

Aquatic Engineering & Construction Limited

**Director's report and financial
statements**

Registered number SC123734

31 December 2009

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Director and officer

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

Director's report

The director presents his annual report and the audited financial statements for the year ended 31 December 2009.

Results and dividends

The profit for the year, after taxation, amounted to £4,047,000 (2008: £5,425,000).

No dividend is to be recommended in respect of the year ended 31 December 2009 (2008: £9,600,000).

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 subsea services organisation. The group as a whole comprises a number of well known brands in the industry 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 satisfactorily during 2009, taking account of the impact of prevailing oil prices being considerably lower than had been the case during 2007 and 2008, and also the difficulties in credit markets impacting on the investment plans of many of its clients. Turnover for the year was £15,311,000 (2008: £14,180,000) and the profit after taxation was £4,047,000 (2008: £5,425,000).

Principal risks and uncertainties facing the company

The director has 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 director believes 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 director believes that due to prevailing oil prices, (which have increased since mid 2009 and stabilised at the time of this report to a range of \$65 to \$80 per barrel), along with sufficiently open credit markets, provide a good basis for increased levels of demand for the company's products and services in 2010.

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.

Director's 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 (resigned 7 July 2009)

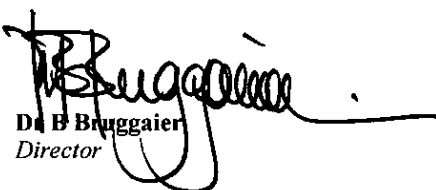
Disclosure of information to auditors

The director who held office at the date of approval of this Director's report confirm that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and the 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

6th Floor
Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ
26 March 2010

Statement of Director's responsibilities in respect of the Director's report and the financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the director must not approve the financial statements unless he is satisfied that they 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditors' report to the members of Aquatic Engineering & Construction Limited

We have audited the financial statements of Aquatic Engineering & Construction Limited for the year ended 31 December 2009 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

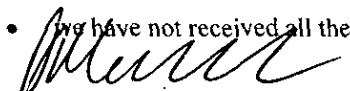
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


D MacAskill (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

37 Albyn Place

Aberdeen

AB10 1JB

26 March 2010

Profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £000	2008 £000
Turnover	2	15,311	14,180
Cost of sales		(7,725)	(7,773)
Gross profit		7,586	6,407
Administrative expenses		(1,969)	(1,953)
Operating profit		5,617	4,454
Income from shares in group undertakings	6	-	2,156
Interest receivable and similar income	7	6	193
Interest payable and similar charges	8	(106)	(61)
Profit on ordinary activities before taxation	3-5	5,517	6,742
Tax on profit on ordinary activities	9	(1,470)	(1,317)
Profit for the financial year	19	4,047	5,425

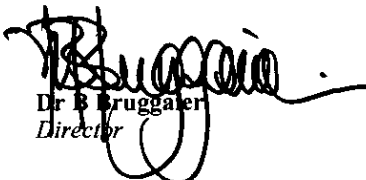
There were no recognised gains or losses other than those reported above.

Turnover and operating profit in the current and prior period arose wholly from continuing operations.

Balance sheet
at 31 December 2009

	<i>Note</i>	2009	2008
		£000	£000
Fixed assets			
Tangible assets	11	5,933	6,844
Fixed asset investments	12	12	12
		<u>5,945</u>	<u>6,856</u>
Current assets			
Stock	13	190	201
Debtors	14	2,915	3,493
Cash at bank and in hand		1,062	4
		<u>4,167</u>	<u>3,698</u>
Creditors: amounts falling due within one year	15	<u>(2,924)</u>	<u>(7,492)</u>
Net current assets (liabilities)		<u>1,243</u>	<u>(3,794)</u>
Total assets less current liabilities		<u>7,188</u>	<u>3,062</u>
Creditors: amounts falling due after more than one year	16	-	(25)
Provisions for liabilities	17	<u>(686)</u>	<u>(582)</u>
Net assets		<u><u>6,502</u></u>	<u><u>2,455</u></u>
Capital and reserves			
Called up share capital	18	152	152
Share premium account	19	3	3
Capital redemption reserve	19	210	210
Profit and loss account	19	6,137	2,090
Shareholders' funds	20	<u><u>6,502</u></u>	<u><u>2,455</u></u>

These financial statements were approved by the board of directors on 26 March 2010 and were signed on its behalf by:


 Dr B Bruggeler
 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 s400 of the Companies Act 2006 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 26.

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 2 to 3.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Acteon Group Limited, the company's directors have a reasonable expectation that the company will be able 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.

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

Notes (continued)

1 Accounting policies (continued)

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.

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 Turnover

Disclosure by geographical sector has not been made as required under SI2008 No. 410 Schedule 1 paragraph 68 (2) of the Companies Act 2006 as the directors are of the opinion that disclosure of such information would be seriously prejudicial to the interests of the company.

Notes (continued)

3 Notes to the profit and loss account

	2009	2008
	£000	£000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging (crediting)</i>		
Depreciation written off tangible fixed assets		
Owned	467	417
Leased	40	40
Hire of plant and machinery – rentals payable under operating leases	11	6
Hire of other assets – operating leases	182	172
Gain on disposal of fixed assets	(72)	(6)
<i>Auditors' remuneration</i>		
Audit of these financial statements	15	19

4 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.

5 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	
	2009	2008
Directors	2	2
Technical and administration	89	85
	91	87

	2009	2008
	£000	£000

The aggregate payroll costs of these persons were as follows:

Wages and salaries	4,287	3,709
Social security costs	409	385
Other pension costs (see note 25)	124	120
	4,820	4,214

6 Income from other fixed asset investments

	2009	2008
	£000	£000
Dividends received	-	2,156

Notes (continued)

7 Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	2	69
Net exchange gain	-	124
Other interest receivable	4	-
	<u>6</u>	<u>193</u>

8 Interest payable and similar charges

	2009 £000	2008 £000
Bank interest payable	59	22
Finance charges payable in respect of finance leases and hire purchase contracts	-	17
Net exchange losses	45	-
Interest payable to group companies	-	18
Other interest	2	4
	<u>106</u>	<u>61</u>

9 Taxation

Analysis of charge in year

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Charge for the current year	1,359	-
Adjustments in respect of prior periods	(90)	(134)
	<u>1,269</u>	<u>(134)</u>
<i>Group relief</i>		
Group relief payable	-	1,040
Adjustments in respect of prior periods	(184)	-
	<u>(184)</u>	<u>1,040</u>
<i>Foreign tax</i>		
Charge for current year	78	110
Adjustments in respect of prior periods	203	128
	<u>281</u>	<u>238</u>
Total current tax	<u>1,366</u>	<u>1,144</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	104	174
Adjustments in respect of prior periods	-	(1)
	<u>104</u>	<u>173</u>
Total deferred tax	<u>104</u>	<u>173</u>
Tax on profit on ordinary activities	<u>1,470</u>	<u>1,317</u>

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting the tax charge (2008: charge) for the current period

The current tax charge (2008: charge) is lower (2008: lower) than the standard rate of corporation tax in the UK, 28% (2008: 28.5%). The differences are explained below:

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	5,517	6,742
Current tax at 28% (2008: 28.5%)	1,545	1,921
<i>Effects of:</i>		
Income not taxable for tax purposes	(18)	(616)
Expenses not deductible for tax purposes	7	22
Capital allowances for year in excess of depreciation	(104)	(179)
Unrelieved foreign tax	7	-
Adjustments to tax charge in respect of prior periods	(71)	(6)
Other timing differences	-	2
Total current tax charge (see above)	1,366	1,144

10 Dividends

The aggregate amount of dividends comprises:

	2009 £000	2008 £000
Interim dividends paid in respect of the current year	-	9,600
Aggregate amount of dividends paid in the financial year	-	9,600

Notes *(continued)*

11 Tangible fixed assets

	Freehold land and buildings £000	Plant, machinery and motor vehicles £000	Total £000
<i>Cost</i>			
At beginning of year	864	9,058	9,922
Additions	-	403	403
Disposals	(864)	(109)	(973)
At end of year	-	9,352	9,352
<i>Depreciation</i>			
At beginning of year	63	3,015	3,078
Charge for year	4	503	507
Disposals	(67)	(99)	(166)
At end of year	-	3,419	3,419
<i>Net book value</i>			
At 31 December 2009	-	5,933	5,933
At 31 December 2008	801	6,043	6,844

Included in the total net book value of tangible fixed assets is £nil (2008: £420,000) in respect of assets held under finance leases. Depreciation for the period on these assets was £40,000 (2008: £40,000).

12 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
At 1 January 2009 and 31 December 2009	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)*

13 Stock

	2009 £000	2008 £000
Parts stock	190	201

14 Debtors

	2009 £000	2008 £000
Trade debtors	2,675	3,126
Amounts owed by group undertakings	90	13
Prepayments and accrued income	143	310
Other debtors	7	44
	<u>2,915</u>	<u>3,493</u>

15 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank overdraft	-	5,226
Net obligations under hire purchase contracts	-	79
Trade creditors	433	381
Amounts owed to group undertakings	196	1,207
Corporation tax	1,359	8
Other taxes and social security	302	236
Other creditors	634	355
	<u>2,924</u>	<u>7,492</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.

16 Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Net obligations under hire purchase contracts	-	25
The maturity of obligations under hire purchase contracts, is as follows:		
	2009 £000	2008 £000
Within one year	-	79
In the second to fifth years	-	25
	<u>-</u>	<u>104</u>

Notes (continued)

17 Provisions for liabilities

	Deferred tax £000
At 1 January 2009	582
Charge for the year	104
At 31 December 2009	686

The provision for deferred taxation is made up as follows:

	2009 £000	2008 £000
Accelerated capital allowances	690	586
Other timing differences	(4)	(4)
	686	582

18 Called up share capital

	2009 £000	2008 £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)

19 Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 1 January 2009	3	210	2,090
Profit for the year	-	-	4,047
At 31 December 2009	<u>3</u>	<u>210</u>	<u>6,137</u>

20 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial period	4,047	5,425
Dividends on shares classified in shareholders' funds	-	(9,600)
Net increase (reduction) in shareholders' funds	<u>4,047</u>	<u>(4,175)</u>
Opening shareholders' funds	2,455	6,630
Closing shareholders' funds	<u>6,502</u>	<u>2,455</u>

21 Contingent liabilities

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

22 Capital commitments

At 31 December the company had capital commitments as follows:

	2009 £000	2008 £000
Contracted for but not provided in these financial statements	<u>11</u>	<u>50</u>

23 Other commitments

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

	Plant and equipment		Land and buildings	
	2009 £000	2008 £000	2009 £000	2008 £000
Operating leases which expire:				
Within one year	-	-	-	105
Between one and five years	9	9	43	-
After more than five years	-	-	84	-

Notes *(continued)*

24 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.

25 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 £124,000 (2008: £120,000). Contributions outstanding at the year end were £15,000 (2008: £13,000).

26 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.