

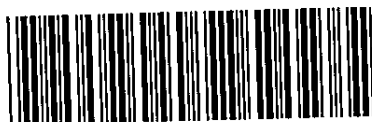
Aquatic Engineering & Construction Limited

Director's report and financial
statements

Registered number SC123734

31 December 2012

MONDAY



S2HI7KRC

SCT

23/09/2013

#60

COMPANIES HOUSE

Contents

Director and officer	1
Director's report	2
Statement of director's responsibilities in respect of the Director's report and the financial statements	4
Independent auditor's report to the members of Aquatic Engineering & Construction Limited	5
Profit and loss account	6
Balance sheet	7
Notes to financial statement	8

Director and officer

Director:	Dr B Bruggaier
Secretary:	Paull & Williamsons LLP
Registered office:	Union Plaza (6 th Floor) 1 Union Wynd Aberdeen AB10 1DQ
Auditor:	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 2012.

Results and dividends

The profit for the year, after taxation, amounted to £6,829,000 (2011: £6,461,000).

An interim dividend of £5,500,000 (2011: £5,400,000) was paid during the year.

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 100 people, most 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 2012, reflecting the overall improvement in general economic conditions with there being investment activity increases by many of its clients. Turnover for the year was £24,990,000 (2011: £20,747,000) and the profit after taxation was £6,829,000 (2011: £6,461,000).

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 continued to remain high during 2012 and into 2013 with the price continuing to fluctuate within the \$100-\$120 per barrel range), along with the continued improvement in general economic conditions and activity levels in the offshore oil and gas industry, provide a good basis for further increased levels of demand for the company's products and services in 2013.

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 director who served during the year was as follows:

Dr B Bruggaier

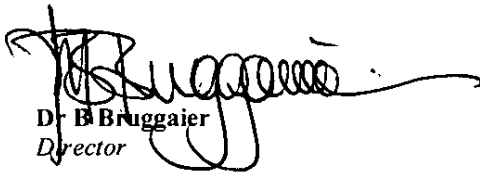
Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor 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
4 April 2013

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

The director is responsible for preparing the Directors' 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 him 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.

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



Independent auditor's 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 2012 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out 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. Our responsibility is to audit, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Duncan MacAskill (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

9 April 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	24,990	20,747
Cost of sales		(13,683)	(10,039)
Gross profit		11,307	10,708
Exceptional administrative expenses	3	(150)	-
Other administrative expenses		(1,737)	(1,919)
Total administrative expenses		(1,887)	(1,919)
Operating profit		9,420	8,789
Interest payable and similar charges	7	(83)	(92)
Profit on ordinary activities before taxation	4-6	9,337	8,697
Tax on profit on ordinary activities	8	(2,508)	(2,236)
Profit for the financial year	17	6,829	6,461

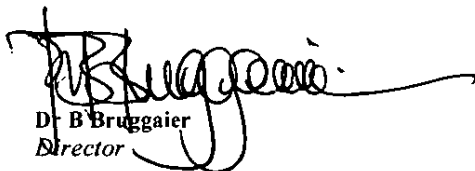
There were no recognised gains or losses other than those reported above.

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

Balance sheet
at 31 December 2012

	<i>Note</i>	2012	2011
		£000	£000
Fixed assets			
Tangible assets	10	13,429	9,242
Investments	11	206	-
		13,635	9,242
Current assets			
Stock	12	102	143
Debtors	13	6,133	4,305
Cash at bank and in hand		2	155
		6,237	4,603
Creditors: amounts falling due within one year	14	(14,456)	(9,491)
Net current liabilities		(8,219)	(4,888)
Total assets less current liabilities		5,416	4,354
Provisions for liabilities	15	(650)	(917)
Net assets		4,766	3,437
Capital and reserves			
Called up share capital	16	152	152
Share premium account	17	3	3
Capital redemption reserve	17	210	210
Profit and loss account	17	4,401	3,072
Shareholders' funds	18	4,766	3,437

These financial statements were approved by the board of directors on 14 April 2013 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 in accordance with applicable accounting standards and under the historical cost accounting rules.

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 wholly owned subsidiaries 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 24.

Going concern

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 Director's 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.

The director, having assessed the responses of the directors of the company's parent Acteon Group Limited to his enquiries has no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Acteon group to continue as a going concern or its ability to continue with the current banking arrangements.

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:

Plant and machinery	-	3-15 years straight line
Motor vehicles	-	4 years straight line

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.

Leases

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)

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. The pension charge to the profit and loss account represents the contributions payable by the company to the fund in respect of the year.

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.

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet this criteria are disclosed in the notes to the 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.

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.

3 Exceptional administrative expenses

During the year, as a result of the change in ownership of the company's parents, the company paid exceptional bonuses totalling £150,000.

Notes (continued)

4 Notes to the profit and loss account

<i>Profit on ordinary activities before taxation is stated</i>	2012	2011
	£000	£000
<i>after charging (crediting)</i>		
Depreciation written off tangible fixed assets		
Owned	855	664
Hire of plant and machinery – rentals payable under operating leases	45	32
Hire of other assets – operating leases	112	130
Loss on disposal of fixed assets	3	-
<i>Auditor's remuneration</i>		
Audit of these financial statements	15	15

Amounts receivable by the Company's auditor and its associates in respect of services to the company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Acteon Group Limited.

5 Remuneration of directors

No emoluments were paid to the directors who served during the year. These costs were borne by another group company. It is not possible to allocate a fair apportionment of these costs as services are provided to multiple entities.

6 Staff numbers and costs

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

	Number of employees	
	2012	2011
Directors	1	1
Technical and administration	103	96
	104	97
	2012	2011
	£000	£000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	5,564	4,823
Social security costs	638	510
Other pension costs (see note 22)	162	154
	6,364	5,487

Notes *(continued)*

7 Interest payable and similar charges

	2012 £000	2011 £000
Bank interest payable	77	47
Net exchange losses	2	42
Other interest	4	3
	<u>83</u>	<u>92</u>

8 Taxation

Analysis of charge *(2011: charge)* in year

	2012 £000	2011 £000
<i>UK corporation tax/ Group relief</i>		
Charge for the current year	1	1,203
Adjustments in respect of prior years	(290)	(224)
Group relief payable	2,412	896
	<u>2,123</u>	<u>1,875</u>
<i>Foreign tax</i>		
Charge for current year	336	-
Adjustments in respect of prior years	316	215
	<u>652</u>	<u>215</u>
Total current tax	2,775	2,090
<i>Deferred tax</i>		
Origination and reversal of timing differences	(194)	203
Effect of change in rate of tax	(73)	(57)
	<u>(267)</u>	<u>146</u>
Total deferred tax	(267)	146
Tax on profit on ordinary activities	<u>2,508</u>	<u>2,236</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge (2011: charge) for the current year

The rate of corporation tax in the UK was reduced from 26% to 24% effective 1 April 2012. The composite rate applied during the year is 24.5%.

The current tax charge (2011: charge) is higher (2011: lower) than the standard rate of corporation tax in the UK, 24.5% (2011: 26.5%). The differences are explained below:

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	9,337	8,697
Current tax at 24.5% (2011: 26.5%)	2,288	2,305
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1	10
Differences between depreciation and capital allowances for the year	211	(214)
Other Short Term Differences	(4)	(1)
Adjustments to tax charge in respect of prior years	25	(9)
Other permanent differences	(82)	-
Higher tax rates on overseas earnings	336	-
Total current tax charge (see above)	2,775	2,091

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

9 Dividends

The aggregate amount of dividends comprises:

	2012 £000	2011 £000
Dividends paid on ordinary shares	5,500	5,400

Notes (continued)

10 Tangible fixed assets

	Assets in course of construction £000	Plant, machinery and motor vehicles £000	Total £000
Cost			
At beginning of year	1,625	12,108	13,733
Additions	4,205	846	5,051
Disposals	-	(67)	(67)
Transfer on completion	(1,518)	1,518	-
At end of year	4,312	14,405	18,717
Depreciation			
At beginning of year	-	4,491	4,491
Charge for year	-	855	855
Disposals	-	(58)	(58)
At end of year	-	5,288	5,288
Net book value			
At 31 December 2012	4,312	9,117	13,429
At 31 December 2011	1,625	7,617	9,242

11 Fixed asset investments

	Shares in subsidiary undertakings £000
Cost and net book value	
At beginning of year	-
Additions	206
At end of year	206

The companies in which the company's interest at the year end is more than 20% are as follows:

Undertaking	Country of incorporation	Principal activity	Interest in ordinary shares at year end
Aquatic Asia Pacific Pte Ltd	Singapore	Supply and rental of equipment and services	100%

12 Stock

	2012 £000	2011 £000
Raw materials	102	143

Notes (continued)

13 Debtors

	2012 £000	2011 £000
Trade debtors	4,351	2,857
Amounts owed by group undertakings	197	3
Prepayments and accrued income	1,581	1,297
Other debtors	4	148
	<u>6,133</u>	<u>4,305</u>

14 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank overdraft	9,556	5,382
Trade creditors	1,149	1,043
Amounts owed to group undertakings	2,668	1,060
Taxation and social security (includes corporation tax)	659	1,301
Other creditors	424	705
	<u>14,456</u>	<u>9,491</u>

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

15 Provisions for liabilities

	Deferred tax £000
At 1 January 2012	917
Credit for the year	(267)
	<u>650</u>
At 31 December 2012	

The provision for deferred taxation is made up as follows:

	2012 £000	2011 £000
Accelerated capital allowances	650	921
Other timing differences	-	(4)
	<u>650</u>	<u>917</u>

Notes (continued)

16 Called up share capital

	2012 £000	2011 £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.

17 Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 1 January 2012	3	210	3,072
Profit for the year	-	-	6,829
Dividends paid	-	-	(5,500)
At 31 December 2012	3	210	4,401

Notes (continued)

18 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	6,829	6,461
Dividends on shares classified in shareholders' funds	(5,500)	(5,400)
Net increase in shareholders' funds	1,329	1,061
Opening shareholders' funds	3,437	2,376
Closing shareholders' funds	4,766	3,437

19 Contingent liabilities

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

20 Capital commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2012 £000	2011 £000
Contracted	3,393	423

21 Other commitments

Annual commitments under non-cancellable operating leases are as follows:

	2012		2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	2
Between one and five years	28	37	28	19
After more than five years	84	-	84	-

22 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 £162,000 (2011: £154,000). Contributions outstanding at the year end were £nil (2011: £17,000).

Notes *(continued)*

23 Related party transactions

Related party transactions in the year were as follows:

Related party	Relationship	Transactions	2012 Amount £000	2011 Amount £000
DOF Subsea Asia/Pacific Pte	Common control*	Sales	197	517
DOF Subsea Pte	Common control*	Sales	-	199
DOF Australia Pty Ltd	Common control*	Sales	157	321
DOF Subsea UK	Common control*	Sales	-	199

* Common control ceased from the 6 November 2012 after the change in the company's ultimate parent undertaking.

24 Parent and ultimate controlling party

The company is a subsidiary undertaking of Acteon Group Limited, incorporated in the United Kingdom.

The largest and smallest group in which the results of the company are consolidated is that headed by Acteon Group Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Cardiff, CF14 3UZ.

From 6 November 2012 the company's ultimate parent undertaking is KKR Matterhorn Holdco Limited, a company incorporated in Jersey, and the ultimate controlling party is KKR & Co LP, a limited partnership listed on the New York Stock Exchange. The general partner of KKR & Co LP is KKR Management LLC. Prior to 6 November 2012 the ultimate parent undertaking and ultimate controlling party was FR X Offshore GP Limited, a company incorporated in the Cayman Islands.