

Aquatic Engineering & Construction Limited

Abbreviated accounts
Registered number SC123734
31 December 2008

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Contents

Directors and officers	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	4
Independent auditors' report to the members of Aquatic Engineering & Construction Limited under section 247B of the Companies Act 1985	5
Profit and loss account	6
Balance sheet	7
Notes	8

Directors and officers

Directors:	Dr B Bruggaier K Ovenden
Secretary:	Paul & Williamsons
Registered office:	Union Plaza (6 th Floor) 1 Union Wynd Aberdeen AB10 1DQ
Auditors:	KPMG LLP Chartered Accountants 37 Albyn Place Aberdeen AB10 1JB

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Results and dividends

The profit for the year, after taxation, amounted to £5,425,000 (2007: £3,342,000).

An interim dividend of £9,600,000 was paid during the year.

No final dividend is to be recommended in respect of the year ended 31 December 2008.

Principal activity and review of the business

Aquatic Engineering & 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 17 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 90 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.

Development of the business

The company performed strongly during 2008, benefiting from levels of activity in the worldwide offshore oil and gas industry and the resulting demand for its range of products and services. Turnover for the year was £14,180,000 (2007: £16,121,000) following the transfer of the manpower business to another Acteon company. The profit after taxation was £5,425,000 (2007: £3,342,000).

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 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 to operate.
- 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 and intend to take steps to ensure that the company develops its geographical and product service operation in order to provide high quality offerings which are well differentiated from its competitors.

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 products have been developed directly in response to client requirements.

Directors' report (continued)

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 as follows:

Dr B Bruggaier
K Ovenden

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board


Dr B Bruggaier
Director

Union Plaza
1 Union Wynd
Aberdeen

31 MARCH 2009

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing 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 period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law 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 judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditors' report to Aquatic Engineering & Construction Limited under section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 6 to 16 together with the financial statements of Aquatic Engineering & Construction Limited for the year ended 31 December 2008 prepared under section 226A of the Companies Act 1985.

This report is made solely to the company 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 to it in such a 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 abbreviated accounts have been properly prepared in accordance with that section 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 considered 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 have been 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 have been properly prepared in accordance with that section.

KPMG LLP
Chartered Accountants
Registered Auditor

31 March 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Gross profit		6,407	6,865
Administrative expenses		(1,953)	(1,964)
Operating profit			
Continuing operations		4,454	4,776
Discontinued operations		-	125
		4,454	4,901
Income from shares in group undertakings	5	2,156	-
Interest receivable and similar income	6	193	8
Interest payable and similar charges	7	(61)	(130)
Profit on ordinary activities before taxation	2-4	6,742	4,779
Tax on profit on ordinary activities	8	(1,317)	(1,437)
Profit for the financial year	18	5,425	3,342

Turnover and profit for the financial year arise wholly from continuing operations.

There were no recognised gains or losses other than those reported above.

Balance sheet
at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	10	6,844	5,157
Fixed asset investments	11	12	12
		<u>6,856</u>	<u>5,169</u>
Current assets			
Stock	12	201	-
Debtors	13	3,493	5,266
Cash at bank and in hand		4	84
		<u>3,698</u>	<u>5,350</u>
Creditors: amounts falling due within one year	14	<u>(7,492)</u>	<u>(3,376)</u>
Net current (liabilities) assets		<u>(3,794)</u>	<u>1,974</u>
Total assets less current liabilities		<u>3,062</u>	<u>7,143</u>
Creditors: amounts falling due after more than one year	15	(25)	(104)
Provisions for liabilities	16	(582)	(409)
Net assets		<u>2,455</u>	<u>6,630</u>
Capital and reserves			
Called up share capital	17	152	152
Share premium account	18	3	3
Capital redemption reserve	18	210	210
Profit and loss account	18	2,090	6,265
Shareholders' funds	19	<u>2,455</u>	<u>6,630</u>

The accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

These financial statements were approved by the board of directors on 31 MARCH 2009 and were signed on its behalf by:


Dr B Bruggaier
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

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 company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Acteon Group Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Acteon Group Limited, within which this Company is included, can be obtained from the address given in note 25.

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 fulfilment of its contractual obligations. In most cases relating to the supply of goods this represents the fulfilment 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.

Investments

Investments in subsidiary undertakings 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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. 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:

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

Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and 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.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

Notes (continued)

1 Accounting policies (continued)

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the 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 transaction. Exchange differences are taken into account in arriving at the profit before taxation.

Taxation

The charge or credit for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

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.

2 Notes to the profit and loss account

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated after charging (crediting)</i>		
Depreciation written off tangible fixed assets		
Owned	417	279
Leased	40	40
Hire of plant and machinery – rentals payable under operating leases	6	-
Hire of other assets – operating leases	172	62
Gain on disposal of fixed assets	(6)	(7)
<i>Auditors' remuneration</i>		
Audit of these financial statements	19	17

The operating profit for the year includes amounts relating to discontinued operations as follows: cost of sales £nil (2007: £4,170,000) and administrative expenses of £nil (2007: £159,000).

Notes *(continued)*

3 Remuneration of directors

All of the directors are paid by other group companies and no recharge is made for their services to the company. Their emoluments are included in the aggregate directors emoluments disclosed in the financial statements of other group companies.

4 Staff numbers and costs

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

	Number of employees	
	2008	2007
Directors	2	2
Technical and administration	85	68
	87	70

	2008	2007
	£000	£000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	3,709	3,423
Social security costs	385	335
Other pension costs (see note 24)	120	76
	4,214	3,834

5 Income from other fixed asset investments

	2008	2007
	£000	£000
Dividends received	2,156	-

6 Interest receivable and similar income

	2008	2007
	£000	£000
Bank interest receivable	69	7
Net exchange gain	124	-
Other interest receivable	-	1
	193	8

7 Interest payable and similar charges

	2008	2007
	£000	£000
Bank interest payable	22	72
Finance charges payable in respect of finance leases and hire purchase contracts	17	18
Net exchange losses	-	40
Interest payable to group companies	18	-
Other interest	4	-
	61	130

Notes (continued)

8 Taxation

Analysis of charge in year

	2008	2007
	£000	£000
<i>UK corporation tax/group relief</i>		
Charge for the current year	-	1,257
Group relief payable	1,040	-
Adjustments in respect of prior periods	(134)	-
	<u>906</u>	<u>1,257</u>
<i>Foreign tax</i>		
Charge for current year	110	16
Adjustments in respect of prior periods	128	-
	<u>238</u>	<u>16</u>
Total current tax	<u>1,144</u>	<u>1,273</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	174	164
Adjustments in respect of prior periods	(1)	-
	<u>173</u>	<u>164</u>
Total deferred tax	<u>1,317</u>	<u>1,437</u>

Factors affecting the tax charge (2007: charge) for the current period

The current tax charge (2007: charge) is lower (2007: lower) than the standard rate of corporation tax in the UK, 28.5% (2007: 30%). The differences are explained below:

	2008	2007
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	6,742	4,779
Current tax at 28.5% (2007: 30%)	<u>1,921</u>	<u>1,434</u>
<i>Effects of:</i>		
Income not taxable for tax purposes	(616)	-
Expenses not deductible for tax purposes	22	10
Capital allowances for year in excess of depreciation	(179)	(193)
Unrelieved foreign tax	-	16
Adjustments to tax charge in respect of prior periods	(6)	-
Other timing differences	2	6
Total current tax charge (see above)	<u>1,144</u>	<u>1,273</u>

Notes (continued)

9 Dividends

The aggregate amount of dividends comprises:

	2008 £000	2007 £000
Interim dividends paid in respect of the current year	9,600	-
Aggregate amount of dividends paid in the financial year	9,600	-

10 Tangible fixed assets

	Freehold land and buildings £000	Plant, machinery and motor vehicles £000	Total £000
Cost			
At beginning of year	864	7,068	7,932
Additions	-	2,144	2,144
Disposals	-	(154)	(154)
At end of year	864	9,058	9,922
Depreciation			
At beginning of year	70	2,705	2,775
Charge for year	(7)	464	457
Disposals	-	(154)	(154)
At end of year	63	3,015	3,078
Net book value			
At 31 December 2008	801	6,043	6,844
At 31 December 2007	794	4,363	5,157

Included in the total net book value of tangible fixed assets is £420,000 (2007: £460,000) in respect of assets held under finance leases. Depreciation for the period on these assets was £40,000 (2007: £40,000).

The depreciation charge on freehold land and buildings includes an adjustment of over-depreciation in prior years.

11 Fixed asset investments

	Shares in group undertakings £000
Cost	
At 1 January 2008 and 31 December 2008	12

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

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

Notes (continued)

12 Stock

	2008 £000	2007 £000
Parts stock	201	-

13 Debtors

	2008 £000	2007 £000
Trade debtors	3,126	2,666
Amounts owed by group undertakings	13	24
Prepayments and accrued income	310	2,464
Other debtors	44	112
	<u>3,493</u>	<u>5,266</u>

14 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank overdraft	5,226	343
Net obligations under hire purchase contracts	79	97
Trade creditors	381	749
Amounts owed to group undertakings	1,207	58
Corporation tax	8	1,265
Other taxes and social security	236	94
Other creditors	355	770
	<u>7,492</u>	<u>3,376</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.

15 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Net obligations under hire purchase contracts	25	104

The maturity of obligations under hire purchase contracts, is as follows:

	2008 £000	2007 £000
Within one year	79	97
In the second to fifth years	25	104
	<u>104</u>	<u>201</u>

Liabilities under hire purchase contracts are secured by the assets concerned.

Notes (continued)

16 Provisions for liabilities

	Deferred tax 2008 £000
At 1 January 2008	409
Charge for the year	173
At 31 December 2008	582

The provision for deferred taxation is made up as follows:

	2008 £000	2007 £000
Accelerated capital allowances	586	411
Other timing differences	(4)	(2)
	582	409

17 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
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
	407	407
<i>Allotted, called up and fully paid</i>		
106,500 Ordinary shares of £1 each	107	107
45,000 "A" ordinary shares of £1 each	45	45
	152	152

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.

Notes (continued)

18 Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 1 January 2008	3	210	6,265
Profit for the year	-	-	5,425
Dividend on shares classified in shareholders' funds	-	-	(9,600)
At 31 December 2008	3	210	2,090

19 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial period	5,425	3,342
Dividends on shares classified in shareholders' funds	(9,600)	-
Net (reduction) increase in shareholders' funds	(4,175)	3,342
Opening shareholders' funds	6,630	3,288
Closing shareholders' funds	2,455	6,630

20 Contingent liabilities

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

21 Capital commitments

At 31 December 2008 the company had capital commitments as follows:

	2008 £000	2007 £000
Contracted for but not provided in these financial statements	50	94

22 Other commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as follows:

	Plant and equipment		Land and buildings	
	2008 £000	2007 £000	2008 £000	2007 £000
Operating leases which expire:				
Within one year	-	-	105	33
Between one and five years	9	-	-	24

Notes *(continued)*

23 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.

24 Pension scheme

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 £120,000 (2007: £76,000). Contributions outstanding at the year end were £13,000 (2007: £7,000).

25 Ultimate parent company

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.