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Vroon Offshore (Holdings) Limited

Report and Financial Statements

31 December 2009

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COMPANIES HOUSE

Directors

H F M Marks

R H B Rikken

J P N Baars (appointed 1 January 2009)

V A Slattery (appointed 1 March 2009)

Secretary

V A Slattery

Auditors

Ernst & Young LLP

Blenheim House

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Bankers

Bank of Scotland PLC

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Solicitors

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Directors' report

The directors present their report and financial statements for the year ended 31 December 2009.

Results and dividends

The group profit for the year, after taxation, amounted to £3,039,000 (2008 – loss of £4,671,000). Dividends of £2,118,000 were paid during the year (2008 – £12,529,000). The parent company paid dividends of £1,000,000 during the year (2008 – £3,341,000).

Principal activities and review of the business

The principal activities of the group are firstly the provision of offshore support vessel services to the oil and gas industry, primarily emergency response and rescue vessels (ERRV); and secondly the provision of commercial, technical management and administration services to other companies within the Vroon Offshore BV group. For reasons of geography, the management and operation of some of the vessels owned by the group are contracted to other companies within the Vroon group of companies.

The group's key financial and other performance indicators during the year were as follows:

	2009 £000	2008 £000	Change %
Turnover	108,099	115,521	-6%
Operating profit / (loss)	4,593	(9,655)	+148%
Profit / (loss) after tax	3,039	(4,671)	+165%
Equity shareholder's funds	42,748	42,085	+2%
Average number of employees	55	60	-9%
Average number of vessels owned or leased	66	68	-3%
Average number of vessels under management	49	34	+44%

The group has undergone a significant year of internal restructuring to bring the company structure more in line with the model the owners prefer. This has involved both the purchase and sale of vessels between group undertakings within the Vroon group of companies, and the purchase and sale of companies within the UK group. As part of this restructuring, the company acquired a 100% interest in the Nomis Shipping Limited group in December 2009 (see note 14) in return for the issue of 7,250,000 new shares. This acquisition has had a material impact on the group's results and balance sheet.

The group's capital investment program has continued and a further two new-build vessels were delivered to the group in 2009. There remains a further six new-build vessels on order.

Turnover for the year was lower primarily because of lower utilisation rates and lower spot market rates. The tougher market conditions made it more difficult to charter the group's older tonnage.

The Operating Profit for the Group saw a significant increase over 2008 due to the Foreign Exchange movement as outlined in Note 4.

The Profit after Tax was also impacted by the movement in the Foreign Exchange position.

The directors expect that demand for offshore support vessels in 2010 will be quite challenging, depending as it does on the offshore activity in the oil and gas sector, but believe that the outlook for 2011 and beyond is good. The group is well positioned to capitalise on its market share.

Directors' report (continued)

Principal risks and uncertainties

A number of risks and uncertainties prevail in the normal course of the group's activities. The board of directors and management team work together to identify these risks and manage any impact they may have on the performance of the group.

- **Competitive risk**

The long-term success of the group is dependent on the ability of its management to secure work for its vessels at profitable rates in a competitive environment. Management aims to secure long-term contract work for all its new-build vessels, to minimise the exposure on its capital investments.

- **Price risk**

The volatility of the oil price impacts many aspects of the group's activity. A high oil price increases demand for the activities which the group supports. Prolonged high oil prices can also encourage oversupply of tonnage to the market which would have a detrimental effect on rates and revenue. Management monitor supply and demand patterns in line with the profile of vessels in the fleet to manage the market earning possibilities.

- **Liquidity risk**

The group is largely dependent on other group undertakings to meet any cash flow requirements in excess of its net profits and agreed bank financing.

- **Interest rate risk**

The group has bank loans which have variable rates of interest. Increases in the LIBOR rate would adversely impact the group's interest charge in the profit and loss account and the group's cash flow. The group's management team seeks to mitigate this risk by using interest rate swaps to fix its interest costs when these can be purchased at a reasonable cost relative to the likelihood of rates increasing.

- **Foreign exchange rate risk**

One of the subsidiaries within the group has a local currency of US dollars. Movements in the exchange rate between Sterling and US dollars could therefore materially affect the results of the group when presented in Sterling.

The group also has significant exposure in respect of two of the vessels it is currently acquiring under a finance leasing arrangement. The underlying shipbuilding contracts for these vessels is priced in Euros and so the group will therefore be positively or negatively impacted by any movements in the exchange rate between Sterling and Euros.

Additionally, the group incurs expenditure for its normal operations in a variety of currencies, primarily Sterling, US dollars, Euros and Norwegian Kroner in that order. As part of a larger diversified global shipping group the company and its subsidiaries currently do not hedge against any movements in foreign exchange rates.

Directors' report (continued)

Environment

It is the group's policy that no activity shall be more important than ensuring that practical and effective measures are in place to protect the health and safety of personnel and the marine environment.

The commitment of the group is demonstrated by observance and compliance with all statutory instruments and requirements. The company operates under the international management code for the safe operation of ships and for pollution prevention (ISM code).

Employees

The group recognises that people are paramount to the continued success of the business.

There is recognition of the strong demand for personnel within the offshore industry in the UK and the challenge which this presents the business and to this end the group seeks to provide competitive remuneration in order to retain and motivate staff.

Directors

The directors who served during the year were those listed on page 1.

Events after the balance sheet date

Subsidiary companies within the group have purchased a number of interest rate swaps to hedge the groups' borrowings. The £12 million loan, loan (d) in note 20, has been hedged at a fixed rate of 1.950% until 14 November 2011. The \$40 million loan, loan (e) in note 20, has been hedged at a fixed rate of 1.5175% until 14 November 2011.

The group has taken delivery of a further three new-build vessels on 25 February 2010, 16 June 2010, and 8 October 2010. These three vessels have secured long-term employment at rates which are acceptable to the directors in the current market.

In July 2010, the group received notice of the latest actuarial valuation of the deficit on the MNOPF pension fund as at 31 March 2009. It made a further payment of £286,000 to the trustees on 1 November 2010. The background to the issue is outlined in more detail in note 28.

The directors periodically review the level of capitalisation in the company's subsidiaries to ensure that there is a level of equity which is appropriate for the level of activities in each subsidiary. To this end, in June 2010, the company subscribed to 3,999,999 new ordinary £1 shares in Offshore Support Vessels VIII Limited at par.

In November 2010, the group sold six vessels with a book value of \$44,211,000 at 31 December 2009 to another company within the Vroon group of companies for the sum of \$40,000,000. It has used the proceeds of this sale to repay the outstanding balance on its US dollar loan facility early. At the same time, the group transferred the interest rate swaps associated with this loan facility at a cost of \$905,000.

The group has sold five other vessels, and purchased four second-hand vessels, between the year end and the date of signing these financial statements in the normal course of its business.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report (continued)

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to competitive, price, liquidity, interest rate and foreign exchange rate risk are described in the business review above.

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current economic outlook.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditors

Anderson Anderson & Brown LLP, resigned as auditors on 22 December 2009 and Ernst & Young LLP were appointed in their place. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



V A Slattery
Secretary
20 December 2010
Aberdeen

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 elected to prepare 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 group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Vroon Offshore (Holdings) Limited

We have audited the financial statements of Vroon Offshore (Holdings) Limited for the year ended 31 December 2009 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets and the related notes 1 to 30. 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).

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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 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

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2009 and of the group's profit 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 matters 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 auditor's report

to the members of Vroon Offshore (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.

Ernst & Young LLP

Moira Ann Lawrence (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
20 December 2010
Aberdeen

Group profit and loss account

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover	3	108,099	115,521
Cost of sales		<u>99,587</u>	<u>106,448</u>
Gross profit		8,512	9,073
Administrative expenses		732	16,064
Impairment of tangible fixed assets	13	<u>3,187</u>	<u>2,664</u>
Operating profit / (loss)	4	4,593	(9,655)
Profit on disposal of investment		—	67
Profit on disposal of fixed assets		<u>782</u>	<u>549</u>
Profit / (loss) on ordinary activities before investment income, interest and taxation		5,375	(9,039)
Interest receivable	7	103	173
Interest payable and similar charges	8	<u>(2,452)</u>	<u>(5,721)</u>
Profit / (loss) on ordinary activities before taxation		3,026	(14,587)
Tax credit on ordinary activities	9	<u>(13)</u>	<u>(9,916)</u>
Profit / (loss) for the financial year after taxation	24	<u><u>3,039</u></u>	<u><u>(4,671)</u></u>

Group statement of total recognised gains and losses

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Profit / (loss) for the financial year		<u>3,039</u>	<u>(4,671)</u>
Total recognised gains and losses relating to the year		3,039	<u><u>(4,671)</u></u>
Exchange difference on retranslation of net assets of subsidiary undertaking	24	<u>(258)</u>	
Total recognised gains since last annual report		<u><u>2,781</u></u>	

Group balance sheet

at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible fixed assets	12	—	—
Tangible fixed assets	13	159,574	149,602
Current assets			
Stocks	15	1,451	2,237
Debtors	16	14,113	27,347
Cash at bank and in hand		4,199	3,074
Creditors: amounts falling due within one year	17	19,763 22,424	32,658 42,820
Net current liabilities		(2,661)	(10,162)
Total assets less current liabilities		156,913	139,440
Creditors: amounts falling due after more than one year	18	113,776	97,355
Provisions for liabilities	19	389	—
Net assets		42,748	42,085
Capital and reserves			
Called up share capital	23	16,530	16,530
Share premium account	24	32,029	32,029
Merger reserve	24	(32,000)	(32,000)
Currency translation reserve	24	(258)	—
Profit and loss account	24	26,447	25,526
Equity shareholders' funds	24	42,748	42,085



V A Slattery
Director
20 December 2010
Aberdeen

Parent company balance sheet

at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Investments	14	27,778	10,369
Current assets			
Debtors	16	12,204	11,015
Cash at bank and in hand		9	270
		12,213	11,285
Creditors: amounts falling due within one year	17	5,495	–
Net assets		6,718	11,285
Total assets less current liabilities		34,496	21,654
Provisions for liabilities	19	389	–
Net assets		34,107	21,654
Capital and reserves			
Called up share capital	23	16,530	9,280
Share premium account	24	32,029	6,279
Profit and loss account	24	(14,452)	6,095
Equity shareholders' funds	24	34,107	21,654



V A Slattery
Director
20 December 2010
Aberdeen

Notes to the financial statements

at 31 December 2009

1. Fundamental accounting concept

At 31 December 2009, the group had net current liabilities of £2,661,000 (2008 – £10,162,000). Included within these liabilities are amounts due to fellow group undertakings of £1,061,000 (2008 – £2,308,000).

As detailed in note 26, the group has capital commitments of £31,953,000 (2008 – £58,608,000) in relation to the building of six new ERRV's over the next two years. To meet this requirement additional borrowing may be required.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in existence for the foreseeable future. Accordingly the accounts are prepared on a going concern basis.

The going concern assumption is also based on the continuing support of the group's bankers.

2. Accounting policies

Basis of preparation and change in accounting policy

The financial statements of the group and company were approved for issue by the board of directors on 20 December 2010.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts and basis of consolidation

The group is exempt from the requirement to prepare consolidated financial statements in accordance with section 400(1)(a) of the Companies Act 2006, being a wholly owned subsidiary of a company incorporated in an EEA state (see note 30). However, it has elected to do so as is permitted under section 399(4) of the same act; because having audited group financial statements is useful to the group in securing finance for the company and its subsidiaries. The last year the group published group financial statements was for the year ended 31 December 2006.

As permitted by section 408(3) of the Companies Act 2006, the company has elected not to publish its individual profit and loss account in these financial statements. The disclosure required to take advantage of this exemption under section 408(1)(b) of the act is given in note 10.

The group financial statements consolidate the financial statements of Vroon Offshore (Holdings) Limited and all its subsidiary undertakings drawn up to 31 December each year. All subsidiaries are included in the group financial statements using the acquisition method of accounting; except, as described in note 14, the company's acquisition of the Nomis Shipping Limited group in December 2009, which has been included in the group using the merger method of accounting; and Britannia Marine Limited, which has been excluded from the consolidation in the comparative year as it was dormant and in the process of being wound up.

The consolidated group profit and loss account includes the results of Offshore Support Vessels IX Limited from 1 October 2009, the date of its acquisition; and the results of the Nomis Shipping Limited group from 1 January 2009, the start of the financial year in which the combination occurred. In accordance with Financial Reporting Standard 6 "*Acquisitions and mergers*", the comparative year 2008 has also been restated to include the results and balance sheet of the Nomis Shipping Limited group. The details of the acquisitions during the year are set out in note 14.

The company's acquisition of Offshore Support Vessels V Limited from its direct subsidiary Offshore Support Vessels IV Limited on 30 September 2009 does not affect the consolidated results of the group as this was simply a reorganisation of the company structure within the group.

Notes to the financial statements

at 31 December 2009

Investments

In the parent company financial statements, investments in subsidiaries are accounted for at the lower of cost and net realisable value, and are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. The useful economic life of goodwill is determined at the date of acquisition and is never more than 10 years. Provision is made for any impairment when identified.

Negative goodwill is similarly included on the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair value of the non-monetary assets acquired is credited to the profit and loss account over the expected period of benefit, which again is never more than 10 years.

Statement of cash flows

The company and group have taken advantage of the exemption available under Financial Reporting Standard 1 "*Cash Flow Statements*" paragraph 5(a), for a subsidiary where 90% or more of voting rights are controlled within the group and not prepared a statement of cash flows.

Capitalised interest

As permitted by Financial Reporting Standard 15 "*Tangible Fixed Assets*" paragraphs 19-31, the group has elected to capitalise finance costs directly attributable to the construction of its assets.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the assets' useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant portion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account in a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Vessels	–	up to 25 years (or end of remaining working life)
Fixtures and fittings	–	5 years
Other assets	–	up to 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2009

Stocks

Stocks comprise the quantities of marine diesel oil (MDO) and main engine lubricating oil on-board vessels under management by the group (whether or not owned); and similarly excludes stocks on vessels owned by the group and managed by other group undertakings. On-board quantities of other stores are not considered material and any such costs are expensed as incurred.

Stocks are valued at the lower of cost and net realisable value. Given the nature of the stock balances, the net realisable value is taken to be equal to the quantity on-board at the last loaded price.

In shipping, it is common practice in fuel exclusive time charter contracts for the MDO stocks at the beginning of a charter to be invoiced to the customer, with the customer picking up all the costs of refuelling during the charter, and for the MDO remaining on-board at the end of the charter to be recharged back to the ship manager. When the group charters vessels on this basis it does not recognise MDO stocks for the duration of the time charter.

Current taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

The group accounts for foreign currency transactions in accordance with Statement of Standard Accounting Practice 20 "*Foreign Currency Translation*."

Transactions in foreign currencies are recorded at the exchange rate ruling on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences within each subsidiary undertaking are taken to the profit and loss account and are treated as administrative expenses.

On the consolidation of a subsidiary with a local currency other than Sterling, the differences arising on the retranslation of its balance sheet are accounted for in a separate currency translation reserve as a component of equity.

Pensions

The group operates a defined contribution pension scheme which is available to all employees. Contributions are charged to the profit and loss account as they become payable.

Derivative instruments

The group purchases interest rate swaps to manage interest rate volatility.

The group considers that these swaps are exact hedges of its external bank borrowings and therefore recognises the costs of the swaps as interest payable in the profit and loss account in exactly the same manner as it recognises interest on its external loans.

The group has elected not to adopt Financial Reporting Standards 25 and 26 as it is not required to.

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of consideration received, excluding discounts, rebates, value added tax and other sales taxes or duty.

Notes to the financial statements

at 31 December 2009

3. Turnover

Turnover represents the value of goods and services which are supplied within the group's ordinary activities after deduction of trade discounts and other sales taxes.

The majority of turnover arises within the United Kingdom and Asia. No analysis of turnover by geographical market is given as the directors believe it would be prejudicial to the interest of the group.

4. Operating profit / (loss)

This is stated after charging / (crediting):

	2009 £000	2008 £000
Auditors' remuneration (see note 5)	100	193
Depreciation		
– owned fixed assets	8,953	9,648
– assets held under finance leases	2,448	1,465
	11,401	11,113
Impairment of fixed assets	3,187	2,664
Operating lease rentals		
– land and buildings	232	273
– other	42	212
	274	485
Foreign exchange gain / (loss)	4,663	(10,530)

5. Auditors' remuneration

	2009 £000	2008 £000
Fees payable to the group's auditors for the audit of the parent company's financial statements	15	36
Other fees to auditors:		
Statutory audit of company's subsidiaries	69	79
Statutory audit of company's holding company	16	36
Taxation services	–	42
	100	193

Notes to the financial statements

at 31 December 2009

6. Staff costs

(a) Staff costs	2009 £000	2008 £000
Wages and salaries	2,586	2,694
Social security costs	308	307
Other pension costs	77	90
	<u>2,971</u>	<u>3,091</u>

The average monthly number of persons employed by the group during the year including the directors was as follows:

	2009 No.	2008 No.
Administration	<u>55</u>	<u>60</u>

The group does not employ any vessel crew and obtains all necessary crew through crewing agencies.

(b) Directors' emoluments	2009 £000	2008 £000
Aggregate emoluments	426	550
Group pension contributions to money purchase schemes	<u>12</u>	<u>16</u>
	<u>438</u>	<u>566</u>

The emoluments of the highest paid director were as follows:

	2009 £000	2008 £000
Emoluments (excluding pension contributions but including benefits in kind)	188	308
Group pension contributions to money purchase schemes	<u>—</u>	<u>16</u>
	<u>188</u>	<u>324</u>

Retirement benefits are accruing to one director under a defined contribution scheme (2008 – two).

Notes to the financial statements

at 31 December 2009

7. Interest receivable

	2009 £000	2008 £000
Bank interest on deposits	3	173
Interest receivable under finance leases (*)	80	—
Interest receivable from group undertakings	18	—
Other interest	2	—
	<u>103</u>	<u>173</u>

* Interest rate variations under finance leases with variable rates of interest are accounted for in the period they occur. Interest rates in 2009 have been lower than the rates implicit in some of the group's leases and this has resulted in a credit to the profit and loss account.

8. Interest payable and similar charges

	2009 £000	2008 £000
Bank fees	122	15
Bank charges	65	310
Bank loans (see note 20)	1,553	4,006
Derivative interest (see note 21)	679	181
Interest payable under finance leases	—	1,017
Interest paid to group undertakings	31	188
Other interest	2	4
	<u>2,452</u>	<u>5,721</u>

Notes to the financial statements

at 31 December 2009

9. Tax on ordinary activities

	2009 £000	2008 £000
The tax (credit) / charge is made up as follows:		
<i>Current tax:</i>		
UK corporation tax (credit) / charge at 28%	(13)	85
<i>Deferred tax:</i>		
Reversal of deferred tax liabilities on entering UK tonnage tax regime	—	(10,001)
	<u>(13)</u>	<u>(9,916)</u>

The tax assessed on the profit / (loss) on ordinary activities is lower than the standard rate of corporation tax in the UK of 28% of profit. The differences are reconciled below:

	2009 £000	2008 £000
Profit / (loss) on ordinary activities before tax	<u>3,026</u>	<u>(14,587)</u>
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (*)	847	(4,157)
Tax impact of assessment under tonnage tax regime (**)	(816)	4,266
Group and consortium relief	(31)	(24)
Income not taxable	(2)	—
Chargeable gains	5	—
Tax over provided for in previous years	<u>(16)</u>	<u>—</u>
	<u>(13)</u>	<u>85</u>

* The standard rate of corporation tax in the UK for the first three months of 2008 was 30%. The 2008 charge is therefore calculated at 30% x 3/12ths + 28% x 9/12ths of profit, an effective rate of 28.5%.

** Tonnage tax is an alternative method of calculating taxable profits which is available for qualifying ships. Under tonnage tax, taxable profits are calculated based on the net weight of the vessel multiplied by a government specified daily profit rate rather than by the normal accounting method.

10. Profit attributable to members of the parent company

The loss of the company for the year was £19,547,000 (2008 – profit of £7,859,000).

11. Dividends

	2009 £000	2008 £000
<i>Group:</i>		
Dividends paid	<u>2,118</u>	<u>12,529</u>
<i>Company:</i>		
£0.06 per ordinary share paid (2008 – £0.36)	<u>1,000</u>	<u>3,341</u>

Due to the acquisition of the Nomis Shipping Limited group being accounted for using the merger method of accounting, there is a difference between the dividends paid by the group and the dividends paid by the parent company.

Notes to the financial statements

at 31 December 2009

12. Intangible fixed assets

	<i>Goodwill</i> <i>£000</i>	<i>Negative</i> <i>goodwill</i> <i>£000</i>	<i>Total</i> <i>£000</i>
<i>Cost:</i>			
At 1 January 2009 and 31 December 2009	525	(525)	–
<i>Amortisation:</i>			
At 1 January 2009	328	(328)	–
Provided during the year	53	(53)	–
At 31 December 2009	381	(381)	–
<i>Net book value:</i>			
At 1 January 2009 and 31 December 2009	–	–	–

The goodwill arising on the acquisitions of BUE Viking Limited (now renamed Vroon Offshore Services Limited) and BUE North Sea Limited group (now renamed Offshore Support Vessels IV Limited) is being amortised over a ten year period from 1 October 2002.

Notes to the financial statements

at 31 December 2009

13. Tangible fixed assets

<i>Group</i>	<i>Vessels</i>	<i>Vessels</i>	<i>Other</i>	<i>Total</i>
	<i>Vessels</i>	<i>under</i>	<i>assets</i>	
	<i>£000</i>	<i>construction</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 January 2009	170,835	19,352	277	190,464
Additions	7,253	19,965	52	27,270
Exchange adjustment (*)	1,639	–	–	1,639
Disposals	(6,835)	–	–	(6,835)
Transfers	10,561	(10,561)	–	–
At 31 December 2009	183,453	28,756	329	212,538
<i>Depreciation:</i>				
At 1 January 2009	40,827	–	35	40,862
Charge for the year	11,309	–	92	11,401
Exchange adjustment (*)	182	–	–	182
Impairment (**)	3,187	–	–	3,187
Relating to disposals	(2,668)	–	–	(2,668)
At 31 December 2009	52,837	–	127	52,964
<i>Net book value:</i>				
At 31 December 2009	130,616	28,756	202	159,574
At 31 December 2008	130,008	19,352	242	149,602

* Nomis Offshore Limited has a local currency of US dollars and consequently exchange differences arise on consolidation into the Vroon Offshore (Holdings) Limited group.

** In accordance with FRS 21 "Events after the balance sheet date" the sale of six vessels in 2010 have been recognised as an adjusting event in 2009.

The cost of fixed assets above includes capitalised financed costs of £3,869,000 (2008 – £3,312,000).

Notes to the financial statements

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13. Tangible fixed assets (continued)

Included within the amounts for vessels and for vessels under construction above are the following amounts related to assets acquired under finance leases:

	<i>Vessels</i>	<i>Vessels under construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>			
At 1 January 2009	47,240	19,352	66,592
Additions	6,944	19,815	26,759
Transfers	10,561	(10,561)	–
At 31 December 2009	64,745	28,606	93,351
<i>Depreciation:</i>			
At 1 January 2009	1,944	–	1,944
Charge for the year	2,448	–	2,448
At 31 December 2009	4,392	–	4,392
<i>Net book value:</i>			
At 31 December 2009	60,353	28,606	88,959
At 1 January 2009	45,296	19,352	64,648

The parent company has no material tangible fixed assets.

Notes to the financial statements

at 31 December 2009

14. Investments

On 30 September 2009, the company acquired Offshore Support Vessels V Limited from its subsidiary Offshore Support Vessels IV Limited for a consideration of £1,453,000. This was a group restructuring within the Vroon Offshore (Holdings) Limited group and has no impact on the consolidated position.

On 30 September 2009, the company acquired Offshore Support Vessels IX Limited from a group undertaking for a consideration of £10,000. This represented the fair value of its assets at that date, comprising a cash deposit only, and therefore no fair value adjustments are required.

On 17 December 2009, the company acquired the Nomis Shipping Limited group from its parent, Vroon Offshore UK Limited, in return for the issue of 7,250,000 ordinary shares of £1. As permitted by Financial Reporting Standard 6 "Acquisitions and Mergers" paragraph 13, this transaction has been accounted for by using merger accounting. The carrying value of the Nomis Shipping Limited group in the books of its parent prior to the transfer was £33 million. Accordingly, as set out in section 611(5)(a) of the Companies Act 2006, the company has recognised a share premium of £25,750,000.

<i>Company</i>	<i>Subsidiary undertakings £000</i>
<i>Cost:</i>	
At 1 January 2009	10,369
Acquisition of Offshore Support Vessels V Limited	1,453
Acquisition of Offshore Support Vessels IX Limited	10
Acquisition of the Nomis Shipping Limited group	33,000
Subscription to new share capital in Offshore Support Vessels VI Limited	2,500
Subscription to new share capital in Offshore Support Vessels VII Limited	7
At 31 December 2009	47,339
<i>Impairments:</i>	
At 1 January 2009	—
Impairment of investment in the Nomis Shipping Limited group (*)	19,561
At 31 December 2009	19,561
<i>Net book value:</i>	
At 1 January 2009	10,369
At 31 December 2009	27,778

* In accordance with FRS 21 "Events after the balance sheet date" the sale of one vessel in October 2010 and six vessels in November 2010 has resulted in a reassessment of the carrying value of the company's investment in the Nomis Shipping Limited group, and has been recognised as an adjusting event in 2009.

Notes to the financial statements

at 31 December 2009

14. Investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name</i>	<i>Interest %</i>	<i>Holding</i>	<i>Nature of business</i>
Vroon Offshore Services Limited	100%	Ordinary shares	ERRV, ship management
Offshore Support Vessels IV Limited (*)	100%	Ordinary shares	ERRV
Offshore Support Vessels V Limited (*)	100%	Ordinary shares	ERRV
Offshore Support Vessels VI Limited	100%	Ordinary shares	ERRV
Offshore Support Vessels VII Limited	100%	Ordinary shares	Not currently trading
Offshore Support Vessels VIII Limited	100%	Ordinary shares	ERRV
Offshore Support Vessels IX Limited	100%	Ordinary shares	Not currently trading
Nomis Shipping Limited	100%	Ordinary shares	ERRV, PSV & AHTS
Nomis Offshore Limited (**)	100%	Ordinary shares	AHTS
Deeside Crewing Services Limited	100%	Ordinary shares	Crewing management

ERRV = Emergency response and rescue vessel

PSV = Platform supply vessel

AHTS = Anchor handling tug supply vessel

* Incorporated in England and Wales. All other subsidiaries are incorporated in Scotland.

** Nomis Offshore Limited is a 100% subsidiary of Nomis Shipping Limited, and is therefore indirectly controlled by the company. The results of Nomis Offshore Limited are included in the consolidated results of the Vroon Offshore (Holdings) Limited group on the same basis as its parent.

Britannia Marine Limited, which was a subsidiary of Vroon Offshore Services Limited, was placed in a member's voluntary liquidation on 19 December 2008, and was dissolved on 30 September 2010.

15. Stocks

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	1,451	2,237

16. Debtors

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	8,255	19,431
Prepayments and accrued income	2,236	2,834
Amounts due from group undertakings	3,622	4,094
Other debtors	—	988
	14,113	27,347

Notes to the financial statements

at 31 December 2009

16. Debtors (continued)

<i>Company</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Amounts due from group undertakings	2	–
Amounts due from subsidiary undertakings	12,202	11,015
	<u>12,204</u>	<u>11,015</u>

17. Creditors: amounts falling due within one year

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Bank loans (see note 20)	8,862	22,900
Bank overdraft	–	884
Obligations under finance leases (see note 22)	3,345	2,836
Trade creditors	4,200	6,544
Corporation tax	12	25
Other taxes and social security	71	73
Amounts due to group undertakings	1,061	2,308
Accruals and deferred income	4,873	7,250
	<u>22,424</u>	<u>42,820</u>

<i>Company</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Amounts due to group undertakings	1,061	–
Amounts due to subsidiary undertakings	4,422	–
Accruals and deferred income	12	–
	<u>5,495</u>	<u>–</u>

18. Creditors: amounts falling after more than one year

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Bank loans (see note 20)	52,663	57,067
Obligations under finance leases (see note 22)	61,113	40,288
	<u>113,776</u>	<u>97,355</u>

Included within bank loans are capitalised arrangement fees of £362,000 (2008 – £nil) in respect of certain of the group's external bank loans which are being amortised over the period of the loans.

Notes to the financial statements

at 31 December 2009

19. Provisions

<i>Group and company</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Deficit on defined benefit pension scheme	<u>389</u>	<u>—</u>

The group has an obligation to make contributions in respect of a deficit in the Merchant Navy Officers Pension Fund (MNOFF) scheme which dates back to the time prior to its acquisition by Vroon Offshore UK Limited. This is in respect of sea crew which the group used to employ directly. A settlement agreement with the previous owners of the group was reached in 2009 and an amount of £500,000 was received. In August 2009, the group made a £111,000 payment to the MNOFF trustees. As the group may have further MNOFF liabilities of uncertain amounts (see note 28), it has kept the balance of the cash received as a provision against future payments in this regard.

20. Bank loans

The bank loans repayable, included within creditors are analysed as follows:

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Wholly repayable within five years	53,743	68,507
Not wholly repayable within five years	<u>8,144</u>	<u>11,460</u>
	<u>61,887</u>	<u>79,967</u>

At 31 December 2009:

	<i>Outstanding quarterly instalments no.</i>	<i>Quarterly instalment amount £000</i>	<i>Final lump sum payment £000</i>	<i>Total outstanding £000</i>
(a) £9,000,000 loan at 0.775% above GBP Libor (*)	23	278	675	7,058
(b) £5,000,000 loan at 0.775% above GBP Libor (*)	36	106	750	4,575
(c) £5,000,000 loan at 0.775% above GBP Libor (*)	35	106	750	4,468
(d) £12,000,000 loan at 2.750% above GBP Libor (**)	20	600	—	12,000
(e) \$40,000,000 loan at 2.750% above USD Libor (**)	20	786	9,435	25,160
(f) £3,000,000 loan at 0.775% above GBP Libor (*)	23	93	225	2,353
(g) £3,000,000 loan at 0.775% above GBP Libor (*)	23	93	225	2,352
(h) £5,000,000 loan at 0.775% above GBP Libor (*)	23	154	375	3,921
		<u>2,216</u>		<u>61,887</u>

* Secured by a charge over a specific vessel

** Secured by a charge over all the assets of a particular subsidiary

Notes to the financial statements

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21. Derivative instruments

The group has purchased interest rate swaps which hedge certain of its bank borrowings. The swaps are designed to exactly mirror the loans and the amounts being hedged reduce over time in line with the instalment payments made under the corresponding loans (see note 20).

In respect of loan (a) the group has purchased an interest rate swap which hedges the full amount outstanding from 18 June 2009 to 18 June 2010 at a fixed rate of 3.285%.

In respect of loan (b) the group has purchased an interest rate swap which hedges the full amount outstanding from 14 December 2009 to 12 December 2012 at a fixed rate of 2.415%.

In respect of loan (c) the group has purchased an interest rate swap which hedges the full amount outstanding from 14 December 2009 to 10 January 2013 at a fixed rate of 2.440%.

In respect of loans (f), (g) and (h) the group has purchased interest rate swaps which hedge the full amounts outstanding from 18 September 2009 to 18 December 2010 at a fixed rate of 1.870%.

The interest charge for the year in respect of these derivatives is given in note 8.

22. Obligations under leases and hire purchase contracts

Net obligations under finance leases and hire purchase agreements:	2009	2008
	£000	£000
Amounts payable:		
Within one year	3,345	2,836
Between two and five years	27,864	13,925
In more than five years	33,249	26,363
	<u>64,458</u>	<u>43,124</u>

The leasing agreements under which the assets under construction were acquired contain put and call options which give the group both the right and the potential obligation to purchase the vessels from the lessors for €1 at the end of the financing period.

The outstanding lease finance is in respect of eleven vessels and at 31 December 2009, six of these vessels are still in the process of being constructed.

The finance lease agreements are repayable in quarterly instalments over the next 15 years. The quarterly instalments vary between £107,000 and £239,000. Additionally, the leases have final instalment payments which vary between £1,654,000 and £3,110,000 and which are repayable between 2023 and 2026.

Notes to the financial statements

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Annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings 2009 £000</i>	<i>Land and buildings 2008 £000</i>	<i>Other 2009 £000</i>	<i>Other 2008 £000</i>
Operating leases which expire:				
Within one year	–	–	1	7
In two to five years	194	57	16	16
In over five years	42	236	–	–
	<u>236</u>	<u>293</u>	<u>17</u>	<u>23</u>

23. Issued share capital

	<i>2009 No.</i>	<i>£000</i>	<i>2008 No.</i>	<i>£000</i>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	16,529,800	<u>16,530</u>	9,279,800	<u>9,280</u>

The company issued 7,250,000 ordinary shares to its parent in December 2009 in return for 100% of the ordinary share capital of Nomis Shipping Limited (see also note 14).

24. Reconciliation of shareholders' funds and movements on reserves

<i>Group</i>	<i>Share Capital £000</i>	<i>Share premium account £000</i>	<i>Merger reserve £000</i>	<i>Currency translation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 31 December 2007	9,280	6,279	–	–	16,638	32,197
Nomis Shipping Limited group acquisition (*)	<u>7,250</u>	<u>25,750</u>	<u>(32,000)</u>	<u>–</u>	<u>26,088</u>	<u>27,088</u>
At 31 December 2007 restated	16,530	32,029	(32,000)	–	42,726	59,285
Loss for the year	–	–	–	–	(4,671)	(4,671)
Dividends paid	–	–	–	–	(12,529)	(12,529)
At 31 December 2008	16,530	32,029	(32,000)	–	25,526	42,085
Profit for the year	–	–	–	–	3,039	3,039
Retranslation of subsidiary (**)	–	–	–	(258)	–	(258)
Dividends paid	–	–	–	–	(2,118)	(2,118)
At 31 December 2009	<u>16,530</u>	<u>32,029</u>	<u>(32,000)</u>	<u>(258)</u>	<u>26,447</u>	<u>42,748</u>

* The acquisition of the Nomis Shipping Limited group has been accounted for using merger accounting as is permitted by Financial Reporting Standard 6 "Acquisition and mergers" paragraph 13, as it is part of a group reconstruction within the group headed by the company's parent (see note 30).

**Nomis Offshore Limited has a local currency of US dollars and consequently exchange differences arise on consolidation into the Vroon Offshore (Holdings) Limited group.

Notes to the financial statements

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24. Reconciliation of shareholders' funds and movements on reserves (continued)

<i>Company</i>	<i>Share Capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 31 December 2007	9,280	6,279	1,577	17,136
Profit for the year	–	–	7,859	7,859
Dividends paid	–	–	(3,341)	(3,341)
At 31 December 2008	9,280	6,279	6,095	21,654
Share issue	7,250	25,750	–	33,000
Loss for the year	–	–	(19,547)	(19,547)
Dividends paid	–	–	(1,000)	(1,000)
At 31 December 2009	16,530	32,029	(14,452)	34,107

25. Pensions

The group operated a defined contribution scheme during the year. The assets of the scheme are held separately in independently administered funds. At 31 December 2009, there were accrued contributions of £9,000 (2008 - £4,000).

26. Capital commitments

Capital commitments for the group at the end of the year authorised and contracted for amounted to £31,953,000 (2008 – £58,608,000). This relates to the construction of six (2008 – eight) new ERRV vessels over the next two (2008 – three) years.

27. Related party transactions

The company has taken advantage of the exemption available for 100% owned subsidiaries under Financial Reporting Standard 8 "Related Party Transactions" paragraph 3(c) and not disclosed transactions with fellow members of the Vroon Group BV group.

28. Contingent liabilities

During 2005, the group had an obligation to meet contributions in respect of a deficit in the Merchant Navy Officers Pension Fund Scheme ("MNOF"). The amount payable at that time of £167,000 was recovered from the previous owners of the business. A settlement agreement with the previous owners was finalised during 2009 and an amount of £500,000 was received. In August 2009, the group made a further contribution of £111,000 to the MNOF trustees from this settlement. As noted in the directors' report, a further £286,000 was paid to the trustees in November 2010 (leaving £103,000 unused from the original £500,000 settlement).

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29. Post balance sheet event

Subsidiary companies within the group have purchased a number of interest rate swaps to hedge the groups' borrowings. The £12 million loan, loan (d) in note 20, has been hedged at a fixed rate of 1.950% until 14 November 2011. The \$40 million loan, loan (e) in note 20, has been hedged at a fixed rate of 1.5175% until 14 November 2011.

The group has taken delivery of a further three new-build vessels on 25 February 2010, 16 June 2010, and 8 October 2010. These three vessels have secured long-term employment at rates which are acceptable to the directors in the current market.

In July 2010, the group received notice of the latest actuarial valuation of the deficit on the MNOPF pension fund as at 31 March 2009. It made a further payment of £286,000 to the trustees on 1 November 2010. The background to the issue is outlined in more detail in note 28.

The directors periodically review the level of capitalisation in the company's subsidiaries to ensure that there is a level of equity which is appropriate for the level of activities in each subsidiary. To this end, in June 2010, the company subscribed to 3,999,999 new ordinary £1 shares in Offshore Support Vessels VIII Limited at par.

In November 2010, the group sold six vessels with a book value of \$44,211,000 at 31 December 2009 to another company within the Vroon group of companies for the sum of \$40,000,000. It has used the proceeds of this sale to repay the outstanding balance on its US dollar loan facility early. At the same time, the group transferred the interest rate swaps associated with this loan facility at a cost of \$905,000.

The group has sold five other vessels, and purchased four second-hand vessels, between the year end and the date of signing these financial statements in the normal course of its business.

30. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Vroon Offshore UK Limited, a company registered in Scotland. The ultimate holding company is Vroon Offshore BV, a company registered in the Netherlands.

The consolidated financial statements of Vroon Offshore BV are available to the public and may be obtained from Vroon Offshore UK Limited, 4th Floor, Regent Centre, Regent Road, Aberdeen AB11 5NS.