

**Acteon Group Limited**

**Directors' report and financial  
statements**

Registered number 4231212

31 December 2012

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## Directors' report and business review

The directors submit their report and the consolidated and company financial statements for the year ended 31 December 2012

### Results and dividends

The profit for the year, after taxation, amounted to £4,962,000 (2011 £41,005,000). An interim dividend of £34,035,000 (2011 £nil) was paid in the year. No further dividend is to be recommended in respect of 2012 (2011 £nil).

### Principal activity

Acteon Group Limited is the holding company for a global subsea services organisation. The Company does not trade in its own right, but does undertake transactions relating to acquisitions, financing and overhead costs. The Group comprises a number of well-known brands in the industry, which are all focused on the crucial area of offshore oil and gas development and operations linking wells on the seabed with facilities on the surface.

The Group has world-leading engineering skills in many of the areas in which it operates and has achieved a number of industry "firsts" in its recent history. It employs approximately 2,100 people, most with technical skills, from its facilities in Europe, the Middle East, Africa, the Americas and the Far East.

Acteon businesses get 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, before handling manufacturing/construction activity and offshore execution.

Acteon companies provide a range of subsea services,

- Foundations and moorings
- Risers, conductors and flowlines
- Marine electronics, instrumentation and survey
- Activity management and manpower

Acteon companies work independently and together to serve their industry clients. The principal companies within the Group, and their activities, are listed below.

**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.

**InterMoor** specialises in deepwater mooring systems and foundations, especially for floating drilling and production facilities. It offers sale, rental and management of mooring equipment. The company also provides mobile offshore drilling rig 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 equipment and services for well construction, workover, maintenance and abandonment operations. These include pressure control and remediation, conductor tensioning and rigless tubular retrieval.

**TEAM** is the Group's well construction and operations skill centre and supplies qualified and experienced personnel to the offshore oil and gas industry worldwide.

**Aquatic** supplies a range of powered reel systems which are deployed by clients in relation to flexible pipe and umbilical lay.

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

### Principal activity (*continued*)

**Fluke** has a range of mooring-related products and services, the most significant of which is the manufacture of torpedo anchors, principally for supply into the Brazilian offshore oil and gas fields

**NCS Survey** provides high-precision rig positioning, construction support and subsea visualisation services

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

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

**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

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

### Business environment

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

### Change of control

On 6 November 2012 all of the shares in Acteon Group Limited were acquired by KKR Matterhorn Bidco Limited, a company ultimately controlled by KKR & Co. LP, a partnership listed on the New York Stock Exchange

### Acquisitions

The Group did not undertake any acquisitions during the year. However, associated with the change of control referred to above, the group acquired all of the non-controlling interests in existing subsidiaries

### Refinancing

On 6 November 2012 the Group completed a full refinancing of its borrowings, increasing its overall facilities and extending their maturity

### Financial performance

2012 saw continued improvements in global economic conditions and, in particular, in activity levels in the offshore oil and gas industry. The Group's financial performance reflects this economic backdrop and also its continued investment in new equipment and services, with record revenue and record profit before exceptional items. Organic growth increased turnover by 17% to £445.4m, and profit before exceptional items by 20% to £67.8m. Geographically, the group saw notable growth in South America and Africa

The financial performance of the Group for 2012, compared with 2011, can be summarised as follows

|  | 2012    | 2011    | Increase |
|--|---------|---------|----------|
|  | £'000   | £'000   | %        |
| Group revenue                                  | 445,373 | 381,388 | 16.8%    |
| Profit before exceptional items and income tax | 67,803  | 56,694  | 19.6%    |

## Key performance indicators

Further key performance indicators pertinent to the Group are shown below

|  | 2012    | 2011    |
|--|---------|---------|
| <b>Financial</b>                       |         |         |
| Gross Margin % of revenues             | 35.2%   | 33.3%   |
| Net book value of fixed assets (£000s) | 156,993 | 150,614 |
| <b>Non-financial</b>                   |         |         |
| Average number of employees            | 2,082   | 1,765   |

## 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 establishment 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 in terms of, for example, health and safety and commercial risks are managed comprehensively by the management teams of its operating companies, 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:

- There could be a tail-off in activity levels in the offshore oil and gas exploration and production industry, worldwide
- Lead times and availability of raw materials and components which are required in order for the 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

## Likely future developments in the business

With Brent crude prices remaining relatively high and reasonably stable, continuing to fluctuate within the \$100-\$120 per barrel range, international oil companies, national oil companies and independents continue to be active and are placing significant business with their contractors. The increasing volume of offshore oil and gas activity, combined with increasing operational complexity and legislative oversight, are positive drivers for the Group's expertise, specialist equipment and services. The directors believe that this, along with continuing strong economic growth rates in emerging markets and the cash resources available to the Group following its 2012 refinancing, provides a sound basis for further increases in demand for the Group's products and services and anticipate that Acteon will be able to capitalise on a strong opportunity set in 2013 and beyond.

### **Going concern**

At the balance sheet date the Group has adequate liquid assets and undrawn facilities in addition to reasonable levels of booked work with a number of customers across a range of geographic areas. After consideration of market conditions, the Group's financial projections, and its current financial position, the directors have concluded that the Group is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they consider it appropriate to adopt the going concern basis in preparing the annual report and accounts.

### **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. During the year Acteon has continued to invest in several research and development areas of its business.

### **Employees**

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

### **Directors**

The directors who served during the year were

R C Higham

K F Ovenden

W Honeybourne (USA) – resigned 6 November 2012

J K Quake (USA) – resigned 6 November 2012

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

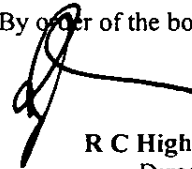
### **Provision of information to auditors**

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 auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

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

By order of the board



R C Higham  
Director

22 March 2013

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the 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. In accordance with 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 2012 set out on pages 7 to 63. 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 auditors' 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **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 2012 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 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

26 March 2013

**Consolidated Income Statement**  
*for year ended 31 December 2012*

|   | <i>Note</i> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|---|-------------|----------------------------|----------------------------|
| Revenue                                 | 6           | 445,373                    | 381,388                    |
| Cost of sales                           |             | (288,391)                  | (254,511)                  |
| <b>Gross profit</b>                     |             | <b>156,982</b>             | <b>126,877</b>             |
| Exceptional administrative expenses     | 7           | (53,169)                   | -                          |
| Impairment losses                       | 16          | (2,606)                    | -                          |
| Other administrative expenses           |             | (77,030)                   | (63,794)                   |
| Total administrative expenses           |             | (132,805)                  | (63,794)                   |
| <b>Profit from operating activities</b> |             | <b>24,177</b>              | <b>63,083</b>              |
| Finance income                          |             | 1,772                      | 1,120                      |
| Finance expense                         |             | (11,315)                   | (7,509)                    |
| <b>Net finance expense</b>              | 11          | <b>(9,543)</b>             | <b>(6,389)</b>             |
| <b>Profit before income tax</b>         |             | <b>14,634</b>              | <b>56,694</b>              |
| Income tax expense                      | 12          | (9,672)                    | (15,689)                   |
| <b>Profit for the year</b>              |             | <b>4,962</b>               | <b>41,005</b>              |
| <b>Attributable to:</b>                 |             |                            |                            |
| Equity holders of the parent            |             | 5,496                      | 41,371                     |
| Non-controlling interests               |             | (534)                      | (366)                      |
| <b>Profit for the year</b>              |             | <b>4,962</b>               | <b>41,005</b>              |

The notes on pages 12 to 52 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 10

Revenue and profit from operating activities in the current and previous years arose wholly from continuing operations

**Consolidated Statement of Comprehensive Income**  
*for year ended 31 December 2012*

|  | <i>Note</i> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|--|-------------|----------------------------|----------------------------|
| <b>Profit for the year</b>   |             | <b>4,962</b>               | <b>41,005</b>              |
| Translation of foreign currency net investments  |             | <b>(2,508)</b>             | <b>(2,330)</b>             |
| Defined benefit plan actuarial gains/(losses)  | 23          | <b>147</b>                 | <b>(264)</b>               |
| Income tax on income and expense recognised directly in equity                         |             | <b>(580)</b>               | <b>192</b>                 |
| <b>Other comprehensive income/(expense) for the year recognised directly in equity</b> |             | <b>(2,941)</b>             | <b>(2,402)</b>             |
| <b>Total comprehensive income/(expense) for the year</b>                               |             | <b>2,021</b>               | <b>38,603</b>              |
| <b>Attributable to:</b>  |             |                            |                            |
| Equity holders of the Company  |             | <b>2,555</b>               | <b>38,969</b>              |
| Non-controlling interests  |             | <b>(534)</b>               | <b>(366)</b>               |
| <b>Total comprehensive income/(expense) for the year</b>                               |             | <b>2,021</b>               | <b>38,603</b>              |

The notes on pages 12 to 52 are an integral part of these consolidated financial statements

**Consolidated Statement of Financial Position (Balance Sheet)**  
*at 31 December 2012*

|   | <i>Note</i> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|---|-------------|----------------------------|----------------------------|
| <b>Non-current assets</b>   |             |                            |                            |
| Property, plant and equipment                                     | 15          | 156,993                    | 150,614                    |
| Intangible assets   | 16          | 158,432                    | 166,187                    |
| Deferred income tax assets  | 17          | 3,424                      | 7,529                      |
| <b>Total non-current assets</b>                                   |             | <b>318,849</b>             | <b>324,330</b>             |
| <b>Current assets</b>   |             |                            |                            |
| Inventories   | 18          | 22,258                     | 20,471                     |
| Trade and other receivables                                       | 19          | 140,782                    | 103,291                    |
| Cash and cash equivalents   |             | 37,128                     | 71,720                     |
| <b>Total current assets</b>                                       |             | <b>200,168</b>             | <b>195,482</b>             |
| <b>Total assets</b>   |             | <b>519,017</b>             | <b>519,812</b>             |
| <b>Equity</b>   |             |                            |                            |
| Share capital   | 20          | 11,659                     | 11,640                     |
| Share premium   | 21          | 16,437                     | 16,239                     |
| Foreign currency translation reserve                              | 21          | 8,500                      | 11,008                     |
| Other reserves  | 21          | (3,910)                    | 1,569                      |
| Retained earnings   | 21          | 123,540                    | 152,573                    |
| <b>Total equity attributable to equity holders of the Company</b> |             | <b>156,226</b>             | <b>193,029</b>             |
| <b>Non-controlling interests</b>                                  |             | <b>645</b>                 | <b>3,442</b>               |
| <b>Total equity</b>   |             | <b>156,871</b>             | <b>196,471</b>             |
| <b>Non-current liabilities</b>                                    |             |                            |                            |
| Loans and borrowings  | 22          | 222,009                    | 200,882                    |
| Employee benefits   | 23          | 1,491                      | 1,713                      |
| Deferred income tax liabilities                                   | 17          | 17,425                     | 22,261                     |
| <b>Total non-current liabilities</b>                              |             | <b>240,925</b>             | <b>224,856</b>             |
| <b>Current liabilities</b>  |             |                            |                            |
| Loans and borrowings  | 22          | 6,844                      | 19,843                     |
| Trade and other payables  | 25          | 111,710                    | 66,991                     |
| Current income tax liabilities                                    |             | 2,667                      | 11,651                     |
| <b>Total current liabilities</b>                                  |             | <b>121,221</b>             | <b>98,485</b>              |
| <b>Total liabilities</b>  |             | <b>362,146</b>             | <b>323,341</b>             |
| <b>Total equity and liabilities</b>                               |             | <b>519,017</b>             | <b>519,812</b>             |

These financial statements were approved by the board of directors on 22 March 2013 and were signed on its behalf by

 R C Highnam - Director

 K F Ovenden - Director

The notes on pages 12 to 52 are an integral part of these consolidated financial statements

**Consolidated Statement of Changes in Equity**  
*for year ended 31 December 2012*

|  | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Foreign<br>currency<br>translation<br>reserve<br>£000 | Other<br>reserves<br>£000 | Retained<br>earnings<br>£000 | Total<br>£000  | Non-<br>controlling<br>interests<br>£000 | Total<br>equity<br>£000 |
|--|--------------------------|--------------------------|---|---------------------------|------------------------------|----------------|--|-------------------------|
| Balance at 1 January 2011  | 11,640                   | 16,239                   | 13,338  | 1,154                     | 111,214                      | 153,585        | 2 158                                    | 155 743                 |
| <b>Profit for the year</b>   | -                        | -                        | -   | -                         | 41,371                       | 41,371         | (366)                                    | 41,005                  |
| <b>Income and expense<br/>recognised directly in equity</b>          |                          |                          |   |                           |                              |                |  |                         |
| Foreign currency translation<br>difference                           | -                        | -                        | (2,330)   | -                         | -                            | (2,330)        | -  | (2 330)                 |
| Defined benefit plan actuarial<br>losses                             | -                        | -                        | -   | -                         | (264)                        | (264)          | -  | (264)                   |
| Income tax on income and<br>expense recognised directly in<br>equity | -                        | -                        | -   | -                         | 192                          | 192            | -  | 192                     |
| <b>Total income and expense<br/>recognised directly in equity</b>    | -                        | -                        | (2,330)   | -                         | (72)                         | (2,402)        | -  | (2,402)                 |
| Partial disposal without loss of<br>control (note 21)                | -                        | -                        | -   | 415                       | -                            | 415            | 162                                      | 577                     |
| Acquisition in the year (note 5)                                     | -                        | -                        | -   | -                         | -                            | -              | 1,488                                    | 1 488                   |
| Amortisation of share-based<br>payments (note 24)                    | -                        | -                        | -   | -                         | 60                           | 60             | -  | 60                      |
| Balance at 31 December 2011  | 11,640                   | 16,239                   | 11,008  | 1,569                     | 152,573                      | 193,029        | 3,442                                    | 196 471                 |
| <b>Profit for the year</b>   | -                        | -                        | -   | -                         | 5,496                        | 5 496          | (534)                                    | 4,962                   |
| <b>Income and expense<br/>recognised directly in equity</b>          |                          |                          |   |                           |                              |                |  |                         |
| Foreign currency translation<br>difference                           | -                        | -                        | (2,508)   | -                         | -                            | (2,508)        | -  | (2,508)                 |
| Defined benefit plan actuarial<br>gains                              | -                        | -                        | -   | -                         | 147                          | 147            | -  | 147                     |
| Income tax on income and<br>expense recognised directly in<br>equity | -                        | -                        | -   | -                         | (580)                        | (580)          | -  | (580)                   |
| <b>Total income and expense<br/>recognised directly in equity</b>    | -                        | -                        | (2,508)   | -                         | (433)                        | (2,941)        | -  | (2 941)                 |
| Issue of shares (note 20)  | 19                       | 198                      | -   | -                         | (217)                        | -              | -  | -                       |
| Acquisitions in the year of non-<br>controlling interests (note 5)   | -                        | -                        | -   | (5,479)                   | -                            | (5,479)        | (2,263)                                  | (7 742)                 |
| Dividends paid (note 14)   | -                        | -                        | -   | -                         | (34,035)                     | (34,035)       | -  | (34,035)                |
| Amortisation of share-based<br>payments (note 24)                    | -                        | -                        | -   | -                         | 156                          | 156            | -  | 156                     |
| <b>Balance at 31 December 2012</b>                                   | <b>11,659</b>            | <b>16,437</b>            | <b>8,500</b>  | <b>(3,910)</b>            | <b>123,540</b>               | <b>156,226</b> | <b>645</b>                               | <b>156,871</b>          |

The notes on pages 12 to 52 are an integral part of these consolidated financial statements

**Consolidated Statement of Cash Flow**  
*for year ended 31 December 2012*

|   | <i>Note</i> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|---|-------------|----------------------------|----------------------------|
| <b>Cash flow from operating activities</b>                  |             |                            |                            |
| Profit for the year   |             | 4,962                      | 41,005                     |
| Adjustments for   |             |                            |                            |
| Gain on sale of property, plant and equipment               |             | (7,337)                    | (1,685)                    |
| Depreciation of property, plant and equipment               | 15          | 25,084                     | 23,295                     |
| Amortisation and impairment of intangible assets            | 16          | 9,035                      | 7,021                      |
| Equity-settled share-based payment transactions             | 24          | 156                        | 60                         |
| Net finance expense   | 11          | 9,543                      | 6,389                      |
| Income tax expense  | 12          | 9,672                      | 15,689                     |
|   |             | <b>51,115</b>              | <b>91,774</b>              |
| Change in inventories                                       |             | (2,649)                    | (6,912)                    |
| Change in trade and other receivables                       |             | (34,761)                   | (23,668)                   |
| Change in trade and other payables                          |             | 41,312                     | 19,039                     |
| Change in provisions and employee benefits                  |             | 240                        | 199                        |
| <b>Cash generated from operating activities</b>             |             | <b>55,257</b>              | <b>80,432</b>              |
| Interest paid   |             | (5,785)                    | (5,680)                    |
| Income tax paid   |             | (24,479)                   | (15,966)                   |
| <b>Net cash from operating activities</b>                   |             | <b>24,993</b>              | <b>58,786</b>              |
| <b>Cash flows from investing activities</b>                 |             |                            |                            |
| Interest received   |             | 1,734                      | 1,072                      |
| Proceeds from sale of property, plant and equipment         |             | 14,665                     | 7,548                      |
| Acquisition of subsidiary, net of cash acquired             | 5           | -                          | (11,858)                   |
| Acquisition of non-controlling interests                    | 5           | (7,742)                    | -                          |
| Purchase of property, plant and equipment                   | 15          | (40,600)                   | (42,447)                   |
| Purchase of intangible assets                               | 16          | (939)                      | (1,854)                    |
| <b>Net cash used in investing activities</b>                |             | <b>(32,882)</b>            | <b>(47,539)</b>            |
| <b>Cash flow from financing activities</b>                  |             |                            |                            |
| Receipt of borrowings                                       |             | 245,200                    | 25,178                     |
| Expenses paid in relation to new borrowings                 |             | (16,356)                   | (395)                      |
| Repayment of borrowings                                     |             | (218,983)                  | (18,749)                   |
| Payment of finance lease liabilities                        |             | (762)                      | (524)                      |
| Dividends paid  |             | (34,035)                   | -                          |
| <b>Net cash (used)/received in financing activities</b>     |             | <b>(24,936)</b>            | <b>5,510</b>               |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |             | <b>(32,825)</b>            | <b>16,757</b>              |
| Cash and cash equivalents at 1 January                      |             | 71,720                     | 56,713                     |
| Effect of exchange rate fluctuations on cash held           |             | (1,767)                    | (1,750)                    |
| <b>Cash and cash equivalents at 31 December</b>             |             | <b>37,128</b>              | <b>71,720</b>              |

The notes on pages 12 to 52 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 2012 comprise the parent company and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). 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 54 to 63.

### 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 22 March 2013.

#### (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)*

### **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 Directors' report and business review 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 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, potential 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)**

### **Accounting policies (continued)**

#### **(iii) Long-term contracts**

Turnover and profits on long-term contracts are recognised in accordance 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. The goodwill in relation to acquisitions prior to the Group's IFRS transition date (1 January 2006) remains frozen as reported at 31 December 2005 under UK GAAP, but is subject to an annual impairment review.

Acquisitions subsequent to the IFRS transition date have been accounted for in accordance with IFRS 3, *Business Combinations*. 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. Consideration includes directly attributable costs of executing the acquisition in relation to those transactions which were completed before 1 January 2010. Subsequent to this date, these costs are now 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)

### 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 1 January 2006, 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 carrying amount of property, plant and equipment 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 item of property, plant and equipment. 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                                 | 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)

### Accounting policies (continued)

#### (ii) Group entities

The results and financial position of all Group entities 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. Since 1 January 2006, the Group's IFRS transition date, such differences have been recognised 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. This will only apply to currency translation differences arising after the IFRS transition date.

#### Share-based payments

The Group adopted IFRS 2, *Share-based Payments*, at its IFRS transition date and in accordance with the transitional arrangements contained therein this has been applied to all share option contracts executed after 7 November 2002 which had not vested as at 1 January 2006.

From 2007 to 2012 the Group operated an equity-settled share option plan, the Acteon Group Ltd 2007 Share Option Plan, under which share options were granted to certain employees. The grant date fair value of options granted to employees was recognised as an employee expense, with a corresponding increase in equity, over the expected period between the grant date and the date when the employees became unconditionally entitled to exercise the option (vesting). The fair value of the employee share options, which had a market-based performance condition, was measured as at the date of grant using the Black-Scholes valuation model. The Monte Carlo method was adopted in order to determine the expected level of vesting. Measurement inputs included the exercise price of options, expected volatility (based on weighted average historic volatility of comparable quoted companies), estimated average life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). No new options were granted in 2012. This share option scheme was closed in the year as disclosed in note 24.

#### 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.

## **Notes (continued)**

### **Accounting policies (continued)**

#### **Employee benefits (continued)**

##### **(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 158 participants. Of these, 5 participate in a final salary scheme and the remaining 153 participate in a scheme which provides very modest benefits; these are determined by length of service rather than being linked to salary.

The other defined benefit scheme is in respect of employees of its Norwegian subsidiary, IOS InterMoor AS, in which there are 31 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 immediately in the income statement if the benefits under the scheme have vested. If the benefits have not vested, the costs are recognised over the period in which the vesting will occur. The interest cost is shown in the income statement as other finance costs, adjacent to finance expense. The expected return on any plan assets is shown in the income statement as other finance revenue, adjacent to finance income.

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. The actuarial valuations are obtained at least triennially, with updates at intervening balance sheet dates. The resulting net defined benefit asset/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.

##### **(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.

## **Notes (continued)**

### **Accounting policies (continued)**

#### **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 reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

##### **(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.

## Notes (continued)

### Accounting policies (continued)

#### Income tax expense (continued)

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

Deferred income tax assets are recognised at each balance sheet date to the extent that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to 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.

#### 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 after proper marketing 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 then that lower value is adopted.

## **Notes** *(continued)*

### **Accounting policies** *(continued)*

#### **(iv) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of 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

#### **(vi) Share-based payments**

The methodology used to determine fair value is shown in note 24

### **Contingent consideration**

Contingent consideration relates to the future cash consideration payable in respect of acquisitions which is contingent on the outcome of future events. When an acquisition agreement provides for an adjustment to the consideration which is contingent on future events, provision is made for that amount if the adjustment is probable and can be measured reliably. The amount provided is included in the cost of the acquisition. For acquisitions before 1 January 2010, when the final amount payable is determined, or when revised estimates are made, the acquisition cost and provision are adjusted accordingly. After 1 January 2010 any amendment to the initial contingent consideration value is adjusted through the income statement

### **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 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 objective evidence that the Group will not be able to collect a receivable

## **Notes (continued)**

### **Accounting policies (continued)**

#### **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 2013 that will apply to the Group's activities. These are

- IAS 19 (revised) – Employee Benefits
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement

None of these standards will impact on the Group's existing accounting treatments, but additional disclosures will be required in relation to IAS 19 (revised) and IFRS 12 for accounting periods commencing on or after 1 January 2013.

## **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, Brazilian Reals 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 the 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.

### **(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 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.

## Notes (continued)

### Accounting policies (continued)

#### (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 2012 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 facility and £60m takes the form of a revolving credit facility. The Group is able to draw down on the revolving and capital expenditure facilities 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 in order to:

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

The Group monitors its bank borrowings and carries out 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.

## 5 Acquisitions of subsidiaries

### Acquisitions 2012

During the year the Group increased its percentage shareholding in existing group companies, by acquiring all of the non-controlling interests in InterAct PMTI Inc and half of the non-controlling interests in NCS Survey Limited, Seascan Limited (the parent of the Seatronics companies) and Mirage Machines Limited for a total consideration of £7,742,000. The changes in the Group's percentage ownership as a result of these transactions are detailed in note 31.

In accordance with IAS27, *Consolidated and Separate Financial Statements*, the goodwill increase as a result of these acquisition of shares has been debited to other reserves because the transaction did not result in a change of overall control.

There were no new acquisitions of subsidiaries in 2012.

## Notes (continued)

### 5 Acquisitions of subsidiaries (continued)

#### Acquisitions 2011

##### NCS Survey Limited

On 25 May 2011 the Group acquired 80% of the ordinary shares in NCS Survey Limited for £11,824,541 in cash. The company provides high-precision rig positioning, construction support and subsea visualisation services. Although the company has significant revenues from the UK Continental Shelf, it also has a global footprint having carried out projects in over 35 countries. Between the acquisition date and 31 December 2011 this subsidiary generated a profit after tax of £1,427,000. If the acquisition had occurred on 1 January 2011, management estimates that revenues would have been £14,344,000 and the profit for the period would have been £2,446,000. 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 2011.

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

|   | Pre-acquisition<br>carrying<br>amounts<br>£000 | Fair value<br>adjustments<br>£000 | Recognised<br>values on<br>acquisition<br>£000 |
|---|--|-----------------------------------|--|
| Property, plant and equipment           | 3,133  | 398                               | 3,531  |
| Intangible assets                       | 40   | 6,337                             | 6,377  |
| Inventories                             | 52   | -                                 | 52   |
| Trade and other receivables             | 2,990  | -                                 | 2,990  |
| Cash and cash equivalents               | (34)   | -                                 | (34)   |
| Deferred tax                            | (446)  | (1,751)                           | (2,197)  |
| Trade and other payables                | (1,712)  | -                                 | (1,712)  |
| Hire purchase leases                    | (1,568)  | -                                 | (1,568)  |
| Net identifiable assets and liabilities | 2,455  | 4,984                             | 7,439  |
| Less non-controlling interest           |  |                                   | (1,488)  |
| Net assets acquired                     |  |                                   | 5,951  |
| Goodwill on acquisition                 |  |                                   | 5,873  |
| Total consideration                     |  |                                   | 11,824   |
| Bank overdraft acquired                 |  |                                   | 34   |
| Net cash outflow                        |  |                                   | 11,858   |

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 (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists, order books and software) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

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

## Notes (continued)

### 6 Revenue

|                       | 2012<br>£000   | 2011<br>£000   |
|-----------------------|----------------|----------------|
| Sale of goods         | 81,016         | 67,012         |
| Rendering of services | 364,357        | 314,376        |
| Total revenues        | <u>445,373</u> | <u>381,388</u> |

### 7 Exceptional administrative expenses

As stated in note 30, during the year there was a change in ownership of the Company. In advance of that change of ownership, the Company resolved to terminate the Acteon Group Ltd 2007 Share Option Plan such that no options would vest on the change of ownership, except in relation to optionholders resident in Brazil. The Company and certain subsidiaries subsequently paid cash bonuses of equivalent value to each optionholder (except those in Brazil), and these were substantially paid by 31 December 2012. The total cost of those, and certain other bonuses linked to the change of ownership, was £53,169,000.

### 8 Expenses and auditor's remuneration

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging.</i> |              |              |
| Depreciation and other amounts written off tangible fixed assets               |              |              |
| Owned  | 24,217       | 22,895       |
| Leased   | 867          | 400          |
| Amortisation of intangibles  | 6,429        | 7,021        |
| Impairment of intangibles  | 2,606        | -            |
| Hire of plant and machinery - rentals payable under operating leases           | 1,268        | 6,570        |
| Hire of other assets - operating leases  | 6,341        | 5,868        |
| Research and development expenditure   | 1,678        | 1,408        |

#### *Auditor's remuneration.*

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Fees payable to the Company's auditor for the audit of the Company's accounts  | 65           | 63           |
| Fees payable to the Company's auditor and its associates for other services  |              |              |
| Audit of the Company's subsidiaries pursuant to legislation  | 409          | 359          |
| Other services relating to taxation  | 230          | 216          |
| Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Company's subsidiaries | 50           | 516          |
| All other services   | 20           | 17           |

**Notes (continued)**

**9 Remuneration of directors**

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| Directors' emoluments                                   | 17,745       | 973          |
| Company contributions to money purchase pension schemes | 13           | 13           |

The aggregate of emoluments of the highest paid director was £10,600,000 (2011 £541,000) Company pension contributions of £7,000 (2011 £7,000) were made to a money purchase scheme on his behalf

|  | Number of directors |      |
|--|---------------------|------|
|  | 2012                | 2011 |
| Retirement benefits are accruing to the following number of directors under Money purchase schemes | 2                   | 2    |
| The number of directors who exercised share options was  | -                   | -    |

**10 Personnel expenses and employee numbers**

The average number of employees during each year was as follows

|                                   | Number of employees |       |
|-----------------------------------|---------------------|-------|
|                                   | 2012                | 2011  |
| Directors of Acteon Group Limited | 2                   | 2     |
| Technical and administration      | 2,080               | 1,763 |
|                                   | 2,082               | 1,765 |

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| The aggregate payroll costs of these employees were as follows |              |              |
| Wages and salaries   | 141,423      | 78,162       |
| Social security costs  | 17,037       | 9,961        |
| Contributions to defined contribution plans                    | 2,542        | 1,626        |
| Expenses related to defined benefit plans                      | 240          | 199          |
| Equity settled share-based payment transactions                | 156          | 60           |
|  | 161,398      | 90,008       |

The two USA citizens who served as non-executive directors during the year until their resignation on 6 November 2012 were employees of neither the Company nor the Group

**Notes (continued)**

**11 Finance income and expense**

**Recognised in profit or loss**

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |

|                                  |       |     |
|----------------------------------|-------|-----|
| Interest income on bank deposits | 1,578 | 879 |
| Return on pension plan assets    | 38    | 48  |
| Other interest receivable        | 156   | 193 |

|                       |              |              |
|-----------------------|--------------|--------------|
| <b>Finance income</b> | <b>1,772</b> | <b>1,120</b> |
|-----------------------|--------------|--------------|

|   |         |         |
|---|---------|---------|
| Interest payable on bank borrowings                             | (6,348) | (4,944) |
| Foreign exchange losses   | (2,476) | (1,415) |
| Amortisation of finance raising costs                           | (2,229) | (527)   |
| Finance charges under finance lease and hire purchase contracts | (46)    | (36)    |
| Interest on employee benefit obligations                        | (108)   | (117)   |
| Other interest payable  | (108)   | (470)   |

|                        |                 |                |
|------------------------|-----------------|----------------|
| <b>Finance expense</b> | <b>(11,315)</b> | <b>(7,509)</b> |
|------------------------|-----------------|----------------|

|   |                |                |
|---|----------------|----------------|
| <b>Net finance expense recognised in profit or loss</b> | <b>(9,543)</b> | <b>(6,389)</b> |
|---|----------------|----------------|

| <b>2012</b> | <b>2011</b> |
|-------------|-------------|
| <b>£000</b> | <b>£000</b> |

**Recognised directly in equity**

|  |         |         |
|--|---------|---------|
| Translation of foreign currency net investments                | (2,508) | (2,330) |
| Income tax on income and expense recognised directly in equity | (580)   | 192     |

|  |                |                |
|--|----------------|----------------|
| <b>Finance expense recognised directly in equity, net of tax</b> | <b>(3,088)</b> | <b>(2,138)</b> |
|--|----------------|----------------|

All finance income/(expense) recognised directly in equity is attributable to holders of equity in the company. Translation gains and losses in respect of the foreign currency net investments are recognised in the foreign currency translation reserve. Income tax on income and expense recognised directly in equity is recognised in retained earnings.

## Notes (continued)

### 12 Income tax expense

|   | 2012<br>£000   | 2011<br>£000   |
|---|----------------|----------------|
| <b>Current tax expense</b>  |                |                |
| Corporation tax on UK profits for year                              | -              | 7,863          |
| Adjustment for prior periods  | (1,226)        | (609)          |
| Foreign tax – current   | 12,307         | 12,189         |
| Foreign tax – adjustments in respect of prior periods               | 16             | 959            |
|   | <u>11,097</u>  | <u>20,402</u>  |
| <b>Deferred tax credit</b>  |                |                |
| Reversal of temporary differences                                   | (2,607)        | (4,373)        |
| Adjustments for prior periods                                       | 1,182          | (340)          |
|   | <u>(1,425)</u> | <u>(4,713)</u> |
| <b>Total income tax expense</b>                                     | <u>9,672</u>   | <u>15,689</u>  |
| <b>Reconciliation of effective tax rate</b>                         |                |                |
|   | 2012<br>£000   | 2011<br>£000   |
| Profit for the year   | 4,962          | 41,005         |
| Total income tax expense  | 9,672          | 15,689         |
|   | <u>14,634</u>  | <u>56,694</u>  |
| Income tax using the Group's domestic tax rate (24.5%, 2011 26.5%)* | 3,585          | 15,024         |
| Non-deductible expenses   | 4,475          | 3,534          |
| Unrelieved foreign taxes and franchise taxes paid in the USA        | 2,018          | 153            |
| Differences between local tax rates and UK standard rate            | 13             | (2,495)        |
| Adjustment for prior periods  | (28)           | 10             |
| Effect of reduction in tax rate on deferred tax balances            | (391)          | (537)          |
|   | <u>9,672</u>   | <u>15,689</u>  |

\* The effective rate for 2012 is a weighted average of the applicable corporation tax rates during the year. The 26% rate was reduced to 24% from 1 April 2012. The effective rate for 2011 is a weighted average of the applicable corporation tax rates during that year. The 28% rate was reduced to 26% from 1 April 2011.

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

This will reduce the Group's future current tax charge accordingly. The UK element of the deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the Group's future current tax charge and deferred tax asset accordingly.

**Notes** *(continued)*

**12 Income tax expense** *(continued)*

|  | 2012         | 2011         |
|--|--------------|--------------|
| Income tax using the Company's domestic (UK) tax rate        | 24.5%        | 26.5%        |
| Variation in tax rate  |              |              |
| Non-deductible expenses                                      | 30.6%        | 6.2%         |
| Unrelieved foreign taxes and franchise taxes paid in the USA | 13.7%        | 0.3%         |
| Differences between local tax rates and UK standard rate     | -            | (4.4%)       |
| Effect of reduction in tax rate on deferred tax balances     | (2.7%)       | (0.9%)       |
|  | <u>66.1%</u> | <u>27.7%</u> |

**Income tax recognised directly in equity**

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Relating to share based payments               | (580)        | 192          |
| Total income tax recognised directly in equity | <u>(580)</u> | <u>192</u>   |

**13 Loss/profit for the financial year**

The loss dealt with in the accounts of the parent company was £10,861,000 (2011 profit £12,187,000). The balance sheet of the parent company can be found on page 54. The loss arose from the exceptional payments explained in note 7.

**14 Dividends**

|  | 2012<br>£000  | 2011<br>£000 |
|--|---------------|--------------|
| Ordinary dividends declared and paid during the year | <u>34,035</u> | <u>-</u>     |

**Notes** *(continued)*

**15 Property, plant and equipment**

|   | Note | Land,<br>buildings<br>and leasehold<br>improvements<br>£000 | Plant,<br>equipment<br>and fixtures<br>and fittings<br>£000 | Assets<br>under<br>construction<br>£000 | Total<br>£000  |
|---|------|---|---|---|----------------|
| <b>Cost or deemed cost</b>                |      |   |   |   |                |
| Balance at 1 January 2011                 |      | 26,938  | 173,719   | 946                                     | 201,603        |
| Additions                                 |      | 123   | 26,435  | 16,011                                  | 42,569         |
| Arising on acquisition                    | 5    | 20  | 3,511   | -                                       | 3,531          |
| Transfer on completion                    |      | 27  | 12,957  | (12,984)                                | -              |
| Disposals                                 |      | (11)  | (9,575)   | -                                       | (9,586)        |
| Exchange movements                        |      | (862)   | (2,625)   | 28                                      | (3,459)        |
| <b>Balance at 31 December 2011</b>        |      | <b>26,235</b>   | <b>204,422</b>  | <b>4,001</b>                            | <b>234,658</b> |
| Additions                                 |      | 784   | 30,394  | 9,357                                   | 40,535         |
| Transfer on completion                    |      | -   | 6,231   | (6,231)                                 | -              |
| Disposals                                 |      | (320)   | (12,664)  | -                                       | (12,984)       |
| Exchange movements                        |      | (1,151)   | (2,972)   | (36)                                    | (4,159)        |
| <b>Balance at 31 December 2012</b>        |      | <b>25,548</b>   | <b>225,411</b>  | <b>7,091</b>                            | <b>258,050</b> |
| <b>Depreciation and impairment losses</b> |      |   |   |   |                |
| Balance at 1 January 2011                 |      | 2,787   | 62,905  | -                                       | 65,692         |
| Depreciation for the year                 |      | 932   | 22,363  | -                                       | 23,295         |
| Disposals                                 |      | (6)   | (3,723)   | -                                       | (3,729)        |
| Exchange movements                        |      | (117)   | (1,097)   | -                                       | (1,214)        |
| <b>Balance at 31 December 2011</b>        |      | <b>3,596</b>  | <b>80,448</b>   | <b>-</b>                                | <b>84,044</b>  |
| Depreciation for the year                 |      | 678   | 24,406  | -                                       | 25,084         |
| Disposals                                 |      | (317)   | (5,962)   | -                                       | (6,279)        |
| Exchange movements                        |      | (224)   | (1,568)   | -                                       | (1,792)        |
| <b>Balance at 31 December 2012</b>        |      | <b>3,733</b>  | <b>97,324</b>   | <b>-</b>                                | <b>101,057</b> |
| <b>Carrying amounts</b>                   |      |   |   |   |                |
| At 31 December 2011                       |      | 22,639  | 123,974   | 4,001                                   | 150,614        |
| <b>At 31 December 2012</b>                |      | <b>21,815</b>   | <b>128,087</b>  | <b>7,091</b>                            | <b>156,993</b> |

## Notes (continued)

### 15 Property, plant and equipment (continued)

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

|                             | 2012<br>£000  | 2011<br>£000  |
|-----------------------------|---------------|---------------|
| Freehold land and buildings | 13,179        | 13,314        |
| Long leaseholds             | 229           | 240           |
| Short leaseholds            | 7,095         | 7,280         |
| Leasehold improvements      | 1,312         | 1,805         |
|                             | <u>21,815</u> | <u>22,639</u> |

#### Leased plant and machinery

The Group leases equipment under a number of finance lease agreements. At 31 December 2012 the net carrying amount of leased plant and machinery was £1,134,000 (2011 £1,810,000)

#### Security

At each balance sheet date all properties were subject to a fixed or floating charge in order to secure bank loans

#### Cashflow

The gross additions (excluding those arising on acquisition) to property, plant and equipment of £40,535,000 in 2012 (2011 £42,569,000) have been adjusted by the value of capital creditors outstanding at 31 December 2012 to derive the amount for inclusion in the cashflow for the purchase of property, plant and equipment

### 16 Intangible assets

|   | Goodwill<br>£000 | Customer<br>lists<br>£000 | Order<br>books<br>£000 | Software<br>£000 | Total<br>£000  |
|---|------------------|---------------------------|------------------------|------------------|----------------|
| <b>Cost</b>   |                  |                           |                        |                  |                |
| Balance at 1 January 2011                           | 127,049          | 52,129                    | 4,003                  | 2,962            | 186,143        |
| Additions   | -                | -                         | -                      | 891              | 891            |
| Additions arising on acquisition (note 5)           | 5,873            | 3,719                     | 959                    | 1,699            | 12,250         |
| Reversal of provision for contingent consideration* | (3,865)          | -                         | -                      | -                | (3,865)        |
| Exchange movements                                  | (294)            | -                         | -                      | (52)             | (346)          |
| Balance at 31 December 2011                         | <u>128,763</u>   | <u>55,848</u>             | <u>4,962</u>           | <u>5,500</u>     | <u>195,073</u> |
| Additions   | -                | -                         | -                      | 939              | 939            |
| Disposals   | -                | -                         | -                      | (37)             | (37)           |
| Exchange movements                                  | 377              | -                         | -                      | (94)             | 283            |
| Balance at 31 December 2012                         | <u>129,140</u>   | <u>55,848</u>             | <u>4,962</u>           | <u>6,308</u>     | <u>196,258</u> |

\* This adjustment arises from the reversal of a provision of £3,808,000 relating to contingent consideration established on the 2008 acquisition of Fluke Engenharia Limitada which, at the balance sheet date, is no longer payable. The balance relates to an adjustment resulting from the final settlement of deferred consideration relating to the 2008 acquisition of Cape Group Pte Ltd

**Notes (continued)**

**16 Intangible assets (continued)**

|   | Goodwill<br>£000 | Customer<br>lists<br>£000 | Order<br>books<br>£000 | Software<br>£000 | Total<br>£000 |
|---|------------------|---------------------------|------------------------|------------------|---------------|
| <b>Amortisation and impairment losses</b> |                  |                           |                        |                  |               |
| Balance at 1 January 2011                 | -                | 15,503                    | 4,003                  | 2,388            | 21,894        |
| Amortisation for the year                 | -                | 5,430                     | 959                    | 632              | 7,021         |
| Exchange movements                        | -                | -                         | -                      | (29)             | (29)          |
| Balance at 31 December 2011               | -                | 20,933                    | 4,962                  | 2,991            | 28,886        |
| Amortisation for the year                 | -                | 5,585                     | -                      | 844              | 6,429         |
| Impairment losses for the year            | 2,020            | 586                       | -                      | -                | 2,606         |
| Disposals                                 | -                | -                         | -                      | (33)             | (33)          |
| Exchange movements                        | -                | -                         | -                      | (62)             | (62)          |
| Balance at 31 December 2012               | 2,020            | 27,104                    | 4,962                  | 3,740            | 37,826        |
| <b>Carrying amounts</b>                   |                  |                           |                        |                  |               |
| At 31 December 2011                       | 128,763          | 34,915                    | -                      | 2,509            | 166,187       |
| At 31 December 2012                       | 127,120          | 28,744                    | -                      | 2,568            | 158,432       |

**Amortisation and impairment charge**

Amortisation and impairment of intangible assets is allocated to administrative expenses

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

The principal carrying amount at 31 December 2012 represents Seatronics Limited's customer list totalling £7,565,000 (2011 £9,243,000) which has a remaining amortisation period of 4 years 6 months (2011 5 years 6 months), IOS InterMoor AS's customer list totalling £7,942,000 (2011 £9,001,000) which has a remaining amortisation period of 7 years 6 months (2011 8 years 6 months) and NCS Survey Limited's customer list totalling £3,131,000 (2011 £3,502,000) which has a remaining amortisation period of 8 years 5 months (2011 9 years 5 months)

Order books represent the value associated with incomplete customer orders at the date of acquisition in subsidiaries acquired since 1 January 2006

## 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:

|  | 2012<br>£000   | 2011<br>£000   |
|--|----------------|----------------|
| <u>High capital intensity units</u>                                |                |                |
| Seatronics   | 43,380         | 43,380         |
| InterMoor Ltd  | 12,694         | 12,694         |
| IOS InterMoor AS   | 31,668         | 31,123         |
| Fluke Engenharia Ltda  | 5,369          | 5,369          |
| NCS Survey Ltd   | 5,873          | 5,873          |
| Cape Group Pte Ltd - (impaired in 2012)                            | -              | 2,020          |
| Other capital-intensive units                                      | 4,878          | 4,878          |
|  | <b>103,862</b> | <b>105,337</b> |
| <u>Low capital intensity units</u>                                 |                |                |
| UWG sub-group (UWG Ltd, Claxton Engineering Services and 2H Group) | 11,751         | 11,751         |
| InterAct PMTI Inc  | 3,196          | 3,364          |
| Other low capital intensity units                                  | 8,311          | 8,311          |
|  | <b>23,258</b>  | <b>23,426</b>  |
| <b>Total goodwill</b>  | <b>127,120</b> | <b>128,763</b> |

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. The exception to this is Fluke Engenharia Ltda, where recent performance has been weaker than would be expected in normal markets and where growth rates in years 2-5 are expected to be better than the 3% to 6% range as a result of recent and anticipated improvements in markets. In all cases, a terminal growth value of 2% (2011: 2%) has been assumed. The key inputs to this calculation are shown below:

|   | As at 31<br>December 2012 | As at 31<br>December 2011 |
|---|---------------------------|---------------------------|
| Period on which management approved forecasts are based           | 1 Year                    | 1 Year                    |
| Growth rate applied for years two to five - InterMoor Ltd         | 5%                        | 25.5%                     |
| Growth rate applied for years two to five - Fluke Engenharia Ltda | 30%                       | 5%                        |
| Growth rate applied for years two to five - Other entities        | 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% to 16.0%            | 13.0%                     |

## Notes (continued)

### 16 Intangible assets (continued)

#### Impairment testing for CGUs containing goodwill

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. The exception to this is in Brazil, where the Group's tax-adjusted weighted average cost of capital has been increased by 3% to take into account that market's characteristics.

Impairment reviews were performed at 31 December 2011 and 31 December 2012 by comparing the carrying value of goodwill 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 that there was evidence of impairment in relation to Cape Group Pte Ltd, a group of companies operating in the Far East, where the short and medium-term trading expectations fall below the level required to generate cash flows which would justify the carrying value of either the goodwill or the customer lists. As a result, the goodwill value of £2,020,000 and the customer list value of £586,000 have been fully impaired, and an impairment loss of £2,606,000 has been recognised in the consolidated income statement.

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

### 17 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as

|                                   | Assets       |              | Liabilities  |              |
|-----------------------------------|--------------|--------------|--------------|--------------|
|                                   | 2012<br>£000 | 2011<br>£000 | 2012<br>£000 | 2011<br>£000 |
| Property, plant and equipment     | -            | -            | 10,036       | 12,932       |
| Intangible assets                 | -            | -            | 7,237        | 9,196        |
| Retirement benefit obligations    | (249)        | (155)        | -            | -            |
| Provisions / accruals             | (635)        | (610)        | -            | -            |
| Other items                       | -            | -            | 152          | 133          |
| Share-based payments              | -            | (741)        | -            | -            |
| Tax losses carried forward        | (2,540)      | (6,023)      | -            | -            |
|                                   | <hr/>        | <hr/>        | <hr/>        | <hr/>        |
| Deferred tax (assets)/liabilities | (3,424)      | (7,529)      | 17,425       | 22,261       |
|                                   | <hr/>        | <hr/>        | <hr/>        | <hr/>        |
| Net deferred tax liabilities      |              |              | 14,001       | 14,732       |
|                                   |              |              | <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.

**Notes (continued)**

**17 Deferred tax assets and liabilities (continued)**

**Deferred tax impact of movements in temporary differences during the year - 2012**

|                                | Balance<br>1 January<br>2012<br>£000 | Foreign<br>exchange and<br>reclassifications<br>£000 | Recognised<br>in income<br>statement<br>£000 | Recognised<br>in equity<br>£000 | Acquired<br>in business<br>combinations<br>£000 | Balance 31<br>December<br>2012<br>£000 |
|--------------------------------|--------------------------------------|--|--|---------------------------------|---|--|
| Property, plant and equipment  | 12,932                               | 179  | (3,075)                                      | -                               | -   | 10,036                                 |
| Intangible assets              | 9,196                                | -  | (1,959)                                      | -                               | -   | 7,237                                  |
| Retirement benefit obligations | (155)                                | (3)  | (91)   | -                               | -   | (249)                                  |
| Provisions / accruals          | (610)                                | (6)  | (19)   | -                               | -   | (635)                                  |
| Share-based payments           | (741)                                | -  | 161  | 580                             | -   | -                                      |
| Tax losses carried forward     | (6,023)                              | (55)   | 3,538  | -                               | -   | (2,540)                                |
| Other items                    | 133                                  | (1)  | 20   | -                               | -   | 152                                    |
|                                | <u>14,732</u>                        | <u>114</u>   | <u>(1,425)</u>                               | <u>580</u>                      | <u>-</u>  | <u>14,001</u>                          |

**Deferred tax impact of movements in temporary differences during the year - 2011**

|                                | Balance<br>1 January<br>2011<br>£000 | Foreign<br>Exchange and<br>reclassifications<br>£000 | Recognised<br>in income<br>statement<br>£000 | Recognised<br>in equity<br>£000 | Acquired<br>in business<br>combinations<br>£000 | Balance 31<br>December<br>2011<br>£000 |
|--------------------------------|--------------------------------------|--|--|---------------------------------|---|--|
| Property, plant and equipment  | 11,116                               | 110  | 1,157  | -                               | 549   | 12,932                                 |
| Intangible assets              | 10,112                               | -  | (2,564)                                      | -                               | 1,648   | 9,196                                  |
| Retirement benefit obligations | (80)                                 | (1)  | (74)   | -                               | -   | (155)                                  |
| Provisions / accruals          | (464)                                | (3)  | (143)  | -                               | -   | (610)                                  |
| Share-based payments           | (545)                                | -  | (4)  | (192)                           | -   | (741)                                  |
| Tax losses carried forward     | (3,277)                              | (127)  | (2,619)                                      | -                               | -   | (6,023)                                |
| Other items                    | 596                                  | 3  | (466)  | -                               | -   | 133                                    |
|                                | <u>17,458</u>                        | <u>(18)</u>  | <u>(4,713)</u>                               | <u>(192)</u>                    | <u>2,197</u>                                    | <u>14,732</u>                          |

**18 Inventories**

|                               | 2012<br>£000  | 2011<br>£000  |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 5,379         | 2,899         |
| Work in progress              | 8,699         | 11,169        |
| Finished goods                | 8,180         | 6,403         |
|                               | <u>22,258</u> | <u>20,471</u> |

In 2012 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £36,202,000 (2011 £34,439,000)

## Notes (continued)

### 19 Trade and other receivables

|                        | 2012<br>£000   | 2011<br>£000   |
|------------------------|----------------|----------------|
| Trade receivables      | 113,897        | 87,281         |
| Other debtors          | 15,975         | 12,711         |
| Income tax receivables | 3,676          | -              |
| Prepayments            | 7,234          | 3,299          |
|                        | <u>140,782</u> | <u>103,291</u> |

The Group's exposures to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 26

### 20 Share capital

|                                   | Allotted, called up<br>and fully paid<br>No000 | £000          |
|-----------------------------------|--|---------------|
| <b>At 31 December 2011</b>        |  |               |
| "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 | 74,053   | 741           |
| "D" ordinary shares of £0.01 each | 18,666   | 187           |
|                                   | <u>1,163,996</u>                               | <u>11,640</u> |
| <b>Movements in the year</b>      |  |               |
| "C" ordinary shares of £0.01 each | 1,933  | 19            |
|                                   | <u>1,933</u>                                   | <u>19</u>     |
| <b>At 31 December 2012</b>        |  |               |
| "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> |

The movement in the year arose from the exercise of certain share options (see note 24) for a total value of £217,000. In accordance with the Companies Act 2006 this has been capitalised from the profit and loss reserve. The value above the nominal value amounting to £198,000 has been charged to the share premium account.

All shares rank *pari passu*, in all respects, except that any "A" ordinary shares and any "B" ordinary shares in issue will 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.

## Notes (continued)

### 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 the shares

#### Other reserves

Other reserves represents a capital redemption reserve credit balance of £1,154,000 (2011 £1,154,000) and ownership change reserve debit balance of £5,064,000 (2011 credit balance of £415,000)

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

The ownership change reserve arose from the Group acquiring/disposing of shareholdings in existing group companies which ultimately 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 the movement in the current year are detailed in note 5

#### Retained earnings

Retained earnings comprise cumulative undistributed earnings of the Group

#### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising after 1 January 2006 from the translation of the financial statements of foreign operations

### 22 Loans and borrowings

This note provides information about 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

|                                   | 2012<br>£000   | 2011<br>£000   |
|-----------------------------------|----------------|----------------|
| <b>Non-current liabilities</b>    |                |                |
| Secured bank loans                | 221,992        | 200,600        |
| Finance lease liabilities         | 17             | 282            |
|                                   | <u>222,009</u> | <u>200,882</u> |
| <b>Current liabilities</b>        |                |                |
| Secured bank loans                | 6,579          | 19,081         |
| Finance lease liabilities         | 265            | 762            |
|                                   | <u>6,844</u>   | <u>19,843</u>  |
| <b>Total loans and borrowings</b> | <u>228,853</u> | <u>220,725</u> |

## Notes (continued)

### 22 Loans and borrowings (continued)

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows

|                                    | Currency  | Nominal interest rate | Year of maturity | 31 December 2012 |                  | 31 December 2011 |                  |
|------------------------------------|-----------|-----------------------|------------------|------------------|------------------|------------------|------------------|
|                                    |           |                       |                  | Face value       | Carrying amount* | Face value       | Carrying amount* |
|                                    |           |                       |                  | £000             | £000             | £000             | £000             |
| Secured bank loan                  | Sterling  | Libor + Margin**      | 2017-2018        | 195,200          | 182,031          | 164,392          | 163,152          |
| Secured bank loan                  | US Dollar | Libor + Margin**      | 2017-2018        | 49,907           | 46,540           | 56,958           | 56,529           |
| Finance lease liabilities          | Sterling  | 5.9%                  | 2014             | 282              | 282              | 1,044            | 1,044            |
| Total interest-bearing liabilities |           |                       |                  | <u>245,389</u>   | <u>228,853</u>   | <u>222,394</u>   | <u>220,725</u>   |

\* 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% (2011: 0.85% to 2.7%) depending on the Group's financial performance

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

#### Finance lease liabilities are payable as follows:

|                            | Future minimum lease payments 2012<br>£000 | Interest 2012<br>£000 | Present value of minimum lease payments 2012<br>£000 | Future minimum lease payments 2011<br>£000 | Interest 2011<br>£000 | Present value of minimum lease payments 2011<br>£000 |
|----------------------------|--|-----------------------|--|--|-----------------------|--|
| Less than one year         | 282  | 17                    | 265  | 808  | 46                    | 762  |
| Between one and five years | 18   | 1                     | 17   | 300  | 18                    | 282  |
|                            | <u>300</u>                                 | <u>18</u>             | <u>282</u>   | <u>1,108</u>                               | <u>64</u>             | <u>1,044</u>   |

## Notes (continued)

### 23 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

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| (i) In respect of the Group's defined contribution schemes |              |              |
| - UK   | 1,627        | 847          |
| - Overseas   | 915          | 779          |
|  | <u>2,542</u> | <u>1,626</u> |
| (ii) In respect of the Group's defined benefit schemes     | <u>240</u>   | <u>199</u>   |

#### Disclosure relating to the Group's defined benefit obligations

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| Total present value of unfunded obligations recognised as a liability – Menck GmbH      | 1,341        | 1,159        |
| Total present value of funded obligations net of pension plan assets – IOS InterMoor AS | 150          | 554          |
| Net liability for defined benefit obligations at 31 December                            | <u>1,491</u> | <u>1,713</u> |

**Notes (continued)**

**23 Employee benefits (continued)**

**Movement in the present value of the defined benefit obligations**

|  | IOS InterMoor AS |         | Menck GmbH |         |
|--|------------------|---------|------------|---------|
|  | 2012             | 2011    | 2012       | 2011    |
|  | £000             | £000    | £000       | £000    |
| Defined benefit obligations at 1 January               | (1,849)          | (1,461) | (1,159)    | (1,214) |
| Benefits paid by the plan                              | 24               | 23      | 97         | 99      |
| Current service costs                                  | (223)            | (181)   | (17)       | (18)    |
| Interest cost  | (49)             | (57)    | (59)       | (60)    |
| Actuarial gain/(loss) recognised in equity (see below) | 416              | (220)   | (230)      | 8       |
| Payment of payroll taxes on pension obligations        | 34               | 25      | -          | -       |
| Exchange rate movements on retranslation               | (50)             | 22      | 27         | 26      |
| Defined benefit obligations at 31 December             | (1,697)          | (1,849) | (1,341)    | (1,159) |

**Movement in fair value of plan assets**

|  |       |       |   |   |
|--|-------|-------|---|---|
| Fair value of plan assets at 1 January                         | 1,295 | 1,173 | - | - |
| Expected return on plan assets                                 | 38    | 48    | - | - |
| Actuarial loss on plan assets recognised in equity (see below) | (39)  | (52)  | - | - |
| Employer contributions   | 242   | 167   | - | - |
| Benefits paid from plan  | (24)  | (23)  | - | - |
| Exchange rate movements on retranslation                       | 35    | (18)  | - | - |
| Defined benefit obligations at 31 December                     | 1,547 | 1,295 | - | - |

|                                   |       |       |         |         |
|-----------------------------------|-------|-------|---------|---------|
| Deficit recognised at 31 December | (150) | (554) | (1,341) | (1,159) |
|-----------------------------------|-------|-------|---------|---------|

**Expense recognised in profit or loss**

|   | IOS InterMoor AS |       | Menck GmbH |      |
|---|------------------|-------|------------|------|
|   | 2012             | 2011  | 2012       | 2011 |
|   | £000             | £000  | £000       | £000 |
| Current service costs included in other administrative expenses | (223)            | (181) | (17)       | (18) |
| Interest on obligation included in finance expense              | (49)             | (57)  | (59)       | (60) |
| Expected return on plan assets included in finance income       | 38               | 48    | -          | -    |
| Total   | (234)            | (190) | (76)       | (78) |

**Actual return on plan assets**

|       | IOS InterMoor AS |      |
|-------|------------------|------|
|       | 2012             | 2011 |
|       | £000             | £000 |
| Total | (1)              | (4)  |

## Notes (continued)

### 23 Employee benefits (continued)

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

|                                       | IOS InterMoor AS |       | Menck GmbH |      |
|---------------------------------------|------------------|-------|------------|------|
|                                       | 2012             | 2011  | 2012       | 2011 |
|                                       | £000             | £000  | £000       | £000 |
| Cumulative gain at 1 January          | (343)            | (71)  | 44         | 36   |
| Recognised during the period          | 377              | (272) | (230)      | 8    |
| Cumulative gain/(loss) at 31 December | 34               | (343) | (186)      | 44   |

#### Fair value of plan assets

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

|                       | IOS InterMoor AS |      |
|-----------------------|------------------|------|
|                       | 2012             | 2011 |
|                       | %                | %    |
| Equities              | 17               | 15   |
| Corporate bonds       | 54               | 55   |
| Property              | 15               | 17   |
| Money market deposits | 10               | 10   |
| Other                 | 4                | 3    |
|                       | 100              | 100  |

#### Actuarial assumptions

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

|  | IOS InterMoor AS |      | Menck GmbH |      |
|--|------------------|------|------------|------|
|  | 2012             | 2011 | 2012       | 2011 |
|  | %                | %    | %          | %    |
| Discount rate                          | 3.90             | 2.60 | 3.40       | 5.50 |
| Expected return on plan assets         | 3.90             | 4.10 | -          | -    |
| Future salary increases                | 3.50             | 3.50 | -          | -    |
| Staff turnover                         | -                | -    | 1.00       | 1.00 |
| Norwegian national insurance increases | 3.25             | 3.25 | -          | -    |
| Future pension increases               | 0.20             | 0.10 | 1.00       | 1.00 |

The expected rate of return on plan assets is determined by reference to the risk-free Norwegian bond rate of 2.3% (2011: 2.6%) together with the long term historical additional return from Norwegian Life Insurance companies of 1.6% (2011: 1.5%). The return is based on the portfolio as a whole and not on the sum of the returns on the individual asset categories.

## Notes (continued)

### 23 Employee benefits (continued)

#### Historical information – IOS InterMoor AS funded pension scheme (acquired in 2010)

|  | 2012<br>£000 | 2011<br>£000 | 2010<br>£000 |
|--|--------------|--------------|--------------|
| Present value of the defined benefit obligation    | (1,697)      | (1,849)      | (1,461)      |
| Fair value of the planned assets                   | 1,547        | 1,295        | 1,173        |
| Deficit in the plan                                | (150)        | (554)        | (288)        |
| Experience adjustments arising on plan liabilities | (72)         | (40)         | (2)          |
| Experience adjustments arising on plan assets      | (39)         | (52)         | (23)         |

The Group expects to pay contributions totalling £166,000 into the plan during 2013

#### Historical information – Menck GmbH unfunded pension scheme

|  | 2012<br>£000 | 2011<br>£000 | 2010<br>£000 | 2009<br>£000 | 2008<br>£000 |
|--|--------------|--------------|--------------|--------------|--------------|
| Present value of the defined benefit obligation    | (1,341)      | (1,159)      | (1,214)      | (1,225)      | (1,302)      |
| Deficit in the plan                                | (1,341)      | (1,159)      | (1,214)      | (1,225)      | (1,302)      |
| Experience adjustments arising on plan liabilities | 67           | (15)         | (35)         | (13)         | (11)         |

The scheme is an unfunded scheme and the Group expects to pay £74,000 in plan benefits during 2013. This will settle the liabilities to pensioners as they fall due.

## Notes (continued)

### 24 Share-based payments

In September 2007 the Group established a share option scheme that entitled certain key management personnel and senior employees to purchase shares in the Company. Grants were made under the scheme annually between September 2007 and 2011. Options were exercisable at the market value of shares at the date of grant.

During 2012 there was a change in ownership of the group. All of the shares were purchased by KKR Matterhorn Bidco Limited. As noted in Note 7, in advance of that change of ownership, the Company resolved to terminate the Acteon Group Ltd 2007 Share Option Plan such that no options would vest on the change of ownership, except in relation to optionholders resident in Brazil. The Company and certain subsidiaries subsequently paid cash bonuses of equivalent value to each optionholder (except those in Brazil), and these were subsequently paid by 31 December 2012. As at 31 December 2012 there were no outstanding options over the shares in the Company. As a result of the cessation of the Share Option Plan, the fair value of the share options remaining as at 31 December 2011 has been fully written off as employee expenses during 2012.

The terms and conditions of the grants are as follows:

| Grant date     | Number of<br>option shares<br>(thousands) | Vesting conditions | Contractual life<br>of options |
|----------------|---|--------------------|--------------------------------|
| September 2007 | 100,033                                   | Takeover/sale/IPO  | 10 years                       |
| September 2008 | 35,418                                    | Takeover/sale/IPO  | 10 years                       |
| September 2009 | 2,237                                     | Takeover/sale/IPO  | 10 years                       |
| November 2010  | 3,270                                     | Takeover/sale/IPO  | 10 years                       |
| November 2011  | 9,711                                     | Takeover/sale/IPO  | 10 years                       |

The number and weighted average exercise prices of share options are as follows:

|                            | Weighted<br>average<br>exercise<br>price<br>2012 | Number of<br>options<br>2012 | Weighted<br>average<br>exercise<br>price<br>2011 | Number of<br>options<br>2011 |
|----------------------------|--|------------------------------|--|------------------------------|
| Outstanding at 1 January   | 7.55p  | 150,668,369                  | 6.91p  | 140,957,216                  |
| Exercised during the year  | 11.23p   | (1,933,257)                  | -  | -                            |
| Forfeited during the year  | 7.50p  | (148,735,112)                | -  | -                            |
| Granted during the year    | -  | -                            | 16.73p   | 9,711,153                    |
| Outstanding at 31 December | -  | -                            | 7.55p  | 150,668,369                  |
| Exercisable at 31 December | nil  | nil                          | nil  | nil                          |

The average remaining contractual life of share options as at 31 December 2011 was 6.6 years.

## Notes (continued)

### 24 Share-based payments (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes valuation method, with the following assumptions

|   | November<br>2011 | November<br>2010 | November<br>2009 | September<br>2008 | September<br>2007 |
|---|------------------|------------------|------------------|-------------------|-------------------|
| Number of options granted                             | 9,711,153        | 3,270,099        | 2,236,700        | 35,417,642        | 100,032,775       |
| Exercise prices                                       | £0.14/£0.24      | £0.118/£0.208    | £0.06/£0.106     | £0.11/£0.17       | £0.05/£0.09       |
| Expected volatility                                   | 40%              | 45%              | 45%              | 35%               | 30%               |
| Dividend yield  | Nil              | Nil              | Nil              | Nil               | Nil               |
| Option life (expected weighted average life) in years | 2.67             | 3.25             | 3.25             | 2.25              | 4.5               |
| Risk free interest rate (based on government bond)    | 0.85%            | 1.28%            | 2.0%             | 4.4%              | 6.0%              |
| Fair value of options                                 | £120,000         | £102,000         | £5,715           | £161,000          | £409,000          |

#### Employee expenses

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Relating to                                |              |              |
| Share options granted in 2009              | -            | 2            |
| Share options granted in 2010              | 43           | 51           |
| Share options granted in 2011              | 113          | 7            |
|  | <hr/>        | <hr/>        |
| Total expense recognised as employee costs | 156          | 60           |
|  | <hr/>        | <hr/>        |

### 25 Trade and other payables

|                               | 2012<br>£000 | 2011<br>£000 |
|-------------------------------|--------------|--------------|
| Trade payables                | 32,802       | 22,407       |
| Other tax and social security | 31,134       | 5,235        |
| Other creditors               | 12,961       | 10,741       |
| Accruals and deferred income  | 34,813       | 28,608       |
|                               | <hr/>        | <hr/>        |
|                               | 111,710      | 66,991       |
|                               | <hr/>        | <hr/>        |

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 |                |
|-----------------------------|-----------------|----------------|
|                             | 2012            | 2011           |
|                             | £000            | £000           |
| Trade and other receivables | 140,782         | 103,291        |
| Cash and cash equivalents   | 37,128          | 71,720         |
|                             | <u>177,910</u>  | <u>175,011</u> |

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

|                   | Carrying amount |        |
|-------------------|-----------------|--------|
|                   | 2012            | 2011   |
|                   | 000             | 000    |
| Sterling          | 53,532          | 36,364 |
| US Dollars        | 40,470          | 40,128 |
| Euros             | 12,789          | 5,747  |
| Brazilian Real    | 31,313          | 23,947 |
| Norwegian Kroner  | 56,409          | 37,139 |
| Singapore Dollars | 6,719           | 6,372  |
| Qatari Real       | 5,890           | 7,607  |

**Notes (continued)**

**26 Financial instruments (continued)**

**Impairment losses**

The Group contracts with different customers under different credit terms

The aging of trade receivables at the reporting date was

|  | Gross<br>2012<br>£000 | Provision<br>for<br>impairment<br>2012<br>£000 | Net<br>2012<br>£000 | Gross<br>2011<br>£000 | Provision<br>for<br>impairment<br>2011<br>£000 | Net<br>2011<br>£000 |
|--|-----------------------|--|---------------------|-----------------------|--|---------------------|
| Current  | 64,408                | -  | 64,408              | 55,277                | -  | 55,277              |
| 0-30 days  | 29,372                | (16)   | 29,356              | 18,434                | -  | 18,434              |
| 31-90 days   | 11,081                | (61)   | 11,020              | 8,756                 | (147)  | 8,609               |
| Over 91 days   | 10,231                | (1,118)  | 9,113               | 5,955                 | (994)  | 4,961               |
| Total amounts due not<br>individually impaired,<br>with non-specific<br>provision allowances | 115,092               | (1,195)  | 113,897             | 88,422                | (1,141)  | 87,281              |
| Total amounts due and<br>individually impaired,<br>with specific provision<br>allowances     | 2,647                 | (2,647)  | -                   | 3,664                 | (3,664)  | -                   |
| Trade receivables  | 117,739               | (3,842)  | 113,897             | 92,086                | (4,805)  | 87,281              |

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

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Balance at 1 January                     | 4,805        | 6,750        |
| Impairment loss utilised and/or reversed | (963)        | (1,945)      |
| Balance at 31 December                   | 3,842        | 4,805        |

## 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

| 2012                      | Carrying<br>amount<br>£000 | Contractual<br>cash flows<br>£000 | 6 months<br>or less<br>£000 | 6-12<br>months<br>£000 | 1-2 years<br>£000 | 2-5 years<br>£000 | More<br>than 5<br>years<br>£000 |
|---------------------------|----------------------------|-----------------------------------|-----------------------------|------------------------|-------------------|-------------------|---------------------------------|
| Secured bank loans        | 228,571                    | 296,734                           | 10,412                      | 10,302                 | 25,217            | 115,159           | 135,644                         |
| Finance lease liabilities | 282                        | 300                               | 141                         | 141                    | 18                | -                 | -                               |
| Trade and other payables  | 111,710                    | 111,710                           | 111,710                     | -                      | -                 | -                 | -                               |
|                           | <u>340,563</u>             | <u>408,744</u>                    | <u>122,263</u>              | <u>10,443</u>          | <u>25,235</u>     | <u>115,159</u>    | <u>135,644</u>                  |
| 2011                      | Carrying<br>amount<br>£000 | Contractual<br>cash flows<br>£000 | 6 months<br>or less<br>£000 | 6-12<br>months<br>£000 | 1-2 years<br>£000 | 2-4 years<br>£000 | More<br>than 5<br>years<br>£000 |
| Secured bank loans        | 219,681                    | 229,504                           | 11,387                      | 12,289                 | 65,706            | 140,122           | -                               |
| Finance lease liabilities | 1,044                      | 1,108                             | 404                         | 404                    | 200               | 100               | -                               |
| Trade and other payables  | 66,991                     | 66,991                            | 66,991                      | -                      | -                 | -                 | -                               |
|                           | <u>287,716</u>             | <u>297,603</u>                    | <u>78,782</u>               | <u>12,693</u>          | <u>65,906</u>     | <u>140,222</u>    | <u>-</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 2012**

| Impact in 000s            | USD             | Euro          | BRL           |
|---------------------------|-----------------|---------------|---------------|
| Trade receivables         | 40,470          | 12,789        | 31,313        |
| Cash and cash equivalents | 22,211          | 4,048         | 11,277        |
| Secured bank loans        | (80,600)        | -             | -             |
| Trade payables            | (4,362)         | (1,730)       | (8,411)       |
|                           | <u>(22,281)</u> | <u>15,107</u> | <u>34,179</u> |

**31 December 2011**

| Impact in 000s            | USD            | Euro         | BRL           |
|---------------------------|----------------|--------------|---------------|
| Trade receivables         | 40,128         | 5,747        | 23,947        |
| Cash and cash equivalents | 46,226         | 7,516        | 12,448        |
| Secured bank loans        | (88,000)       | -            | -             |
| Trade payables            | (4,012)        | (3,864)      | (5,030)       |
|                           | <u>(5,658)</u> | <u>9,399</u> | <u>31,365</u> |

The following significant exchange rates applied during the year

|      | Average rate |           | Reporting date spot rate |           |
|------|--------------|-----------|--------------------------|-----------|
|      | 2012<br>£    | 2011<br>£ | 2012<br>£                | 2011<br>£ |
| USD  | 1.5908       | 1.6056    | 1.6150                   | 1.5450    |
| Euro | 1.2325       | 1.1483    | 1.2220                   | 1.1930    |
| BRL  | 3.1233       | 2.6844    | 3.3020                   | 2.9130    |

## Notes (continued)

### 26 Financial instruments (continued)

#### Sensitivity analysis

A 5 percent strengthening of Sterling against the following currencies at 31 December would have (decreased)/increased 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 2011.

| Impact in £000          | Balance sheet<br>(Equity) | Income Statement<br>(Profit after tax) |
|-------------------------|---------------------------|--|
| <b>31 December 2012</b> |                           |  |
| USD                     | (1,686)                   | (529)                                  |
| Euro                    | (2,607)                   | (370)                                  |
| BRL                     | 31                        | 106                                    |
| <b>31 December 2011</b> |                           |  |
| USD                     | (1,410)                   | 268                                    |
| Euro                    | (2,289)                   | (525)                                  |
| BRL                     | (71)                      | (10)                                   |

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 |         |
|--------------------------------------|-----------------|---------|
|                                      | 2012            | 2011    |
|                                      | £000            | £000    |
| <b>Fixed rate instruments</b>        |                 |         |
| Financial liabilities at 31 December | 282             | 1,044   |
|                                      | <hr/>           | <hr/>   |
| <b>Variable rate instruments</b>     |                 |         |
| Financial liabilities at 31 December | 228,571         | 219,681 |
|                                      | <hr/>           | <hr/>   |

#### Fair value sensitivity analysis for fixed rate instruments

Fixed rate instruments consist of finance leases. The value of these is not considered material to the Group and therefore no sensitivity analysis is presented.

## Notes (continued)

### 26 Financial instruments (continued)

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit 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 2011.

| Impact in £000            | Income Statement<br>(Profit before tax) |                    | Balance Sheet<br>(Equity) |                    |
|---------------------------|---|--------------------|---------------------------|--------------------|
|                           | 100 bp<br>increase                      | 100 bp<br>decrease | 100 bp<br>increase        | 100 bp<br>decrease |
| <b>31 December 2012</b>   |   |                    |                           |                    |
| Variable rate instruments | (2,241)                                 | 2,241              | 2,241                     | (2,241)            |
| Cash flow sensitivity     | (2,241)                                 | 2,241              | 2,241                     | (2,241)            |
| <b>31 December 2011</b>   |   |                    |                           |                    |
| Variable rate instruments | (2,164)                                 | 2,164              | 2,164                     | (2,164)            |
| Cash flow sensitivity     | (2,164)                                 | 2,164              | 2,164                     | (2,164)            |

#### 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:

|                             | 2012                       |                       | 2011                       |                       |
|-----------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
|                             | Carrying<br>amount<br>£000 | Fair<br>value<br>£000 | Carrying<br>amount<br>£000 | Fair<br>value<br>£000 |
| Trade and other receivables | 140,782                    | 140,782               | 103,291                    | 103,291               |
| Cash and cash equivalents   | 37,128                     | 37,128                | 71,720                     | 71,720                |
| Secured bank loans          | (228,571)                  | (243,222)             | (219,681)                  | (208,489)             |
| Finance lease liabilities   | (282)                      | (265)                 | (1,044)                    | (997)                 |
| Trade and other payables    | (111,710)                  | (111,710)             | (66,991)                   | (66,991)              |
|                             | (162,653)                  | (177,287)             | (112,705)                  | (101,466)             |

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

##### 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:

|                      | 2012 | 2011 |
|----------------------|------|------|
| Loans and borrowings | 4.4% | 2.1% |
| Leases               | 5.9% | 5.9% |

## Notes (continued)

### 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        |              |
|-------------------------------|--------------------|---------------|--------------|--------------|
|                               | 2012               | 2011          | 2012         | 2011         |
|                               | £000               | £000          | £000         | £000         |
| Unexpired period of the lease |                    |               |              |              |
| Less than one year            | 7,028              | 5,148         | 770          | 854          |
| Between one and five years    | 20,236             | 14,354        | 647          | 494          |
| More than five years          | 21,395             | 22,200        | -            | -            |
|                               | <u>48,659</u>      | <u>41,702</u> | <u>1,417</u> | <u>1,348</u> |

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

### 28 Capital commitments

At 31 December 2012 the Group had entered into contracts to purchase property, plant and equipment totalling £21,509,000 (2011 £955,000) 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, the likelihood of a material outflow of economic benefit is remote.

### 30 Parent and ultimate controlling party

From 6 November 2012 the Company's immediate parent undertaking is KKR Matterhorn Bidco Limited, a company incorporated in Jersey. Prior to this date the immediate parent undertaking was FR Acteon Holdings Limited, a company incorporated in the Cayman Islands.

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

## 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 participated in the Group's share option scheme which closed in 2012 (note 24).

Key management personnel compensation comprised

|                                      | 2012<br>£000 | 2011<br>£000 |
|--------------------------------------|--------------|--------------|
| Short-term employee benefits         | 38,346       | 2,061        |
| Post-employment benefits             | 22           | 22           |
|                                      | <hr/>        | <hr/>        |
| Total                                | 38,368       | 2,083        |
|                                      | <hr/>        | <hr/>        |
| Of which outstanding at the year end | 745          | 651          |
|                                      | <hr/>        | <hr/>        |

##### (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 £324,000 (2011: £294,000). The amount owing to BHHM Pension Scheme at 31 December 2012 was £32,000 (2011: £26,000).

###### *Directors' shareholdings*

Directors of the Company do not control any of the voting shares of the Company (2011: 27.58%).

##### (b) Post-employment benefit plans

The Group operates a post-employment benefit plan as detailed in note 23.

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 |              |
|------------------------------|------------------------|--------------|----------------------------|--------------|
|                              | 2012<br>£000           | 2011<br>£000 | 2012<br>£000               | 2011<br>£000 |
| Defined contribution schemes | 2,542                  | 1,626        | 514                        | 348          |
|                              | <hr/>                  | <hr/>        | <hr/>                      | <hr/>        |

## Notes (continued)

### 31 Related parties (continued)

#### (c) Other related party transactions

|  | Transaction value |       | Balance outstanding |       |
|--|-------------------|-------|---------------------|-------|
|  | 2012              | 2011  | 2012                | 2011  |
|  | £000              | £000  | £000                | £000  |
| <b>Sales of goods and services</b>   |                   |       |                     |       |
| Products and services provided to companies controlled by the former ultimate controlling party on a commercial arm's length basis prior to the 2012 change in ownership | 2,105             | 4,367 | -                   | 1,330 |
| <b>Purchase of goods and services</b>  |                   |       |                     |       |
| Products and services provided by companies controlled by the former ultimate controlling party on a commercial arm's length basis prior to the 2012 change in ownership | 2,238             | 3,991 | -                   | -     |

There were no related party transactions with companies controlled by the current ultimate controlling party

#### (d) Significant subsidiaries

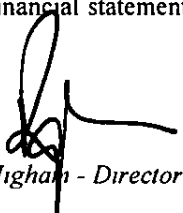
|  | Country of incorporation | Ownership interest % |      |
|--|--------------------------|----------------------|------|
|  |                          | 2012                 | 2011 |
| 2H Offshore Engineering Limited                              | England & Wales          | 100                  | 100  |
| 2H Offshore Inc  | USA                      | 100                  | 100  |
| 2H Offshore Engineering Sdn Bhd                              | Malaysia                 | 100                  | 100  |
| Acteon Angola Limitada                                       | Angola                   | 100                  | 100  |
| Acteon Middle East FZE                                       | UAE                      | 100                  | 100  |
| Aquatic Engineering & Construction Limited                   | Scotland                 | 100                  | 100  |
| Aquatic Asia Pacific Pte Limited                             | Singapore                | 100                  | 100  |
| Claxton Engineering Services Limited                         | England & Wales          | 100                  | 100  |
| Conductor Installation Services Limited                      | England & Wales          | 100                  | 100  |
| Fluke Engenharia Limitada                                    | Brazil                   | 80                   | 80   |
| 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                  | 80   |
| InterMoor Marine Services Limited                            | Scotland                 | 100                  | 100  |
| IOS InterMoor AS   | Norway                   | 100                  | 100  |
| Large Diameter Drilling Limited                              | England & Wales          | 100                  | 100  |
| MENCK GmbH   | Germany                  | 100                  | 100  |
| Mirage Machines Limited                                      | England & Wales          | 90                   | 80   |
| NCS Survey Limited   | Scotland                 | 90                   | 80   |
| Offshore Installation Services Limited                       | England & Wales          | 100                  | 100  |
| PT Cape Resources Indonesia                                  | Indonesia                | 85                   | 85   |
| Seatronics Limited   | England & Wales          | 97                   | 95   |
| Seatronics Inc   | USA                      | 97                   | 95   |
| Seatronics Pte Limited                                       | Singapore                | 97                   | 95   |
| Team Energy Resources Limited                                | England & Wales          | 100                  | 100  |
| Team Energy Resources Middle East LLC                        | Qatar                    | 100                  | 100  |

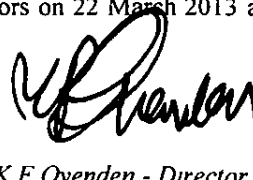
Company balance sheet and notes  
prepared under UK GAAP

**Company balance sheet**  
*at 31 December 2012*

|   | Note | 2012<br>£000          | 2011<br>£000          |
|---|------|-----------------------|-----------------------|
| <b>Fixed assets</b>                                   |      |                       |                       |
| Tangible  | 33   | 250                   | 241                   |
| Investments   | 34   | 361,724               | 361,918               |
|   |      | <u>361,974</u>        | <u>362,159</u>        |
| <b>Current assets</b>                                 |      |                       |                       |
| Debtors   | 35   | 42,806                | 30,904                |
| Cash at bank and in hand                              |      | 54,685                | 81,165                |
|   |      | <u>97,491</u>         | <u>112,069</u>        |
| <b>Creditors: amounts falling due within one year</b> | 36   | (57,931)              | (49,346)              |
| <b>Net current assets</b>                             |      | <u>39,560</u>         | <u>62,723</u>         |
| <b>Total assets less current liabilities</b>          |      | <u>401,534</u>        | <u>424,882</u>        |
| <b>Creditors: amounts falling due after one year</b>  | 37   | (221,992)             | (200,600)             |
| <b>Net assets</b>                                     |      | <u><u>179,542</u></u> | <u><u>224,282</u></u> |
| <b>Capital and reserves</b>                           |      |                       |                       |
| Called up share capital                               | 38   | 11,659                | 11,640                |
| Share premium   | 39   | 16,437                | 16,239                |
| Capital redemption reserve                            | 39   | 1,154                 | 1,154                 |
| Other reserve   | 39   | 15,395                | 15,395                |
| Investment revaluation reserve                        | 39   | 117,313               | 117,313               |
| Share option reserve                                  | 39   | -                     | 641                   |
| Profit and loss account                               | 39   | 17,584                | 61,900                |
| <b>Shareholders' funds</b>                            | 40   | <u><u>179,542</u></u> | <u><u>224,282</u></u> |

The financial statements were approved by the board of directors on 22 March 2013 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

#### 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 |
|---|----------------------------|

#### 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 reorganisation

#### 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 the profit before taxation

#### Operating leases

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

#### 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 that includes 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's 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, the 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 dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

## Notes to the Company financial statements (*continued*)

### 32 Accounting policies (*continued*)

#### 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.

#### Share-based payments

The Company has adopted *FRS 20, Share-based Payments*. This has been applied to all share option contracts executed after 7 November 2002 which had not vested as at 1 January 2006.

From 2007 to 2012 the Company operated an equity-settled share option plan, the Acteon Group Ltd 2007 Share Option Plan, under which share options were granted to certain employees. The grant date fair value of options granted to employees was recognised as an employee expense, with a corresponding increase in equity, over the expected period between the grant date and the date when the employees became unconditionally entitled to exercise the option (vesting). The fair value of the employee share options, which had a market-based performance condition, was measured as at the date of grant using the Black-Scholes valuation model. The Monte Carlo method was adopted in order to determine the expected level of vesting. Measurement inputs included the exercise price of options, expected volatility (based on weighted average historic volatility of comparable quoted companies), estimated average life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). No new options were granted in 2012. This share option scheme was closed in the year as disclosed in note 24.

#### 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 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

|                            | <b>Fixtures,<br/>fittings and<br/>computer<br/>equipment<br/>£000</b> |
|----------------------------|---|
| <b>Cost</b>                |   |
| At 1 January 2012          | 538   |
| Additions                  | 110   |
| Disposals                  | (38)  |
|                            | <hr/>   |
| At 31 December 2012        | 610   |
|                            | <hr/>   |
| <b>Depreciation</b>        |   |
| At 1 January 2012          | 297   |
| Charge for year            | 98  |
| Disposals                  | (35)  |
|                            | <hr/>   |
| At 31 December 2012        | 360   |
|                            | <hr/>   |
| <b>Net book value</b>      |   |
| <b>At 31 December 2012</b> | <b>250</b>  |
|                            | <hr/>   |
| At 31 December 2011        | 241   |
|                            | <hr/>   |

## Notes to the Company financial statements *(continued)*

### 34 Investments

|                            | Shares in<br>subsidiary<br>undertakings<br>£000 |
|----------------------------|---|
| <b>Cost or valuation</b>   |   |
| At 1 January 2012          | 361,918   |
| Additions                  | 6,614   |
|                            | <hr/>   |
| At 31 December 2012        | 368,532   |
|                            | <hr/>   |
| <b>Impairment</b>          |   |
| Impairment in the year     | (6,808)   |
|                            | <hr/>   |
| At 31 December 2012        | (6,808)   |
|                            | <hr/>   |
| <b>Net book value</b>      |   |
| <b>At 31 December 2012</b> | <b>361,724</b>                                  |
|                            | <hr/>   |
| At 31 December 2011        | 361,918   |
|                            | <hr/>   |

The additions to investments in the year arose as a result of the company acquiring further shares from non-controlling interests in NCS Survey Limited, Seascan Limited (the parent of the Seatronics companies) and Mirage Machines Limited

Following a review of the carrying value of investments compared with their estimated recoverable amounts an impairment provision has been recognised

During 2007, as a result of a Group reorganisation, certain investments were formally valued by external professional valuers at market value. That value has been reflected in the opening cost or valuation at 1 January 2012.

If valued on a historic cost basis fixed asset investments would have been stated at £244,411,000 (2011 £244,605,000)

## 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<br>% in ordinary shares |      |
|--|--------------------------|---|--|------|
|  |                          |   | 2012                                       | 2011 |
| 2H Offshore Engineering Limited                              | England & Wales          |   | 100  | 100  |
| 2H Offshore Inc  | USA                      | * | 100  | 100  |
| 2H Offshore Engineering Sdn Bhd                              | Malaysia                 | * | 100  | 100  |
| Acteon Angola Limitada                                       | Angola                   |   | 100  | 100  |
| Acteon Middle East FZE                                       | UAE                      |   | 100  | 100  |
| Aquatic Engineering & Construction Limited                   | Scotland                 |   | 100  | 100  |
| Aquatic Asia Pacific Pte Limited                             | Singapore                | * | 100  | 100  |
| Claxton Engineering Services Limited                         | England & Wales          |   | 100  | 100  |
| Conductor Installation Services Limited                      | England & Wales          |   | 100  | 100  |
| Fluke Engenharia Limitada                                    | Brazil                   | * | 80   | 80   |
| 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  |
| InterAct PMTI Inc  | USA                      | * | 100  | 80   |
| Large Diameter Drilling Limited                              | England & Wales          |   | 100  | 100  |
| MENCK GmbH   | Germany                  |   | 100  | 100  |
| Mirage Machines Limited                                      | England & Wales          |   | 90   | 80   |
| NCS Survey Limited   | Scotland                 |   | 90   | 80   |
| Offshore Installation Services Limited                       | England & Wales          |   | 100  | 100  |
| PT Cape Resources Indonesia                                  | Indonesia                | * | 85   | 85   |
| Seatronics Limited   | England & Wales          | * | 97   | 95   |
| Seatronics Inc   | USA                      | * | 97   | 95   |
| Seatronics Pte Limited                                       | Singapore                | * | 97   | 95   |
| Team Energy Resources Limited                                | England & Wales          |   | 100  | 100  |
| Team Energy Resources Middle East LLC                        | Qatar                    | * | 100  | 100  |

\* Denotes indirect ownership

## Notes to the Company financial statements (continued)

### 35 Debtors

|                                     | 2012<br>£000  | 2011<br>£000  |
|-------------------------------------|---------------|---------------|
| Amounts due from Group undertakings | 41,174        | 27,498        |
| Other debtors                       | 1,493         | 3,338         |
| Prepayments                         | 139           | 68            |
|                                     | <u>42,806</u> | <u>30,904</u> |

Other debtors include £87,000 (2011 £35,000) in respect of a deferred tax asset arising from timing differences between book and tax depreciation

### 36 Creditors: amounts falling due within one year

|                                    | 2012<br>£000  | 2011<br>£000  |
|------------------------------------|---------------|---------------|
| Bank loans                         | 6,579         | 19,081        |
| Trade creditors                    | 538           | 254           |
| Amounts owed to Group undertakings | 22,006        | 26,251        |
| Other tax and social security      | 23,179        | 128           |
| Other creditors                    | 2,374         | 2,373         |
| Accruals and deferred income       | 3,255         | 1,259         |
|                                    | <u>57,931</u> | <u>49,346</u> |

### 37 Creditors: amounts falling due after more than one year

|            | 2012<br>£000   | 2011<br>£000   |
|------------|----------------|----------------|
| Bank loans | 221,992        | 200,600        |
|            | <u>221,992</u> | <u>200,600</u> |

Loans fall due for repayment as follows

|                            | 2012<br>£000   | 2011<br>£000   |
|----------------------------|----------------|----------------|
| Within one year            | 6,579          | 19,081         |
| Between one and two years  | 11,579         | 61,968         |
| Between two and five years | 80,506         | 138,632        |
| More than five years       | 129,907        | -              |
|                            | <u>228,571</u> | <u>219,681</u> |

The amount falling due after more than five years is repayable by one instalment on 6 November 2018

The maturity dates relating to these loans and the applicable interest rates are shown in note 22

## Notes to the Company financial statements *(continued)*

### 38 Share capital

|                                   | Allotted, called up<br>and fully paid |               |
|-----------------------------------|---------------------------------------|---------------|
|                                   | No000                                 | £000          |
| <b>At 31 December 2011</b>        |                                       |               |
| "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 | 74,053                                | 741           |
| "D" ordinary shares of £0.01 each | 18,666                                | 187           |
|                                   | <u>1,163,996</u>                      | <u>11,640</u> |
| <b>Movements in the year</b>      |                                       |               |
| "C" ordinary shares of £0.01 each | 1,933                                 | 19            |
|                                   | <u>1,933</u>                          | <u>19</u>     |
| <b>At 31 December 2012</b>        |                                       |               |
| "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> |

The movement in the year arose from the exercise of certain share options (see note 24) for a total value of £217,000. In accordance with the Companies Act 2006 this has been capitalised from the profit and loss reserve. The value above the nominal value amounting to £198,000 has been charged to the share premium account.

All shares rank *pari passu*, in all respects, except that any "A" ordinary shares and any "B" ordinary shares in issue will 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.

## Notes to the Company financial statements (continued)

### 39 Reserves

|                             | Share<br>premium<br>account<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Other<br>reserve<br>£000 | Investment<br>revaluation<br>reserve<br>£000 | Share<br>option<br>reserve<br>£000 | Profit<br>and loss<br>account<br>£000 |
|-----------------------------|-------------------------------------|--|--------------------------|--|------------------------------------|---------------------------------------|
| At 1 January 2012           | 16,239                              | 1,154                                    | 15,395                   | 117,313                                      | 641                                | 61,900                                |
| Movement in year            | -                                   | -  | -                        | -  | 156                                | (10,861)                              |
| Dividends paid              | -                                   | -  | -                        | -  | -                                  | (34,035)                              |
| Shares issued in year       | 198                                 | -  | -                        | -  | -                                  | (217)                                 |
| Released on forfeit/vesting | -                                   | -  | -                        | -  | (797)                              | 797                                   |
| <b>At 31 December 2012</b>  | <b>16,437</b>                       | <b>1,154</b>                             | <b>15,395</b>            | <b>117,313</b>                               | <b>-</b>                           | <b>17,584</b>                         |

Details relating to the share option reserve are shown in note 24 and the share issue in note 38

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

|   | 2012<br>£000   | 2011<br>£000   |
|---|----------------|----------------|
| Shareholders' funds at 1 January          | 224,282        | 212,035        |
| (Loss)/profit for the financial year      | (10,861)       | 12,187         |
| Dividends paid                            | (34,035)       | -              |
| Credit relating to share based charges    | 156            | 60             |
| <b>Shareholders' funds at 31 December</b> | <b>179,542</b> | <b>224,282</b> |

### 41 Commitments

Annual commitments under non-cancellable operating leases are as follows

|                               | Land and buildings |              |
|-------------------------------|--------------------|--------------|
|                               | 2012<br>£000       | 2011<br>£000 |
| Operating leases which expire |                    |              |
| Between one and five years    | 81                 | -            |
| Over five years               | -                  | 76           |

### 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 £52,000 (2011 £43,000). Contributions amounting to £5,000 (2011 £4,000) are payable to the scheme and are included in creditors.

## Notes to the Company financial statements *(continued)*

### 44 Related parties

The Company was charged rent by BHHM Pension scheme, an entity associated by common directors/trustees, amounting to £78,000 (2011 £76,000) No amounts were owing to BHHM Pension scheme at 31 December 2011 or 2012

The Company continued to provide funding to InterAct PMTI Inc, a member of the group Interest, charged at commercial rates, totalled £78,000 in 2011 and the balance owed to Acteon Group Limited at the 2011 year end amounted to £1,629,000 Exemption from disclosure under FRS 8, *Related Party Disclosures*, has been applied for the current year as a result of the company now being a wholly owned subsidiary