

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
Financial		
Gross Margin % of revenues	35.2%	33.3%
Net book value of fixed assets (£000s)	156,993	150,614
Non-financial		
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.

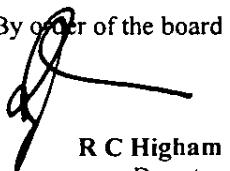
Provision of information to auditors

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>	2012 £000	2011 £000
Revenue			
Cost of sales	6	445,373 (288,391)	381,388 (254,511)
Gross profit		156,982	126,877
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)
Profit from operating activities		24,177	63,083
Finance income		1,772	1,120
Finance expense		(11,315)	(7,509)
Net finance expense	11	(9,543)	(6,389)
Profit before income tax		14,634	56,694
Income tax expense	12	(9,672)	(15,689)
Profit for the year		4,962	41,005
Attributable to:			
Equity holders of the parent		5,496	41,371
Non-controlling interests		(534)	(366)
Profit for the year		4,962	41,005

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

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>	2012 £000	2011 £000
Non-current assets			
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
Total non-current assets		318,849	324,330
Current assets			
Inventories	18	22,258	20,471
Trade and other receivables	19	140,782	103,291
Cash and cash equivalents		37,128	71,720
Total current assets		200,168	195,482
Total assets		519,017	519,812
Equity			
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
Total equity attributable to equity holders of the Company		156,226	193,029
Non-controlling interests		645	3,442
Total equity		156,871	196,471
Non-current liabilities			
Loans and borrowings	22	222,009	200,882
Employee benefits	23	1,491	1,713
Deferred income tax liabilities	17	17,425	22,261
Total non-current liabilities		240,925	224,856
Current liabilities			
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
Total current liabilities		121,221	98,485
Total liabilities		362,146	323,341
Total equity and liabilities		519,017	519,812

These 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

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

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>	2012 £000	2011 £000
Cash flow from operating activities			
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
		51,115	91,774
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
		55,257	80,432
Interest paid		(5,785)	(5,680)
Income tax paid		(24,479)	(15,966)
		24,993	58,786
Cash flows from investing activities			
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)
		(32,882)	(47,539)
Cash flow from financing activities			
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)	-
		(24,936)	5,510
Net (decrease)/increase in cash and cash equivalents		(32,825)	16,757
Cash and cash equivalents at 1 January		71,720	56,713
Effect of exchange rate fluctuations on cash held		(1,767)	(1,750)
		37,128	71,720

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 PMT1 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 carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £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 £000	2011 £000
Sale of goods	81,016	67,012
Rendering of services	364,357	314,376
 Total revenues	 445,373	 381,388
 	 =====	 =====

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 £000	2011 £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 £000	2011 £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 £000	2011 £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
	—	—

The aggregate payroll costs of these employees were as follows

	2012 £000	2011 £000
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

	2012 £000	2011 £000
Interest income on bank deposits	1,578	879
Return on pension plan assets	38	48
Other interest receivable	156	193
Finance income	1,772	1,120
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)
Finance expense	(11,315)	(7,509)
Net finance expense recognised in profit or loss	(9,543)	(6,389)

Recognised directly in equity

	2012 £000	2011 £000
Translation of foreign currency net investments	(2,508)	(2,330)
Income tax on income and expense recognised directly in equity	(580)	192
Finance expense recognised directly in equity, net of tax	(3,088)	(2,138)

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 £000	2011 £000
Current tax expense		
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
	<hr/>	<hr/>
	11,097	20,402
	<hr/>	<hr/>
Deferred tax credit		
Reversal of temporary differences	(2,607)	(4,373)
Adjustments for prior periods	1,182	(340)
	<hr/>	<hr/>
	(1,425)	(4,713)
	<hr/>	<hr/>
Total income tax expense	9,672	15,689
	<hr/>	<hr/>
Reconciliation of effective tax rate		
	2012 £000	2011 £000
Profit for the year	4,962	41,005
Total income tax expense	9,672	15,689
	<hr/>	<hr/>
Profit excluding income tax	14,634	56,694
	<hr/>	<hr/>
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)
	<hr/>	<hr/>
	9,672	15,689
	<hr/>	<hr/>

* 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%)
	<hr/>	<hr/>
	66.1%	27.7%
	<hr/>	<hr/>
Income tax recognised directly in equity		
	2012	2011
	£000	£000
Relating to share based payments	(580)	192
	<hr/>	<hr/>
Total income tax recognised directly in equity	(580)	192
	<hr/>	<hr/>

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	2011
	£000	£000
Ordinary dividends declared and paid during the year	34,035	-
	<hr/>	<hr/>

Notes (continued)

15 Property, plant and equipment

	Note	Land, buildings and leasehold improvements £000	Plant, equipment and fixtures and fittings £000	Assets under construction £000	Total £000
Cost or deemed cost					
Balance at 1 January 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)
 Balance at 31 December 2011		 26,235	 204,422	 4,001	 234,658
 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)
 Balance at 31 December 2012		 25,548	 225,411	 7,091	 258,050
 Depreciation and impairment losses					
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)
 Balance at 31 December 2011		 3,596	 80,448	 -	 84,044
 Depreciation for the year		 678	 24,406	 -	 25,084
Disposals		(317)	(5,962)	-	(6,279)
Exchange movements		(224)	(1,568)	-	(1,792)
 Balance at 31 December 2012		 3,733	 97,324	 -	 101,057
 Carrying amounts					
At 31 December 2011		22,639	123,974	4,001	150,614
 At 31 December 2012		 21,815	 128,087	 7,091	 156,993

Notes (continued)

15 Property, plant and equipment (continued)

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

	2012 £000	2011 £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
	<hr/>	<hr/>
	21,815	22,639
	<hr/>	<hr/>

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 £000	Customer lists £000	Order books £000	Software £000	Total £000
Cost					
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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2011	128,763	55,848	4,962	5,500	195,073
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Additions	-	-	-	939	939
Disposals	-	-	-	(37)	(37)
Exchange movements	377	-	-	(94)	283
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	129,140	55,848	4,962	6,308	196,258
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

* 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 £000	Customer lists £000	Order books £000	Software £000	Total £000
Amortisation and impairment losses					
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
Carrying amounts					
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 £000	2011 £000
<u>High capital intensity units</u>		
Seatrónics	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
	<hr/>	<hr/>
	103,862	105,337
<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
	<hr/>	<hr/>
	23,258	23,426
	<hr/>	<hr/>
Total goodwill	127,120	128,763
	<hr/>	<hr/>

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 December 2012	As at 31 December 2011
	1 Year	1 Year
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 £000	2011 £000	2012 £000	2011 £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)	-	-
Deferred tax (assets)/liabilities	(3,424)	(7,529)	17,425	22,261
Net deferred tax liabilities			14,001	14,732

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 1 January 2012 £000	Foreign exchange and reclassifications £000	Recognised in income statement £000	Recognised in equity £000	Acquired in business combinations £000	Balance 31 December 2012 £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
	—	—	—	—	—	—
	14,732	114	(1,425)	580	-	14,001
	—	—	—	—	—	—

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

	Balance 1 January 2011 £000	Foreign Exchange and reclassifications £000	Recognised in income statement £000	Recognised in equity £000	Acquired in business combinations £000	Balance 31 December 2011 £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
	—	—	—	—	—	—
	17,458	(18)	(4,713)	(192)	2,197	14,732
	—	—	—	—	—	—

18 Inventories

	2012 £000	2011 £000
Raw materials and consumables	5,379	2,899
Work in progress	8,699	11,169
Finished goods	8,180	6,403
	—	—
	22,258	20,471
	—	—

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

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 and fully paid No000	£000
At 31 December 2011		
“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
	<hr/>	<hr/>
	1,163,996	11,640
	<hr/>	<hr/>
Movements in the year		
“C” ordinary shares of £0.01 each	1,933	19
	<hr/>	<hr/>
	1,933	19
	<hr/>	<hr/>
At 31 December 2012		
“A” ordinary shares of £0.01 each	590,038	5,900
“B” ordinary shares of £0.01 each	481,239	4,812
“C” ordinary shares of £0.01 each	75,986	760
“D” ordinary shares of £0.01 each	18,666	187
	<hr/>	<hr/>
	1,165,929	11,659
	<hr/>	<hr/>

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

Notes (continued)

22 Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows

				31 December 2012	31 December 2011
	Currency	Nominal interest rate	Year of maturity	Face value £000	Carrying amount* £000
Secured bank loan	Sterling	Libor + Margin**	2017-2018	195,200	182,031
Secured bank loan	US Dollar	Libor + Margin**	2017-2018	49,907	46,540
Finance lease liabilities	Sterling	5.9%	2014	282	282
Total interest-bearing liabilities				245,389	228,853
				_____	_____
				_____	_____
				_____	_____

* 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 £000	Interest 2012 £000	Present value of minimum lease payments 2012 £000	Future minimum lease payments 2011 £000	Interest 2011 £000	Present value of minimum lease payments 2011 £000
Less than one year	282	17	265	808	46	762
Between one and five years	18	1	17	300	18	282
	300	18	282	1,108	64	1,044
	_____	_____	_____	_____	_____	_____

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

Disclosure relating to the Group's defined benefit obligations

	2012 £000	2011 £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
	<hr/>	<hr/>
Net liability for defined benefit obligations at 31 December	1,491	1,713
	<hr/>	<hr/>

Notes (continued)

23 Employee benefits (continued)

Movement in the present value of the defined benefit obligations

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

Movement in fair value of plan assets

	IOS InterMoor AS	Menck GmbH	
	2012	2011	2012
	£000	£000	£000
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
	£000	£000	£000
Current service costs included in other administrative expenses	(223)	(181)	(17)
Interest on obligation included in finance expense	(49)	(57)	(59)
Expected return on plan assets included in finance income	38	48	(60)
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 £000	2011 £000	2012 £000	2011 £000
Cumulative gain at 1 January				
Recognised during the period	(343) 377	(71) (272)	44 (230)	36 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 £000	2011 £000	2010 £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)
	<hr/>	<hr/>	<hr/>
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 £000	2011 £000	2010 £000	2009 £000	2008 £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 option shares (thousands)	Vesting conditions	Contractual life 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 average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 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 2011	November 2010	November 2009	September 2008	September 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 £000	2011 £000
Relating to		
Share options granted in 2009	-	2
Share options granted in 2010	43	51
Share options granted in 2011	113	7
 Total expense recognised as employee costs	 156	 60
 _____	 _____	 _____

25 Trade and other payables

	2012 £000	2011 £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
 _____	 111,710	 66,991
 _____	 _____	 _____

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
	—	—
	177,910	175,011
	—	—

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

	Provision for impairment			Provision for impairment		
	Gross 2012 £000	2012 £000	Net 2012 £000	Gross 2011 £000	2011 £000	Net 2011 £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 individually impaired, with non-specific provision allowances	115,092	(1,195)	113,897	88,422	(1,141)	87,281
	—	—	—	—	—	—
Total amounts due and individually impaired, with specific provision 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 £000	2011 £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							More than 5 years £000
	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000		
Secured bank loans	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	-	-	-		-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>		<hr/>
	340,563	408,744	122,263	10,443	25,235	115,159		135,644
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>		<hr/>
2011	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-4 years £000	More than 5 years £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	-	-	-		-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>		<hr/>
	287,716	297,603	78,782	12,693	65,906	140,222		-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>		<hr/>

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)
	<hr/>	<hr/>	<hr/>
Gross balance sheet financial instrument exposure	(22,281)	15,107	34,179
	<hr/>	<hr/>	<hr/>

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)
	<hr/>	<hr/>	<hr/>
Gross balance sheet financial instrument exposure	(5,658)	9,399	31,365
	<hr/>	<hr/>	<hr/>

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rate	
	2012 £	2011 £	2012 £	2011 £
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 (Equity)	Income Statement (Profit after tax)
31 December 2012		
USD	(1,686)	(529)
Euro	(2,607)	(370)
BRL	31	106
31 December 2011		
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
Fixed rate instruments		
Financial liabilities at 31 December	282	1,044
Variable rate instruments		
Financial liabilities at 31 December	228,571	219,681

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 (Profit before tax)		Balance Sheet (Equity)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2012				
Variable rate instruments	(2,241)	2,241	2,241	(2,241)
Cash flow sensitivity	(2,241)	2,241	2,241	(2,241)
31 December 2011				
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 amount £000	Fair value £000	Carrying amount £000	Fair value £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)
	<hr/>	<hr/>	<hr/>	<hr/>
	(162,653)	(177,287)	(112,705)	(101,466)
	<hr/>	<hr/>	<hr/>	<hr/>

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 £000	2011 £000	2012 £000	2011 £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	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	48,659	41,702	1,417	1,348
	<hr/>	<hr/>	<hr/>	<hr/>

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 £000	2011 £000
Short-term employee benefits	38,346	2,061
Post-employment benefits	22	22
<hr/>	<hr/>	<hr/>
Total	38,368	2,083
<hr/>	<hr/>	<hr/>
Of which outstanding at the year end	745	651
<hr/>	<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 £000	2011 £000	2012 £000	2011 £000
Defined contribution schemes	2,542	1,626	514	348
<hr/>	<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
Sales of goods and services				
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
	=====	=====	=====	=====
Purchase of goods and services				
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
Seatrionics Limited	England & Wales	97	95
Seatrionics Inc	USA	97	95
Seatrionics 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

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

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

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

Notes to the Company financial statements (continued)

34 Investments

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

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 % in ordinary shares	
		2012	2011
2H Offshore Engineering Limited	England & Wales	100	100
2H Offshore Inc	USA	*	100
2H Offshore Engineering Sdn Bhd	Malaysia	*	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
Claxton Engineering Services Limited	England & Wales	100	100
Conductor Installation Services Limited	England & Wales	100	100
Fluke Engenharia Limitada	Brazil	*	80
InterMoor Inc	USA	*	100
InterMoor do Brasil Servicos Offshore de Instalacao Limitada	Brazil	*	100
InterMoor Limited	Scotland	100	100
InterMoor Pte Limited	Singapore	*	100
InterMoor Marine Services Limited	Scotland	100	100
IOS InterMoor AS	Norway	*	100
InterAct PMTI Inc	USA	*	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
Seatronics Limited	England & Wales	*	97
Seatronics Inc	USA	*	97
Seatronics Pte Limited	Singapore	*	97
Team Energy Resources Limited	England & Wales	100	100
Team Energy Resources Middle East LLC	Qatar	*	100

* Denotes indirect ownership

Notes to the Company financial statements (continued)

35 Debtors

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

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 £000	2011 £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
	<hr/>	<hr/>
	57,931	49,346
	<hr/>	<hr/>

37 Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Bank loans	221,992	200,600
	<hr/>	<hr/>
	221,992	200,600
	<hr/>	<hr/>
Loans fall due for repayment as follows	2012 £000	2011 £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	-
	<hr/>	<hr/>
	228,571	219,681
	<hr/>	<hr/>

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 and fully paid	No000	£000
At 31 December 2011			
“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	
	<hr/>	<hr/>	<hr/>
	1,163,996	11,640	
	<hr/>	<hr/>	<hr/>
Movements in the year			
“C” ordinary shares of £0.01 each	1,933	19	
	<hr/>	<hr/>	<hr/>
	1,933	19	
	<hr/>	<hr/>	<hr/>
At 31 December 2012			
“A” ordinary shares of £0.01 each	590,038	5,900	
“B” ordinary shares of £0.01 each	481,239	4,812	
“C” ordinary shares of £0.01 each	75,986	760	
“D” ordinary shares of £0.01 each	18,666	187	
	<hr/>	<hr/>	<hr/>
	1,165,929	11,659	
	<hr/>	<hr/>	<hr/>

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 premium account £000	Capital redemption reserve £000	Other reserve £000	Investment revaluation reserve £000	Share option reserve £000	Profit and loss account £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
At 31 December 2012	16,437	1,154	15,395	117,313	-	17,584

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 £000	2011 £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
Shareholders' funds at 31 December	179,542	224,282

41 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2012 £000	2011 £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