

Registered No. SC323539

Vroon Offshore UK Limited

Report and Financial Statements

31 December 2012

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COMPANIES HOUSE

Vroon Offshore UK Limited

Directors

J P N Baars
G P Sheach
E D E Maandag

Secretary

G P Sheach

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Bankers

Bank of Scotland PLC
Queens Cross
39 Albyn Place
Aberdeen
AB10 1YN

Solicitors

Burness, Paul & Williamsons LLP
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Aberdeen
AB10 1DQ

Registered Office

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Regent Road
Aberdeen
AB11 5NS

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012.

Results and dividends

The group profit for the year, after taxation, amounted to £10,758,000 (2011 – profit of £803,000). The directors do not recommend a final dividend (2011 – £ nil).

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.

In December 2012, during extreme weather conditions in the North Sea, a crew member on-board the Vos Sailor tragically lost his life. The storm damage to the vessel was so severe that it rendered the vessel a total loss. The vessel was subsequently sold for scrap. A thorough investigation is underway to determine what actions are necessary to prevent a reoccurrence.

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

	2012 £000	2011 £000	Change %
Turnover	115,029	102,333	+12%
Operating profit	14,006	3,615	+287%
Profit after tax	10,758	803	+1,240%
Equity shareholder's funds	<u>51,392</u>	<u>40,634</u>	<u>+26%</u>
Average number of employees	1,274	1,235	+3%
Average number of vessels owned or leased	47	50	-6%
Average number of vessels under management	50	52	-4%

The increased turnover in 2012 is reflective of improved charter rates and higher vessel utilisation rates.

The increase in operating profit is primarily driven by the improved turnover. As a consequence of the higher utilisation rates, some variable operational costs are higher than they were in 2011. Additionally, the depreciation charge for the year is 12% higher than it was in 2011 due to a combination of accelerated depreciation on some older tonnage, and the increased capital value of the new tonnage delivered in 2011.

In addition to the scrapping of the Vos Sailor as noted above, the company disposed of one other vessel in the normal course of business. The two vessels disposed of made a £491,000 profit (2011 – disposed of eight vessels and made a profit of £1,206,000).

The average number of vessels owned or leased by the group during the year has therefore reduced to 47 (2011 – 50). The directors continue to monitor the composition of the fleet and intend to dispose of some of the group's older tonnage as opportunities arise to do so profitably.

The group's capital investment program has continued, but no new vessels were delivered to the group in 2012 (2011 – three new vessels). There were a further ten new-build vessels on order at the balance sheet date, which will be delivered in 2013-14.

The directors expect that demand for ERRVs in 2013 will continue to be healthy, depending as it does on the offshore activity in the oil and gas sector. The group is well positioned to capitalise on its market share.

Directors' report

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 company.

- **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.

- **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 company 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 requires to generate sufficient cashflow from its operating activities in order to meet the repayment obligations of loans. The group is dependant upon future market rates however in the opinion of the directors, the group's operating cashflow is currently sufficient to meet all obligations as they fall due.

- **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 flows. The group's management team seeks to mitigate this risk by using interest rate swaps to fix its interest rate costs when these can be purchased at a reasonable cost relative to the likelihood of rates increasing.

- **Foreign exchange rate risk**

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

Additionally, the group incurs expenditure for its normal operations in a variety of currencies, primarily Sterling, US dollars, Euros and Norwegian Kroner. 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

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 :

J P N Baars
G P Sheach
E D E Maandag

E D E Maandag was appointed as a director on 1 January 2012.

Events after the balance sheet date

As described more fully in the note 28 to the financial statements, the company re-mortgaged two of its vessels in March 2013.

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 company'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 price, credit, liquidity and cash flow risk are described in the business review above.

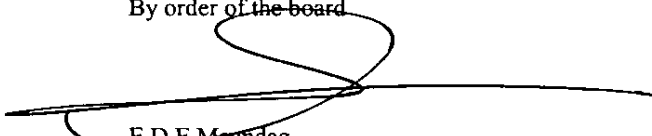
The group has considerable financial resources together with long-term contracts with a number of customers and suppliers. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current economic outlook.

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 financial statements.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditors of the company.

By order of the board



E D E Maandag
Director
22 May 2013
Aberdeen

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 adequate 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 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 group and the 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 UK Limited

We have audited the financial statements of Vroon Offshore UK Limited for the year ended 31 December 2012 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets and the related notes 1 to 29. 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 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

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 the 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 of the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of 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 parent company's affairs as at 31 December 2012 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.

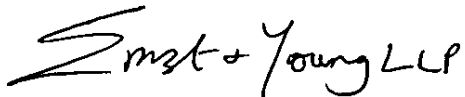
Independent auditor's report

to the members of Vroon Offshore UK 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.



Kenneth MacLeod Hall (Senior Statutory Auditor)

Aberdeen

for and on behalf of Ernst & Young LLP, Statutory Auditor

Date: 23 May 2013

Group profit and loss account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	3	115,029	102,333
Cost of sales		<u>94,678</u>	<u>93,417</u>
Gross profit		20,351	8,916
Administrative expenses		<u>6,345</u>	<u>5,301</u>
Operating profit		14,006	3,615
Profit on disposal of tangible fixed assets		<u>491</u>	<u>1,206</u>
Profit on ordinary activities before interest and taxation		14,497	4,821
Interest receivable	7	–	141
Interest payable and similar charges	8	<u>(3,731)</u>	<u>(4,150)</u>
Profit on ordinary activities before taxation		10,766	812
Tax charge on ordinary activities	9	<u>8</u>	<u>9</u>
Profit for the financial year after taxation	22	<u><u>10,758</u></u>	<u><u>803</u></u>

All operations relate to continuing activities.

There are no recognised gains or losses other than the profit attributable to shareholders of the parent company of £10,758,000 (2011 – £803,000).

Group balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible fixed assets	11	140,887	149,180
Current assets			
Stocks	13	1,506	1,860
Debtors	14	17,943	18,280
Cash at bank and in hand		2,044	6,685
		<u>21,493</u>	<u>26,825</u>
Creditors: amounts falling due within one year	15	<u>40,330</u>	<u>42,316</u>
Net current liabilities		<u>(18,837)</u>	<u>(15,491)</u>
Total assets less current liabilities		122,050	133,689
Creditors: amounts falling due after more than one year	16	70,554	92,951
Provisions for liabilities	17	<u>104</u>	<u>104</u>
Net assets		<u>51,392</u>	<u>40,634</u>
Capital and reserves			
Called up share capital	21	45,001	45,001
Share premium account	22	14,999	14,999
Currency translation reserve	22	-	(339)
Profit and loss account	22	<u>(8,608)</u>	<u>(19,027)</u>
Equity shareholders' funds	22	<u>51,392</u>	<u>40,634</u>

E D E Maandag
Director
22 May 2013
Aberdeen

Company Balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	12	42,446	42,416
Current assets			
Debtors	14	22,624	7,715
Cash at bank and in hand		2	1
		22,626	7,716
Creditors: amounts falling due within one year	15	16,554	16,316
Net current assets / (liabilities)		6,072	(8,600)
Net assets		48,518	33,816
Capital and reserves			
Called up share capital	21	45,001	45,001
Share premium account	22	14,999	14,999
Profit and loss account	22	(11,482)	(26,184)
Equity shareholders' funds	22	48,518	33,816

E D E Maandag
Director
22 May 2013
Aberdeen

Notes to the financial statements

at 31 December 2012

1. Fundamental accounting concept

At 31 December 2012, the group had net current liabilities of £18,837,000 (2011 – £15,491,000). Included within these liabilities are amounts due to fellow group undertakings of £8,522,000 (2011 – £20,531,000).

The bulk of the amounts due to fellow group undertakings, which are not normal trading balances, are pre-delivery finance on the group's new building program. These amounts are not expected to be repaid before the delivery of the group's new vessels. The finance on the new building programme will be re-financed upon delivery of the group's new vessels.

As described more fully in note 28, £14,671,000 of the group's current liabilities at 31 December 2012 relate to final balloon instalments on certain of the group's external mortgages. The group successfully refinanced £11,500,000 of this borrowing in March 2013.

As detailed in note 24, the group has future capital commitments of £38,343,000 (2011 - £46,858,000) in relation to the building of ten (2011 – six) new ERRVs over the next two (2011 – three) years.

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

The financial statements of the group were approved for issue by the board of directors on 22 May 2013 in Aberdeen.

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 29). 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 it and its subsidiaries.

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 UK 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.

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.

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.

Notes to the financial statements

at 31 December 2012

2. Accounting policies (continued)

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 asset's 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 proportion 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 and assets under construction, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, 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	–	up to 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.

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 taxation, including UK corporation tax and foreign tax, is provided for 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.

Notes to the financial statements

at 31 December 2012

2. Accounting policies (continued)

Foreign currencies

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.

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 2012

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. 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

This is stated after charging / (crediting):

	2012 £000	2011 £000
Auditors' remuneration (see note 5)	<u>79</u>	<u>63</u>
Depreciation		
– owned fixed assets	13,546	11,603
– assets held under finance leases	<u>4,644</u>	<u>4,655</u>
	<u>18,190</u>	<u>16,258</u>
Operating lease rentals		
– land and buildings	238	214
– other	<u>16</u>	<u>31</u>
	<u>254</u>	<u>245</u>
Foreign exchange loss / (gain)	<u>323</u>	<u>(69)</u>

5. Auditors' remuneration

	2012 £000	2011 £000
Fees payable to the group's auditors for the audit of the parent company's financial statements	10	10
Other fees to auditors:		
Statutory audit of the company's subsidiaries	55	53
Other services	<u>14</u>	<u>–</u>
	<u>79</u>	<u>63</u>

Notes to the financial statements

at 31 December 2012

6. Staff costs

(a) Staff costs	2012 £000	2011 £000
Wages and salaries	35,876	35,683
Social security costs	269	187
Other pension costs	121	230
	<u>36,266</u>	<u>36,100</u>

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

	2012 No.	2011 No.
Administration	63	66
Sea crew	1,211	1,169
	<u>1,274</u>	<u>1,235</u>

(b) Directors' emoluments	2012 £000	2011 £000
Aggregate emoluments	577	672
Company pension contributions to money purchase schemes	10	13
	<u>587</u>	<u>685</u>

The emoluments of the highest paid director were as follows:

	2012 £000	2011 £000
Emoluments (excluding pension contributions but including benefits in kind)	155	253
Company pension contributions to money purchase schemes	—	—
	<u>155</u>	<u>253</u>

Retirement benefits are accruing to three directors under a defined contribution scheme (2011 – four).

Notes to the financial statements

at 31 December 2012

7. Interest receivable

	2012 £000	2011 £000
Bank interest on deposits	—	4
Interest receivable under finance leases (*)	—	67
Other interest	—	70
	<u>—</u>	<u>141</u>

* Interest rate variations under finance leases with variable rates of interest are accounted for in the period they occur. Interest rates in 2011 were lower than the rates implicit in some of the group's leases and this resulted in a credit to the profit and loss account.

8. Interest payable and similar charges

	2012 £000	2011 £000
Bank loans (see note 18)	916	756
Interest payable under finance leases (see note 20)	1,427	827
Derivative interest (see note 19)	359	454
Interest paid to group undertakings	979	1,615
Other interest	50	498
	<u>3,731</u>	<u>4,150</u>

Notes to the financial statements

at 31 December 2012

9. Tax on ordinary activities

	2012 £000	2011 £000
The tax charge is made up as follows:		
<i>Current tax:</i>		
UK corporation tax at 24.5% (2011 – 26.5%)	8	9
The tax assessed on the profit on ordinary activities is lower (2011: lower) than the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%) of profit. The differences are reconciled below:		
	2012 £000	2011 £000
Profit on ordinary activities before tax	10,766	812
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	2,638	215
Tax impact of assessment under tonnage tax regime (*)	(2,630)	(206)
Total current taxation	8	9

* 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.

In addition to the changes in rates of corporation tax disclosed, a number of further changes to the UK corporate tax system were announced in the December 2012 UK Autumn Statement and March 2013 UK Budget Statement. The main rate of corporate tax reduces from 24% to 23% from 1 April 2013. Further reductions are proposed to reduce this rate by 2% to 21% from 1 April 2014, and by a further 1% to 20% from 1 April 2015. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The group has tax losses arising in the UK of £6,849,000 (2011 – £6,634,000) which are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they are primarily non-trade losses in the parent company which cannot be utilised to reduce the amount of tax assessed on group profits falling within the tonnage tax regime; and it is uncertain whether the group will make sufficient future taxable profits outwith the tonnage tax regime for these losses to be recoverable.

There are no tax effects on the profit and loss account which result from the sale of fixed assets in either year.

10. Profit attributable to members of the parent company

The profit of the company for the year was £14,702,000 (2011 – loss of £708,000) after an amount for impairment of investments of £42,316,000 (2011 – £ nil).

Notes to the financial statements

at 31 December 2012

11. Tangible fixed assets

<i>Group</i>	<i>Vessels</i>	<i>Vessels under construction</i>	<i>Other assets</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 January 2012	201,236	9,646	337	211,219
Additions	278	9,804	38	10,120
Disposals	(2,658)	–	(52)	(2,710)
At 31 December 2012	198,856	19,450	323	218,629
<i>Depreciation:</i>				
At 1 January 2012	61,815	–	224	62,039
Charge for the year	18,125	–	65	18,190
Disposals	(2,435)	–	(52)	(2,487)
At 31 December 2012	77,505	–	237	77,742
<i>Net book value:</i>				
At 31 December 2012	121,351	19,450	86	140,887
At 31 December 2011	139,421	9,646	113	149,180

The cost of fixed assets above includes capitalised finance costs of £3,216,000 (2011 – £3,216,000).

Notes to the financial statements

at 31 December 2012

11. 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>£000</i>
<i>Cost:</i>	
At 1 January 2012	108,540
Additions	<u>(3)</u>
At 31 December 2012	<u>108,537</u>
<i>Depreciation:</i>	
At 1 January 2012	10,358
Charge for the year	<u>4,544</u>
At 31 December 2012	<u>14,902</u>
<i>Net book value:</i>	
At 31 December 2012	<u><u>93,635</u></u>
At 31 December 2011	<u><u>98,182</u></u>

The parent company has no tangible fixed assets.

Notes to the financial statements

at 31 December 2012

12. Investments

<i>Company</i>	<i>Subsidiary undertakings £000</i>
<i>Cost:</i>	
At 1 January 2012	71,250
Intra-group transfers	42,346
At 31 December 2012	113,596
<i>Amounts provided:</i>	
At 1 January 2012	28,834
Charge for the year on Intra-group transfers	42,316
At 31 December 2012	71,150
<i>Net book value:</i>	
At 31 December 2012	42,446
At 31 December 2011	42,416

In December 2012, following a group reconstruction, the company became the direct parent of all its subsidiary companies. This group reconstruction had no impact on the consolidated group profit and loss account or group balance sheet of Vroon Offshore UK Limited.

Details of the investments in which the group 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>
VOH Support Vessels Limited (*)	100%	Ordinary shares	Holding company
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	ERRV
Offshore Support Vessels VIII Limited	100%	Ordinary shares	ERRV
Offshore Support Vessels IX Limited	100%	Ordinary shares	ERRV
Nomis Shipping Limited	100%	Ordinary shares	ERRV
Nomis Offshore Limited	100%	Ordinary shares	ERRV
Deeside Crewing Services Limited	100%	Ordinary shares	Crewing management
Deeside (Guernsey) Limited (***)	100%	Ordinary shares	Crewing employer

ERRV = Emergency Response and Rescue Vessel

* Formerly Vroon Offshore (Holdings) Limited

** Incorporated in England and Wales.

*** Incorporated in Guernsey.

All other subsidiary undertakings are incorporated in Scotland.

Notes to the financial statements

at 31 December 2012

13. Stocks

<i>Group</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Raw materials and consumables	<u>1,506</u>	<u>1,860</u>

The parent company has no stocks.

14. Debtors

<i>Group</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Trade debtors	13,459	9,895
Amounts owed by group undertakings	1,448	5,611
Other debtors	361	148
Prepayments and accrued income	<u>2,675</u>	<u>2,626</u>
	<u>17,943</u>	<u>18,280</u>

<i>Company</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Amounts owed by group undertakings	<u>22,624</u>	<u>7,715</u>

Short-term loans to other group undertakings have no fixed repayment schedule. Interest is payable quarterly at a rate of 3% above LIBOR. Other amounts due from group undertakings in the normal course of the company's business attract no interest.

Notes to the financial statements

at 31 December 2012

15. Creditors: amounts falling due within one year

<i>Group</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Bank loans (see note 18)	18,027	6,617
Obligations under finance leases (see note 20)	4,371	4,942
Trade creditors	3,702	6,097
Corporation tax	10	9
Amounts owed to group undertakings	8,522	20,531
Other taxes and social security	743	604
Accruals and deferred income	4,955	3,516
	<u>40,330</u>	<u>42,316</u>
 <i>Company</i>	 <i>2012</i>	 <i>2011</i>
	<i>£000</i>	<i>£000</i>
Amounts owed to group undertakings	<u>16,554</u>	<u>16,316</u>

Short-term loans from other group undertakings have no fixed repayment schedule and are classified as due within one year. Interest is payable quarterly on these loans at a rate of 3% above LIBOR. Other amounts due to group undertakings in the normal course of the company's business attract no interest.

There are capitalised arrangement fees included within bank loans at 31 December 2012 of £50,000 (2011 – £ nil) in respect of certain of the group's external bank loans which are being amortised over the period of the corresponding loans.

Notes to the financial statements

at 31 December 2012

16. Creditors: amounts falling after more than one year

<i>Group</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Bank loans (see note 18)	13,777	31,804
Obligations under finance leases (see note 20)	<u>56,777</u>	<u>61,147</u>
	<u>70,554</u>	<u>92,951</u>

Included within bank loans are capitalised arrangement fees of £89,000 (2011 – £139,000) in respect of certain of the group's external bank loans which are being amortised over the period of the loans.

17. Provisions

<i>Group</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Deficit on defined benefit pension scheme	<u>104</u>	<u>104</u>

The group has an obligation to make contributions in respect of a deficit in the Merchant Navy Officers Pension Fund (MNOF) scheme which dates back to the time prior to the acquisition of the business by Vroon Offshore UK Limited. A settlement agreement with the previous owners of the business was reached in 2009 and an amount of £500,000 was received. Since that time the group has made payments to the MNOF trustees totalling £396,000. As the group may have further MNOF liabilities of uncertain amounts (see note 26), it has kept the balance of the cash received as a provision against future payments in this regard.

The parent company has no provisions.

Notes to the financial statements

at 31 December 2012

18. Bank loans

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

<i>Group</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Wholly repayable within five years	31,944	38,560
	<u>31,944</u>	<u>38,560</u>

<i>At 31 December 2012:</i>	<i>Outstanding quarterly instalments no.</i>	<i>Quarterly installment 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 (*)	0	0.0	3,728	3,728
(b) £5,000,000 loan at 0.775% above GBP LIBOR (*)	1	106.3	3,088	3,194
(c) £5,000,000 loan at 0.775% above GBP LIBOR (*)	1	106.3	3,194	3,300
(d) £3,000,000 loan at 0.775% above GBP LIBOR (*)	0	0.0	1,242	1,242
(e) £3,000,000 loan at 0.775% above GBP LIBOR (*)	0	0.0	1,242	1,242
(f) £5,000,000 loan at 0.775% above GBP LIBOR (*)	0	0.0	2,070	2,070
(g) £12,000,000 loan at 2.750% above GBP LIBOR (**)	8	600.0	–	4,800
(h) £7,000,000 loan at 2.25% above GBP LIBOR (***)	15	116.7	4,549	6,301
(i) £6,500,000 loan at 2.25% above GBP LIBOR (***)	16	108.3	4,333	6,067
		<u>1,038</u>	<u>23,446</u>	<u>31,944</u>

* Secured by a charge over a specific vessel

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

*** Secured by a share pledge entered into with DNB

In February 2011, six of the group's bank loans (a to f above) were restructured following an agreement to repay the loans earlier than in the original agreement made in 2008. The quarterly payments were unchanged as a result of this agreement but the date of the final instalment payments, now totalling £14,563,000, was brought forward to 18 March 2013. These loans were repaid in full in March 2013.

In January 2013, in respect of the group's bank loan (g) above, the company was required to make an early capital repayment of £140,000. This was due to the bank losing the security of the Vos Sailor (vessel was scrapped following severe storm damage). After this early capital repayment, future quarterly capital repayments for the remainder of the loan were reduced to £582,500.

In March 2013, the group's bank loans (h and i) above, were extended on new terms of 3.00% above GBP LIBOR. Loan (h) is now repayable in 23 quarterly instalments of £116,700 and a final instalment of £3,500,000 due on 10 December 2018. Loan (i) is now repayable in 24 quarterly instalments of £108,300 and a final instalment of £3,358,000 due on 14 January 2019.

In March 2013, the group took out two new mortgage loans of £5,750,000 each (£11,500,000 in total) secured by a charge on two of the group's vessels. These loan tranches are part of the same facility as loans h and i above, and attract interest at 3.00% above GBP LIBOR. Both mortgages are repayable in 24 quarterly instalments of £239,000, and will be repaid in full on 19 March 2019.

The parent company has no bank loans.

Notes to the financial statements

at 31 December 2012

19. 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 18).

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 2014 at a fixed rate of 3.285%. Due to the restructuring of the period of the underlying loan agreed in February 2011 (see note 18), this swap now covers a period of 15 months after the loan will be repaid, in addition to the full loan period. In preparing these financial statements no asset or liability has been recognised in this respect.

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

In respect of loans (d), (e) and (f) the group has purchased interest rate swaps which hedged the full amounts outstanding from 19 December 2010 to 18 December 2012 at a fixed rate of 1.55%.

In respect of loan (g), the group has purchased interest rate swaps which hedge 50% of the amount outstanding from 15 November 2011 to 12 November 2014 at a fixed rate of 4.145%; and the remaining 50% of the amount outstanding from 12 November 2010 to 12 November 2014 at a fixed rate of 1.600%.

In respect of loan (h) the group has purchased an interest rate swap which hedges the full amount outstanding from 10 June 2011 to 10 June 2015 at a fixed rate of 1.86%. In March 2013, co-incident with the extension of the loan term for the underlying loan (see note 18), this interest rate swap was changed to hedge the full amount outstanding from 10 June 2012 to 10 December 2018 at a fixed rate of 1.726%.

In respect of loan (i) the group has purchased an interest rate swap which hedges the full amount outstanding from 14 October 2011 to 14 October 2015 at a fixed rate of 1.49%. In March 2013, co-incident with the extension of the loan term for the underlying loan (see note 18), this interest rate swap was changed to hedge the full amount outstanding from 15 April 2013 to 14 January 2019 at a fixed rate of 1.552%.

In March 2013, the group took out two new interest rate swaps to hedge the full amount outstanding of its new mortgage loans (£11,500,000 in total) from 19 March 2013 to 19 March 2019 at a fixed rate of 0.850%.

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

The parent company has no derivative instruments.

Notes to the financial statements

at 31 December 2012

20. Obligations under leases and hire purchase contracts

Net obligations under finance leases and hire purchase agreements:	2012	2011
	£000	£000
Amounts payable:		
Within one year	4,371	4,942
Between two and five years	14,745	31,194
In more than five years	42,032	29,953
	<u>61,148</u>	<u>66,089</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 majority of the finance lease agreements are repayable in quarterly instalments over the next 12 years. These quarterly instalments vary between £107,000 and £239,000. Additionally, there are final balloon payments under the agreements which vary between £1,654,000 and £2,845,000 and are repayable in 2023 and 2024.

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

	<i>Land and buildings</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Other</i>
	2012	2011	2012	2011
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	–	–	–	7
In two to five years	189	238	24	16
In over five years	–	–	–	–
	<u>189</u>	<u>238</u>	<u>–</u>	<u>23</u>

21. Issued share capital

		2012		2011
	No.	£000	No.	£000
Allotted and called up and fully paid				
Ordinary shares of £1 each	45,001,001	<u>45,001</u>	45,001,001	<u>45,001</u>

Notes to the financial statements

at 31 December 2012

22. Reconciliation of shareholders' funds and movements on reserves

<i>Group</i>	<i>Share Capital £000</i>	<i>Share premium account £000</i>	<i>Currency translation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 31 December 2010	25,001	14,999	(339)	(19,830)	19,831
Profit for the year	—	—	—	803	803
Issue of new shares	20,000	—	—	—	20,000
At 31 December 2011	45,001	14,999	(339)	(19,027)	40,634
Profit for the year	—	—	—	10,758	10,758
Transfer (*)	—	—	339	(339)	—
At 31 December 2012	45,001	14,999	—	(8,608)	51,392

* The currency translation reserve arose historically when one of the subsidiaries within the group had a functional currency of US dollars. As all of the current subsidiaries all have a local currency of GBP, the historic balance on the currency translation reserve has been moved into the profit and loss account.

<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 2010	25,001	14,999	(25,476)	14,524
Loss for the year	—	—	(708)	(708)
Share issue	20,000	—	—	20,000
At 31 December 2011	45,001	14,999	(26,184)	33,816
Profit for the year	—	—	14,702	14,702
At 31 December 2012	45,001	14,999	(11,482)	48,518

23. 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 2012, there was £10,000 of accrued pension contributions (2011 – £ nil).

24. Capital commitments

Capital commitments for the group at the end of the year authorised and contracted for amounted to £38,343,000 (2011 - £21,412,000) at the exchange rates ruling on 31 December 2012. This relates to the construction of ten (2011 – six) new ERRVs over the next two years (2011 – two years).

Notes to the financial statements

at 31 December 2012

25. Charitable Donations

	2012 £000	2011 £000
Donations to marine related charities	12	3
Other charitable donations	1	3
	<u>13</u>	<u>6</u>

The group supports a number of local charities related to its area of operations. The biggest recipient in 2012 was the Aberdeen Port Chaplain's Welfare fund.

26. Related party transactions

The group has taken advantage of the exemption available to 100% owned subsidiaries under Financial Reporting Standard 8 "*Related Party Transactions*" paragraph 3(c) and not disclosed transactions with fellow wholly owned group companies. There are no other related party transactions.

27. Contingent liabilities

During 2005, the company was advised it had an obligation to meet contributions in respect of a deficit in the Merchant Navy Officers Pension Fund Scheme ("MNOPF"). 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 company made a further contribution of £111,000 to the MNOPF trustees from this settlement. A further £285,000 was paid in November 2010 (leaving £104,000 unused from the original £500,000 settlement). The settlement is only an agreement between the parties and the company may have further MNOPF liabilities in the future, the intention being that the settlement amount received be used to satisfy any such liabilities.

28. Post balance sheet events

In January 2013, as detailed in note 18 and as a consequence of the loss of the Vos Sailor, the group made an early capital repayment to a bank of £140,000 in respect of a loan partly secured by the vessel.

In March 2013, the group repaid the outstanding balance of the mortgages on six vessels (a sum of £14,671,000). Replacement mortgages totalling £11,500,000 were taken out on two of these vessels with a different bank. At the same time, two other existing mortgage loans with this same bank were extended for a further two years (see note 18). The existing interest rate swaps hedging this borrowing were changed to reflect the new borrowing terms, and two new interest rate swaps were purchased to hedge the new borrowing of £11,500,000 (see note 19).

29. Ultimate parent undertaking and controlling party

The company is 100% owned by Vroon Offshore B.V., a company registered in the Netherlands.

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