

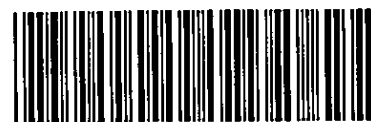
**Company Registration No. 4679130**

**ENERGY CRANES (UK) LIMITED**

**Report and Financial Statements**

**31 December 2006**

**WEDNESDAY**



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# **ENERGY CRANES (UK) LIMITED**

## **Report and financial statements 2006**

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# **ENERGY CRANES (UK) LIMITED**

## **Report and financial statements 2006**

### **Officers and professional advisers**

#### **Directors**

R A Rayne (Non-executive)  
M A Pexton (Non-executive)  
A J Bannister  
D Cockburn  
G Thomson  
M Wilson

#### **Secretary**

Paull & Williamsons

#### **Registered office**

Carlton House  
33 Robert Adam Street  
London  
W1U 3HR

#### **Bankers**

Royal Bank of Scotland plc  
1 Albyn Place  
Aberdeen  
AB10 1BR

#### **Solicitors**

Paull & Williamsons  
Investment House  
6 Union Row  
Aberdeen  
AB10 1DQ

#### **Independent auditors**

Deloitte & Touche LLP  
Aberdeen

# ENERGY CRANES (UK) LIMITED

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### Principal activity

The principal activity of the company is to act as a holding company

### Business review

The loss for the year amounted to £976,061 (2005 £829,283 loss) and the directors recommend that the loss is transferred against reserves. The directors continue to seek appropriate opportunities to develop the company and the group.

### Directors and their interests

The present membership of the board is set out on page 1. The directors who served during the year were

K M Scott (Deceased 27/10/2006)  
N R Freidlos (Resigned 30/01/2007)  
R A Rayne  
M A Pexton  
A J Bannister  
D Cockburn  
G Thomson  
M Wilson

None of the directors hold any direct interest in the shares of the company at 31 December 2006. The interests of the directors are disclosed, as appropriate, in the financial statements of Energy Cranes International Limited, being the smallest group for which consolidated financial statements are prepared, or of the ultimate parent company Leo Capital plc.

### Auditors

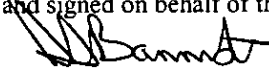
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

  
A J Bannister

Director 29/3/17

# **ENERGY CRANES (UK) LIMITED**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of ENERGY CRANES (UK) LIMITED**

We have audited the financial statements of Energy Cranes (UK) Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte & Touche LLP*  
**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
Aberdeen, United Kingdom

*29 March 2007*

# ENERGY CRANES (UK) LIMITED

## Profit and loss account Year ended 31 December 2006

	Note	2006 £	2005 £
Administrative expenses		(19,785)	34,319
<b>Operating (profit)/loss</b>	2	(19,785)	34,319
Interest payable and similar charges	4		
Recurring		570,332	1,150,371
Exceptional		843,826	-
		<u>1,414,158</u>	<u>1,150,371</u>
<b>Loss on ordinary activities before taxation</b>		1,394,373	1,184,690
Tax on loss on ordinary activities	5	(418,312)	(355,407)
<b>Loss for the financial year</b>	12	<u>976,061</u>	<u>829,283</u>

There are no recognised gains or losses attributable to the shareholders other than the loss for the current and prior financial year. Accordingly, no Statement of Total Recognised Gains and Losses is presented.

# ENERGY CRANES (UK) LIMITED

## Balance sheet At 31 December 2006

	Note	2006 £	2005 £
<b>Fixed assets</b>			
Investments	6	<u>14,350,000</u>	<u>14,350,000</u>
<b>Current assets</b>			
Debtors	7	562,842	1,379,167
<b>Creditors: amounts falling due within one year</b>	8	<u>(7,872,510)</u>	<u>(2,983,253)</u>
<b>Net current liabilities</b>		<u>(7,309,668)</u>	<u>(1,604,086)</u>
<b>Total assets less current liabilities</b>		7,040,332	12,745,914
<b>Creditors: amounts falling due after more than one year</b>	9	<u>-</u>	<u>(4,729,521)</u>
<b>Net assets</b>		<u>7,040,332</u>	<u>8,016,393</u>
<b>Capital and reserves</b>			
Called up share capital	11	10,264,023	10,264,023
Profit and loss account	12	<u>(3,223,691)</u>	<u>(2,247,630)</u>
<b>Total shareholders' funds</b>	13	<u>7,040,332</u>	<u>8,016,393</u>

These financial statements were approved by the board of directors on 29 MAR 2007

Signed on behalf of the board of directors



A J Bannister

Director



# ENERGY CRANES (UK) LIMITED

## Notes to the financial statements Year ended 31 December 2006

### 1 Accounting policies

The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

#### Basis of Accounting

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

#### Group accounts

Under the provisions of section 228 of the Companies Act 1985 and in accordance with paragraph 21b of Financial Reporting Standard 2, the company is exempt from preparing consolidated accounts by virtue of the fact that the company is a subsidiary of another company which prepares group financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

#### Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

#### Finance Costs

Finance costs of financial liabilities are recognised in the profit and loss account at a constant rate over the term of such instruments.

#### Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets, where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date. All exchange differences arising are dealt with through the profit and loss account.

# ENERGY CRANES (UK) LIMITED

## Notes to the financial statements Year ended 31 December 2006

### 2. Operating (profit)/loss

	2006 £	2005 £
<b>Operating (profit)/loss is after (crediting)/charging:</b>		
Foreign exchange (gain)/loss	<u>(19,785)</u>	<u>34,319</u>

The audit fee was borne by another group company in both the current and prior year

### 3. Information regarding directors and employees

The directors receive remuneration from other group companies. It is not possible to apportion directors' remuneration to subsidiaries on the basis of the level of service and accordingly no allocation has been made. The remuneration paid by other group companies has been disclosed in the financial statements of the companies concerned.

The company had no employees during the current or preceding year.

### 4. Interest payable and similar charges

	2006 £	2005 £
<b>Recurring</b>		
Interest on bank loans and similar charges	569,165	995,314
Amortisation of debt issue costs	1,167	155,057
<b>Exceptional</b>		
Early redemption fee	650,000	-
Release of prepaid deal fees	193,826	-
	<u>1,414,158</u>	<u>1,150,371</u>

The early redemption fee of £650,000 relates to the settlement of loans under existing banking arrangements following a group refinancing during the year. Prepaid deal fees of £193,826 relating to the previous banking arrangements were also released to the profit and loss account following this transaction.

### 5. Tax on loss on ordinary activities

	2006 £	2005 £
Group relief	<u>418,312</u>	<u>355,407</u>

The standard rate of tax for the current year and the preceding period, based on the UK standard rate of corporation tax is 30%. The actual tax credit for the current year and preceding period equates to the standard rate.

# ENERGY CRANES (UK) LIMITED

## Notes to the financial statements Year ended 31 December 2006

### 6. Investment held as fixed assets

	Investment in subsidiary undertakings £
At 1 January and at 31 December 2006	<u>14,350,000</u>

Details of subsidiary and joint venture undertakings at the balance sheet date are as follows

Name of company	Country of Registration and operation	Nature of business	Proportion of shares held
Sparrows Offshore International Group Limited	United Kingdom	Holding company	100%
Energy Cranes Limited*	United Kingdom	Non trading	100%
Sparrows Offshore Services Limited*	United Kingdom	Crane maintenance	100%
Sparrows BSM Engenharia Ltda*	Brazil	Crane maintenance	50%
Tenaga Sparrows SDN BHD*	Brunei	Non trading	50%
Sparrows Offshore Services SDN BHD*	Malaysia	Non trading	100%
Sparrows Offshore AS*	Norway	Non trading	100%

\* Investments held through subsidiaries

### 7. Debtors

	2006 £	2005 £
Amounts due from subsidiary undertakings	539,509	1,379,167
Prepayments and accrued income	<u>23,333</u>	<u>-</u>
	<u>562,842</u>	<u>1,379,167</u>

# ENERGY CRANES (UK) LIMITED

## Notes to the financial statements Year ended 31 December 2006

### 8. Creditors: amounts falling due within one year (note 10)

	2006 £	2005 £
Bank overdraft	2	767,039
Bank loans (note 10)	-	1,617,777
Amounts due to parent undertakings	7,222,508	515,515
Accruals and deferred income	650,000	82,922
	<u>7,872,510</u>	<u>2,983,253</u>

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

	2006 £	2005 £
Bank loans (note 10)	<u>-</u>	<u>4,729,521</u>

### 10. Borrowings

	2006 £	2005 £
Bank overdraft	2	767,039
Loans	<u>-</u>	<u>6,347,298</u>
	<u>2</u>	<u>7,114,337</u>

	2006 £	2005 £
The bank borrowings are repayable as follows		
Within one year	-	2,482,381
Between one and two years	-	178,835
Between two and five years	<u>-</u>	<u>4,648,114</u>
	-	7,309,330
Less Unamortised finance costs	<u>-</u>	<u>(194,993)</u>
	<u>-</u>	<u>7,114,337</u>

During the year all bank loans held by Energy Cranes UK Limited were fully repaid by Energy Cranes International Limited, its parent company, as part of a group refinancing. The terms of the new group wide financing facility are disclosed in the consolidated financial statements of Energy Cranes International Limited.

# ENERGY CRANES (UK) LIMITED

## Notes to the financial statements Year ended 31 December 2006

### 11. Called up share capital

	2006 £	2005 £
<b>Authorised</b>		
20,000,000 Ordinary Shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
<b>Called up, allotted and fully paid</b>		
10,264,023 Ordinary Shares of £1 each	<u>10,264,023</u>	<u>10,264,023</u>

### 12. Profit and loss account

	£
At 1 January 2006	(2,247,630)
Loss for the financial year	<u>(976,061)</u>
At 31 December 2006	<u>(3,223,691)</u>

### 13. Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Loss for the financial year	<u>(976,061)</u>	<u>(829,283)</u>
Net reduction in shareholders' funds	(976,061)	(829,283)
Opening shareholders' funds	<u>8,016,393</u>	<u>8,845,676</u>
Closing shareholders' funds	<u>7,040,332</u>	<u>8,016,393</u>

### 14. Contingent liabilities

The company has entered into an arrangement with the principal bankers of the parent company Energy Cranes International Limited and fellow subsidiaries, whereby cross guarantees have been granted to enable balances in credit to be offset against overdrawn balances. Any resulting overdraft, and other bank loans, are secured by a standard security over the freehold property of companies within the group and a floating charge over the whole of the assets of the United Kingdom registered companies within the group. The company's contingent liability at 31 December 2006 under these arrangements amounted to £18,770,000 (2005 £4,212,000).

## **ENERGY CRANES (UK) LIMITED**

### **Notes to the financial statements Year ended 31 December 2006**

#### **15 Ultimate parent company**

The company's immediate parent company, which prepares consolidated financial statements, including the results of the company, is Energy Cranes International Limited, which owns 100% of the company

During 2006, Energy Cranes International Limited was acquired by Leo Capital plc (a company that was de-merged from the former ultimate parent company – London Merchant Securities plc) Leo Capital plc is now considered to be the ultimate parent company Copies of all the above companies financial statements can be obtained from Registered Office, Carlton House, 33 Robert Adam Street, London

The directors have taken advantage of the exemptions conferred by Financial Reporting Standard 8 "Related Party Transactions", paragraph 3(c) and not disclosed transactions with fellow members of the Energy Cranes International Limited group