

Acteon Group Limited

Annual report and financial statements

Registered number 4231212

31 December 2014

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Strategic Report

The directors present their Strategic report for the year ended 31 December 2014.

Principal activities

Acteon Group Limited is a global subsea services organisation. The Group comprises a number of industry-leading brands, which are principally focused on those aspects of offshore oil and gas development and operations which link wells on the seabed with facilities on the surface.

The Group has outstanding engineering skills in the areas in which it operates and has achieved a number of industry “firsts” in its recent history. It employs approximately 2,300 people, most with technical skills, from its facilities in Europe, the Middle East, Africa, the Americas and the Far East.

Acteon businesses are involved at every stage in the life of an oilfield, from initial exploration through to development, operations, maintenance and decommissioning. The Group offers full system capability, undertaking concept studies and analysis, front-end engineering and detailed design work, handling manufacturing/construction activity and offshore execution.

Acteon provides a range of subsea services, across the following capabilities;

- Risers and Moorings
- Seabed Foundation Technologies
- Survey, Monitoring and Data
- Project Support Services

Business model

Acteon is a leading provider of subsea services to the worldwide offshore oil and gas industry. Its principal clients are international, national and independent oil and gas companies and contractors in most of the major oil and gas provinces in the world. Its services relate to most parts of the life-cycle of an oil or gas field and its facilities, including exploration, design, build, installation, integrity management and decommissioning.

Acteon offers its services independently and collectively to serve its industry clients. The principal skills and technologies within the Group are listed below:

Risers and Moorings

Acteon has world-leading riser capability and is a leader in temporary and permanent moorings. It has the largest global inventory of offshore mooring and specialist rental equipment. The Group offers innovative design, supply, installation, relocation and decommissioning solutions for risers and moorings, and employs the world’s largest pool of experienced engineers and analysts to support multiple shallow and deep water projects, globally.

InterMoor specialises in mooring systems for floating drilling and production facilities. It offers sale, rental and management of mooring equipment. The company also provides mobile offshore drilling rig and FPSO relocation services.

2H Offshore focuses on shallow and deep water riser projects with a full complement of design, supply, monitoring and integrity management capabilities.

Claxton supplies structural equipment and services for well construction, workover, maintenance and abandonment operations. These include pressure control and remediation, conductor tensioning and rigless tubular retrieval.

Probe Oil Tools provides bespoke high-specification pressure control equipment including wellheads, flanges, tension rings and surface risers.

Subsea Riser Products designs and supplies specialist components for subsea risers.

Strategic Report *(continued)*

Seabed Foundation Technologies

Acteon has world-class expertise in drilling, hammering, piling and grouting, offering a full range of flexible solutions, from design to installation. It can provide temporary and permanent seabed support structures. In addition to its expertise in pile and conductor solutions, the Group offers a wide range of hammers for sale or rental, specialist fabrication in multiple regions and highly experienced personnel.

MENCK manages all aspects of complex piling projects for customers, not only in the oil and gas sector but also in the civil engineering and renewables sectors. The company designs, manufactures and rents out some of the world's most sophisticated pile-driving hammers.

Large Diameter Drilling is an offshore drilling and specialist marine construction contractor. It designs, engineers, builds and operates pile-installation equipment to establish tubular foundations.

Conductor Installation Services provides full project management services in relation to high quality conductor installations.

Survey, Monitoring and Data

Acteon is a leading provider of subsea electronics and remotely operated vehicle (ROV) tooling, offering asset integrity management and comprehensive survey capabilities. The Group also supports its clients with data hosting, data management and information interpretation.

UTEC provides marine and facilities survey and data management services.

J2 Subsea provides rental and servicing of tooling for subsea remotely operated vehicles (ROVs).

Seatronics specialises in the rental of subsea electronic equipment and ancillary services.

Pulse Structural Monitoring designs, supplies and installs monitoring systems (both instrumentation and software), and provides data processing and recorded data management services.

Project Support Services

From specialist equipment to manpower provision, Acteon's project support services successfully deliver advanced, innovative solutions in any territory. The Group provides portable machine tools and flexible pipe lay solutions, in addition to specialist installation and decommissioning services.

Aquatic supplies a range of powered reel systems which are deployed by clients for flexible pipe and umbilical lay.

Mirage Machines designs and manufactures portable machine tools for on site machining applications.

Team is an international provider of specialist personnel and recruitment consultancy services.

Offshore Installation Services is an industry leader in the rigless abandonment of suspended subsea wells.

Business review and results

Though 2014 saw continued improvement in global economic conditions, a very significant fall in the price of crude oil occurred during the second half of the year which caused oil and gas companies to reconsider and reduce their investment plans and activity levels in order to conserve cash and support profit margins in the short term. This trend augmented a general pattern of project postponement and cancellation.

The Group's financial performance for its continuing operations reflects this industry backdrop, with revenues showing only a modest increase on the previous year and a lower gross margin. Turnover increased by 3% to £492.6m and profit from operating activities before impairment losses reduced by 2% to £91.2m.

Despite this fall in trading profitability, profit before impairment losses and income tax for continuing operations rose by 15% compared with 2013, supported by the strengthening of the US dollar against Sterling and the resulting foreign exchange gain (the group recorded a net foreign exchange loss in 2013, when Sterling strengthened against a variety of currencies). In aggregate, net finance expenses for the year fell by 44% from £25.1m to £14.1m.

Strategic Report *(continued)*

Acquisitions in the year

The Group has continued to seek to expand its service offering. In November 2014 it acquired 94.75% of the issued share capital of UTEC International Limited (UTEC).

UTEC is based in Aberdeen, Scotland, and is the parent of a worldwide group of companies which provide high quality and cost-effective technology solutions to gather, process and manage data in support of informed decision-making across the entire life of a subsea field. UTEC complements Acteon's existing businesses, enhancing the Group's ability to serve "tier one" contractors and oil companies who require comprehensive external support for their assets in terms of data gathering, analysis and interpretation, in order for them to operate their integrity and maintenance programmes.

Discontinued operations in the year

As a result of continued weak trading in one of its subsidiaries, Fluke Subsea Solucoes E Servicos Limitada ("Fluke"), and the recognition that its prospects of improvement were limited in the short- to medium-term, the Group decided to cease Fluke's manufacturing operations with immediate effect and take steps to sell its freehold properties and associated equipment. This company's performance has therefore been disclosed in accordance with Accounting Standards as a discontinued operation, with the saleable assets classified as assets held for sale on the Consolidated Statement of Financial Position (Balance Sheet).

Financial performance

The financial performance of the Group's continuing operations for 2014 compared with 2013 can be summarised as follows:

	2014	2013	Increase/ (Decrease)
	£000	£000	%
Group revenue	492,604	477,988	3.1%
Profit from operating activities before exceptional items and impairment losses	91,201	93,013	(1.9%)
Profit before exceptional items, impairment losses and income tax	77,073	67,905	13.5%

Key performance indicators

Further key performance indicators pertinent to the Group's continuing operations are shown below. These demonstrate the underlying operational performance (gross margin and EBITDA), and also the level of sustained investment in the Group's underlying revenue generating resources (fixed assets and average number of employees).

	2014	2013
Financial		
Gross Margin % of revenues	36.2%	37.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (£000s)*	131,913	128,151
Net book value of fixed assets (£000s)	197,251	176,975

*prior to impairments of goodwill and other intangibles and certain costs totalling £3,113,000 (2013: £1,548,000) of a non-operating nature.

Non-financial

Average number of employees	2,048	1,892
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Strategic Report *(continued)*

Principal risks and uncertainties

The Group's multinational operations and debt financing expose it to a variety of risks, including financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The Board of Directors has overall responsibility for the creation and oversight of the Group's risk management framework. The Group's approach to financial risk management is disclosed in note 4.

The directors have taken steps to ensure that the day-to-day risks which face the Group such as, health and safety and commercial risks are managed comprehensively by the management teams of its operating companies (with appropriate central oversight), by insurance covers which should mitigate the impact of risks turning into reality, and by the preparation and review of comprehensive monthly management financial reporting packages which can alert the board to developments in trading performance and cash management.

Any business operates against a background of risks and uncertainties. The directors believe that the principal operational risks facing Acteon are:

- A tail-off in activity levels in the offshore oil and gas exploration and production industry worldwide, as a result of various factors including, but not limited to, a fall in oil prices.
- Lead times and availability of raw materials and components which are required in order for the Group to provide its products and services could deteriorate from their current levels.
- It could become more difficult to recruit and retain the highly qualified and experienced staff required in order for the Group to carry on its business.
- The considerable health and safety risks which are inherent to the offshore oil and gas industry.
- Contracts and projects in the oil and gas sector are frequently complex, and there are risks associated with their execution.

Future developments

With Brent crude prices falling during 2014 from over \$100 per barrel to a low of \$47 (and continuing to fluctuate in the \$50-\$60 range during the first quarter of 2015), it is anticipated that international oil companies, national oil companies and independents will, to varying degrees, look to make reductions in their investment programmes and place lower levels of business with their contractors. The expectation is that the oil companies' capital expenditure programmes will see the largest impact, with operational expenditure being cut by less than capital expenditure in order to keep production flowing. Though Acteon's revenues relate to operational expenditure as well as capital expenditure, and its activities are spread widely around the globe, a reduction in revenues in 2015 is seen as likely and the Group is taking measures to mitigate the impact on margins and profitability, while seeking to retain its capabilities and capacity for when demand increases materialise.

By order of the board



R C Higham
Director

27 March 2015

Directors' Report

The directors note that, as a result of the Strategic Report and Directors' Report regulations 2013 (which are amendments to the Companies Act 2006), some of the matters which would previously have been contained within the Directors' Report must now (along with certain other reporting) appear within the separate Strategic Report. The Directors' Report now contains the remaining information required by statute to be disclosed.

Research and development

The Group continues to believe in the importance of investing in innovation and in the development of its products and services, in order to achieve technical success and to improve project economics for clients. During the year Acteon has continued to invest in several research and development areas.

Proposed dividend

No dividend is to be recommended in respect of 2014 (2013: *£nil*).

Directors

The directors who served during the year were:

R C Higham
K F Ovenden

The directors benefited from qualifying third party indemnity provisions which were in place during the financial year and at the date of this report. These took the form of Directors and Officers liability insurance.

Employees

The Group is committed to involving employees in the business through appropriate communication and consultation and does so through circulating internal newsletters and periodic briefing meetings.

Applications for employment by disabled persons are always fully considered, having regard to the aptitude and abilities of applicants. If employees become disabled every effort is made to ensure the continuation of their employment with the Group, including the provision of appropriate training. The Group intends that, as far as possible, the training, career development and promotion of a disabled person should be identical to that of a person who does not suffer from a disability.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

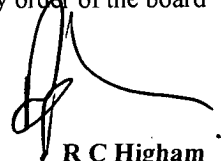
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware. Each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



R C Higham
Director

27 March 2015

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, 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 group and the parent company will continue in business.

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

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



Independent auditor's report to the members of Acteon Group Limited

We have audited the financial statements of Acteon Group Limited for the year ended 31 December 2014 set out on pages 9 to 66. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Duncan MacAskill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

31 March 2015

Consolidated Income Statement
for year ended 31 December 2014

	Note	Con- tinuing £000	2014 Dis- continued £000	Total £000	Con- tinuing £000	2013 Dis- continued £000	Total £000
Revenue	7	492,604	7,314	499,918	477,988	19,585	497,573
Cost of sales		(314,180)	(7,613)	(321,793)	(299,021)	(17,749)	(316,770)
Gross profit/(loss)		178,424	(299)	178,125	178,967	1,836	180,803
Impairment movements	6,15	-	5,203	5,203	(763)	(13,403)	(14,166)
Other administrative expenses		(87,223)	(11,453)	(98,676)	(85,954)	(5,344)	(91,298)
Total administrative expenses		(87,223)	(6,250)	(93,473)	(86,717)	(18,747)	(105,464)
Profit/(loss) from operating activities		91,201	(6,549)	84,652	92,250	(16,911)	75,339
Finance income		6,738	-	6,738	2,103	-	2,103
Finance expense		(20,866)	(303)	(21,169)	(27,211)	(3,709)	(30,920)
Net finance expense	11	(14,128)	(303)	(14,431)	(25,108)	(3,709)	(28,817)
Profit/(loss) before income tax		77,073	(6,852)	70,221	67,142	(20,620)	46,522
Income tax expense	12	(21,815)	-	(21,815)	(15,891)	(2,165)	(18,056)
Profit/(loss) for the year		55,258	(6,852)	48,406	51,251	(22,785)	28,466
Attributable to:							
Equity holders of the parent		54,017	(6,852)	47,165	50,802	(22,785)	28,017
Non-controlling interests		1,241	-	1,241	449	-	449
Profit/(loss) for the year		55,258	(6,852)	48,406	51,251	(22,785)	28,466

The notes on pages 14 to 56 are an integral part of these consolidated financial statements.

Movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 12.

Consolidated Statement of Comprehensive Income
for year ended 31 December 2014

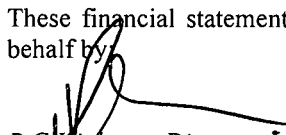
	<i>Note</i>	2014 £000	2013 £000
Profit for the year		48,406	28,466
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial losses	24	(847)	(350)
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign currency net investments		(5,939)	(4,800)
Other comprehensive expense for the year recognised directly in equity		(6,786)	(5,150)
Total comprehensive income for the year		41,620	23,316
Attributable to:			
Equity holders of the Company		40,379	22,867
Non-controlling interests		1,241	449
Total comprehensive income for the year		41,620	23,316

The notes on pages 14 to 56 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Balance Sheet)
at 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Non-current assets			
Property, plant and equipment	15	197,251	176,975
Intangible assets	16	242,570	176,432
Deferred income tax assets	17	5,233	2,462
Total non-current assets		445,054	355,869
Current assets			
Inventories	18	27,492	29,127
Trade and other receivables	19	152,185	156,487
Assets held for sale	6	7,233	-
Cash and cash equivalents		43,632	49,953
Total current assets		230,542	235,567
Total assets		675,596	591,436
Equity			
Share capital	20	11,659	11,659
Share premium	21	16,437	16,437
Foreign currency translation reserve	21	(2,259)	3,680
Other reserves	21	(5,127)	(5,127)
Retained earnings	21	197,525	151,207
Total equity attributable to equity holders of the Company		218,235	177,856
Non-controlling interests	22	11,570	8,286
Total equity		229,805	186,142
Non-current liabilities			
Loans and borrowings	23	310,687	287,391
Employee benefits	24	2,378	1,746
Deferred income tax liabilities	17	30,845	19,957
Total non-current liabilities		343,910	309,094
Current liabilities			
Loans and borrowings	23	12,008	11,676
Trade and other payables	25	80,046	75,205
Current income tax liabilities		9,827	9,319
Total current liabilities		101,881	96,200
Total liabilities		445,791	405,294
Total equity and liabilities		675,596	591,436

These financial statements were approved by the Board of Directors on 2 March 2015 and were signed on its behalf by


R C Higham - Director


K F Ovenden - Director

The notes on pages 14 to 56 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for year ended 31 December 2014

	Share capital £000	Share premium £000	Foreign currency translation reserve (FCTR) £000	Other reserves £000	Retained earnings £000	Total £000	Non- controlling interests £000	Total equity £000
Balance at 1 January 2013	11,659	16,437	8,500	(3,910)	123,540	156,226	645	156,871
Profit for the year	-	-	-	-	28,017	28,017	449	28,466
Income and expense recognised directly in equity								
Defined benefit plan actuarial losses	-	-	-	-	(350)	(350)	-	(350)
Foreign currency translation difference	-	-	(4,800)	-	-	(4,800)	-	(4,800)
Total income and expense recognised directly in equity	-	-	(4,800)	-	(350)	(5,150)	-	(5,150)
Impact of disposal on FCTR	-	-	(20)	-	-	(20)	-	(20)
Acquisitions in year (note 5)	-	-	-	(1,217)	-	(1,217)	7,192	5,975
Balance at 31 December 2013	11,659	16,437	3,680	(5,127)	151,207	177,856	8,286	186,142
Profit for the year	-	-	-	-	47,165	47,165	1,241	48,406
Income and expense recognised directly in equity								
Defined benefit plan actuarial losses	-	-	-	-	(847)	(847)	-	(847)
Foreign currency translation difference	-	-	(5,939)	-	-	(5,939)	-	(5,939)
Total income and expense recognised directly in equity	-	-	(5,939)	-	(847)	(6,786)	-	(6,786)
Acquisitions in year (note 5)	-	-	-	-	-	-	2,667	2,667
Dividends paid (note 14)	-	-	-	-	-	-	(624)	(624)
Balance at 31 December 2014	11,659	16,437	(2,259)	(5,127)	197,525	218,235	11,570	229,805

The notes on pages 14 to 56 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow
for year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Cash flow from operating activities			
Profit for the year		48,406	28,466
Adjustments for:			
Gain on sale of property, plant and equipment		(3,234)	(2,787)
Depreciation and impairment of property, plant and equipment	<i>6, 15</i>	24,879	32,850
Amortisation and impairment of intangible assets	<i>16</i>	8,223	16,173
Net finance expense	<i>11</i>	14,431	28,817
Total income tax expense	<i>12</i>	21,815	18,056
		114,520	121,575
Change in inventories		1,256	(5,864)
Change in trade and other receivables		13,702	(13,016)
Change in trade and other payables		(321)	(33,482)
Change in provisions and employee benefits		277	207
Cash generated from operating activities		129,434	69,420
Interest paid		(18,360)	(18,320)
Income tax paid		(17,994)	(18,196)
Net cash from operating activities		93,080	32,904
Cash flows from investing activities			
Interest received		2,598	2,103
Proceeds from sale of property, plant and equipment		5,738	5,289
Acquisition of subsidiaries, net of cash acquired	<i>5</i>	(77,020)	(30,318)
Acquisition of non-controlling interests	<i>5</i>	-	(88)
Purchase of property, plant and equipment	<i>15</i>	(51,801)	(57,461)
Purchase of intangible assets	<i>16</i>	(303)	(536)
Net cash used in investing activities		(120,788)	(81,011)
Cash flow from financing activities			
Receipt of borrowings		67,000	77,800
Expenses paid in relation to new borrowings		-	(440)
Repayment of borrowings		(50,650)	(10,000)
Payment of finance lease liabilities		(40)	(258)
Dividends paid to non-controlling interests	<i>14</i>	(624)	-
Net cash received in financing activities		15,686	67,102
Net (decrease)/increase in cash and cash equivalents		(12,022)	18,995
Cash and cash equivalents at 1 January		49,953	37,128
Effect of exchange rate fluctuations on cash held		5,701	(6,170)
Cash and cash equivalents at 31 December		43,632	49,953

The notes on pages 14 to 56 are an integral part of these consolidated financial statements.

Notes

(forming part of the financial statements)

1 Group and company accounts

Acteon Group Limited is a company incorporated in England. The address of its registered office is Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW. The consolidated financial statements of the Group as at and for the year ended 31 December 2014 comprise the parent company and its subsidiaries (together referred to as “the Group”). The Group is primarily involved in the provision of specialist subsea products and services to the offshore oil and gas industry. The financial statements of the parent company are set out on pages 57 to 66.

2 Basis of preparation of financial statements

The consolidated financial statements consolidate those of the parent company and its subsidiaries (together referred to as the “Group”). The parent company financial statements present information about the Company as a separate entity and not about its group.

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRS”). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Adopted IFRS and were approved by the Board of Directors on 27 March 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and available-for-sale financial assets, which are stated at fair value. Any changes in fair value are reflected in the income statement.

The methods used to measure fair values are discussed further below.

(c) Functional and presentation currency

These consolidated financial statements are presented in Sterling, which is the Company’s functional currency. All financial information presented has been rounded to the nearest £1,000.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are reflected in the period in which the estimates are revised and in any future periods which are affected by those revisions.

Information relating to areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 5 – business combinations

Note 16 – measurement of the recoverable amounts relating to cash-generating units containing goodwill

Note 26 – valuation of financial instruments

Notes *(continued)*

2 Basis of preparation of financial statements *(continued)*

(e) Going concern

The Group's business activities and financial position, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 1 to 4. Note 4 to the financial statements also discloses the objectives, policies and processes for managing the financial risks to which the Group is exposed. These include foreign exchange risk, cash flow and fair value interest rate risk, credit risk, liquidity risk and capital risk.

The Group's forecasts and projections, and sensitivity analyses thereof, show that the Group has sufficient financial resources for the foreseeable future and is well-placed to manage its business and financial risks. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been aligned, where necessary, with the policies adopted by the Group.

(ii) Transactions and balances eliminated on consolidation

Intra-Group transactions and balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Revenue recognition

Turnover comprises the value of goods and services supplied by the Group in the normal course of business, net of trade discounts and sales taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of contracts of sale.

(i) Sale of equipment and other goods

Turnover is recognised when the goods are delivered to the customer, at the contractually agreed delivery location.

(ii) Rendering of services

The Group recognises turnover in line with the fulfilment of its contractual obligations. In most cases relating to the supply of services, this represents the fulfilment of all obligations contained in the contract. In certain circumstances specific elements of the total income relating to a contract are recognised where completion of these elements (by reference to contractual trigger points) entitles the Group to the income. Where the rendering of services includes rental income, the rental income element is recognised on a straight line basis over the period of the rental contract.

Notes (continued)

3 Significant accounting policies (continued)

(iii) Long-term contracts

Turnover and profits on long-term contracts are recognised in line with the stage of a contract's completion when the outcome of the contract can be estimated reliably. Full provision is made for any anticipated losses.

Intangible fixed assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and is subject to an annual impairment review.

Goodwill arising on these acquisitions represents the difference between the fair value of the purchase consideration and the fair value of the Group's share of the identifiable net assets of the acquired entity. Directly attributable costs of executing the acquisitions are charged to the income statement in accordance with IFRS 3 (*revised*), *Business Combinations*.

Goodwill is not subject to amortisation but is reviewed for impairment at the end of the first full financial year following the acquisition and annually thereafter. It is also reviewed at other points if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit in respect of which the goodwill arose. Impairment is determined by assessing the ability of the cash-generating units to generate future cash flows and comparison of the resulting values with the respective goodwill balances. Impairment losses in respect of goodwill are not reversed.

Order books and customer lists

Order books and customer lists are recognised as intangible assets at their fair value on acquisition. The fair value is determined by discounting the future cash flows expected to be generated from them at an appropriate market-related discount rate. Amortisation is provided in order to write off the cost over the expected economic lives of the assets in equal instalments. The residual values are assumed to be nil.

Economic lives for intangible assets have been established as:

Order books	Typically less than one year
Customer lists	10 years

All intangible assets are reviewed annually for possible impairment, or more regularly if conditions exist that indicate a review is required.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life, which is typically 3-5 years.

Notes (continued)

3 Significant accounting policies (continued)

Tangible fixed assets

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at the Group's IFRS transition date was determined by reference to its depreciated cost as at that date.

Cost comprises the purchase price or construction cost and any costs directly attributable to making the asset capable of operating as intended, in the intended location. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given in order to acquire the asset.

When elements of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment other than those held for rental to clients are determined by comparing the proceeds from disposal with the corresponding carrying amounts and are recognised net within "other income" in the income statement. Where items are sold from the rental fleet, the sale proceeds are reflected in revenue and the remaining net book value is charged to cost of sales.

(ii) Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost less residual values to the income statement over the estimated useful lives of each asset. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	30-50 years
Fixtures, fittings and computer equipment	2-10 years
Motor vehicles	2-4 years
Plant and equipment	3-15 years

Improvements to leasehold premises are depreciated over the primary period of the leases to which the improvements relate.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price less all further costs of completion and disposal.

The Group makes provisions for impairment, where appropriate, based on an assessment of excess and obsolete inventories.

Costs in relation to partially complete projects are treated as work in progress to the extent that the revenue relating to those projects is unrecognised at the balance sheet date.

Foreign currencies

(i) Transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at each balance sheet date. Gains and losses on retranslation are recognised in the income statement for the year.

Notes (continued)

3 Significant accounting policies (continued)

(ii) Subsidiaries

The results and financial position of all subsidiaries that have a functional currency other than Sterling are translated into Sterling as follows:

- assets and liabilities for each balance sheet presented are translated at the rate ruling at the balance sheet date;
- income and expenses for each income statement are translated at prevailing exchange rates; and
- resulting exchange differences are recognised directly in equity in a separate foreign currency translation reserve (FCTR) in the consolidated balance sheet.

When a foreign subsidiary is disposed of, the portion of the FCTR relating to that subsidiary is required to be included as part of the calculation of profit or loss on the sale.

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. The overwhelming majority of the Group's employees participate in plans of this nature.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group operates three defined benefit schemes as follows:

Two defined benefit schemes exist in respect of employees of its German subsidiary, MENCK GmbH, in which there are 164 participants. Of these, 5 participate in a final salary scheme and the remaining 159 participate in a scheme which provides very modest benefits: these are determined by length of service rather than being linked to salary.

A further defined benefit scheme, in respect of employees of its Norwegian subsidiary, IOS InterMoor AS, in which there are 45 participants. Benefits are determined by salary levels and length of service.

Amounts charged to operating profit in relation to the schemes are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised in the income statement at the earlier of recognition of related restructuring costs and termination benefits and when the plan amendment occurs. The net interest on the net defined benefit liability is shown in the income statement under finance expense.

Pension scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Plan assets are valued at fair value and deducted from the pension scheme liabilities. Actuarial valuations are obtained at least triennially, with updates at intervening balance sheet dates. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity.

Notes *(continued)*

3 Significant accounting policies *(continued)*

Employee benefits *(continued)*

(iii) Short-term benefits

Short-term employee benefit obligations such as annual performance bonuses are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as a short-term benefit if the Group has a present legal or constructive obligation to pay this benefit as a result of past service provided by the employee and the amount of the obligation can be measured reliably.

Leasing

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the lower of fair value and the present value of the minimum future lease payments. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired under hire purchase agreements are depreciated over their useful lives. Obligations under such agreements are included in liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable in respect of operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it may be impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated discounted future cash flows. All impairment losses on financial assets measured at amortised cost are recognised in the income statement.

An impairment loss is only reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Notes (continued)

3 Significant accounting policies (continued)

Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill has an indefinite life and the recoverable amount is estimated at each reporting date.

The Group's approach to impairment testing in relation to goodwill and intangible assets is discussed in the "Goodwill" section above.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to, or recovered from, the taxation authorities. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in later years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured on an undiscounted basis at the tax rates that are expected to apply when the liability is settled or the asset is realised, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Notes (continued)

3 Significant accounting policies (continued)

Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that their carrying value will be realised primarily through sale rather than through continuing use.

Such assets are measured at the lower of their carrying amount and fair value less cost of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the income statement. Once classified as held for sale, intangible assets and tangible fixed assets are not amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, and which represents a separate major line of business or geographical area of operations that has been disposed of or held for sale. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on management's knowledge of prices offered and accepted for comparable items.

(ii) Intangible assets

The fair value of order books and customer lists acquired in a business combination is established by applying the income approach to valuation. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use of those assets.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on historic cost adjusted to fair value, if applicable. However where its estimated selling price in the ordinary course of business less the estimated costs of completion and sale is lower than cost, that lower value is adopted.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of their expected future cash flows, discounted where appropriate.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Notes (continued)

3 Significant accounting policies (continued)

Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs.

Net financing costs comprise interest payable on borrowings, interest receivable on cash and cash equivalents and amortisation of debt finance costs that are recognised in the income statement.

Interest income and expense is recognised in the income statement as it accrues, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and any other short-term highly liquid investments, less bank overdrafts.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less any provision for impairment. Provision is made when there is evidence that the Group will not be able to collect a receivable.

Impact of new accounting standards adopted in the year

There was no material impact from newly adopted accounting standards in the year on the Group's consolidated financial statements.

Impact of future accounting standards

The Group has reviewed the accounting standards not yet adopted which become effective for periods commencing on or after 1 January 2015 and which will apply to the Group's activities. These are:

- IFRS 9 – *Financial Instruments*
- IFRS 15 – *Revenue from Contracts with Customers*

These standards are not expected to have a significant impact on the Group's consolidated financial statements.

4 Financial risk management

The Group's international operations and debt financing expose it to a variety of financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of individual Group entities (which are principally Sterling, US Dollars, Euros, Singapore Dollars and Norwegian Kroner). As the Group's presentation currency is Sterling, it is also subject to foreign exchange translation risk in respect of the results and underlying net assets of foreign operations. The Group manages foreign currency risk by creating a natural hedge against its major foreign currency risk which is the US Dollar. The impact on earnings of a weakening Dollar is mitigated by a reduction in the Sterling value of borrowings denominated in US Dollars, and vice versa.

Details of significant balances in foreign currencies and the exchange rates used to translate them into Sterling are shown in note 26.

There were no changes in the Group's approach to foreign exchange risk during the year.

Notes (continued)

4 Financial risk management (continued)

(b) Cash flow and fair value interest rate risk

The Group has interest rate risk arising from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk.

The Group has no significant interest-bearing assets other than cash and cash equivalents of a working capital nature. Therefore the Group's income and operating cash flows arising from such assets are substantially independent of changes in market interest rates.

The Group monitors its exposure to interest rate risk as part of its overall financial risk management. The Board of Directors regularly considers its policy in relation to interest rate hedging but has chosen not to enter into any derivative contracts to manage its cash flow interest rate risks.

There were no changes in the Group's approach to cash flow and fair value interest rate risk during the year.

(c) Credit risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents, primarily composed of current account balances, are maintained with major financial institutions in each of the territories in which the Group operates. Cash balances held by non-UK operating companies in excess of those required for short-term funding needs are periodically remitted to UK bank accounts.

Sales are made on credit and result in short-term credit exposure on trade receivables. The Group's customers are principally major companies in the oil and gas exploration and production sector that have several years' transaction history with the Group. Credit risk from the ordinary course of trade activities is managed by the Group's subsidiaries on a customer and/or project basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The major component of this allowance is a specific loss element that relates to individually significant exposures. The ageing of receivables is shown in note 26.

There were no changes in the Group's approach to credit risk during the year.

(d) Liquidity risk

The Group maintains a blend of long-term and short-term committed facilities that are designed to ensure that it has sufficient available funds for operations and planned expansion and to meet its financial obligations as they fall due. At 31 December 2014 the Group had access to variable rate borrowings in the form of a £405m committed credit facility, of which £220m takes the form of term loans, £125m as a capital expenditure and acquisition facility and £60m as a revolving credit facility. The Group is able to draw down on the revolving facility as needed. Interest rates are determined by reference to LIBOR.

There were no changes in the Group's approach to liquidity risk during the year.

(e) Capital risk management

The objectives when managing capital (equity and bank borrowings) are to safeguard the Group's ability to continue as a going concern and:

- provide returns for shareholders;
- provide benefits for other stakeholders; and
- maintain an optimal capital structure to minimise the cost of capital.

The Group monitors its bank borrowings and carries out periodic reviews of actual and projected performance against a suite of bank covenants.

There were no changes to the Group's approach to capital management in the year.

Notes (continued)

5 Acquisitions of subsidiaries

Acquisitions 2014

UTEC International Limited

On 21 November 2014 the Group acquired 94.75% of the ordinary shares in UTEC International Limited for £92,647,000 in cash. UTEC International Limited is the parent of a group of companies which provides marine and facilities survey and data management services to the oil and gas, telecommunications and energy sectors. The main rationale for the acquisition was the broadening of the geographic footprint of the Group's survey service capabilities.

Between the acquisition date and 31 December 2014 this group generated revenue of £3,746,000 and a loss after tax of £137,000. If the acquisition had occurred on 1 January 2014, management estimates that revenues would have been £58,100,000 and the profit after tax for the period would have been £2,650,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would apply.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre- acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	7,627	386	8,013
Intangible assets	-	31,292	31,292
Inventories	15	-	15
Trade and other receivables	12,825	-	12,825
Cash and cash equivalents	15,637	-	15,637
Non-current loans and borrowings: Finance lease liabilities	(643)	-	(643)
Current loans and borrowings: Finance lease liabilities	(305)	-	(305)
Trade and other payables	(6,380)	-	(6,380)
Deferred income tax liabilities	(143)	(9,503)	(9,646)
Net identifiable assets and liabilities	28,633	22,175	50,808
Less non-controlling interest			(2,667)
Net assets acquired			48,141
Goodwill on acquisition (non-deductible for tax)			44,506
Total consideration			92,647
Cash acquired			(15,637)
Net cash outflow			77,010

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values (note 3 outlines the methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group has applied the income approach to ascertain the discounted cashflows expected to be derived from the use of the assets.

Goodwill has arisen on the acquisition because of several factors, including market access, the cross-selling opportunities created by it being part of the Group, the complementary nature and fit with the Group's existing products and services and the value associated with the technical expertise of its employees.

Notes (continued)

5 Acquisitions of subsidiaries (continued)

The Group incurred acquisition-related costs of £1,400,000 on legal fees and due diligence costs. These costs have been included in other administrative expenses within the consolidated income statement.

Acquisitions 2013

During 2013 the Group acquired all of the non-controlling interests in Fluke Subsea Solucoes E Servicos Limitada (formerly Fluke Engenharia Limitada) for £88,000. In accordance with IAS27, *Consolidated and Separate Financial Statements*, the goodwill arising as a result of this acquisition of shares has been debited to other reserves as there was no resultant change in overall control.

The Group acquired two new subsidiaries J2 Subsea Limited (formerly J2 Engineering Services Limited) and Probe Oil Tools Limited during 2013.

Probe Oil Tools Limited

On 5 September 2013 the Group acquired 80% of the ordinary shares in Probe Oil Tools Limited for £38,400,000 in cash. The company provides high-precision wellhead and other oilfield equipment to the oil and gas sector both offshore and onshore. Between the acquisition date and 31 December 2013 this subsidiary generated a profit after tax of £1,735,000. If the acquisition had occurred on 1 January 2013, management estimates that revenues would have been £15,000,000 and the profit after tax for the period would have been £5,200,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2013.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	973	680	1,653
Intangible assets	-	19,807	19,807
Inventories	2,014	-	2,014
Trade and other receivables	3,012	-	3,012
Cash and cash equivalents	9,516	-	9,516
Deferred tax	(145)	(4,712)	(4,857)
Trade and other payables	(2,144)	-	(2,144)
Net identifiable assets and liabilities	13,226	15,775	29,001
Less non-controlling interest			(5,800)
Net assets acquired			23,201
Goodwill on acquisition (non-deductible for tax)			15,199
Total consideration			38,400
Cash acquired			(9,516)
Net cash outflow			28,884

Notes (continued)

5 Acquisitions of subsidiaries (continued)

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values (note 3 outlines the methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be derived from the use of the assets.

Goodwill has arisen on the acquisition because of several factors, including market access, the cross-selling opportunities created by its being part of the Group, the complementary nature and fit with the Group's existing products and services enhancing the Group's market offering, and the value associated with the technical expertise of its employees.

J2 Subsea Limited

The Group acquired 80% of the ordinary share capital of J2 Subsea Limited on 10 July 2013 for £1,668,000 in cash. The total net assets acquired at fair value, including separately identifiable intangible assets, amounted to £1,053,000, resulting in goodwill arising on acquisition of £615,000. This company complements the Group's existing Seatronics business by providing rental, maintenance, and repair services for remotely operated vehicle manipulator arms and associated tooling equipment.

6 Discontinued operations and assets held for sale

As a result of continued weak trading in one of the Group's subsidiaries, Fluke Subsea Solucoes E Servicos Limitada ("Fluke"), and the recognition that its prospects of improvement were limited in the short- to medium-term, the Group decided to cease Fluke's manufacturing operations with immediate effect and take steps to sell its freehold properties and associated equipment. The company was not classified as a discontinued operation in 2013 and therefore the consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations for both the current and comparative period.

Various impairments in relation to this company had already been made in the 2013 financial statements resulting in the values relating to goodwill (£5,369,000), the customer list (£2,331,000) and software (£74,000) being fully impaired. The company's tangible freehold property and equipment was also impaired by £5,629,000 to its estimated fair value less cost of disposal of £2,965,000 which was deemed higher than its value in use but lower than its carrying value. The overall impairment loss of £13,403,000 was recognised in the consolidated income statement.

The asset held at fair value less cost of disposal represents a freehold property in Brazil which is deemed to be "Level 2" in the fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. Level 2, is defined, as where fair value inputs are observable for that asset or liability either directly or indirectly - for example quoted prices for similar assets/liabilities in an active market.

In determining the fair value less cost of disposal as at 31 December 2013 an estimated valuation was established and adjusted for estimated disposal costs. Factors taken into account in establishing the estimated valuation included the expected timeframe to sell the property (2 years), and possible exchange movements within that period, where it was anticipated that the Brazilian Real would further weaken against Sterling by 15% based on recent trends. A discount factor of 16% was applied. In establishing that rate a 3% premium was added to the Group's tax adjusted weighted average cost of capital to reflect the market characteristics of Brazil at the time.

This method and valuation was still considered appropriate on the initial reclassification in 2014 of the freehold property and associated plant and equipment as assets held for sale.

Notes (continued)

6 Discontinued operations and assets held for sale (continued)

A sale of these assets was agreed in December 2014 and is expected to be completed by April 2015. As the agreed sales value of the assets (less cost of disposal) is higher than their carrying value prior to impairment, the total impairment provision of £4,580,000 has been reversed in full to the income statement. The assets are now stated on the balance sheet at their net book value at the time they were reclassified of £7,233,000, adjusting for exchange movements.

The cash flows relating to the discontinued operation are detailed below:

	2014 £000	2013 £000
Net cash used in operating activities	(4,996)	(977)
Net cash used in investing activities	(73)	(759)
Net cash used in discontinued operations	<u>(5,069)</u>	<u>(1,736)</u>

7 Revenue

	2014 £000	2013 £000
Sale of goods	74,944	77,586
Rendering of services	424,974	419,987
Total revenues	<u>499,918</u>	<u>497,573</u>

8 Expenses and auditor's remuneration

	2014 £000	2013 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	30,059	25,808
Leased	23	650
Impairment (reversal)/charge relating to tangible fixed assets	(623)	6,392
Amortisation of intangibles	8,223	8,399
Impairment of intangibles	-	7,774
Impairment reversal relating to assets held for sale	(4,580)	-
Hire of plant and machinery - rentals payable under operating leases	1,626	1,572
Hire of other assets - operating leases	8,256	7,798
Research and development expenditure	1,339	2,046

Notes (continued)

8 Expenses and auditor's remuneration (continued)

	2014 £000	2013 £000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's accounts	82	68
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	449	431
Other services relating to taxation	643	409
Services relating to acquisition transactions entered into or proposed to be entered into by or on behalf of the Company or the Company's subsidiaries	404	102
All other services	211	20
	<u> </u>	<u> </u>

9 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	641	1,018
Company contributions to money purchase pension schemes	13	13
	<u> </u>	<u> </u>

The aggregate of emoluments of the highest paid director was £351,000 (2013: £554,000). Company pension contributions of £7,000 (2013: £7,000) were made to a money purchase scheme on his behalf.

	Number of directors	
	2014	2013
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
	<u> </u>	<u> </u>

10 Personnel expenses and employee numbers

The average number of employees during each year was as follows:

	Number of employees	
	2014	2013
Directors of Acteon Group Limited	2	2
Technical and administration	2,266	2,238
	<u> </u>	<u> </u>
	2,268	2,240
	<u> </u>	<u> </u>

Notes (continued)

10 Personnel expenses and employee numbers (continued)

The aggregate payroll costs of these employees were as follows:

	2014 £000	2013 £000
Wages and salaries	114,870	110,036
Social security costs	13,590	13,005
Contributions to defined contribution plans	3,299	2,429
Expenses related to defined benefit plans	277	207
	<u>132,036</u>	<u>125,677</u>

11 Finance income and expense

Recognised in profit or loss

	2014 £000	2013 £000
Interest income on bank deposits	2,359	1,987
Foreign exchange gains	4,140	-
Other interest receivable	239	116
	<u>6,738</u>	<u>2,103</u>

Finance income

Interest payable on bank borrowings	(17,621)	(16,928)
Foreign exchange losses	-	(10,369)
Amortisation of finance raising costs	(3,348)	(3,336)
Finance charges under finance lease and hire purchase contracts	(7)	(45)
Interest on net employee benefit obligations	(64)	(56)
Other interest payable	(129)	(186)
	<u>(21,169)</u>	<u>(30,920)</u>

Finance expense

Net finance expense recognised in profit or loss	<u>(14,431)</u>	<u>(28,817)</u>
--	-----------------	-----------------

	2014 £000	2013 £000
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Recognised directly in equity

Translation of foreign currency net investments	<u>(5,939)</u>	<u>(4,800)</u>
Finance expense recognised directly in equity, net of tax	<u>(5,939)</u>	<u>(4,800)</u>

All finance expense recognised directly in equity is attributable to holders of equity in the company. Translation gains and losses in respect of foreign currency net investments are recognised in the foreign currency translation reserve.

Notes (continued)

12 Income tax expense

	2014 £000	2013 £000
Current tax expense		
Corporation tax on UK profits for year	7,304	6,096
Adjustment for prior periods	(2,077)	(780)
Foreign tax – current	13,081	12,833
Foreign tax – adjustments in respect of prior periods	4,794	1,475
	<u>23,102</u>	<u>19,624</u>
Deferred tax credit		
Reversal of temporary differences	(1,055)	(1,437)
Adjustments for prior periods	(232)	(131)
	<u>(1,287)</u>	<u>(1,568)</u>
Total income tax expense	<u>21,815</u>	<u>18,056</u>
Reconciliation of effective tax rate		
	2014 £000	2013 £000
Profit for the year	48,406	28,466
Total income tax expense	21,815	18,056
	<u>70,221</u>	<u>46,522</u>
Income tax using the Group's domestic tax rate (21.5%, 2013: 23.25%)*	15,098	10,816
Non-deductible expenses	3,299	3,930
Unrelieved foreign taxes and franchise taxes paid in the USA	3,048	1,293
Differences between local tax rates and UK standard rate	(2,078)	(1,395)
Deferred tax asset relating to losses written off as deemed irrecoverable	-	3,503
Adjustment for prior periods	2,485	564
Effect of reduction in tax rate on deferred tax balances	(37)	(655)
	<u>21,815</u>	<u>18,056</u>

* The effective rate for 2014 is a weighted average of the applicable corporation tax rates during the year. The 23% rate was reduced to 21% from 1 April 2014. The effective rate for 2013 is a weighted average of the applicable corporation tax rates during that year. The 24% rate was reduced to 23% from 1 April 2013.

The UK corporation tax rate, as substantively enacted on 2 July 2013, will reduce to 20% (effective from 1 April 2015) by 2015. This will reduce the Group's future current tax charge accordingly.

The UK element of the deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes (continued)

12 Income tax expense (continued)

	2014	2013
Income tax using the Company's domestic (UK) tax rate	21.5%	23.3%
Variation in tax rate:		
Non-deductible expenses	4.7%	8.4%
Unrelieved foreign taxes and franchise taxes paid in the USA	4.4%	2.8%
Differences between local tax rates and UK standard rate	(3.0%)	(3.0%)
Deferred tax asset relating to losses deemed irrecoverable	-	7.5%
Adjustments for prior periods	3.5%	1.2%
Effect of reduction in tax rate on deferred tax balances	-	(1.4%)
	<u>31.1%</u>	<u>38.8%</u>

13 Profit for the financial year

The profit dealt with in the accounts of the parent company was £72,531,000 (2013: £14,343,000). The balance sheet of the parent company can be found on page 58.

14 Dividends

	2014 £000	2013 £000
Ordinary dividends declared and paid to non-controlling interests	<u>624</u>	<u>-</u>

Notes (continued)

15 Property, plant and equipment

	Land, buildings and leasehold improvements £000	Plant, equipment and fixtures and fittings £000	Assets under construction £000	Total £000
Cost or deemed cost				
Balance at 1 January 2013	25,548	225,411	7,091	258,050
Additions	1,491	37,720	20,210	59,421
Arising on acquisition	890	1,155	-	2,045
Transfer on completion	5,887	12,740	(18,627)	-
Disposals	(15)	(6,936)	-	(6,951)
Exchange movements	(1,593)	(9,146)	(79)	(10,818)
Balance at 31 December 2013	32,208	260,944	8,595	301,747
Additions	2,830	35,553	13,970	52,353
Arising on acquisition	133	7,880	-	8,013
Transfer on completion	3,327	9,359	(12,686)	-
Disposals	(147)	(7,077)	-	(7,224)
Transferred to Assets held for sale (note 6)	(7,993)	(2,407)	-	(10,400)
Exchange movements	312	(8,370)	(156)	(8,214)
Balance at 31 December 2014	30,670	295,882	9,723	336,275
Depreciation and impairment losses				
Balance at 1 January 2013	3,733	97,324	-	101,057
Depreciation for the year	864	25,594	-	26,458
Impairment losses for the year	4,000	2,392	-	6,392
Disposals	-	(4,443)	-	(4,443)
Exchange movements	(193)	(4,499)	-	(4,692)
Balance at 31 December 2013	8,404	116,368	-	124,772
Depreciation for the year	1,363	28,719	-	30,082
Impairment losses reversed in the year	(263)	(360)	-	(623)
Disposals	(144)	(4,457)	-	(4,601)
Transferred to Assets held for sale (note 6)	(5,028)	(2,407)	-	(7,435)
Exchange movements	114	(3,285)	-	(3,171)
Balance at 31 December 2014	4,446	134,578	-	139,024
Carrying amounts				
At 31 December 2013	23,804	144,576	8,595	176,975
At 31 December 2014	26,224	161,304	9,723	197,251

Notes (continued)

15 Property, plant and equipment (continued)

The total impairment losses in 2013 of £6,392,000 included an amount of £763,000 which arose from equipment damaged beyond repair. The remaining £5,629,000 resulted from an impairment review as detailed in note 6. As at 31 December 2014 only £426,000 of these brought forward impairment losses remained within plant and equipment. Prior balances had either been eliminated on disposal, reversed, or as detailed in note 6 reclassified as assets held for sale in the current year.

The net carrying amount of land, buildings and leasehold improvements comprises:

	2014 £000	2013 £000
Freehold land and buildings	9,504	9,913
Long leaseholds	208	218
Short leaseholds	14,908	12,662
Leasehold improvements	1,604	1,011
	<u>26,224</u>	<u>23,804</u>

Leased plant and machinery

The Group leases equipment under a number of finance lease agreements. At 31 December 2014 the net carrying amount of leased plant and machinery was £1,102,000 (2013: £589,000).

Security

At each balance sheet date the majority of properties were subject to a fixed or floating charge as security for bank loans.

Cash Flow

The gross additions (excluding those arising on acquisition) to property, plant and equipment of £52,353,000 in 2014 (2013: £59,421,000) have been adjusted in relation to the value of capital creditors outstanding at 31 December to derive the amount for inclusion in the Statement of Cash Flow for the purchase of property, plant and equipment.

16 Intangible assets

	Goodwill £000	Customer lists £000	Order books £000	Software £000	Total £000
Cost					
Balance at 1 January 2013	129,140	55,848	4,962	6,308	196,258
Additions	-	-	-	536	536
Additions arising on acquisition	15,814	18,491	1,507	-	35,812
Disposals	-	-	-	(75)	(75)
Exchange movements	(2,113)	-	-	(82)	(2,195)
Balance at 31 December 2013	<u>142,841</u>	<u>74,339</u>	<u>6,469</u>	<u>6,687</u>	<u>230,336</u>
Additions	-	-	-	303	303
Additions arising on acquisition	44,506	28,047	3,245	-	75,798
Disposals	-	-	-	(14)	(14)
Exchange movements	(1,721)	-	-	(64)	(1,785)
Balance at 31 December 2014	<u>185,626</u>	<u>102,386</u>	<u>9,714</u>	<u>6,912</u>	<u>304,638</u>

Notes (continued)

16 Intangible assets (continued)

	Goodwill £000	Customer lists £000	Order books £000	Software £000	Total £000
Amortisation and impairment losses					
Balance at 1 January 2013	2,020	27,104	4,962	3,740	37,826
Amortisation for the year	-	6,094	1,507	798	8,399
Impairment losses for the year	5,369	2,331	-	74	7,774
Disposals	-	-	-	(57)	(57)
Exchange movements	-	-	-	(38)	(38)
Balance at 31 December 2013	7,389	35,529	6,469	4,517	53,904
Amortisation for the year	-	6,998	371	854	8,223
Disposals	-	-	-	(13)	(13)
Exchange movements	-	-	-	(46)	(46)
Balance at 31 December 2014	7,389	42,527	6,840	5,312	62,068
Carrying amounts					
At 31 December 2013	135,452	38,810	-	2,170	176,432
At 31 December 2014	178,237	59,859	2,874	1,600	242,570

Amortisation and impairment charge

Amortisation and impairment of intangible assets is included within administrative expenses in the Income Statement.

Customer lists represent the value associated with the customer base of subsidiaries acquired since 1 January 2006.

The principal carrying amount of customer lists at 31 December 2014 represents:

	2014 £000	2013 £000
Seatronics Group – Amortisation period remaining of 2 years 6 months	4,209	5,887
IOS InterMoor AS – Amortisation period remaining of 5 years 6 months	5,824	6,883
NCS Survey Limited – Amortisation period remaining of 6 years 5 months	2,387	2,518
Probe Oil Tools Limited – Amortisation period remaining of 8 years 8 months	15,927	17,764
UTEC Group – Amortisation period remaining of 9 years 11 months	27,813	-

Order books represent the value associated with incomplete customer orders at the date of acquisition in subsidiaries. The carrying amount relates to the UTEC Group and has a remaining amortisation period of 11 months.

Notes (continued)

16 Intangible assets (continued)

Impairment testing for cash-generating units (CGUs) containing goodwill

Goodwill is allocated to operating units for the purpose of impairment testing and this represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2014 £000	2013 £000
<u>High capital intensity units</u>		
Seatronics Group	43,380	43,380
InterMoor Ltd	12,694	12,694
IOS InterMoor AS	27,605	29,628
NCS Survey Ltd	5,873	5,873
Probe Oil Tools Ltd	15,199	15,199
UTEC Group	44,564	-
Other capital-intensive units	4,878	4,878
	<hr/> 154,193	<hr/> 111,652
<u>Low capital intensity units</u>		
Claxton Engineering Services Ltd	5,947	5,947
2H Group	5,804	5,804
InterAct PMTI Inc	3,367	3,123
Other low capital intensity units	8,926	8,926
	<hr/> 24,044	<hr/> 23,800
Total goodwill	<hr/> 178,237	<hr/> 135,452

Recoverable amounts for CGUs are based on value-in-use calculations. These calculations use pre-tax cash flow projections for a five-year period, including financial budgets approved by the board covering a one-year period. Cash flows beyond the one-year period are extrapolated based on estimated long-term average growth rates (typically 3 to 6 per cent). Goodwill is considered to have an infinite life and the cash flows in year five are used as a basis for calculating a terminal value. The terminal value is added to the value-in-use calculated for years one to five. The growth rate in years two to five does not exceed the anticipated long-term average growth rate for the market in which the CGU operates. For 2014 the 3% to 6% range has been used for all CGUs. In all cases, a terminal growth value of 2% (2013: 2%) has been assumed. The key inputs to this calculation are shown below:

	As at 31 December 2014	As at 31 December 2013
Period on which management approved forecasts are based	1 Year	1 Year
Growth rate applied for years two to five	3.0% to 6.0%	3.0% to 6.0%
Growth rate applied to terminal value calculation	2.0%	2.0%
Pre-tax discount rate	13.0%	13.0% to 16.0%

Notes (continued)

16 Intangible assets (continued)

Impairment testing for CGUs containing goodwill (continued)

Whilst current market conditions do not support the growth rates presented above in the very short-term, it is anticipated that in the medium- to longer-term these rates are appropriate, reflecting the expected recovery in the oil and gas sector.

The pre-tax discount rate applied to the cash flow projections has been derived by estimating the Group's tax-adjusted weighted average cost of capital. The rate adopted is broadly consistent with that of other market participants taken together.

Impairment reviews were performed at 31 December 2013 and 31 December 2014 by comparing the carrying value of goodwill and other intangible and tangible fixed assets with the estimated recoverable amount of each CGU. As part of the impairment reviews a sensitivity analysis was performed. On the basis of this review the directors concluded there was no evidence of any further impairment in 2014. In 2013 the Group's Brazilian subsidiary, Fluke Subsea Solucoes E Servicos Limited, was impaired as detailed in note 6.

The cumulative impairment provisions within intangible assets are as follows:

	2014 £000	2013 £000
Goodwill	7,389	7,389
Customer lists	2,917	2,917
Software	74	74
	<u>10,380</u>	<u>10,380</u>

There are no intangible assets, other than goodwill, with indefinite useful lives.

Notes (continued)

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as:

	Assets		Liabilities	
	2014 £000	2013 £000	2014 £000	2013 £000
Property, plant and equipment	-	-	14,828	11,447
Intangible assets	-	-	15,819	8,167
Retirement benefit obligations	(336)	(277)	-	-
Provisions / accruals	(3,316)	(1,856)	-	-
Other items	-	(119)	198	343
Tax losses carried forward	(1,581)	(210)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax (assets)/liabilities	(5,233)	(2,462)	30,845	19,957
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax liabilities			25,612	17,495
			<hr/>	<hr/>

The Group has recognised deferred tax assets in respect of losses carried forward on the basis that they will be used to offset future taxable profits. As a result of the impairment review in 2013, as detailed in note 6 regarding Fluke Subsea Solucoes E Servicos Limitada, a deferred tax asset as at 31 December 2013 relating to trading losses totalling £3,503,000 was written off to the income tax expense within the Consolidated Income Statement.

At 31 December 2014, deferred tax assets totalling £8,243,000 (2013: £5,125,000), relating to trading losses of £8,243,000 (2013: £4,546,000) and non-trade loan related interest of £nil (2013: £579,000) have not been recognised, because the entity is forecasting insufficient profits for these to be utilised.

Deferred tax impact of movements in temporary differences during the year - 2014

	Balance 1 January 2014 £000	Foreign exchange and reclassifications £000	Recognised in income statement £000	Adjustments for prior year £000	Acquired in business combinations £000	Balance 31 December 2014 £000
Property, plant and equipment	11,447	(273)	3,395	-	259	14,828
Intangible assets	8,167	(1)	(1,734)	-	9,387	15,819
Retirement benefit obligations	(277)	7	(66)	-	-	(336)
Provisions / accruals	(1,856)	24	(1,484)	-	-	(3,316)
Tax losses carried forward	(210)	4	(1,143)	(232)	-	(1,581)
Other items	224	(3)	(23)			198
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	17,495	(242)	(1,055)	(232)	9,646	25,612
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

17 Deferred tax assets and liabilities (continued)

Deferred tax impact of movements in temporary differences during the year - 2013

	Balance 1 January 2013 £000	Foreign Exchange and reclassifications £000	Recognised in income statement £000	Adjustments for prior years £000	Acquired in business combinations £000	Balance 31 December 2013 £000
Property, plant and equipment	10,036	202	908	-	301	11,447
Intangible assets	7,237	-	(3,670)	-	4,600	8,167
Retirement benefit obligations	(249)	(6)	(22)	-	-	(277)
Provisions / accruals	(635)	(7)	(1,214)	-	-	(1,856)
Tax losses carried forward	(2,540)	(30)	2,360	-	-	(210)
Other items	152	2	70	-	-	224
	<u>14,001</u>	<u>161</u>	<u>(1,568)</u>	<u>-</u>	<u>4,901</u>	<u>17,495</u>

18 Inventories

	2014 £000	2013 £000
Raw materials and consumables	3,869	3,660
Work in progress	7,610	11,221
Finished goods	16,013	14,246
	<u>27,492</u>	<u>29,127</u>

In 2014 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £36,781,000 (2013: £28,008,000).

19 Trade and other receivables

	2014 £000	2013 £000
Trade receivables	125,753	129,909
Other debtors	11,243	14,655
Income tax receivables	5,377	4,476
Prepayments	9,812	7,447
	<u>152,185</u>	<u>156,487</u>

The Group's exposures to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

Notes (continued)

20 Share capital

	Allotted, called up and fully paid	
	No 000	£000
At 31 December 2013 and 31 December 2014		
"A" ordinary shares of £0.01 each	590,038	5,900
"B" ordinary shares of £0.01 each	481,239	4,812
"C" ordinary shares of £0.01 each	75,986	760
"D" ordinary shares of £0.01 each	18,666	187
	<hr/>	<hr/>
	1,165,929	11,659
	<hr/>	<hr/>

All shares rank pari passu, in all respects, except that any "A" ordinary shares and any "B" ordinary shares in issue confer enhanced voting rights on their holders. The consent of the majority of the holders of the "A" ordinary shares and "B" ordinary shares is required in respect of certain matters. Further details of these rights are contained in the Company's Articles of Association dated 5 November 2012.

21 Capital and reserves

Share premium

Share premium represents the excess of the proceeds received from the issue of shares over the nominal value of those shares.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserves

Other reserves represents a capital redemption reserve credit balance of £1,154,000 (2013: £1,154,000) and ownership change reserve debit balance of £6,281,000 (2013: debit balance of £6,281,000).

The capital redemption reserve arose on the repurchase of own shares by the Company.

The ownership change reserve arose from the Group acquiring and disposing of shareholdings in existing group companies which did not result in a change in overall control. In accordance with IAS 27, *Consolidated and Separate Financial Statements*, any goodwill changes are posted to this reserve, rather than adjusting goodwill on initial acquisition by the Group. Further details of movements in 2014 and 2013 are detailed in note 5.

Retained earnings

Retained earnings comprise cumulative undistributed earnings of the Group.

Notes (continued)

22 Non-controlling interests

	UTEC Group £000	Seatronics Group £000	Probe Oil Tools Limited £000	Other £000	Total £000
Balance at 1 January 2013	-	1,151	-	(506)	645
Profit allocated to non-controlling interests in the year	-	247	156	46	449
Acquisition of non-controlling interest in the year (note 5)	-	-	5,800	1,392	7,192
Balance at 31 December 2013	-	1,398	5,956	932	8,286
Profit/(loss) allocated to non-controlling interests in the year	(29)	252	945	73	1,241
Dividends paid in the year (note 14)	-	(624)	-	-	(624)
Acquisition of non-controlling interest in the year (note 5)	2,667	-	-	-	2,667
Balance at 31 December 2014	2,638	1,026	6,901	1,005	11,570

23 Loans and borrowings

This note provides information relating to the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. Further information relating to the Group's exposure to interest rate, foreign currency and liquidity risk is contained in note 26.

	2014 £000	2013 £000
Non-current liabilities		
Secured bank loans	310,111	287,391
Finance lease liabilities	576	-
	310,687	287,391
Current liabilities		
Secured bank loans	11,652	11,652
Finance lease liabilities	356	24
	12,008	11,676
Total loans and borrowings	322,695	299,067

Notes (continued)

23 Loans and borrowings (continued)

Terms and debt repayment schedule

The principal terms relating to outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2014		31 December 2013	
				Face value	Carrying amount*	Face value	Carrying amount*
				£000	£000	£000	£000
Secured bank loan	Sterling	Libor + Margin**	2017-2018	279,350	271,349	263,000	252,177
Secured bank loan	US Dollar	Libor + Margin**	2017-2018	51,900	50,414	48,878	46,866
Finance lease liabilities	Sterling	7.4%	2017	932	932	24	24
Total interest-bearing liabilities				332,182	322,695	311,902	299,067

* The carrying amount of each loan is the face value less its unamortised debt issue costs.

** Margin is in the range of 3% to 4.25% depending on the Group's financial performance.

Both the bank loans are secured via fixed or floating charges over the majority of the Group's properties and other assets.

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2014 £000	Interest 2014 £000	Present value of minimum lease payments 2014 £000	Future minimum lease payments 2013 £000	Interest 2013 £000	Present value of minimum lease payments 2013 £000
Less than one year	398	42	356	25	1	24
Between one and five years	603	27	576	-	-	-
	1,001	69	932	25	1	24

Notes (continued)

24 Employee benefits

Defined contribution schemes

The Group operates various defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds.

Defined benefit schemes

MENCK GmbH, a subsidiary of Acteon Group Limited incorporated in Germany, operates two defined benefit pension schemes as described in note 3. Unlike UK pension schemes the pension obligations of the scheme are met via the assets of the company. There are no assets held separately by the scheme itself.

IOS InterMoor AS, an indirectly owned subsidiary of Acteon Group Limited incorporated in Norway, also operates a defined benefit scheme. The scheme's pension obligations are met via plan assets held separately in the form of an insurance policy. The company contributes annually into the policy, with the premiums being invested to provide assets sufficient to fund employees' accrued benefit entitlements on retirement.

Charges to the income statement

Total charges to operating profit in the income statement in respect of the schemes operated by the Group were as follows:

	2014 £000	2013 £000
(i) In respect of the Group's defined contribution schemes		
- UK	2,231	1,490
- Overseas	1,068	939
	<u>3,299</u>	<u>2,429</u>
(ii) In respect of the Group's defined benefit schemes	<u>277</u>	<u>207</u>

Disclosure relating to the Group's defined benefit obligations

	2014 £000	2013 £000
Total present value of unfunded obligations recognised as a liability – Menck GmbH	1,558	1,368
Total present value of funded obligations net of pension plan assets – IOS InterMoor AS	820	378
Net liability for defined benefit obligations at 31 December	<u>2,378</u>	<u>1,746</u>

Notes (continued)

24 Employee benefits (continued)

Movement in the present value of the defined benefit obligations

	IOS InterMoor AS		Menck GmbH	
	2014	2013	2014	2013
	£000	£000	£000	£000
Defined benefit obligations at 1 January	(1,989)	(1,697)	(1,368)	(1,341)
Benefits paid by the plan	36	41	71	77
Current service costs	(244)	(173)	(33)	(34)
Interest cost	(70)	(59)	(44)	(45)
Actuarial (loss)/gain recognised in equity (see below)	(585)	(317)	(270)	3
Payment of payroll taxes on pension obligations	44	36	-	-
Exchange rate movements on retranslation	252	180	86	(28)
	<u>(2,556)</u>	<u>(1,989)</u>	<u>(1,558)</u>	<u>(1,368)</u>

Movement in fair value of plan assets

Fair value of plan assets at 1 January	1,611	1,547	-	-
Interest income	50	48	-	-
Actuarial gain/(loss) on plan assets recognised in equity (see below)	8	(36)	-	-
Employer contributions	307	257	-	-
Benefits paid from plan	(36)	(41)	-	-
Exchange rate movements on retranslation	(204)	(164)	-	-
	<u>1,736</u>	<u>1,611</u>	<u>-</u>	<u>-</u>
Fair value of plan assets at 31 December				
	<u>(820)</u>	<u>(378)</u>	<u>(1,558)</u>	<u>(1,368)</u>

Deficit recognised at 31 December

Notes (continued)

24 Employee benefits (continued)

Expense recognised in profit or loss

	IOS InterMoor AS		Menck GmbH	
	2014	2013	2014	2013
	£000	£000	£000	£000
Current service costs included in other administrative expenses	(244)	(173)	(33)	(34)
Interest on net obligation included in finance expense	(20)	(11)	(44)	(45)
Total	(264)	(184)	(77)	(79)

Actual return on plan assets

	IOS InterMoor AS	
	2014	2013
	£000	£000
Total	58	12

Actuarial gains and losses recognised directly in equity in the statement of recognised income and expense

	IOS InterMoor AS		Menck GmbH	
	2014	2013	2014	2013
	£000	£000	£000	£000
Cumulative (loss)/gain at 1 January	(319)	34	(183)	(186)
Recognised during the period:				
Actuarial (loss)/gain arising from demographic assumptions	-	(179)	4	3
Actuarial (loss) arising from financial assumptions	(577)	(174)	(274)	-
Cumulative (loss) at 31 December	(896)	(319)	(453)	(183)

Fair value of plan assets

The approximate breakdown of the fair value of plan assets (expressed as percentages) was as follows:

	IOS InterMoor AS	
	2014	2013
	%	%
Equities	12	11
Corporate bonds	75	56
Property	9	16
Money market deposits	1	12
Other	3	5
Total	100	100

Notes (continued)

24 Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	IOS InterMoor AS		Menck GmbH	
	2014	2013	2014	2013
	%	%	%	%
Discount rate	2.30	4.00	2.15	3.50
Interest rate on assets	2.30	4.00	-	-
Future salary increases	2.75	3.75	-	-
Staff turnover	-	-	8.00	5.00
Norwegian national insurance increases	2.50	3.50	-	-
Future pension increases	0.00	0.60	1.00	1.00

Sensitivity analysis

A 0.5 percent change in the principal actuarial assumptions above at the reporting date would have (increased)/decreased the defined benefit obligation at 31 December by the amounts shown below. This analysis assumes that all other assumptions remain constant.

	IOS InterMoor AS		Menck GmbH	
	+0.5%	-0.5%	+0.5%	-0.5%
	£000	£000	£000	£000
2014				
Discount rate	371	(375)	110	(126)
Future salary increases	(222)	230	-	-
Staff turnover	-	-	1	(1)
Norwegian national insurance increases	80	(45)	-	-
Future pension increases	(189)	-	(88)	81
2013				
Discount rate	224	(261)	85	(96)
Future salary increases	(158)	170	-	-
Staff turnover	-	-	1	(1)
Norwegian national insurance increases	66	(32)	-	-
Future pension increases	(137)	125	(70)	64

Notes (continued)

24 Employee benefits (continued)

Historical information – IOS InterMoor AS funded pension scheme

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of the defined benefit obligation	(2,556)	(1,989)	(1,697)	(1,849)	(1,461)
Fair value of the planned assets	1,736	1,611	1,547	1,295	1,173
Deficit in the plan	(820)	(378)	(150)	(554)	(288)
Experience adjustments arising on plan liabilities	(56)	(49)	(72)	(40)	(2)
Experience adjustments arising on plan assets	29	(15)	(39)	(52)	(23)

The plan obligations has a weighted average duration at the year end of 23 years (2013: 22 years), and in 2015 the Group expects to pay contributions totalling £303,000 into the plan.

Historical information – Menck GmbH unfunded pension scheme

	2014 £000	2013 £000	2011 £000	2012 £000	2010 £000
Present value of the defined benefit obligation	(1,558)	(1,368)	(1,341)	(1,159)	(1,214)
Deficit in the plan	(1,558)	(1,368)	(1,341)	(1,159)	(1,214)
Experience adjustments arising on plan liabilities	(5)	(18)	67	(15)	(35)

The plan obligations have a weighted average duration at the year end of 15 years (2013: 14 years). The scheme is an unfunded scheme and the Group expects to pay £72,000 in plan benefits during 2015. This will settle the liabilities to pensioners as they fall due.

25 Trade and other payables

	2014 £000	2013 £000
Trade payables	24,845	26,954
Other tax and social security	4,002	5,174
Other creditors	12,749	5,297
Accruals and deferred income	38,450	37,780
	80,046	75,205

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

Notes (continued)

26 Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's approach to financial risk management is described in note 4.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2014	2013
	£000	£000
Trade and other receivables	152,185	156,487
Cash and cash equivalents	43,632	49,953
	<u>195,817</u>	<u>206,440</u>

The carrying amounts of the Group's net trade receivables were denominated in the following principal currencies:

	Carrying amount	
	2014	2013
	000	000
Sterling	74,591	60,127
US Dollars	39,763	42,850
Euros	6,311	11,472
Brazilian Real	11,151	45,299
Norwegian Kroner	111,785	86,233
Singapore Dollars	7,373	17,622
	<u>195,817</u>	<u>206,440</u>

Notes (continued)

26 Financial instruments (continued)

Impairment losses

The Group contracts with customers under different credit terms.

The aging of trade receivables at the reporting date was:

	Gross 2014 £000	Provision for impairment 2014 £000	Net 2014 £000	Gross 2013 £000	Provision for impairment 2013 £000	Net 2013 £000
0-30 days	70,411	-	70,411	80,037	-	80,037
31-60 days	30,857	-	30,857	27,515	-	27,515
61-90 days	15,775	-	15,775	13,309	(11)	13,298
Over 91 days	11,764	(3,054)	8,710	13,859	(4,800)	9,059
Trade receivables	128,807	(3,054)	125,753	134,720	(4,811)	129,909

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014 £000	2013 £000
Balance at 1 January	4,811	3,842
Impairment loss (utilised and/or reversed)/charged	(1,757)	969
Balance at 31 December	3,054	4,811

The impairment loss at 31 December 2014 relating to provisions against the recoverability of amounts on specific contracts totals £1,733,000 (2013: £3,192,000).

Notes (continued)

26 Financial instruments (continued)

Liquidity risk

The Group's policy on liquidity risk management is discussed in note 4.

The following are the contractual maturities of financial liabilities, including estimated interest payments and including the impact of netting agreements:

Non-derivative financial liabilities

2014

	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000
Secured bank loans	321,763	375,328	14,814	14,649	74,936	270,929
Finance lease liabilities	932	1,001	193	205	583	20
Trade and other payables	80,046	80,046	80,046	-	-	-
	<u>402,741</u>	<u>456,375</u>	<u>95,053</u>	<u>14,854</u>	<u>75,519</u>	<u>270,949</u>

2013

	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000
Secured bank loans	299,043	365,454	14,387	14,222	27,945	308,900
Finance lease liabilities	24	25	25	-	-	-
Trade and other payables	75,205	75,205	75,205	-	-	-
	<u>374,272</u>	<u>440,684</u>	<u>89,617</u>	<u>14,222</u>	<u>27,945</u>	<u>308,900</u>

Notes (continued)

26 Financial instruments (continued)

Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

31 December 2014

Impact in 000s	USD	Euro	SGD	NOK
Trade receivables	39,763	6,311	7,373	111,785
Cash and cash equivalents	73,380	6,498	4,457	67,289
Secured bank loans	(80,600)	-	-	-
Trade payables	(2,213)	(1,653)	(3,379)	(31,117)
	<hr/>	<hr/>	<hr/>	<hr/>
Gross balance sheet financial instrument exposure	30,330	11,156	8,451	147,957
	<hr/>	<hr/>	<hr/>	<hr/>

31 December 2013

Impact in 000s	USD	Euro	SGD	NOK
Trade receivables	42,850	11,472	17,622	86,233
Cash and cash equivalents	42,827	7,958	(12,755)	54,898
Secured bank loans	(80,600)	-	-	-
Trade payables	(5,265)	(2,409)	(2,599)	(49,963)
	<hr/>	<hr/>	<hr/>	<hr/>
Gross balance sheet financial instrument exposure	(188)	17,021	2,268	91,168
	<hr/>	<hr/>	<hr/>	<hr/>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014 £	2013 £	2014 £	2013 £
USD	1.6447	1.5650	1.5530	1.6490
Euro	1.2451	1.1762	1.2780	1.1980
SGD	2.0861	1.9613	2.0550	2.0910
NOK	10.4518	9.2521	11.5500	10.0880

Notes (continued)

26 Financial instruments (continued)

Sensitivity analysis

A 5 percent strengthening of Sterling against the following currencies at 31 December would have decreased equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

Impact in £000	Balance sheet (Equity)	Income Statement (Profit after tax)
31 December 2014		
USD	3,725	149
Euro	1,472	161
SGD	345	164
NOK	2,812	946
31 December 2013		
USD	1,756	420
Euro	1,721	444
SGD	446	64
NOK	2,243	670

A 5 percent weakening of Sterling against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

Profile

	Carrying amount	
	2014	2013
	£000	£000
Fixed rate instruments		
Financial liabilities at 31 December	932	24
Variable rate instruments		
Financial liabilities at 31 December	321,763	299,043

Notes (continued)

26 Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates during the reporting period and at the reporting date would have decreased equity and profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Tax effects have been ignored. The analysis is performed on the same basis for 2013.

Impact in £000	Balance sheet (Equity)	Income Statement (Profit before tax)
31 December 2014		
Variable rate instruments	3,104	3,104
Cash flow sensitivity	3,104	3,104
31 December 2013		
Variable rate instruments	2,638	2,638
Cash flow sensitivity	2,638	2,638

A decrease of 100 basis points in interest rates during the reporting period and at the reporting date would have had an equal but opposite effect on the above amounts shown above, on the basis that all other variables remained constant.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2014		2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Trade and other receivables	152,185	152,185	156,487	156,487
Cash and cash equivalents	43,632	43,632	49,953	49,953
Secured bank loans	(321,763)	(332,854)	(299,043)	(308,107)
Finance lease liabilities	(932)	(837)	(24)	(23)
Trade and other payables	(80,046)	(80,046)	(75,205)	(75,205)
	(206,924)	(217,920)	(167,832)	(176,895)

The fair values of borrowings have been calculated by discounting expected future cash flows at prevailing interest rates.

Notes (continued)

26 Financial instruments (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the rates applicable to the borrowings at the relevant balance sheet date, and were as follows:

	2014	2013
Loans and borrowings	3.9%	4.5%
Leases	7.4%	5.8%

27 Operating leases

Total amounts payable in relation to non-cancellable operating lease arrangements are, for the unexpired periods of such leases, as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
	£000	£000	£000	£000
Unexpired period of the lease				
Less than one year	8,712	7,560	973	405
Between one and five years	17,306	16,743	2,188	498
More than five years	19,023	18,681	-	-
	<u>45,041</u>	<u>42,984</u>	<u>3,161</u>	<u>903</u>

Operating leases consist mainly of property leases for buildings and storage sites occupied by the Group.

28 Capital commitments

At 31 December 2014 the Group had entered into contracts to purchase property, plant and equipment totalling £7,696,000 (2013: £9,549,000) in respect of which delivery and settlement was expected to take place in the following financial year.

29 Contingent liabilities

The Group may, from time to time, be subject to claims or proceedings in the normal course of business. The directors believe, based on the information currently available to them, that the likelihood of a material outflow of economic benefit arising in relation to such matters is remote.

30 Parent and ultimate controlling party

The Company's immediate parent undertaking is KKR Matterhorn Bidco Limited, a company incorporated in Jersey.

The Company's ultimate parent undertaking is KKR Matterhorn Holdco Limited, a company incorporated in Jersey, and the ultimate controlling party is KKR & Co. LP, a limited partnership listed on the New York Stock Exchange. The general partner of KKR & Co. LP is KKR Management LLC.

Notes (continued)

31 Related parties

(a) Transactions with key management personnel

(i) Key management personnel compensation

Key management comprises executive directors and members of the executive management team. In addition to their salaries, the Group also provides non-cash benefits and contributes to post-employment defined contribution plans on their behalf.

Key management personnel compensation comprised:

	2014 £000	2013 £000
Short-term employee benefits	1,517	2,383
Post-employment benefits	24	24
Total	1,541	2,407
Of which outstanding at the year end:	-	893

(ii) Key management personnel and director transactions

BHHM pension scheme

The Group had transactions with BHHM Pension Scheme, an entity associated by common directors/trustees as follows:

Rent charged by BHHM Pension Scheme amounted to £336,000 (2013: £323,000). The amount owing to BHHM Pension Scheme at 31 December 2014 was £56,000 (2013: £56,000).

Directors' shareholdings

Directors of the Company control 14.6% (2013: 14.6%) of the voting shares of the Company.

(b) Post-employment benefit plans

The Group operates a post-employment benefit plan as detailed in note 24.

The Group contributed the following amounts to defined contribution plans and had amounts outstanding at 31 December each year as follows:

	Employer contributions		Outstanding at 31 December	
	2014 £000	2013 £000	2014 £000	2013 £000
Defined contribution schemes	3,299	2,429	344	408

Notes (continued)

31 Related parties (continued)

(c) Significant subsidiaries

	Country of incorporation	Ownership interest %	
		2014	2013
2H Offshore Engineering Limited	England	100	100
2H Offshore Inc	USA	100	100
2H Offshore (Asia Pacific) Sdn Bhd	Malaysia	100	100
Acteon Angola Limitada	Angola	100	100
Acteon Financing I Limited	Republic of Ireland	100	-
Acteon Middle East FZE	UAE	100	100
Acteon Singapore Operations Pte Limited	Singapore	100	100
Acteon UK Financing Limited	England	100	-
Aquatic Engineering & Construction Limited	Scotland	100	100
Aquatic Asia Pacific Pte Limited	Singapore	100	100
Claxton Engineering Services Limited	England	100	100
Conductor Installation Services Limited	England	100	100
InterMoor Inc	USA	100	100
InterMoor do Brasil Servicos Offshore de Instalacas Limitada	Brazil	100	100
InterMoor Limited	Scotland	100	100
InterMoor Pte Limited	Singapore	100	100
InterAct PMTI Inc	USA	100	100
InterMoor Marine Services Limited	Scotland	100	100
IOS InterMoor AS	Norway	100	100
Large Diameter Drilling Limited	England	100	100
MENCK GmbH	Germany	100	100
Mirage Machines Limited	England	90	90
Offshore Installation Services Limited	England	100	100
Probe Oil Tools Limited	England	80	80
Seatronics Limited	England	97	97
Seatronics Inc	USA	97	97
Seatronics Pte Limited	Singapore	97	97
Team Energy Resources Limited	England	100	100
Team Energy Resources Middle East LLC	Qatar	100	100
UTEC NCS Survey Limited	Scotland	90	90
UTEC International Limited	Scotland	95	-
UTEC Survey Asia Pte Limited	Singapore	95	-
UTEC Survey Australia Pty Limited	Australia	95	-
UTEC Survey Canada Limited	Canada	95	-
UTEC Survey Construction Services Limited	Scotland	95	-
UTEC Survey Inc	USA	95	-

Notes *(continued)*

31 Related parties *(continued)*

(d) Financial information relating to significant subsidiaries/entities with non-controlling interests

	**		UTEC		Seatronics		Probe Oil Tools	
	Group		Group		Group		Limited	
	2014	2013	2014	2013	2014	2013	2014	2013
	£000	£000	£000	£000	£000	£000	£000	£000
Statement of Financial Position*								
Non-current assets	14,003	-	19,756	20,893	1,331	918		
Current assets	28,029	-	25,968	37,890	23,181	16,361		
Non-current liabilities	(576)	-	-	-	-	-		
Current liabilities	(6,235)	-	(8,893)	(9,234)	(3,155)	(2,141)		
Income Statement*								
Revenue	3,746	-	47,581	45,989	15,630	4,992		
(Loss)/profit for the year	(137)	-	9,318	9,150	6,325	1,735		

*As per IFRS 12 all amounts disclosed are before any inter-company/group eliminations.

**The UTEC Group income statement information relates only to the post acquisition period.

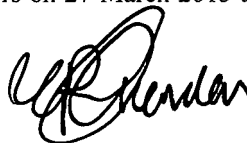
Company balance sheet and notes
prepared under UK GAAP

Company balance sheet
at 31 December 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible	33	163	241
Investments	34	544,268	398,450
		<u>544,431</u>	<u>398,691</u>
Current assets			
Debtors	35	65,964	72,557
Cash at bank and in hand		-	29,402
		<u>65,964</u>	<u>101,959</u>
Creditors: amounts falling due within one year	36	<u>(33,868)</u>	<u>(19,374)</u>
Net current assets		<u>32,096</u>	<u>82,585</u>
Total assets less current liabilities		<u>576,527</u>	<u>481,276</u>
Creditors: amounts falling due after one year	37	<u>(310,111)</u>	<u>(287,391)</u>
Net assets		<u><u>266,416</u></u>	<u><u>193,885</u></u>
Capital and reserves			
Called up share capital	38	11,659	11,659
Share premium	39	16,437	16,437
Capital redemption reserve	39	1,154	1,154
Other reserve	39	15,395	15,395
Investment revaluation reserve	39	117,313	117,313
Profit and loss account	39	104,458	31,927
Shareholders' funds	40	<u><u>266,416</u></u>	<u><u>193,885</u></u>

The financial statements were approved by the board of directors on 27 March 2015 and were signed on its behalf by:


R C Higham - Director


K F Ovenden - Director

Notes to the Company financial statements

32 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention except for certain investments held at valuation and in accordance with applicable accounting standards.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the Group financial statements include the company in its cash flow statement.

The Company has taken the exemption contained in Financial Reporting Standard 8 and has not disclosed transactions or balances with wholly owned entities which form part of the group (or investees of the group qualifying as related parties).

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures, fittings and computer equipment	2 - 10 years straight line
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Investments

Investments are stated either at the lower of cost and net realisable value or, where Group reorganisations have taken place, at market value at the date of the reorganisation.

Impairment

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indications exist, the asset's recoverable amount is estimated. The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on a comparable investment.

An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of transaction. Exchange differences are taken into account in arriving at profit before taxation.

Operating leases

Operating lease rentals are charged in the profit and loss account as incurred.

Notes to the Company financial statements *(continued)*

32 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative with no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, any proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are recognised as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Dividends

Dividends which remain unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes to the Company financial statements *(continued)*

33 Tangible fixed assets

	Fixtures, fittings and computer equipment £000
Cost	
At 1 January 2014	717
Additions	75
Disposals	(9)
	<hr/>
At 31 December 2014	783
	<hr/>
Depreciation	
At 1 January 2014	476
Charge for year	147
Disposals	(3)
	<hr/>
At 31 December 2014	620
	<hr/>
Net book value	
At 31 December 2014	163
	<hr/> <hr/>
At 31 December 2013	241
	<hr/> <hr/>

Notes to the Company financial statements *(continued)*

34 Investments

	Shares in subsidiary undertakings £000
Cost or valuation	
At 1 January 2014	423,919
Additions	154,728
	<hr/>
At 31 December 2014	578,647
	<hr/>
Impairment	
At 1 January 2014	25,469
Impairment in the year	9,210
Reversal of impairments in the year	(300)
	<hr/>
At 31 December 2014	34,379
	<hr/>
Net book value	
At 31 December 2014	544,268
	<hr/> <hr/>
At 31 December 2013	398,450
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The significant additions to investments arose as a result of the Company acquiring 94.75% of the ordinary share capital of UTEC International Limited for £94,047,000, and the incorporation of an Irish company, Acteon Financing I Limited with share capital of £60,657,000.

The increase in the impairment provision in the year is as a result of a further reduction in the value of the Company's indirect investment in a loss-making subsidiary, Fluke Subsea Solucoes E Servicos Limitada, which is a discontinued operation as detailed in note 6.

During 2007, as a result of a Group reorganisation, certain investments were formally valued by external professional valuers at market value. The resulting values have been reflected in the opening cost or valuation at 1 January 2014.

If valued on a historic cost basis, fixed asset investments would have been stated at £426,955,000 (2013: £281,137,000).

Notes to the Company financial statements (continued)

34 Investments (continued)

The company held the following principal investments at 31 December:

	Country of incorporation		Ownership interest % in ordinary shares	
			2014	2013
2H Offshore Engineering Limited	England		100	100
2H Offshore Inc	USA	*	100	100
2H Offshore (Asia Pacific) Sdn Bhd	Malaysia	*	100	100
Acteon Angola Limitada	Angola		100	100
Acteon Financing I Limited	Republic of Ireland		100	-
Acteon Middle East FZE	UAE		100	100
Acteon Singapore Operations Pte Limited	Singapore		100	100
Acteon UK Financing Limited	England		100	-
Aquatic Engineering & Construction Limited	Scotland		100	100
Aquatic Asia Pacific Pte Limited	Singapore	*	100	100
Claxton Engineering Services Limited	England		100	100
Conductor Installation Services Limited	England		100	100
InterAct PMTI Inc	USA	*	100	100
InterMoor Inc	USA	*	100	100
InterMoor do Brasil Servicos Offshore de Instalacao Limitada	Brazil	*	100	100
InterMoor Limited	Scotland		100	100
InterMoor Pte Limited	Singapore	*	100	100
InterMoor Marine Services Limited	Scotland		100	100
IOS InterMoor AS	Norway	*	100	100
Large Diameter Drilling Limited	England		100	100
MENCK GmbH	Germany		100	100
Mirage Machines Limited	England		90	90
Offshore Installation Services Limited	England		100	100
Probe Oil Tools Limited	England		80	80
Seatronics Limited	England	*	97	97
Seatronics Inc	USA	*	97	97
Seatronics Pte Limited	Singapore	*	97	97
Team Energy Resources Limited	England		100	100
Team Energy Resources Middle East LLC	Qatar	*	100	100
UTEC NCS Survey Limited	Scotland		90	90
UTEC International Limited	Scotland	*	95	-
UTEC Survey Asia Pte Limited	Singapore	*	95	-
UTEC Survey Australia Pty Limited	Australia	*	95	-
UTEC Survey Canada Limited	Canada	*	95	-
UTEC Survey Construction Services Limited	Scotland		95	-
UTEC Survey Inc	USA		95	-

* Denotes indirect ownership

A full list of subsidiary undertakings is appended to the Company's annual return and is available from the Registrar of Companies.

Notes to the Company financial statements (continued)

35 Debtors

	2014 £000	2013 £000
Amounts due from Group undertakings	59,389	71,107
Other debtors	6,394	1,309
Prepayments	181	141
	<u>65,964</u>	<u>72,557</u>

Other debtors include £1,297,000 (2013: £68,000) in respect of a deferred tax asset comprising £111,000 (2013: £68,000) from timing differences between book and tax depreciation and £1,186,000 (2013: £nil) from non-trade loan related interest. As at 31 December 2013 a deferred tax asset of £1,622,000 relating to trading losses and non-trade loan related interest had not been recognised as at that date taxable profits in the future were not expected to be sufficient for those to be utilised.

36 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Bank overdraft	2,665	-
Bank loans	11,652	11,652
Trade creditors	682	456
Amounts owed to Group undertakings	17,482	4,665
Other tax and social security	192	199
Other creditors	116	158
Accruals and deferred income	1,079	2,244
	<u>33,868</u>	<u>19,374</u>

37 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Bank loans	310,111	287,391
	<u>310,111</u>	<u>287,391</u>

Loans fall due for repayment as follows:

	2014 £000	2013 £000
Within one year	11,652	11,652
Between one and two years	58,302	11,652
Between two and five years	251,809	275,739
	<u>321,763</u>	<u>299,043</u>

The maturity dates relating to these loans and the applicable interest rates are shown in note 23.

Notes to the Company financial statements *(continued)*

38 Share capital

	Allotted, called up and fully paid	
	No 000	£000
At 31 December 2013 and 31 December 2014		
"A" ordinary shares of £0.01 each	590,038	5,900
"B" ordinary shares of £0.01 each	481,239	4,812
"C" ordinary shares of £0.01 each	75,986	760
"D" ordinary shares of £0.01 each	18,666	187
	<u>1,165,929</u>	<u>11,659</u>

All shares rank pari passu, in all respects, except that any "A" ordinary shares and any "B" ordinary shares in issue confer enhanced voting rights on their holders. The consent of the majority of the holders of the "A" ordinary shares and "B" ordinary shares is required in respect of certain matters. Further details of these rights are contained in the Company's Articles of Association dated 5 November 2012.

39 Reserves

	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Investment revaluation reserve £000	Profit and loss account £000
At 1 January 2014	16,437	1,154	15,395	117,313	31,927
Movement in year	-	-	-	-	72,531
At 31 December 2014	<u>16,437</u>	<u>1,154</u>	<u>15,395</u>	<u>117,313</u>	<u>104,458</u>

The Other reserve arises as a result of dividends received subsequent to a legal entity restructuring project. Neither the Other reserve nor the Investment revaluation reserve are distributable reserves.

40 Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Shareholders' funds at 1 January	193,885	179,542
Profit for the financial year	72,531	14,343
Shareholders' funds at 31 December	<u>266,416</u>	<u>193,885</u>

Notes to the Company financial statements *(continued)*

41 Commitments

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

	Land and buildings	
	2014	2013
	£000	£000
Operating leases which expire:		
Between one and five years	81	81
	<hr/>	<hr/>

42 Contingent liabilities

The Company has a cross-guarantee with other Group companies in respect of Group borrowings.

43 Retirement benefits

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £84,000 (2013: £61,000). Contributions amounting to £8,000 (2013: £6,000) are payable to the scheme and are included in creditors.

44 Related parties

During the year a newly acquired subsidiary, UTEC International Limited, provided funding to the Company in the form of a loan. Interest charged at commercial rates totalled £40,000 (2013: £nil) in the year. The balance owed by the Company at the year end amounted to £9,914,000 (2013: £nil).

The Company was also charged rent by BHHM Pension scheme, an entity associated by common directors/trustees, amounting to £81,000 (2013: £81,000). No amounts were owing to BHHM Pension scheme at 31 December 2013 or 2014.