Fugro Subsea Services Limited

Annual report and financial statements

Registered number SC105684

31 December 2013

Contents

Strategic report

Principal activities

The principal activity of the company during the year was the provision of ROVs (Remotely Operated Vehicles) and ROV support vessel services, primarily to the oil and gas industry.

Business model

Fugro Subsea Services Limited operates within the geographical region of the North Sea, the Mediterranean and West Africa and is part of the global Fugro Subsea Services Group. We operate a modern and diverse fleet of 60 ROV systems and 6 ROV support vessels. These support our clients in a wide range of offshore projects. We place a great emphasis on staff training and retention and pride ourselves on having a highly trained and experienced team of offshore personnel. This ensures that our projects are executed safely, on budget and on time and helps us to retain our client's future business.

We deliver our services to our clients under 4 distinct business lines. These are Construction Support, IRM (Inspection, Repair and Maintenance), Trenching Services and ROV Services.

Our Construction support vessels are purpose designed and outfitted with equipment and technology to allow them to support subsea infrastructure projects throughout our geographical region. These vessels are equipped with large deep-water capable cranes and built-in high power ROV systems deployed from purpose built hangar areas. They also have fully integrated networking throughout allowing high speed data processing and communication. Working closely with our sister companies we are able to provide all the Engineering, ROV, Survey and in some case marine personnel from Fugro, eliminating the need to hire sub-contractors.

In our IRM business we operate a modern fleet of vessels that are configured with ROV systems and survey packages to deliver the clients subsea inspection or survey requirements. Fugro is the industry leader in inspection and survey technology and we can offer an in-depth range of pipeline and subsea structure diver-less inspection services from shallow to 4,000m water-depths. To complement our vessel operations we can also offer our clients ROV inspection services operating from their own offshore installation or their vessel. Whether the requirement is for observation, sensor deployment or a full manipulator intervention task; we will have the specific ROV for the requirement.

The Trenching business line is focussed on pipeline and cable burial in both the sustainable energy and the oil and gas markets. Our Q1400 Trenching system can operate down to 2,500m water-depth and has the capability to perform high quality jet trenching in soft soils and mechanical chain cutting in harder soils. This provides our clients with a single solution to their burial requirements when they otherwise might need to hire 2 systems.

In our ROV services business we focus on providing the correct ROV for the client's requirement. We are able to do this as we design, build, own and operate our own fleet of vehicles. These systems utilise the best-in-class system components and standardise on sub-systems across the fleet. So whether it is a 3,000m drill support requirement off West Africa or a 200m maintenance project in the North Sea, Fugro will have the correct ROV for the job.

Finally to ensure all our offshore projects are successful, our in-house Engineering and Tooling department provides design and technical support to all of the business lines. This ensures that we provide innovative solutions to our clients planned and unplanned requirements. This can range from designing a bespoke tool for a particular intervention need to a complete cable installation project requiring vessel back deck layout calculations and detailed product installation procedures.

Business review and results

The results for the year show a loss after tax of £4,447,000 *(2012: profit after tax of £8,047,000).*

In our geographical regions of operation, the oil and gas industry experienced a strong 2013 with a healthy level of drilling activity, subsea projects and inspection campaigns. During the year we successfully completed projects in West Africa, the Mediterranean, the North Sea and the Atlantic Ocean. In the short to medium term the North Sea is starting to show signs of a slowdown as costs rise at a greater pace than the oil price. For the moment this has not affected operations in West Africa where we are looking to increase our presence over the coming years.

In the construction support business our 3 vessels completed a challenging range of projects. The Fugro Saltire completed an intervention campaign in Ivory Coast for CNR International and transferred back to the North Sea in time to work on the Chevron Captain annual intervention project for the second year. The Fugro Symphony picked up valuable North Sea work in quarter 1 before going to work on the BP Quad 204 project, West of Shetland for Technip. Finally the Skandi Carla worked in the Mediterranean at the beginning of the year before transiting back to the North Sea for a major ROV upgrade before commencing the Technip support contract which ran for the remainder of the year. In May 2013 we were awarded the Fugro Golden SAM (Safety Always Matters) Award for the innovative work we had performed over the past 12 months with these vessels.

Strategic report (continued)

On 1 January 2013, the trade, assets and personnel of Fugro Salt Subsea Limited were transferred to the company. These principally comprise of two Q-1400 trenching systems, one of which was installed on the Havila Phoenix for which the company had the charter until November 2013. These assets are primarily used in the oil and gas market, but can also be deployed in the offshore renewables market when required. It took several months to find work for the vessel based system and was the significant factor in our loss making 2013 results. When we did commence operations we successfully completed several challenging projects and built an excellent track record in the process. We demobilised from the Havila Phoenix in late 2013.

In the drill support market we continued with our ROV upgrade programme replacing the last of the old ROVs with new FCV 600 systems. These ROVs are designed for the North Sea drill support market and have proved to be a great success with our clients and ensure that we can continue to grow our market share in this important sector. On average, throughout 2013 we were present on 13 mobile offshore drilling rigs.

In 2013 we saw increased competition in our IRM business with several competitors targeting our long-established clients. The Skandi Olympia performed work in the North Sea before sailing to the Baltic to complete the 2nd year of the Nord Stream pipeline survey from Russia to Germany. In March we completed the mobilisation of the Grampian Surveyor which we have taken a medium term charter on to meet our committed Inspection campaigns. In April we mobilised the Olympic Commander to meet our seasonal needs in the summer months. In October we took over the operatorship of the Atlantis Dweller vessel after it was transferred from our Norwegian sister company; Fugro RUE AS. The vessel was located in Nigeria and we successfully completed several projects in West Africa utilising it up to the year end.

Key performance indicators

The company's key performance indicators include asset utilisation and operating rate together with contract backlogs.

Principal risks and uncertainties

The main risk to our future performance is our ability to win winter work for both our ROV and vessel fleet. Our clients try to minimise winter work and our competitors offer reduced vessel rates to ensure utilisation during quiet periods. In 2013 we successfully reduced this risk with a combination of International (Mediterranean and West Africa) and North Sea operations at the beginning and the end of the year. With the increase in vessels working in West Africa continuing to win winter work in this region will be difficult.

Within the trenching business line, the main risk is lack of continuity of projects. A focussed effort will be placed on securing sufficient utilisation for both trenchers in 2014. Obviously the mobilised system will be our first priority.

In the IRM business line we must look at ways of winning back some of the contracts that we lost in 2013.

Securing suitable onshore and offshore field staff is crucial to ensuring we deliver our services to our clients. Throughout 2012 and 2013 we successfully ran a combination of ROV Trainee, Supervisory and Technical courses employing over 100 personnel. This strategy will be continued throughout 2014 and although the employment market in the oil and gas business is starting to show signs of slowing up, it is still strong in the subsea ROV sector and securing and retaining the right people will continue to require a proactive approach by all senior management.

Future developments

In early 2014 we took the decision to mobilise a Trencher onto the Fugro Saltire and focus that spread on European projects. This has proved to be very successful in 2014. In 2014 we will continue targeting the FCV 600 at the North Sea drill support market. We will target large ROV projects in West Africa and add a further 2 FCV ROV systems to our fleet to support this. The Atlantis Dweller relocated to the North Sea in early 2014, where it will become a permanent addition to our IRM fleet.

Signed on behalf of the Board

K. Leighton

K Leighton
Company secretary

25 September 2014

Fugro House
Denmore Road
Bridge of Don
Aberdeen
AB23 8JW

Directors' report

The directors present their report for the year ended 31 December 2013.

The directors note that, as a result of the Strategic Report and Directors Report regulations 2013 (which are amendments to the Companies Act 2006) some of the reporting which would previously have been contained within the Directors' report must now (along with certain other reporting) appear within the Strategic report. The Directors' report now refers to the remaining statutory information requiring disclosure.

Proposed dividend

The directors paid a dividend of £6,400,000 during the year *(2012: £nil)*.

Directors

The directors who held office during the year and up to the date of this report were as follows:

GA Craigen
DA Cruickshank
GM Kennedy (appointed 7 January 2013)

The following director also served during the year:

JH Sommerville (resigned 30 April 2014)
GM Aitchison (resigned 28 February 2014)

Employees

The company is committed to maintaining and improving the methods by which employees are informed, either through meetings with representatives (individually, Communications Group) or otherwise (Newsletters, Director's updates), on matters affecting their work and the progress of the company. The company is also committed to offering employment, training and career development to disabled persons with the appropriate skills and qualifications.

Disclosure of information to auditor

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

Auditor

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

By order of the board

K Leighton
Company secretary

Fugro House
Denmore Road
Bridge of Don
Aberdeen
AB23 8JW

25 September 2014

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

KPMG
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditor's report to the members of Fugro Subsea Services Limited

We have audited the financial statements of Fugro Subsea Services Limited for the year ended 31 December 2013 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation 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 the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 web-site at 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 company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

David Der

David Derbyshire (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
29 September 2014

Profit and loss account

for the year ended 31 December 2013

		£000	£000
Turnover	*1-2*		
- Continuing operations		**158,342**	159,986
- Acquired operations	*19*	**21,505**	-
		179,847	159,986
Cost of sales		**(169,826)**	(137,300)
Gross profit		**10,021**	22,686
Administrative expenses		**(13,754)**	(10,815)
Operating (loss)/profit			
- Continuing operations		**2,097**	11,871
- Acquired operations	*19*	**(5,830)**	-
		(3,733)	11,871
Interest receivable and similar income	*6*	**14**	22
Interest payable and similar charges	*7*	**(710)**	(271)
(Loss)/profit on ordinary activities before taxation	*3-5*	**(4,429)**	11,622
Tax on profit on ordinary activities	*8*	**(18)**	(3,575)
(Loss)/profit for the financial year	*16*	**(4,447)**	8,047

Turnover and operating profit relate to acquired and continuing operations.

There were no recognised gains or losses other than the results for the financial years reported above.

Balance sheet
at 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	*10*		7,473		3,077
Investment	*11*		-		38
			7,473		3,115
Current assets					
Stocks	*12*	2,134		2,455	
Debtors	*13*	39,060		39,966	
Cash at bank and in hand		541		241	
		41,735		42,662	
Creditors: amounts falling due within one year	*14*	(36,844)		(22,761)	
Net current assets			4,891		19,901
Net assets			12,364		23,016
Capital and reserves					
Called up share capital	*15*		9		9
Share premium account	*16*		1,363		1,363
Profit and loss account	*16*		10,992		21,644
Shareholders' funds	*17*		12,364		23,016

These financial statements were approved by the board of directors on 25 September 2014 and were signed on its behalf by:

DA Cruickshank
Director

Company registered number: SC105684

Notes

(forming part of the financial statements)

1 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, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Fugro N.V. the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Fugro N.V., within which this company is included, can be obtained from the address given in note 21.

Going concern

The company's business activities, together with the factors likely to affect the future development, performance and position are set out in the Business review.

The directors consider the company has adequate financial resources, together with contracts with a number of customers across different geographic areas and industries. In addition, the company has confirmation from the directors of Fugro Holdings Limited, the company's immediate parent undertaking, that it will provide financial support to the company, as may be considered necessary, for at least twelve months from the date of these financial statements, to enable the company to meet its liabilities as they fall due.

As a consequence, the directors believe that the company is well placed to manage its business risks and they continue to adopt the going concern basis in preparing these financial statements.

Investments

The investment in the company's subsidiary undertaking is stated at cost less any amounts written off.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	shorter of lease term or 33% straight line
Plant, machinery and other assets	-	10% - 33% straight line

Post-retirement benefits

The company contributes to a defined benefit pension scheme and a defined contribution pension scheme both of which are operated by the immediate parent company, Fugro Holdings Limited. The assets of the schemes are held separately from those of the company in independently administered funds.

The amount charged to the profit and loss account in respect of the defined contribution scheme represents contributions payable by the company to the scheme in respect of the accounting period.

As the company is unable to identify its share of the underlying assets and liabilities of the group defined benefit scheme on a consistent and reasonable basis, as required by FRS 17 'Retirement benefits', the company accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable by the company to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company, Fugro N.V. The fair value of options granted after 7 November 2002 and those not yet vested as at the effective date of FRS 20 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

In respect of these share based payment arrangements, the ultimate parent company charges the company for the intrinsic value of the shares on exercise, being the difference between the market value at date of exercise and the exercise price. This is accounted for as a charge directly through equity with a corresponding credit to intercompany.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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.

Dividends on shares presented within shareholders' funds

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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the costs of disposal.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Charter income is recognised to match the provision of the related goods or service.

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge or credit for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Analysis of turnover

By geographical market	**2013**	2012
	£000	£000
United Kingdom	**120,589**	122,453
Europe	**48,019**	23,725
Rest of the world	**11,239**	13,808
	179,847	159,986

All turnover and the operating profit is attributable to the company's principal activities. In the view of the directors, the company has only one class of business.

3 Notes to the profit and loss account

Profit/(loss) on ordinary activities before taxation is stated after charging (crediting):	**2013**	2012
	£000	£000
Depreciation and other amounts written off tangible fixed assets:		
Owned	**5,075**	2,640
Profit on disposal of tangible fixed assets	**(40)**	(40)
Operating leases – support vessels	**45,715**	27,592
Operating leases – plant and machinery	**17,748**	11,059
Other operating lease rentals	**475**	477
Write off of amounts owed by group undertaking	**460**	-
Net foreign exchange gain	**(152)**	(232)

Auditors' remuneration		
Audit of these financial statements	**29**	29

Notes *(continued)*

4 Remuneration of directors

	2013 £000	2012 £000
Directors' emoluments	**993**	737
Company contributions to money purchase pension scheme	**37**	22
Company contributions into final salary pension scheme	**66**	64
	1,096	823

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £249,631 *(2012: £311,850)*, and company pension contributions of £47,057 *(2012: £45,144)* were made to a final salary *(2012: final salary)* scheme on his behalf.

During the year, the highest paid director received additional share options under the Fugro N.V. share options programme.

	Number of directors 2013	2012
Retirement benefits are accruing to the following number of directors under:		
Money purchase scheme	**2**	2
Final salary scheme	**2**	2
The number of directors who exercised share options was	**-**	4

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2013	2012
Operations	**363**	337
Administration	**111**	105
	474	442

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**32,639**	28,656
Social security costs	**3,945**	3,450
Share based payments (note 21)	**195**	153
Other pension costs (note 18)	**990**	882
	37,769	33,141

Notes *(continued)*

6 Interest receivable and similar income

	2013 £000	2012 £000
On bank deposit	14	21
Loan interest	-	1
	14	22

7 Interest payable and similar charges

	2013 £000	2012 £000
On loans and overdrafts	561	271
Loan interest	149	-
	710	271

8 Taxation

	2013 £000	2013 £000	2012 £000	2012 £000
UK corporation tax				
Current tax on income for the year	-		2,956	
Group relief receivable	(832)		-	
Adjustments in respect of previous years	(145)		(2,069)	
	(977)			887
Double taxation relief	-		(480)	
		(977)		(480)
Foreign tax				
Current tax on income for the year	1,138		1,248	
Adjustments in respect of prior years	(1)		929	
		1,137		2,178
Total current tax		160		2,585
Deferred tax				
Origination/reversal of timing differences	(369)		(159)	
Change in taxation rate	262		96	
Adjustments in respect of prior years	(35)		1,053	
		(142)		990
Tax on profit on ordinary activities		18		3,575

Notes *(continued)*

8 Taxation *(continued)*

The current tax charge for the year is higher *(2012: lower)* than the standard rate of corporation tax in the UK 23.25% *(2012: 24.5%)*. The differences are explained below:

	2013 £000	2012 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	**(4,429)**	11,622
Current tax at 23.25% *(2012: 24.5%)*	**(1,030)**	2,847
Effects of:		
Income not taxable and expenses not deductible for tax purposes	**93**	47
Difference between depreciation and capital allowances for the year	**369**	159
Higher tax on overseas earnings	**1,138**	769
Foreign tax expensed	**(264)**	(97)
Adjustment to tax charge in respect of prior years	**(146)**	(1,140)
Total current tax charge	**160**	2,585

At the year end there is a recognised deferred tax asset of £1,685,000 *(2012: asset £1,136,000)* calculated at the year-end UK enacted statutory rate of corporation tax at the balance sheet date of 20% *(2012: 23%)*:

	2013 £000	2012 £000
Differences between accumulated depreciation and capital allowances	**1,685**	1,136

	£000	£000
At 1 January	**1,135**	2,126
Credit to the profit and loss account for the year	**142**	(990)
Transfer (note 19)	**408**	-
At 31 December	**1,685**	1,136

A deferred tax asset has been recognised on the basis that the Directors consider there will be sufficient future taxable profits against which to utilise the asset. There are no material unrecognised deferred tax assets or unprovided deferred tax liabilities.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2013) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2013 and 3 July 2013 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax credit accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% *(2012: 23%)* substantively enacted at the balance sheet date.

Notes *(continued)*

9 Dividends

	2013 £000	2012 £000
Dividend paid on ordinary shares	**6,400**	-

10 Tangible fixed assets

	Leasehold Improvements £000	Plant, machinery & other assets £000	Total £000
Cost			
At beginning of year	92	16,265	16,357
Additions	49	9,436	9,485
Disposals	-	(1,166)	(1,166)
At end of year	141	24,535	24,676
Depreciation			
At beginning of year	46	13,234	13,280
Charge for the year	19	5,056	5,075
On disposals	-	(1,152)	(1,152)
At end of year	65	17,138	17,203
Net book value			
At 31 December 2013	**76**	**7,397**	**7,473**
At 31 December 2012	46	3,031	3,077

Tangible additions include £271,000 of assets transferred from a fellow group subsidiary (note 19).

11 Fixed asset investment

	Shares in subsidiary undertaking 2013 £000	Shares in subsidiary undertaking 2012 £000
Cost and net book value		
At beginning and end of year	-	**38**

The company's subsidiary undertaking was as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Fugro-Rovtech PTE Limited	Singapore	Provision of remotely operated vehicles	100% of Ordinary shares

Notes *(continued)*

12 Stocks

	2013 £000	2012 £000
Raw materials and consumables	**2,134**	2,455

13 Debtors

	2013 £000	2012 £000
Trade debtors	**27,168**	26,381
Amounts owed by group undertakings	**5,055**	8,738
Corporation tax receivable - UK	**-**	347
Corporation tax – group relief receivable	**616**	-
Corporation tax – overseas	**999**	-
Other debtors	**324**	127
Deferred tax asset (Note 8)	**1,685**	1,136
Prepayments and accrued income	**3,213**	3,237
	39,060	39,966

14 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Bank overdraft	**1,044**	-
Trade creditors	**4,722**	5,811
Amounts owed to group undertakings	**16,328**	8,202
Corporation tax payable – UK	**-**	-
Corporation tax – overseas	**840**	829
Corporation tax – group relief payable	**-**	263
Other taxes and social security	**68**	5
Other creditors	**5,746**	3,312
Accruals and deferred income	**8,096**	4,339
	36,844	22,761

Notes *(continued)*

15 Called up share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
491,919 Ordinary shares of 1p each	5	5
443,820 'A' Ordinary shares of 1p each	4	4
	9	9

'A' Ordinary shareholders are entitled to a dividend equal to a pre-defined percentage of profit after tax in the financial year. The holders of these shares are entitled to one vote for every £1 in nominal amount of shares held in the company.

In the event of a winding up, priority rights are as follows:

'A' Ordinary shares 75p per share together with any arrears or accruals of the dividends on the 'A' Ordinary shares calculated down to the day of return of the capital.

Ordinary shareholders receive the balance of assets.

16 Share premium and reserves

	Share premium Account £000	Profit and loss account £000
At 1 January 2013	1,363	21,644
Loss for the financial year	-	(4,447)
Dividends paid	-	(6,400)
Share based payments	-	195
At 31 December 2013	**1,363**	**10,992**

Notes *(continued)*

17 Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
(Loss)/profit for the financial year	(4,447)	8,047
Dividend paid	(6,400)	-
Retained profit for the year	(10,847)	8,047
Credit in relation to share based payments	195	153
Net addition to shareholders' funds	(10,652)	8,200
Opening shareholders' funds	23,016	14,816
Closing shareholders' funds	12,364	23,016

18 Pensions

Defined contribution scheme

The company operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The charge against profit is the amount of contributions payable by the company to the scheme in respect of the financial year and amounted to £886,542 *(2012: £781,783)*.

There were no unpaid contributions at the year-end *(2012: £nil)*.

Defined benefits scheme

In addition, the company is a member of a larger group pension scheme providing benefits based on final pensionable pay. As the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation of the total scheme was carried out at 31 December 2012 and was updated for FRS 17 purposes to 31 December 2013 by a qualified independent actuary. The total pension deficit at 31 December 2013 was £29,367,000 *(2012: £29,229,000)*.

The contribution paid by the company for the year was £104,826 *(2012: £130,101)*. It has been agreed that an employer contribution rate of 12.5% of pensionable pay will apply in future years.

Further details of the FRS 17 valuation are disclosed in the accounts of Fugro Holdings Limited, a copy of which can be obtained from the address given in note 22.

Notes *(continued)*

19 Business transfer

On 1 January 2013, Fugro Salt Subsea Limited, a fellow Fugro N.V. Group company, transferred certain trade and net assets to the company. This transfer was undertaken at book value by way of an intercompany settlement arrangement.

	£'000
Tangible fixed assets	340
Net current assets/(liabilities)	164
Deferred tax asset	408
Net assets	**912**
Consideration – inter-company settlement	**(912)**

The business transfer gave rise to acquired operations in the year as follows:

	Acquired operations £000	Continuing operations £000	**Total £000**
Turnover	21,505	158,342	**179,847**
Cost of sales	(25,183)	(144,643)	**(169,826)**
Gross profit	(3,678)	13,699	**10,021**
Administrative expenses	(2,152)	(11,602)	**(13,754)**
Operating profit	(5,830)	2,097	**(3,733)**

Notes *(continued)*

20 Commitments

(a) Capital commitments at the year end for which no provision has been made, are as follows:

	2013	2012
	£000	£000
Contracted for	**632**	6,819

(b) Annual commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	2013		2012	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Expiring:				
Within one year	**8**	**-**	21	-
Within two to five years	**62**	**25,164**	73	13,211
More than five years	**417**	**29,253**	377	36,441
	487	**54,417**	471	49,652

21 Contingent liabilities

The company has contingent liability arising from a guarantee given by their bankers to HM Customs & Excise totalling £20,000 *(2012: £10,000).*

21 Share based payments

In 1992 Fugro N.V. ("the Group") established its current share option programme for employees. This share option programme allows employees of the company to acquire shares in the Group. As a result of the adoption of FRS 20 Share Based Payments, the company is required to account for the fair value of the share options at grant date over the vesting period.

The total expense recognised for the period arising from share based payments was £195,000 *(2012: £153,000).*

Further details in respect of share options issued by Fugro NV are given in the consolidated financial statements of Fugro N.V. which can be obtained from the address in Note 22.

Further disclosure under FRS 20 is not made in these financial statements on the basis of the number and materiality of share options in issue which relate to employees of the company.

22 Ultimate parent company

The Company is a subsidiary undertaking of Fugro Holdings Limited, which in turn is a subsidiary of Fugro N.V. incorporated in the Netherlands.

The only group in which the results of the company are consolidated is that headed by Fugro N.V. The consolidated accounts of this company are available to the public and a copy may be obtained from Fugro House, Hithercroft Road, Wallingford, Oxfordshire, OX10 9RB.