Oceanscan Holdings Limited

Directors' report and financial Statements

for the year ended 30 June 2012

Registered number: SC173648



Oceanscan Holdings Limited

Annual report

for the year ended 30 June 2012

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Oceanscan Holdings Limited

Directors and advisers for the year ended 30 June 2012

Directors
Kenneth S. Hunter

Registered office
Denmore Road
Bridge of Don
Aberdeen
AB23 8JW

Company Secretary and Solicitors
Burness Paull & Williamsons LLP
C/o Union Plaza
6th Floor
1 Union Wynd
Aberdeen
AB10 1DQ

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
32 Albyn Place
Aberdeen
AB10 1YL

Bankers
Bank of Scotland Plc
79 Ellon Road
Bridge of Don
Aberdeen
AB23 8BY

Oceanscan Holdings Limited

Directors' report for the year ended 30 June 2012

The director presents his report and audited financial statements of the group and the company for year ended 30 June 2012

Principal activities
The company acts as a parent company for its wholly owned subsidiary undertaking, Oceanscan Limited which provides hydrographic survey equipment and personnel to the offshore survey industry.

Business Review
Against a background of high oil prices the company experienced an increased demand for its equipment rental, personnel hire and calibration services throughout the year resulting in a 60% improvement in annual sales.

The profit for the financial year after taxation amounted to £1,556,130 (2011: £316,795) as set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (2011: nil)

Principal Risks and Uncertainties
The group faces a number of risks and uncertainties which may have an impact on its operations and future prospects. These are described below together with the steps which the directors have taken to identify, manage and mitigate those risks.

Risks relating to the industry
Historically, the group's activities have been based around the supply of rental equipment to the hydrographic survey and ROV markets. These markets can be cyclical and sales for the group are heavily dependent on the timing of contract awards to the group's customers. The directors have reduced the company's dependence on subsea equipment rentals by diversifying into the supply of advanced inspection equipment for the onshore petrochemical, aerospace and automotive industries. In addition, the company has built a substantial personnel supply business from its Lowestoft office which makes a significant contribution to the company's fixed costs.

Staff retention and recruitment

The group is heavily reliant on its key management and operations staff for the success and expansion of its business. The group's ability to recruit, retain and motivate suitably qualified staff is of paramount importance. The group enjoys excellent relations with its workforce to date and has made development plans for its key employees. Well-structured and competitive reward and benefit packages ensure that the company has the ability to attract and retain the employees it needs. The group engages with its staff by means of fortnightly meetings and regularly reviews staff progress on an individual basis.

Financing
To manage the working capital needs of the business and to fund its expansion plans, the group is reliant on being able to arrange and maintain sufficient financing. The group maintains a mixture of short and medium term debt and hire purchase finance arrangements which are designed to ensure that it has sufficient funds to finance its operations. The group regularly reports to its key lenders to ensure that they are fully informed of the current business performance and future financing requirements of the group.

Directors
The present membership of the board is set out on page 3. There have been no changes to the directors during the year ended 30 June 2012.

Statement of directors' responsibilities
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 year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are 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 directors are required to:

Directors' report for the year ended 30 June 2012 (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 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. 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.

Disclosure of information to the auditors
So far as each director is 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.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the next Annual General meeting.

K.S. Hunter

Kenneth S. Hunter
Director
28 March 2013

Oceanscan Holdings Limited

Independent auditors' report to the members of Oceanscan Holdings Limited

We have audited the group and parent company financial statements (the ''financial statements'') of Oceanscan Holdings Limited for the year ended 30 June 2012 which comprise Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on pages 4 and 5 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2012 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Independent auditors' report to the members of Oceanscan Holdings Limited (continued)

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



Kevin Reynard (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
28 March 2013

Oceanscan Holdings Limited

Consolidated profit and loss account for the year ended 30 June 2012

	Notes	2012	2011
		£	£
Turnover	2	**14,280,047**	8,778,141
Cost of sales		**(10,098,027)**	(6,409,884)
Gross profit		**4,182,020**	2,368,257
Administrative expenses		**(2,180,464)**	(2,018,221)
Operating profit	3	**2,001,556**	350,036
Profit on sale of fixed assets		**94,116**	211,014
Interest payable and similar charges	5	**(29,369)**	(46,361)
Profit on ordinary activities before taxation		**2,066,303**	514,689
Tax on profit on ordinary activities	6	**(510,173)**	(197,894)
Profit for the financial year	17	**1,556,130**	316,795

All results shown above are in respect of continuing activities.

The group had no recognised gains and losses during either of the above years other than the profit shown and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents.

Oceanscan Holdings Limited

Consolidated balance sheet as at 30 June 2012

	Notes	2012	2011
		£	£
Fixed assets			
Intangible assets	7	**470,895**	565,075
Tangible assets	8	**2,642,037**	1,590,154
Investments	9	**220**	220
		3,113,152	2,155,449
Current assets			
Stock	10	**338,964**	249,269
Debtors	11	**4,331,076**	2,294,994
Development expenditure	12	**95,153**	95,153
Cash at bank and on hand		**14,539**	36,241
		4,779,732	2,675,657
Creditors: amounts falling due within one year	13	**(3,613,167)**	(2,066,064)
Net current assets		**1,166,565**	1,308,544
Total assets less current liabilities		**4,279,717**	2,765,042
Creditors: amounts falling due after more than one year	14	**(227,829)**	(247,129)
Provisions for liabilities and charges	16	**(31,716)**	(53,871)
Net assets		**4,020,172**	2,464,042
Capital and reserves			
Called up share capital	16	**42,200**	42,200
Share Premium		**2,007,880**	2,007,880
Capital Redemption Reserve		**287,800**	287,800
Profit and loss account	17	**1,682,292**	126,162
Total shareholders' funds	18	**4,020,172**	2,464,042

The financial statements on pages 8 to 23 were approved by the Board of Directors on 28 March 2013 and signed on its behalf by

K.S. Hunter

K S Hunter
Director
Oceanscan Holdings Limited
Registered Number: SC173648

Oceanscan Holdings Limited

Company Balance sheet as at 30 June 2012

	Notes	2012	2011
		£	£
Fixed assets			
Investments	9	**3,037,911**	3,307,911
		3,037,911	3,307,911
Creditors: amounts falling due within one year	14	**(689,982)**	(689,982)
Net current liabilities		**(689,982)**	(689,982)
Total assets less current liabilities		**2,338,960**	2,338,960
Net assets		**2,338,960**	2,338,960
Capital and reserves			
Called up share capital	16	**42,200**	42,200
Share Premium		**2,007,880**	2,007,880
Capital Redemption Reserve		**287,800**	287,800
Profit and loss account		**1,080**	1,080
Total shareholders' funds		**2,338,960**	2,338,960

The financial statements on pages 8 to 23 were approved by the Board of Directors on 28 March 2013 and signed on its behalf by

K. S. Hunter

K S Hunter
Director
Oceanscan Limited
Registered Number: SC173648

Oceanscan Holdings Limited

Consolidated Cash flow statement for the year ended 30 June 2012

	Notes	2012	2011
		£	£
Net cash inflow from continuing operating activities	21	**1,498,176**	547,475
Return on investments and servicing of finance			
Interest paid on bank loans and overdrafts		**(6,455)**	(13,348)
Interest paid on hire purchase contracts		**(22,914)**	(33,013)
Net cash outflow from return on investments and servicing of finance		**(29,369)**	(46,361)
Taxation		**36,144**	(2,338)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(1,624,776)**	(366,449)
Proceeds from sale of tangible fixed assets		**113,937**	245,889
Net cash outflow from capital expenditure		**(1,510,839)**	(120,560)
Net cash (outflow)/inflow before financing		**(5,888)**	378,216
Financing			
Repayment of bank term loans		**(87,309)**	(66,147)
Repayment of principal under hire purchase contracts		**(194,656)**	(262,854)
Net cash outflow from financing		**(281,965)**	(329,001)
(Increase)/Decrease in debt		**(287,853)**	49,215
Reconciliation to net (debt)			
Net debt at 1 July 2011		**(728,571)**	(851,599)
(Increase)/decrease in net debt		**(287,853)**	49,215
Movement in finance lease borrowing		**(6,554)**	7,667
Movement in bank borrowing		**87,309**	66,146
Net (debt) at 31 July 2012		**(935,669)**	(728,571)

Oceanscan Holdings Limited

Notes to the consolidated financial statements for the year ended 30 June 2012

1 Principal accounting policies

Basis of preparation
The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is given below.

Going Concern
The financial statements of Oceanscan Holdings Limited have been prepared on a going concern basis. The director believes that sufficient resources are available within the group to support the company to meet its obligations as they fall due and, accordingly, they continue to adopt the going concern basis of preparation.

Intangible Assets
Goodwill is the difference between the amounts paid on the acquisition of a business and the aggregate fair value of its separate net assets and is amortised through the profit and loss account over the directors' estimate of its economic life of 20 years.

Tangible assets and depreciation
Fixed assets are stated at cost less accumulated depreciation. Depreciation has been provided on the straight-line basis at rates calculated to write off the cost of assets evenly over their expected lives, as follows:

Freehold buildings	25 years
Leasehold improvements	The shorter of the lease term and 10 years
Motor vehicles	3 years
Plant and equipment	5 years
ROVs and computer equipment	3 years
Office equipment	2 years
Fixtures and fittings	Between 3 and 5 years

On an annual basis the Group considers whether there is any indication that the tangible assets have been impaired. Where an indication of impairment is identified, the Group conducts an impairment review and where impairment is determined, the asset is written down to the higher of value in use and net-realisable value less costs to sell.

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

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

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

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

Pensions
Contributions to the personal pensions of employees and directors are charged to the profit and loss account as incurred.

Finance and operating leases and hire purchase contracts
Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing and hire purchase agreements that transfer to the company substantially all the benefits and risks of ownership are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of the leasing or hire purchase commitment is shown as obligations under finance leases and hire purchase contracts. The rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of return on the remaining balance outstanding at each accounting period.

Stocks
Stocks are valued at the lower of cost and net realisable value. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign Currencies
Monetary assets and liabilities denominated in foreign currencies are recorded at the exchange rate ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange differences are taken to the profit and loss account.

Investments
Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

Research and development
Research costs are expensed to the profit and loss account as incurred.

Development expenditure incurred on an individual project is capitalised when there is a future benefit which can be derived from the expenditure and its future recoverability can reasonably be regarded as assured. Other development expenditure is expensed to the profit and loss account as incurred. Expenditure capitalised includes the cost of materials and direct labour. Following the initial recognition, development expenditure is included in the balance sheet at cost less accumulated amortisation and accumulated impairment losses. Capitalised development expenditure is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises from the reporting year indicating that the carrying value may not be recoverable.

Turnover
Turnover, which is stated net of value added tax, represents the amounts invoice to third parties for the provision of equipment rental and personnel. Turnover is recognised over the period in which the services are provided.

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

2 Turnover

Geographical analysis of turnover by destination is as follows:

	2012 £	2011 £
United Kingdom	**8,850,004**	4,906,892
Rest of Europe	**3,184,870**	2,968,866
United States	**363,505**	245,725
Rest of the World	**1,881,668**	656,658
	14,280,047	8,778,141

No analysis of turnover by origination is provided as the directors believe it may be prejudicial to the best interests of the group.

3 Operating profit

	2012 £	2011 £
Operating profit is stated after charging:		
Depreciation	**754,282**	687,339
Amortisation	**94,180**	94,180
Staff costs (note 4)	**2,939,097**	2,605,086
Exchange loss	**100,280**	33,221
Operating lease costs:		
- Plant and equipment	**1,126**	5,598
Bad debts provided	**124,221**	357,947
Fees payable to the group's auditor for the audit of the financial statements:	**15,000**	12,000
Fees payable to the group's auditors for other services: Tax compliance services	**12,000**	20,880

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

4 Staff Costs

The average number of persons, including directors, employed by the group during the year was 59 (2011:54). The aggregate staff costs including directors' emoluments were as follows:-

	2012 £	2011 £
Wages and salaries	**2,585,154**	2,309,290
Social security costs	**313,581**	250,765
Pension costs	**40,362**	45,031
	2,939,097	2,605,086

Particulars of directors' emoluments are as follows:

Aggregate emoluments (including benefits in kind)	**106,735**	102,237

No retirement benefits are accruing to any directors in 2012 or 2011.

In addition to the emoluments shown above:
A.McInnes received fees of £7,410 (2011:£7,410) in respect of consultancy services. These fees were paid to Sandy McInnes & Associates, a business of which A.McInnes is the proprietor and therefore a related party of the group.

5 Interest payable and similar charges

	2012 £	2011 £
Hire purchase interest and finance lease interest	**22,914**	33,013
Bank interest	**-**	2,063
Loan interest	**6,394**	8,633
Other interest	**61**	2,652
	29,369	46,361

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

6 Tax on profit on ordinary activities

	2012 £	2011 £
Current Tax:		
UK Corporation tax on results for period	**579,638**	186,343
Adjustments in respect of prior periods	**(47,310)**	(2,338)
Double Tax Relief	**(388)**	(204)
Overseas Tax	**388**	204
	532,328	184,005
Deferred Tax:		
Origination and reversal of timing differences	**(19,278)**	677
Changes in tax rates	**(2,877)**	13,212
	(22,155)	13,889
Total current year tax charge	**510,173**	197,894

The tax assessed for the period differs from the standard effective rate of corporation tax in the UK of 25.5% (2011: 27.5%). The differences are explained below:

Profit on ordinary activities before taxation	**2,066,303**	514,689
Profit on ordinary activities at the UK rate of 25.5% (2011: 27.5%)	**526,907**	141,539
Expenses not deductible for tax purposes	**35,854**	28,981
Accelerated capital allowances and other timing differences	**19,277**	15,687
Tax at marginal rates	**-**	(1,142)
Capital transactions	**-**	1,277
Income not subject to tax	**(2,400)**	-
Adjustments to tax charge in respect of previous period	**(47,310)**	(2,337)
Total current tax charge	**532,328**	184,005

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

7. Intangible Assets

Group

Goodwill arising on acquisition of subsidiary undertaking:

	£
Cost	
At 1st July 2011 and 30th June 2012	**1,883,595**
Accumulated Amortisation	
At 1st July 2011	**1,318,520**
Charge for year	**94,180**
At 30th June 2012	**1,412,700**
Net Book Value	
At 30th June 2012	**470,895**
At 30th June 2011	**565,075**

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

8. Tangible assets

	Freehold buildings	Leasehold improvements	Motor vehicles	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 July 2011	225,000	108,363	141,135	9,396,282	232,125	10,102,905
Additions	350,000	-	71,700	1,399,525	4,761	1,825,986
Disposals	-	-	(41,990)	(130,427)	(21,664)	(194,081)
At 30 June 2012	**575,000**	**108,363**	**170,845**	**10,665,380**	**215,222**	**11,734,810**
Depreciation						
At 1 July 2011	155,250	93,916	72,682	7,967,703	223,200	8,512,751
Charge for year	9,000	5,511	49,505	683,300	6,966	754,282
Disposals	-	-	(41,990)	(110,606)	(21,664)	(174,260)
At 30 June 2012	**164,250**	**99,427**	**80,197**	**8,540,397**	**208,502**	**9,092,773**
Net book amount						
At 30 June 2012	**410,750**	**8,936**	**90,648**	**2,124,983**	**6,720**	**2,642,037**
At 30 June 2011	69,750	14,447	68,453	1,428,579	8,925	1,590,154

Included in the book value of plant and equipment at 30 June 2012 is an amount of £423,061 (2011:£392,874) relating to assets held under hire purchase and lease finance agreements. Depreciation charged on these assets during the year ended 30 June 2012 amounted to £97,283 (2011:£75,081).

9. Fixed asset investments

Group

	£
Cost	
At 1 July 2011 and 30 June 2012	**35,220**
Provision	
At 1 July 2010 and 30 June 2012	**35,000**
Net book value at 30 June 2012	**220**

Fixed asset investments represent investments in a listed company.

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

9. Fixed asset investments (Continued)

Company

	£
Cost and net book value at 01 July 2011 and 30 June 2012	3,307,911

Subsidiary Undertaking	Country of Incorporation	Activity	Percentage holding
Oceanscan Limited	Scotland	Provision of hydrographic survey equipment and personnel	100%

10. Stock

	2012 £	2012 £	2011 £	2011 £
Work in progress		**319,158**		188,495
Finished goods	**140,774**		140,774	
Less: provision for slow-moving stock	**(120,968)**		(80,000)	
		19,806		60,774
		338,964		249,269

11. Debtors

	2012 £	2011 £
Trade debtors	**4,232,369**	2,185,452
Other debtors	**15,653**	15,730
Prepayments and accrued income	**83,054**	93,812
Amounts due from subsidiary	-	-
	4,331,076	2,294,994

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

12. Development expenditure

	Development Expenditure
	£
Cost	
At 1 July 2011 and 1 July 2012	352,550
Amortisation	
At 1 July 2011 and 1 July 2012	257,397
Net book amount at 30 June 2011 and 2012	**95,153**

13. Creditors: amounts falling due within one year

	Group 2012	Group 2011	**Company 2012**	Company 2011
	£	£	**£**	£
Amounts due in respect of receivables finance agreements	**454,546**	188,395	-	-
Trade creditors	**1,211,189**	671,953	-	-
Amounts due to subsidiary undertakings	-	-	**698,982**	698,982
Obligations under finance leases and hire purchase contracts	**159,329**	181,973	-	-
Term loans (secured)	**48,504**	47,315	-	-
Corporation tax payable	**752,477**	184,005	-	-
Other taxes and social security	**462,171**	407,426	-	-
Accruals and deferred income	**464,951**	284,997	-	-
Director's loan	**60,000**	100,000	-	-
	3,613,167	2,066,064	**698,982**	698,982

The group has entered into a receivables finance agreement with Lloyds TSB Commercial Finance Limited, whereby it is advanced up to 80% of its debtors balance in exchange for a factoring fee. The company retains the benefits and / or risks relating to the debtors and therefore the liability arising from the agreement is presented separately from trade debtors.

The loan from the company director, K.S. Hunter, is unsecured, interest free and repayable on demand. In his role as a director of the company, this constitutes a related party transaction.

Amounts due to subsidiary undertakings are unsecured, interest free and repayable on demand.

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

14. Creditors – amounts falling due after more than one year

	2012	2011
	£	£
Term loan	**49,736**	98,234
Obligations under finance leases and hire purchase contracts	**178,093**	148,895
Amounts due to subsidiary undertakings	**-**	-
	227,829	247,129
The term loan is repayable by instalments as follows:		
Within one year	**48,504**	47,315
Between one and two years	**49,736**	98,234
Between two and five years	**-**	-
	98,240	145,549
Obligations under finance leases and hire purchase contracts are repayable as follows:		
Within one year	**159,329**	181,973
Between one and five years	**178,093**	148,895
	337,422	330,868

The term loan is repayable to the Bank of Scotland by 96 instalments and commenced in June 2006. Interest is payable at 2% above the bank rate and remains fixed for 12 months, subject to an annual review by the bank.

The Bank of Scotland holds standard security over the group's property and a bond and floating charge over the whole assets of the group.

Lloyds TSB holds standard security over the group's property and a bond and floating charge over the whole assets of the company.

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

15. Provisions for liabilities and charges

The deferred tax liability is based on a tax rate of 25.5% (2011: 27.5%) and provided in the financial statements to the extent as follows:

	Provided 2012 £	Provided 2011 £
Accelerated capital allowances	**20,703**	39,981
Other timing differences	**11,013**	13,890
Deferred tax liability	**31,716**	53,871

The movement on the deferred tax balance is as follows:

At July 2011	**53,871**	53,871
Transfer to profit and loss account	**(22,155)**	-
At 30 June 2012	**31,716**	**53,871**

16. Called up share capital

	2012 £	2011 £
Authorised, allotted and fully paid		
Ordinary shares of £1 each	**42,400**	**42,200**

17. Profit and loss account

Group

	£
At 1 July 2011	126,162
Profit for the year	1,556,130
At 30 June 2012	**1,682,292**

Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The Parent Company was dormant in 2012 (2011: dormant).

Notes to the consolidated financial statements for the year ended 30 June 2012 (continued)

18. Reconciliation of movements in shareholder's funds

	2012	2011
	£	£
Profit for the financial years	**1,556,130**	316,795
Increase to shareholder's funds	**1,556,130**	316,795
Opening shareholder's funds	**2,464,042**	2,147,247
Closing shareholder's funds	**4,020,172**	2,464,042

19. Capital commitments

	2012	2011
	£	£
Authorised and contracted future capital expenditure not provided for in the financial statements	**106,860**	139,575

20. Pension and other financial commitments

During the year the group made payments amounting to £40,362 (2011:£45,031) to the personal pensions of employees and directors. The schemes are defined contribution schemes and are administered independently of the group.

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

	Office equipment	
	2012	2011
	£	£
Expiry date:		
- within one year	-	933
- between two and five years	-	-
	-	933

Notes to the consolidated financial statements for the year ended 30 June 2012 (consolidated)

21. Cash flow from operating activities

	2012	2011
	£	£
Operating profit	**2,001,556**	350,036
Depreciation charge	**754,282**	687,339
Amortisation of goodwill	**94,180**	94,180
(Increase)/decrease in debtors	**(2,036,082)**	(1,052,959)
Increase/(decrease) in creditors	**773,935**	490,013
(Increase)/decrease in stock	**(89,695)**	(21,134)
Net cash inflow from operating activities	**1,498,176**	547,475

22. Ultimate parent company and controlling party

Kenneth S.Hunter is regarded as the the ultimate controlling party of the group by virtue of his 100% interest in the ordinary share capital of Oceanscan Holdings Limited.