

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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AQUATIC ENGINEERING & CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	Dr B Bruggaier K F Ovenden
Secretary	Paul & Williamsons
Company number	SC123734
Registered office	Investment House 6 Union Row Aberdeen AB10 1DQ
Auditors	PKF (UK) LLP 78 Carlton Place Glasgow G5 9TH

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

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AQUATIC ENGINEERING & CONSTRUCTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and the financial statements for the year ended 31 December 2007

Results and dividends

The profit for the year, after taxation, amounted to £3,342,000 (2006 £2,675,000)

No dividends are recommended in respect of 2007

Principal activity and review of the business

Aquatic Engineering and Construction Limited is part of the Foundations and Moorings business of Acteon, which is a global energy services organisation. The group as a whole comprises fifteen specialist companies, which are all focused on the crucial area of offshore oil and gas development and operations linking wells on the seabed with facilities on the surface.

Aquatic possesses leading engineering skills in many of the areas in which it operates. It employs approximately 70 people, many with technical skills, from its base in Aberdeen, UK. The company works both independently and in partnership with other Acteon companies to serve industry clients.

Business review

Development of the business

The company performed strongly during 2007, benefiting from high levels of activity in the worldwide offshore oil and gas industry and the resulting buoyant demand for its range of products and services. Turnover decreased to £16,121,000 for the year due to the transfer of its manpower business to another Acteon group company. The operating profit margin increased from 17.2% to 30.4%.

Principal risks and uncertainties facing the company

The directors have taken steps to ensure that the day to day risks which face the company in terms of, for example, health and safety and commercial risks, are managed comprehensively by the company, by insurance covers which should mitigate the impact of risks turning into reality, and by the preparation and review of comprehensive monthly management financial reporting packages which can alert the board where appropriate to developments in trading performance and cash management.

Any business operates against a background of risks and uncertainties. The directors believe that the principal such risks facing the company are:

- There could be a tail off in the currently high activity levels in the offshore oil and gas exploration and production industry, worldwide
- Lead times and availability of raw materials and components which are required in order for the company to provide its products and services could deteriorate from their current levels
- It could become more difficult to recruit and retain the highly qualified and experienced staff required in order for the company to provide its products and services
- The considerable health and safety risks which are inherent to the offshore oil and gas industry

Likely future developments in the business

The directors believe that the current activity levels in the offshore oil and gas industry are sustainable at least in the short to medium term and intend to take steps to ensure that the company develops its geographical and product and service operation in order to provide high quality offerings which are well differentiated from its competitors.

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Research and development

The company undertakes little in the way of pure research, but development is an important part of its offering many of its flexible pipelay products have been developed directly in response to client requirements

Financial instruments

The company sells to most of its clients on customary credit terms and is, as a result, exposed to the usual credit risk and cashflow risk associated with this form of trading. It manages this risk through its credit control procedures. The existence of these trade credit facilities does not expose the group to price risk or liquidity risk.

The company does not currently deploy interest rate or currency hedging since these risks are dealt with by, and at the level of, its parent company.

Directors

The directors who served during the year were

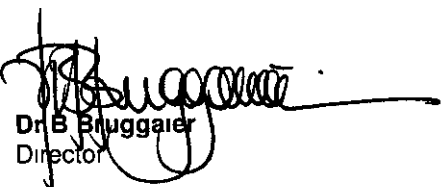
Dr B Bruggaier
K F Ovenden

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the board on 17TH MARCH, 2008 and signed on its behalf


Dr B Bruggaier
Director

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2007

The directors are responsible for preparing the annual 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). The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO AQUATIC ENGINEERING & CONSTRUCTION LIMITED
UNDER S247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts, which comprise the abbreviated profit and loss account, the balance sheet and the related notes, together with the financial statements of Aquatic Engineering & Construction Limited for the year ended 31 December 2007 prepared under section 226 of the Companies Act 1985

This report is made solely to the company, as a body, in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

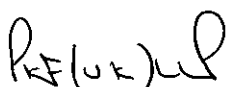
The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts are properly prepared in accordance with that provision.



PKF (UK) LLP
Registered auditors
Glasgow, UK

Date 19 MARCH 2008

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

**ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	Year ended 31 December 2007 £000	Seventeen months ended 31 December 2006 £000
GROSS PROFIT		6,865	5,777
Administrative expenses		<u>(1,964)</u>	<u>(1,746)</u>
OPERATING PROFIT	2		
Continuing operations		4,776	2,832
Discontinued operations		125	1,199
		4,901	4,031
Interest receivable	5	8	2
Interest payable	6	<u>(130)</u>	<u>(203)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,779	3,830
Tax on profit on ordinary activities	7	<u>(1,437)</u>	<u>(1,155)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>3,342</u>	<u>2,675</u>

There were no recognised gains and losses for 2007 or 2006 other than those included in the Profit and loss account

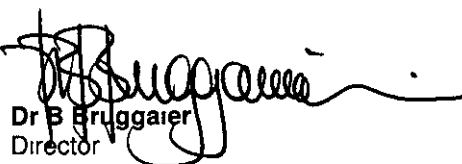
The notes on pages 7 to 16 form part of these financial statements

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

ABBREVIATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £000	2006 £000
FIXED ASSETS			
Tangible fixed assets	8	5,157	3,225
Fixed asset investments	9	12	12
		<u>5,169</u>	<u>3,237</u>
CURRENT ASSETS			
Debtors	10	5,266	4,977
Cash at bank and in hand		84	
		<u>5,350</u>	<u>4,977</u>
CREDITORS amounts falling due within one year	11	<u>(3,376)</u>	<u>(4,475)</u>
NET CURRENT ASSETS		<u>1,974</u>	<u>502</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,143</u>	<u>3,739</u>
CREDITORS amounts falling due after more than one year	12	(104)	(206)
PROVISIONS FOR LIABILITIES			
Deferred tax	13	<u>(409)</u>	<u>(245)</u>
NET ASSETS		<u>6,630</u>	<u>3,288</u>
CAPITAL AND RESERVES			
Called up share capital	14	152	152
Share premium account	15	3	3
Capital redemption reserve	15	210	210
Profit and loss account	15	6,265	2,923
SHAREHOLDERS' FUNDS	16	<u>6,630</u>	<u>3,288</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to medium sized companies, were approved and authorised for issue by the board and were signed on its behalf on 17TH MARCH, 2008


Dr B Bruggaier
Director

The notes on pages 7 to 16 form part of these financial statements

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS1

1.3 Turnover

Turnover comprises the value of goods and services supplied by the company in the normal course of business, net of trade discounts and sales taxes. This is in accordance with Financial Reporting Standard 5, Application Note G, and UITF 40 where applicable

The company recognises turnover in line with the fulfillment of its contractual obligations. In most cases relating to the supply of goods this represents the fulfillment of all obligations contained in its contracts. However, in certain circumstances, specific elements of the total income relating to a contract are recognised where completion of these elements entitles the company to the income

Rental and operating lease income is recognised on a straight line basis over the period of the rental or lease contract

1.4 Investments

Investments in subsidiaries are valued at the lower of cost and net realisable value. They are not stated at market value as the investments are unlisted and hence there is no formal valuation

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation on tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold buildings	2%	straight line
Plant & machinery	6 33%	straight line
Motor vehicles	25%	straight line

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES (continued)

1 7 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

1 8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if 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 differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1 10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

2 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	Year ended 31 December 2007 £000	Seventeen months ended 31 December 2006 £000
Depreciation of tangible fixed assets		
owned by the company	279	304
held under finance leases	40	136
Auditors' remuneration	17	22
Operating lease rentals		
other operating leases	62	88
Management charges payable	154	49
Hire of plant and machinery		678
Gain on disposal of fixed assets	(7)	(250)
	<u> </u>	<u> </u>

The operating profit for the year ended 31 December 2007 includes amounts relating to discontinued operations as follows administrative expenses of £159,000 (2006 £NIL)

3 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	Year ended 31 December 2007 £000	Seventeen months ended 31 December 2006 £000
Wages and salaries	3,423	5,861
Social security costs	335	721
Other pension costs	76	175
	<u> </u>	<u> </u>
	<u>3,834</u>	<u>6,757</u>

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

	Year ended 31 December 2007 No	Seventeen months ended 31 December 2006 No
Directors	2	4
Technical and administration	68	81
	<u> </u>	<u> </u>
	<u>70</u>	<u>85</u>

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

4. DIRECTORS' REMUNERATION

	Year ended 31 December 2007 £000	Seventeen months ended 31 December 2006 £000
Emoluments		1,037
Company pension contributions to money purchase pension schemes		117

During the year retirement benefits were accruing to no directors (2006 6) in respect of money purchase pension schemes

The highest paid director received remuneration of £NIL (2006 £252,000)

The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £NIL (2006 £39,000)

5 INTEREST RECEIVABLE

	Year ended 31 December 2007 £000	Seventeen months ended 31 December 2006 £000
Bank interest receivable	7	2
Other interest receivable	1	
	8	2

6 INTEREST PAYABLE

	Year ended 31 December 2007 £000	Seventeen months ended 31 December 2006 £000
Bank interest payable	72	147
On finance leases and hire purchase contracts	18	25
Exchange losses	40	31
	130	203

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

7. TAXATION

	Year ended 31 December 2007 £000	Seventeen months ended 31 December 2006 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	1,257	1,167
Double taxation relief	-	(4)
Foreign tax on income for the year	16	10
Total current tax	<u>1,273</u>	<u>1,173</u>
Deferred tax (see note 13)		
Origination and reversal of timing differences	164	(18)
Tax on profit on ordinary activities	<u>1,437</u>	<u>1,155</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2006 higher than) the standard rate of corporation tax in the UK (30%). The differences are explained below

	Year ended 31 December 2007 £000	Seventeen months ended 31 December 2006 £000
Profit on ordinary activities before tax	<u>4,779</u>	<u>3,830</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	1,434	1,149
Effects of:		
Expenses not deductible for tax purposes	10	(37)
Capital allowances for year in excess of depreciation	(193)	14
Utilisation of tax losses	-	33
Unrelieved foreign tax	16	6
Adjustments to tax charge in respect of prior periods	-	3
Other timing differences	6	5
Current tax charge for the year (see note above)	<u>1,273</u>	<u>1,173</u>

There were no factors that may affect future tax charges

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Plant, machinery and motor vehicles £000	Total £000
Cost			
At 1 January 2007	864	4,817	5,681
Additions		2,251	2,251
At 31 December 2007	<u>864</u>	<u>7,068</u>	<u>7,932</u>
Depreciation			
At 1 January 2007	53	2,403	2,456
Charge for the year	17	302	319
At 31 December 2007	<u>70</u>	<u>2,705</u>	<u>2,775</u>
Net book value			
At 31 December 2007	<u>794</u>	<u>4,363</u>	<u>5,157</u>
At 31 December 2006	<u>811</u>	<u>2,414</u>	<u>3,225</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2007 £000	2006 £000
Plant and machinery	460	584
Motor vehicles	-	14
	<u>460</u>	<u>598</u>

Included in the cost of tangible fixed assets is expenditure amounting to £NIL (2006 £106,000) on assets in the course of construction. Depreciation has been provided on those assets from the date on which they were brought into use.

9 FIXED ASSET INVESTMENTS

	Shares in group under takings £000
Cost	
At 1 January 2007 and 31 December 2007	<u>12</u>

The company holds the following investment in a subsidiary undertaking incorporated in The Netherlands

Aquatic Engineering & Construction BV 100% of the ordinary share capital

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

10. DEBTORS

	2007	2006
	£000	£000
Trade debtors	4,996	4,644
Amounts owed by group undertakings	24	91
Other debtors	246	242
	<u>5,266</u>	<u>4,977</u>

11. CREDITORS

Amounts falling due within one year

	2007	2006
	£000	£000
Bank overdraft	343	1,190
Net obligations under hire purchase contracts	97	112
Trade creditors	749	1,070
Amounts owed to group undertakings	58	192
Corporation tax	1,265	1,186
Social security and other taxes	94	54
Other creditors	770	671
	<u>3,376</u>	<u>4,475</u>

The bank overdraft is secured by way of a cross corporate guarantee over the assets of the group

Liabilities under hire purchase contracts are secured by the assets concerned

12. CREDITORS

Amounts falling due after more than one year

	2007	2006
	£000	£000
Net obligations under hire purchase contracts	<u>104</u>	<u>206</u>

Obligations under hire purchase contracts, included above, are payable as follows

	2007	2006
	£000	£000
Between one and five years	<u>104</u>	<u>206</u>

Liabilities under hire purchase contracts are secured by the assets concerned

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

13. DEFERRED TAXATION

	2007 £000	2006 £000
At 1 January 2007	409	263
Charge for/(released during) the year		(18)
At 31 December 2007	<u>409</u>	<u>245</u>

The provision for deferred taxation is made up as follows

	2007 £000	2006 £000
Accelerated capital allowances	411	246
Other timing differences	(2)	(1)
	<u>409</u>	<u>245</u>

14 SHARE CAPITAL

	2007 £000	2006 £000
Authorised		
106,500 Ordinary shares of £1 each	107	107
45,000 'A' Ordinary shares of £1 each	45	45
255,000 Cumulative redeemable preference shares of £1 each	255	255
	<u>407</u>	<u>407</u>
Allotted, called up and fully paid		
106,500 Ordinary shares of £1 each	107	107
45,000 'A' Ordinary shares of £1 each	45	45
	<u>152</u>	<u>152</u>

The specific rights attaching to the 'A' ordinary shares are as follows

The 'A' ordinary shares are entitled to a participating dividend based on adjusted profit on ordinary activities before taxation and amounts payable to ordinary shareholders

The 'A' ordinary shares may be converted to a like number of ordinary shares at any time

The holders of these shares are entitled to attend and vote at general meetings and are entitled to the same voting rights as the ordinary shareholders

The 'A' ordinary shareholders would rank before the ordinary shareholders on a winding up of the company. In such circumstances they are entitled to the subscription price paid for the shares plus all dividend arrears. Any capital surplus remaining after distribution to ordinary shareholders is payable to both 'A' ordinary and ordinary classes of shares as if all shares were of the same class.

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

15. RESERVES

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 1 January 2007	3	210	2,923
Profit retained for the year	-	-	3,342
	<u>3</u>	<u>210</u>	<u>6,265</u>
At 31 December 2007	<u>3</u>	<u>210</u>	<u>6,265</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £000	2006 £000
Opening shareholders' funds	3,288	613
Profit for the year	3,342	2,675
	<u>6,630</u>	<u>3,288</u>
Closing shareholders' funds	<u>6,630</u>	<u>3,288</u>

17. CONTINGENT LIABILITIES

The company has a cross guarantee with other group companies in respect of group borrowings

18. CAPITAL COMMITMENTS

At 31 December 2007 the company had capital commitments as follows

	2007 £000	2006 £000
Contracted for but not provided in these financial statements	<u>94</u>	<u>831</u>

19. OTHER COMMITMENTS

At 31 December 2007 the company had annual commitments under non cancellable operating leases as follows

	Land and buildings 2007 £000	2006 £000
Expiry date		
Within 1 year	33	
Between 1 and 5 years	<u>24</u>	<u>41</u>

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of available exemptions from the disclosure of transactions with group companies where consolidated accounts have been prepared

AQUATIC ENGINEERING & CONSTRUCTION LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

21 PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund

Contributions made by the company to the scheme during the year amounted to £76,000 (2006 £175,000) Contributions outstanding at the year end were £7,000 (2006 £NIL)

22 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is controlled by Acteon Group Limited

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Acteon Group Limited Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ

The company's ultimate parent company and ultimate controlling party is FR X Offshore GP Limited, a company incorporated in the Cayman Islands