 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £000	*2016* *£000*
Cash flows from operating activities		
(Loss)/profit for the financial year	**(6,515)**	*626*
Adjustments for:		
Amortisation of intangible assets	**2,068**	-
Depreciation of tangible fixed assets	**1,729**	-
Interest paid	**777**	-
Interest received	**(37)**	-
Tax credit	**(515)**	-
Increase in stocks	**(4,136)**	-
Increase in debtors	**(248)**	*(818)*
Increase in creditors	**3,532**	*189*
Increase in provisions	**827**	-
Net fair value (gains)/losses recognised in P&L	**(367)**	-
Corporation tax paid	**(273)**	-
Net cash used in operating activities	**(3,158)**	*(3)*
Cash flows from investing activities		
Purchase of intangible assets	**(144)**	-
Purchase of tangible fixed assets	**(1,231)**	-
Purchase of subsidiaries, net of cash acquired	**(41,163)**	-
Net cash used in investing activities	**(42,538)**	-

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £000	*2016 £000*
Cash flows from financing activities		
Issue of ordinary shares	-	*25*
Other loans	50,759	-
Interest paid	(45)	-
Net cash from financing activities	**50,714**	*25*
Net increase in cash and cash equivalents	**5,018**	*22*
Cash and cash equivalents at beginning of year	22	-
Cash and cash equivalents at the end of year	**5,040**	*22*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,040	*22*

The notes on pages 19 to 41 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Tele-Fonika Holdings Limited is a Company incorporated in England and Wales. The principal place of business is Innovation Centre, Gallows Hill, Warwick, CV34 6UW, England.

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£) and rounded to the nearest thousand.

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases

2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report. In addition, notes (a) to (c) of the financial risk section of the Strategic Report include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries. The Company has also benefited from the continued support of both its bankers, it's new owner and the partnership with Tele-Fonika Kable as a related Company. The directors are confident that this support will continue in the future. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Cable and umbilical projects are accounted for using the percentage-of-completion method. Under the percentage-of-completion method, we recognise contract revenue based on costs incurred to date as a percentage of total estimated costs.

Where the outcome of a project cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Revenue on smaller orders for spare parts, design engineering or offshore technician services is recognised upon delivery.

Revenue is stated net of associated sales taxes.

2.5 Research and development

Expenditure on new product development is capitalised where the cost incurred has resulted in a product that the directors believe has a commercially viable future. Capitalised development costs are disclosed as intangible assets stated at cost less accumulated amortisation. Amortisation is provided in equal installments, over the expected economic life of the new products, of 5 years. Research is expensed as incurred.

2.6 Other intangibles

Investments in key business software and licenses has been capitalised as intangible assets and are written off over their expected economic life of 5 years.

2.7 Government grants

Government grants are of a capital nature. Amounts are recognised upon receipt and are released to the profit and loss account over the expected useful life of the related asset.

2.8 Goodwill

Goodwill is disclosed as an intangible asset stated at cost less accumulated amortisation. Goodwill arose on the purchase of assets and liabilities from JDR Cable Systems (Holdings) Limited on 31 August 2017. Amortisation is provided in equal installments over their useful economic life. Goodwill balances are assessed for possible impairment whenever events or changes in circumstances indicate that impairment may have arisen and are written down to the directors' estimate of the recoverable amount accordingly.

2.9 Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Such costs include all costs directly attributable to making the asset capable of operating as intended. Depreciation is provided in equal installments over their estimated useful lives by using the following rates:

2. Accounting policies (continued)

2.9 Tangible assets (continued)

The estimated useful lives range as follows:

Leasehold improvements	10 years - 15 years
Plant and equipment	5 years - 15 years
Office furniture and equipment	5 years - 10 years
Computer equipment	5 years - 10 years
Assets in the course of construction	Not depreciated

The Company undertakes a review for impairment of fixed assets if events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed Company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.11 Stocks

Stock and WIP is stated at the lower of cost and net realisable value.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2. Accounting policies (continued)

2.14 Creditors

The Company uses foreign exchange forward contracts where necessary to hedge residual material exposures. In accordance with FRS102, the fair value of these contracts is recognised as an asset / liability at each balance sheet date, with movements in the fair value being recognised immediately in the profit and loss account.

The Company uses commodity forward contracts where necessary to hedge exposure arising from large purchases of key raw materials.

2.15 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

2.16 Current and deferred taxation

Current tax, including UK corporation tax and foreign tax, is provided on taxable profits at current rates in the respective taxation jurisdictions.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

2.17 Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

2. *Accounting policies (continued)*

2.18 Pension costs

Contributions made to the Group's defined contribution personal pension scheme, which is administered independently of the Company, are charged to the profit and loss account as incurred.

2.19 Derivative contracts

The Company uses foreign exchange forward contracts where necessary to hedge residual material exposures. In accordance with FRS102, the fair value of these contracts is recognised as an asset / liability at each balance sheet date, with movements in the fair value being recognised immediately in the profit and loss account.

The Company uses commodity forward contracts where necessary to hedge exposure arising from large purchases of key raw materials.

2.20 Finance leases and hire purchase agreements

Assets purchased under finance lease agreements are included in fixed assets and the capital element of the finance lease agreements are shown as obligations under finance leases. The finance leases payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance lease agreements are depreciated over their useful lives.

2.21 Operating leases

Expenditure on operating leases is charged to the profit and loss account on a basis representative of the benefit derived from the asset, normally on a straight-line basis over the lease period.

2.22 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and differences on exchange included in the profit and loss account.

2.23 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.24 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

2.25 Exceptional items

Where expenditure falls outside the normal course of business, it is disclosed separately on the face of the profit and loss account to ensure transparency and comparability. See note 5.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- Judgements involving costs to complete of ongoing projects, which impact revenue and margin recognised in the period.
- Estimates regarding the warranty and other provisions – see note 22.
- Judgements to determine fair values on acquisition.

4. Revenue

The whole of the turnover is attributable to the Group's principal activities.

Analysis of turnover by country of destination:

	2017 £000	*2016 £000*
United Kingdom	**705**	-
Europe	**18,981**	-
USA	**3,273**	-
Rest of World	**13,550**	-
	36,509	-

5. Operating (loss)/profit

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

	2017 £000	*2016 £000*
Depreciation of tangible fixed assets	**1,729**	-
Goodwill amortisation	**1,758**	-
Amortisation of other intangibles	**311**	-
Exceptional administrative expenses (note 11)	**4,232**	-

6. Auditor's remuneration

	2017 £000	*2016 £000*
Fees payable to the Company's auditor for the audit of the financial statements	**17**	-
Fees payable to the Group's auditor for the audit of the Company's subsidiaries financial statements	**30**	-
Fees payable to the Group's auditor and its associates in respect of:		
Tax compliance services	**7**	-
All other services	**4**	-

7. Employees

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

	Group 2017 £000	*Group 2016 £000*	Company 2017 £000	*Company 2016 £000*
Wages and salaries	5,426	-	-	-
Social security costs	712	-	-	-
Other pension costs	252	-	-	-
	6,390	-	-	-

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

	2017 No.	*2016 No.*
Production	307	-
Selling and distribution	104	-
Administration	47	-
	458	-

8. Directors' remuneration

	2017 £000	*2016 £000*
Aggregate emoluments	225	-
Group contributions to defined contribution pension schemes	14	-
	239	-

Retirement benefits are accruing to 2 directors of the Company *(2016: nil)* under defined contribution personal pension schemes.

9. Net Interest payable

	2017 £000	2016 £000
Bank loan interest	(45)	-
Other interest & charges	(732)	-
Net exchange differences	(368)	-
Total interest payable and similar charges	(1,145)	-
Other interest & charges	37	97
Total interest receivable and similar income	37	97
Fair value movement on derivative contracts	367	-
Net interest payable	(741)	97

10. Taxation

	2017 £000	*2016* *£000*
Current tax		
UK tax	(26)	-
Foreign tax	10	-
Total current tax credit	(16)	-
Deferred tax		
Current period	(546)	-
Total deferred tax credit	(546)	-
Total tax credit	(562)	-

Factors affecting tax charge for the year/period

The tax assessed for the period varies from the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2017 £000	*2016* *£000*
(Loss)/profit on ordinary activities before tax	(7,015)	*984*
Profit on ordinary activities at standard rate in the UK 19.25%	(1,350)	*189*
Effects of:		
Group relief	178	-
Income not taxable	(154)	*(189)*
Expenses non deductible	379	-
Deferred tax not recognised	157	-
Chargeable gains/losses	76	-
Foreign tax	10	-
Fixed assets differences	61	-
Other differences	81	-
Total tax credit for the period	(562)	-

11. Exceptional admin expenses

	2017 £000	*2016* *£000*
Exceptional admin expenses	4,232	-

During the current year exceptional admin expenses were incurred in relation to the acquisition of JDR Cable Systems (Holdings) Limited and its subsidiary undertakings by Tele-Fonika Holdings Limited, which relate to professional fees and amounts paid to previous management upon their exit and a loan write off relating to the above acquisition.

12. Intangible assets

Group

	Software £000	Development costs £000	Goodwill £000	Total £000
Cost				
Additions	71	73	-	**144**
On acquisition of subsidiaries	764	2,101	15,954	**18,819**
At 31 December 2017	**835**	**2,174**	**16,870**	**19,879**
Accumulated amortisation				
Charge for the period	(97)	(214)	(1,758)	**(2,068)**
At 31 December 2017	**(97)**	**(214)**	**(1,758)**	**(2,068)**
Net book value				
At 31 December 2017	**738**	**1,960**	**14,196**	**16,894**
At 31 December 2016	*-*	*-*	*-*	*-*

13. Tangible fixed assets

Group

	Leasehold improvements £000	Plant and Equipment £000	Computer Equipment £000	Office Furniture and Equipment £000	Assets in the Course of Construction £000	Total £000
Cost						
On acquisition of subsidiaries	4,069	32,235	263	652	151	**37,370**
Additions	-	873	14	-	344	**1,231**
At 31 December 2017	**4,069**	**33,108**	**277**	**652**	**495**	**38,601**
Accumulated depreciation						
Charge for the period	(126)	(1,544)	(46)	(13)	-	**(1,729)**
At 31 December 2017	**(126)**	**(1,544)**	**(46)**	**(13)**	**-**	**(1,729)**
Net book value						
At 31 December 2017	**3,943**	**31,564**	**231**	**639**	**495**	**36,872**
At 31 December 2016	-	-	-	-	-	-

Assets held under finance leases amount to £4,417,000 included within Plant and Equipment (2016: nil).

14. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of Incorporation	Holding	Principal activity
Holding JDR Ltd	England and Wales	100%	Holding company
JDR Cable Systems (Holdings) Ltd*	Scotland	100%	Holding company
JDR Cable Systems Ltd*	Scotland	100%	Offshore oil & gas services
JDR Cable Systems GmbH*	Germany	100%	Not Trading
JDR Cable Systems (Holdings) Inc*	United States	100%	Holding Company
JDR Cable Systems Inc*	United States	100%	Offshore oil & gas services
JDR Cable Systems Thailand Ltd*	Thailand	100%	Offshore oil & gas services
JDR Fabrica O E Comercio de Sistemas de Cabos, Umbilicais e Servicos Ltda*	Brazil	100%	Offshore oil & gas services

* indirect subsidiary holdings

On 31st August 2017 Holding JDR Limited acquired 100% shares in JDR Cable Systems (Holdings) Limited and its subsidiary undertakings for the total consideration of £50,155,368. Net assets at the date of acquisition were £34,201,000 (Note 29).

15. Stocks

	Group 2017 £000	*Group 2016 £000*	Company 2017 £000	*Company 2016 £000*
Raw materials and consumables	12,447	-	-	-
Work in progress	1,371	-	-	-
	13,818	-	-	-

Stock recognised in cost of sales during the year as an expense was £21,450,000 (2016: nil).

16. Debtors

	Group 2017 £000	*Group 2016 £000*	Company 2017 £000	*Company 2016 £000*
Trade debtors	31,341	*818*	909	*818*
Other debtors	90	-	-	-
Prepayments and accrued income	3,842	-	-	-
Deferred tax assets (note 21)	3,487	-	-	-
Derivatives at fair value	115	-	-	-
	38,876	*818*	909	*818*

17. Cash and cash equivalents

	Group 2017 £000	*Group 2016 £000*	Company 2017 £000	*Company 2016 £000*
Cash at bank and in hand	5,040	*22*	258	*22*

18. Creditors: Amounts falling due within one year

	Group 2017 £000	*Group 2016 £000*	**Company 2017 £000**	*Company 2016 £000*
Finance lease	**816**	-	-	-
Payments received on account	**19,064**	-	-	-
Trade creditors	**23,851**	-	-	-
Other taxation and social security	**678**	-	**42**	-
Other creditors	**6,505**	-	-	-
Accruals and deferred income	**3,428**	-	-	-
	54,342	-	**42**	-

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

	Group 2017 £000	*Group 2016 £000*	**Company 2017 £000**	*Company 2016 £000*
Other loans	**50,970**	-	-	-
Finance lease	**1,427**	-	-	-
Other creditors	**3,891**	-	-	-
Government grants received	**3,097**	-	-	-
	55,495	-	-	-

All borrowings are repayable within 5 years. Finance lease amounts of £1,427,000 are repayable between 2-5 years. The finance lease is over certain fixed assets in Hartlepool. The lease amount of £5m was advanced during 2015 and is being repaid in monthly instalments over 5 years. The loan attracts interest at 3.5% pa.

Other loans relates to loans advanced by related companies (Note 29).

Government grants are as follows:

	£000
At 1 January 2017	-
On acquisition of subsidiaries	**3,097**
At 31 December 2017	**3,097**
Amortisation	
At 1 January 2017	-
At 31 December 2017	-
Carrying value	
At 31 December 2017	**3,097**
At 31 December 2016	-

20. Financial assets and liabilities

	Group 2017 £000	*Group 2016 £000*	Company 2017 £000	*Company 2016 £000*
Financial assets				
Financial assets measured at fair value through profit or loss	5,170	*22*	273	*22*
Financial assets that are debt instruments measured at amortised cost	31,798	*987*	1,276	*987*
Financial liabilities				
Financial liabilities measured at amortised cost	83,569	*-*	4	*-*

Financial assets measured at fair value through profit or loss comprise cash at bank and derivative contracts.

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise bank and other loans, trade and other creditors and finance lease liabilities.

21. Deferred taxation

The deferred tax asset is based on a corporation tax rate of 17% *(31 December 2016: 18%)*.

	Group 2017 £000	*Group 2016 £000*	Company 2017 £000	*Company 2016 £000*
Fixed assets timing differences	2,644	*-*	-	*-*
Losses and other short term timing differences	843	*-*	-	*-*
Total deferred tax asset	3,487	*-*	-	*-*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

22. Provisions

Group

	Warranty £000	Other £000	Total £000
At 1 January 2017	-	-	-
Additions	182	645	827
On acquisition of subsidiaries	5,660	1,094	6,754
At 31 December 2017	5,842	1,739	7,581

The other provision relates to a number of excess contractual costs which the Company believes it may incur on projects which have been delivered to clients. These costs are not fully known, subject to negotiation and are unlikely to be offset by additional revenues. It is expected that the majority of expenditures will be incurred in the next financial year and that all will be incurred within two years. The provision has been estimated in accordance with the appropriate contract documents.

23. Share capital

	2017 £000	*2016 £000*
Shares classified as equity		
Allotted, called up and fully paid		
25,000 - Ordinary shares of £1 each	25	*25*

24. Reserves

Called-up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

25. Contingent liabilities

During the normal course of business the Group has given certain contract performance guarantees totalling £36,342,000 *(2016: nil)*.

The Group is party to a bank facility agreement between certain Group and related companies and their bankers. The Group's subsidiaries share capital and assets are pledged under this agreement. The exposure under this agreement is calculated based on net assets and is £0 at 31 December 2017.

The Group has received a government grant to assist with the purchase of assets. Grants received are credited to long term creditors and are released to the income statement over the life of the related assets.

In the event of any breach of grant conditions the full amount of the grant received would be repayable. Since the Group is not aware of any actual, or potential, breach of conditions, no provision is required for repayment.

26. Pensions commitments

The group operates a personal pension scheme which is available to all employees. Currently 387 employees are members of the scheme. This scheme is administered independently of the Group. The total pension cost which is included in the profit and loss account represents contributions payable by the Group and amounted to £721,000 (*2016: nil*).

27. Financial commitments

	2017 £000	*2016* *£000*
Land and buildings		
In the next year	3,053	-
Within two to five years	11,393	-
After five years	1,864	-
	16,310	-
Other assets		
In the next year	45	-
Within two to five years	13	-
After five years	-	-
	58	-

28. Capital commitments

At 31 December 2017 the Group and the Company had capital commitments as follows:

	Group 2017 £000	Company 2017 £000
Contract placed for future capital expenditure not provided in the financial statements	250	-

29. Related party transactions

During the year the Group made purchases from Tele-Fonika Kable S.A, a company related by virtue of common ownership, amounting to £39.7m. The outstanding balance due for payment in relation to these purchases at 31 December was £11.7m.

Included within creditors due over one year are unsecured loans from Tele-Fonika Kable S.A. in the amount of £49,996,000 including accrued interest of £559,000.

During 2017 the Group incurred cost of £4,951,000 from Tele-Fonika S.A. that are related to acquisition of JDR Cable Systems (Holdings) Limited and its subsidiary undertakings and were included in the cost of investment. The amount outstanding at the year end was £4,951,000.

29. Business combinations

On 31 August 2017 Holding JDR Limited, the wholly owned subsidiary of the Company, acquired 100% of the share capital of JDR Cable Systems (Holdings) Limited and its subsidiary undertakings

	Book value £000	Fair value adjustment £000	Provisional fair value (*) £000
Intangible assets	2,865	-	2,865
Tangible fixed assets	37,370	-	37,370
	40,235		**40,235**
Stock	10,030	(348)	9,682
Cash	8,992		8,992
Debtors	35,889	-	35,889
Deferred tax	-	916	916
Total assets	**95,146**	**568**	**95,714**
Creditors	(54,759)	-	(54,759)
Provisions	(970)	(5,784)	(6,754)
Provisional fair value of net assets	**39,417**	**(5,216)**	**34,201**
Goodwill	10,738	5,216	15,954
Total purchase consideration	**50,155**	-	**50,155**
Purchase consideration	50,155		50,155
Cash and cash equivalents in acquired subsidiaries	(8,992)		(8,992)
Cash outflow on acquisition	**41,163**	-	**41,163**

(*) the fair value of tangible fixed assets has been measured provisionally pending completion of independent valuation.

The results of JDR Cable Systems (Holdings) Limited and its subsidiary undertakings since their acquisition are as follows:

	Current period since acquisition
Turnover	36,509
Loss for the period	(5,950)

31. Controlling party

By virtue of his 100% shareholding, Boguslaw Cupial is deemed to be the controlling party.