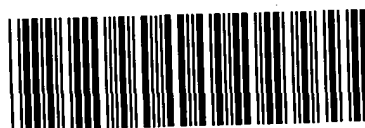


**Group Annual Report and**

**Financial Statements for the Year Ended 31 December 2013**

**for Aquaterra Energy Limited**

TUESDAY



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REGISTERED NUMBER: 05522539 (England and Wales)

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Aquaterra Energy Limited

Directors and Advisers

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**DIRECTORS:**

M Boyd  
G Morrison  
J R Larnder  
R Miller  
M Fagg  
P Phelan  
R Jenkins  
E Doyle  
R Jenkins  
S Maxwell

**COMPANY SECRETARY:**

M Fagg

**REGISTERED OFFICE:**

Innovation House  
2 Alkmaar Way  
Norwich  
Norfolk  
NR6 6BF

**REGISTERED NUMBER:**

05522539 (England and Wales)

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
3 St James Court  
Whitefriars  
Norwich  
NR3 1RJ

**BANKERS:**

HSBC Bank Plc  
8 Canada Square  
Canary Wharf  
E14 5HQ

**SOLICITORS:**

Mills & Reeve  
1 St James Court  
Whitefriars  
Norwich  
NR3 1RU

The directors present their strategic and the audited consolidated financial statements for the group for the year ended 31 December 2013.

## **RESULTS AND DIVIDENDS FOR THE FINANCIAL YEAR**

The profit for the financial year amounted to £315,335 (2012: £684,498). A dividend of £503,133 (2012: £nil) has been declared by the members in respect of the year ended 31 December 2013. The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements, and discussed further in the Business Review below. The directors are satisfied with the performance during the year and believe the group is well placed for the expected expansion of the business.

## **BUSINESS REVIEW**

### **Development of the business**

In 2013 Aquaterra Energy Limited continued to expand its client base within the offshore oil and gas business sector. Significant asset investment continued during the year and into 2014 to support and build additional revenue streams for future years. It remains the intention of the board to continue this business expansion over the coming years and they see opportunities in all business areas they currently operate in.

During 2013 certain Executive Directors entered into an EMI (Enterprise management incentives) share incentive scheme. The options are exercisable over a 10 year period and are dependent upon fixed target dates and are settled by the issue of equity in the company.

### **Research and development**

The company actively pursues research and development in order to maintain a technical and marketing edge and also to assist in the expansion of its product portfolio.

### **Key financial performance indicators**

The directors consider gross profit and Adjusted EBITDA (Earnings before interest, tax, depreciation, amortisation and share based payments charge) and to be the key financial performance indicators. The gross profit for the year was £8,013,266 (2012: £6,332,355) and EBITDA for the year was £3,274,911 (2012: £2,386,960) with the increase arising as a result of the increase in turnover and margin.

### **Other performance indicators**

In order to manage the risk related to over reliance on significant customers either by geography, specific product/service or size, the directors monitor customer concentration and seek to ensure that there is sufficient diversity to avoid any reliance upon a single or concentration of customers. In the year to 31 December 2013 the directors are of the opinion that the business was not reliant on any one individual customer (2012: none).

BY ORDER OF THE BOARD:

  
.....  
M Fagg

26/09/14

The directors present their report and the audited consolidated financial statements for the group for the year ended 31 December 2013.

## **PRINCIPAL ACTIVITIES**

The principal activities of the group (based in Norwich, United Kingdom) during the year were the design, manufacture and installation of specialised equipment to the international offshore oil and gas industry.

## **DIVIDENDS FOR THE FINANCIAL YEAR**

A dividend of £503,133 (2012: £nil) has been declared by the members in respect of the year ended 31 December 2013.

## **LIKELY FUTURE DEVELOPMENTS OF THE BUSINESS**

The directors consider that Aquaterra Energy Limited will continue to grow its customer base driven by increased geographical coverage combined with expanding the product and service capabilities. Cost pressures exerted by oil and gas industry operators will continue to generate increased interest in innovation and the directors feel the company is well positioned to take advantage of this point.

## **FINANCIAL RISK MANAGEMENT**

The company's operations expose it to a variety of financial risks that include liquidity risk, foreign exchange risk, interest rate risk and credit risk. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

### ***Liquidity risk***

The company is exposed to liquidity risk arising from cash flows associated with contracting operations in overseas territories. The company manages this risk by monitoring and retaining sufficient cash and access to borrowings, to ensure it has sufficient available funds for operations and planned expansions.

### ***Foreign exchange risk***

The company uses hedging instruments to ensure exposure to foreign exchange risk on significant specific projects in foreign currencies is minimised. The company does not hedge account for these instruments.

### ***Interest rate risk***

The company is exposed to interest rate risk as it has both interest bearing assets and liabilities. Interest bearing assets comprise cash balances which attract interest at a floating rate. Interest bearing liabilities include floating rate loans from third parties. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

### ***Credit risk***

Credit risk arises from cash and deposits held with banks and transactions with third party customers.

The company has policies which require appropriate credit checks on potential customers and regularly reviews the utilisation of individual customer credit limits.

### **DIRECTORS**

The directors who held office during the year under review and up to the date of signing the financial statements are as follows:

G Morrison  
M Boyd  
J R Larnder  
R Miller  
M Fagg  
P Phelan  
E Doyle  
R Jenkins (appointed 01/01/2013)  
S Maxwell (appointed 23/10/2013)

### **EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through briefing groups and the distribution of the annual report.

### **DIRECTORS' THIRD-PARTY INDEMNITY PROVISION**

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 was in force throughout the financial year for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the company maintained a directors' and officers' liability insurance policy throughout the financial year.

## **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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the company and of the profit or loss of the group 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 accounting 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 and the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each of the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and each 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.

## **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD:



M Fagg

26/09/14

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AQUATERRA ENERGY LIMITED**

We have audited the group and parent company financial statements (the "financial statements") of Aquaterra Energy Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the group and parent company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities on pages 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AQUATERRA ENERGY LIMITED - continued**

**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.

Craig Douglas (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Norwich

*26 September 2014*

Aquaterra Energy Limited

Consolidated profit and loss account  
for the year ended 31 December 2013

		31 December 2013	31 December 2012
	Notes	£	£
<b>Turnover</b>	2	<b>32,461,584</b>	30,041,379
Cost of Sales		<b>(24,448,318)</b>	(23,709,024)
<b>Gross profit</b>		<b>8,013,266</b>	6,332,355
Administrative expenses		<b>(7,364,650)</b>	(5,439,882)
Other operating income	3	<b>139,451</b>	74,152
<b>Operating profit</b>	5	<b>788,067</b>	966,625
Interest payable and similar charges	6	<b>(118,406)</b>	(115,601)
<b>Profit on ordinary activities before taxation</b>		<b>669,661</b>	851,024
Tax on profit on ordinary activities	7	<b>(360,059)</b>	(169,242)
<b>Profit for the financial year after taxation</b>		<b>309,602</b>	681,782
Minority interests		<b>5,733</b>	2,716
<b>Profit for the financial year</b>	20	<b>315,335</b>	684,498

The profit and loss account relates entirely to continuing operations.

There are no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

The following table is provided to show the comparative earnings before interest, tax, depreciation and share based payments ("adjusted EBITD").

<b>Non-GAAP measure: Adjusted EBITDA</b>	Note	£	£
Profit on ordinary activities before taxation		<b>669,661</b>	851,024
Adjustments for:			
Share option expense	18,4	<b>244,378</b>	12,761
Interest payable and similar charges	6	<b>118,406</b>	115,601
Depreciation	8	<b>2,242,466</b>	1,407,574
<b>Adjusted EBITDA</b>		<b>3,274,911</b>	2,386,960

Aquaterra Energy Limited

Consolidated Statement Recognised Gains and Losses  
for the year ended 31 December 2013

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	Note	2013 £	2012 £
<b>Profit for the financial year</b>	20	<b>315,335</b>	684,498
Exchange adjustments		<u><b>(32,358)</b></u>	-
<b>Total recognised gains relating to the year</b>		<u><b>282,977</b></u>	<u>684,498</u>

Aquaterra Energy Limited

Consolidated and Company Balance Sheets  
as at 31 December 2013

	Notes	Group 31 December 2013 £	Group 31 December 2012 £	Company 31 December 2013 £	Company 31 December 2012 £
<b>Fixed assets</b>					
Tangible assets	8	11,942,920	13,377,953	11,065,143	12,446,670
Investments	9	-	-	109,521	1,001
		<b>11,942,920</b>	<b>13,377,953</b>	<b>11,174,664</b>	<b>12,447,671</b>
<b>Current assets</b>					
Stocks	10	178,041	16,383	172,096	7,269
Debtors	11	7,408,979	7,228,851	8,372,449	4,139,609
Cash at bank and in hand		1,066,435	3,392,669	704,841	3,315,510
		<b>8,653,455</b>	<b>10,637,903</b>	<b>9,249,386</b>	<b>7,462,388</b>
Creditors: amounts falling due within one year	12	(9,084,917)	(11,961,564)	(8,858,308)	(8,261,135)
<b>Net current (liabilities)/assets</b>		<b>(431,462)</b>	<b>(1,323,661)</b>	<b>391,078</b>	<b>(798,747)</b>
<b>Total assets less current liabilities</b>		<b>11,511,458</b>	<b>12,054,292</b>	<b>11,565,742</b>	<b>11,648,924</b>
Creditors: amounts falling due after more than one year	13	(2,815,217)	(3,288,733)	(2,815,217)	(3,288,733)
Provisions for liabilities	17	(93,538)	(200,967)	(94,360)	(197,355)
<b>Net assets</b>		<b>8,602,703</b>	<b>8,564,592</b>	<b>8,656,165</b>	<b>8,162,836</b>
<b>Capital and reserves</b>					
Called up share capital	18	20,014	19,907	20,014	19,907
Share premium account	19	16,799	-	16,799	-
Profit and loss account	20	8,571,623	8,547,401	8,619,352	8,142,929
<b>Total shareholders' funds</b>	24	<b>8,608,436</b>	<b>8,567,308</b>	<b>8,656,165</b>	<b>8,162,836</b>
Minority interest		(5,733)	(2,716)	-	-
<b>Total capital employed</b>		<b>8,602,703</b>	<b>8,564,592</b>	<b>8,656,165</b>	<b>8,162,836</b>

The financial statements on pages 8 to 30 were approved by the Board of Directors on and were signed on 26/09/14 its behalf by



**P Phelan**  
**Director**

Registered number: 05522539

Aquaterra Energy Limited

Consolidated Cash Flow Statement  
for the Year Ended 31 December 2013

		31 December 2013	31 December 2012
	Notes	£	£
<b>Net cash (outflow)/inflow from operating activities</b>	25	<b>(462,523)</b>	9,167,607
<b>Net cash outflow from returns on investments and servicing of finance</b>	26	<b>(17,249)</b>	(128,644)
<b>Taxation</b>		<b>(186,898)</b>	(176,851)
<b>Net cash outflow for capital expenditure</b>	26	<b>(809,751)</b>	(6,009,312)
<b>Net cash (outflow)/inflow before financing</b>		<b>(1,476,421)</b>	2,852,800
<b>Net cash outflow from financing</b>	26	<b>(849,813)</b>	(387,471)
<b>(Decrease)/increase in cash in the year</b>		<b>(2,326,234)</b>	2,465,329
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year		<b>(2,326,234)</b>	2,465,329
Cash inflow from changes in borrowings		<b>866,719</b>	387,471
Movement in borrowings		<b>(101,157)</b>	(34,500)
Change in net funds resulting from cash flows		<b>(1,560,672)</b>	2,818,300
<b>Movement in net funds in the year</b>			
<b>Net debt at 1 January</b>	27	<b>(671,638)</b>	(3,489,938)
<b>Net debt at 31 December</b>	27	<b>(2,232,310)</b>	(671,638)

## **1. ACCOUNTING POLICIES**

### **Basis of preparation**

The financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The significant accounting policies used in the preparation of these financial statements, which have been applied consistently other than disclosed below, are:

### **Basis of consolidation**

These group financial statements consolidate the financial statements of Aquaterra Energy Limited and its subsidiary undertakings drawn up to 31 December 2013 using uniform accounting policies and eliminating any profits or losses on intra group transactions. No separate profit and loss account is presented for Aquaterra Energy Limited as permitted by section 408 of the Companies Act 2006. The profit for the year attributable to the company amounted to £735,178 (2012: £444,612).

### **Turnover**

Turnover represents amounts receivable in respect of the sale of goods and services, excluding value added tax.

Revenue is recognised as earned when, and to the extent that, the company obtains the contractual right to consideration in exchange for its performance under contract. In respect of long term contracts where amounts are invoiced or where cash is received in advance of the work being performed such amounts are deferred as liabilities until the revenue is earned. Where work is performed but un-invoiced such amounts are recognised within the profit and loss account with a corresponding asset recognised within accrued income.

Rents are receivable in respect of sub-letting un-occupied space. Such amounts are disclosed separately as other income.

### **Tangible fixed assets**

Tangible fixed assets are carried at cost less depreciation. Cost is defined as the consideration paid including all incidental expenditure incurred in bringing the asset into a condition for its expected use.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Freehold property	- 2% straight line
Plant and machinery	- 10% to 50% straight line
Office and computer equipment	- 25% straight line

No depreciation is charged on assets in the course of construction.

## **1. ACCOUNTING POLICIES - continued**

### **Investments**

Investments are stated at cost or valuation less any provision for impairment.

### **Work in progress**

Work in progress is valued at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads. Net realisable value is the amount at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made, where appropriate for slow moving, obsolete and defective stock.

### **Deferred tax**

In accordance with the provisions of FRS 19, "Deferred Taxation", deferred taxation is provided in full on timing differences that 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 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.

### **Research and development**

Expenditure on research and development is written off in the year in which it is incurred and is included within cost of sales.

### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. All differences are taken to the profit and loss account.

### **Financial instruments**

Financial assets and financial liabilities are recognised upon becoming a party to the contractual provisions of the instrument.

### **Trade debtors**

Trade debtors are non-interest bearing and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the company after deducting all of its liabilities.

### **Trade creditors**

Trade creditors are not interest bearing and are stated at their nominal value.

## **1. ACCOUNTING POLICIES - continued**

### **Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### **Operating leases**

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to sign a lease are spread evenly over the lease term, or to an earlier date when the first rent review will adjust the rent to the prevailing market value.

### **Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of the scheme are held separately from the assets of the company.

### **Share based payments**

The company operates equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, with a corresponding adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.



## 2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company. The directors consider that the disclosure of turnover and profit by activity and geographical destination would be seriously prejudicial to the Company.

## 3. OTHER OPERATING INCOME

	31 December 2013 £	31 December 2012 £
Rents receivable	139,451	74,152

## 4. STAFF COSTS

	31 December 2013 £	31 December 2012 £
Wages and salaries	6,359,376	5,494,302
Share based payment charge	244,378	12,761
Social security costs	707,936	624,079
Other pension costs (note 22)	139,152	123,915
	7,450,842	6,255,057

The average monthly number of employees, including directors during the year was as follows:

	31 December 2013 Number	31 December 2012 Number
Operational	87	84
Administration	30	28
	117	112

## Directors' emoluments

	31 December 2013 £	31 December 2012 £
Aggregate directors' emoluments	1,211,645	1,085,028
Pension contributions to directors' money purchase schemes	66,845	52,782
	1,278,490	1,137,810

**4. STAFF COSTS – continued**

The number of directors to whom retirement benefits were accruing was as follows:

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>Number</b>	<b>Number</b>
Money purchase schemes	<u>6</u>	<u>5</u>

No directors exercised share options during the year (2012: none). At the year end 8 directors (2012:5) are entitled to shares under a long term incentive scheme (note 18).

Information regarding the highest paid director is as follows:

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>£</b>	<b>£</b>
Aggregate emoluments	<b>249,902</b>	205,993
Pension contribution	<b>14,658</b>	14,855
	<u><b>264,560</b></u>	<u>220,848</u>

**5. OPERATING PROFIT**

Operating profit is stated after charging:

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>£</b>	<b>£</b>
Operating lease payments- plant and machinery	<b>28,275</b>	3,224
- property	<b>94,091</b>	75,528
Depreciation of tangible fixed assets	<b>2,242,466</b>	1,407,574
Auditors' remuneration		
- audit services provided to the company in respect of individual and consolidated financial statements	<b>41,700</b>	24,000
- other services provided to the company and its subsidiaries	<b>98,045</b>	76,030
Gain/(loss) on foreign currency exchange	<b>118,142</b>	(29,017)

6. INTEREST PAYABLE AND SIMILAR CHARGES

	31 December 2013	31 December 2012
	£	£
Bank loan interest	101,868	102,558
Interest on other loans	16,538	13,043
	<u>118,406</u>	<u>115,601</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31 December 2013	31 December 2012
	£	£
<b>Current tax</b>		
UK corporation tax	418,157	24,736
Adjustment in respect of prior years	(70,321)	(66,877)
Foreign tax relief	(350,041)	(24,736)
Foreign tax suffered	469,691	157,045
<b>Total current tax</b>	<u>467,486</u>	<u>90,168</u>
<b>Deferred tax (note 17)</b>		
Origination and reversal of timing differences	(76,076)	88,429
Adjustment in respect of prior years	(17,474)	(9,355)
Effect of changes in tax rate	(13,877)	-
<b>Total deferred tax</b>	<u>(107,427)</u>	<u>79,074</u>
<b>Tax on profit on ordinary activities</b>	<u>360,059</u>	<u>169,242</u>

## 7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES - continued

### Factors affecting the tax charge

The tax assessed for the year is the higher (2012: lower) than the standard rate of corporation tax in the UK 23.25% (2012: 24.5%). The difference is explained below:

	31 December 2013 £	31 December 2012 £
<b>Profit on ordinary activities before taxation</b>	<b>669,661</b>	<b>851,024</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	<b>155,696</b>	<b>208,501</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>265,922</b>	<b>22,906</b>
Accelerated capital allowances in excess of depreciation	<b>110,617</b>	<b>(83,652)</b>
Movement in short term timing differences	<b>(34,540)</b>	<b>-</b>
Adjustment to tax charge in respect of prior years	<b>(70,321)</b>	<b>(66,877)</b>
Higher tax rates on overseas earnings	<b>59,968</b>	<b>9,290</b>
Effects of other tax rates/credits	<b>(3,512)</b>	<b>-</b>
Foreign exchange movement	<b>(16,344)</b>	<b>-</b>
<b>Current tax charge</b>	<b>467,486</b>	<b>90,168</b>

### Factors that may affect future tax charges

During the year the Finance Act 2013 reduced the main rate of corporation tax from 24% to 23% from 1 April 2013, to 21% from 1 April 2014 and to 20% from 1 April 2015. Accordingly, the deferred tax balance has been measured at the expected rate at reversal.

# 8. TANGIBLE FIXED ASSETS

## Group

	Freehold property	Plant and machinery	Office and computer equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2013	5,587,064	9,899,467	1,013,660	16,500,191
Additions	8,581	302,745	496,107	807,433
Disposals	-	(866)	-	(866)
<b>At 31 December 2013</b>	<b>5,595,645</b>	<b>10,201,346</b>	<b>1,509,767</b>	<b>17,306,758</b>
<b>Accumulated depreciation</b>				
At 1 January 2013	354,358	2,100,528	667,352	3,122,238
Charge for year	90,246	1,958,294	193,926	2,242,466
Disposals	-	(866)	-	(866)
<b>At 31 December 2013</b>	<b>444,604</b>	<b>4,057,956</b>	<b>861,278</b>	<b>5,363,838</b>
<b>Net book amount</b>				
<b>At 31 December 2013</b>	<b>5,151,041</b>	<b>6,143,390</b>	<b>648,489</b>	<b>11,942,920</b>
At 31 December 2012	5,232,706	7,798,939	346,308	13,377,953

## Company

	Freehold property	Plant and machinery	Office and computer equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2013	4,805,301	9,601,966	1,013,660	15,420,927
Additions	8,581	292,925	496,107	797,613
<b>At 31 December 2013</b>	<b>4,813,882</b>	<b>9,894,891</b>	<b>1,509,767</b>	<b>16,218,540</b>
<b>Accumulated depreciation</b>				
At 1 January 2013	322,848	1,984,057	667,352	2,974,257
Charge for year	76,360	1,908,864	193,916	2,179,140
<b>At 31 December 2013</b>	<b>399,208</b>	<b>3,892,921</b>	<b>861,268</b>	<b>5,153,397</b>
<b>Net book amount</b>				
<b>At 31 December 2013</b>	<b>4,414,674</b>	<b>6,001,970</b>	<b>648,499</b>	<b>11,065,143</b>
At 31 December 2012	4,482,453	7,617,909	346,308	12,446,670

## 9. FIXED ASSET INVESTMENTS

Company	Interests in group undertakings
	£
At 1 January 2013	1,001
Additions in year	108,520
<b>At 31 December 2013</b>	<b>109,521</b>

Company interests in group undertakings:

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Aquaterra Energy (EBT Trustees) Limited	England and Wales	1 £1 ordinary share	100%	Trustee
Dreamlink Limited	England and Wales	1,000 £1 ordinary shares	100%	Trading
Aquaterra Egypt Free Zone	Egypt	100 Egyptian £1 ordinary shares	90%	Trading
Aquaterra Energy Asia Pacific Sdn Bhd	Malaysia	500,000 RM1 ordinary shares	100%	Trading

The directors believe that the carrying value of the investments is supported by their underlying net assets.

## 10. STOCKS

	Group 31 December 2013 £	Group 31 December 2012 £	Company 31 December 2013 £	Company 31 December 2012 £
Raw materials	13,144	9,114	7,199	-
Work in progress	164,897	7,269	164,897	7,269
	<b>178,041</b>	<b>16,383</b>	<b>172,096</b>	<b>7,269</b>

11. DEBTORS

	Group	Group	Company	Company
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	£	£	£	£
Trade debtors	5,749,649	5,613,136	5,693,744	1,758,653
Amounts owed by group undertakings	-	-	1,053,400	990,001
Other debtors	88,030	363,285	88,030	363,285
Prepayments and accrued income	1,571,300	1,252,430	1,537,275	1,027,670
	<b>7,408,979</b>	<b>7,228,851</b>	<b>8,372,449</b>	<b>4,139,609</b>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Group	Company	Company
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	£	£	£	£
Bank loans and overdrafts (note 14)	441,077	770,874	441,077	770,874
Trade creditors	4,512,340	7,742,420	3,710,546	1,519,186
Amounts owed to group undertakings	-	-	871,206	2,810,619
Finance lease obligations (note 14)	42,451	4,700	42,451	4,700
Corporation tax	257,243	193,639	164,556	61,329
Withholding tax	81,063	-	81,063	-
Taxation and social security	13,546	153,570	(7,220)	135,640
Accruals and deferred income	3,737,197	3,096,361	3,554,629	2,958,787
	<b>9,084,917</b>	<b>11,961,564</b>	<b>8,858,308</b>	<b>8,261,135</b>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group and Company

	31 December 2013	31 December 2012
	£	£
Bank loans (note 14)	2,815,217	3,245,890
Finance lease obligation (note 14)	-	42,843
	<u>2,815,217</u>	<u>3,288,733</u>

14. LOANS AND OTHER BORROWINGS

An analysis of the maturity of loans is given below:

Group and Company

	31 December 2013	31 December 2012
	£	£
<b>Amounts falling due within one year or on demand:</b>		
Bank loans	441,077	438,838
Other loans	-	332,036
Finance lease obligations	42,451	4,700
	<u>483,528</u>	<u>775,574</u>
<b>Amounts falling due between one and two years:</b>		
Bank loans	454,109	451,008
Finance lease obligations	-	42,843
<b>Amounts falling due between two and five years:</b>		
Bank loans	449,561	779,776
<b>Amounts falling due in more than five years:</b>		
Bank loans	1,911,547	2,015,106
<b>Total borrowings</b>	<u>3,298,745</u>	<u>4,064,307</u>

For details of security see note 15. All loans relate to instalment debts.



## 15. SECURED DEBTS

The following secured debts are included within creditors:

### Group and Company

	31 December 2013	31 December 2012
	£	£
Bank loans	3,256,294	3,684,728
Finance lease	42,451	47,543
	<b>3,298,745</b>	<b>3,732,271</b>

1. Bank loan of £690,000 repayable by monthly instalments that commenced in February 2009. The loan is for a term of 20 years and interest is charged at a rate of 1.2% per annum over the HSBC Bank Plc base rate. This rate was increased to 2.2% above base rate from the 1 April 2012. The loan is secured by a first legal mortgage over a freehold property of the company. The balance at year end was £524,276.
2. Bank loan of £632,000 repayable by monthly instalments that commenced in May 2010. The loan is for a term of 20 years and interest is charged at a rate of 1.2% per annum over the Bank's base rate. The loan is secured by a first legal mortgage over a freehold property of the company. The balance at year end was £531,051.
3. Bank loan of £600,000 repayable by monthly instalments commencing in October 2010. The loan is for a term of 20 years and interest is charged at a rate of 2.48% over the Bank's base rate. The loan is secured by a first legal mortgage over freehold property of the company. The balance at year end was £519,818.
4. Bank loan of £450,000 repayable by monthly instalments commencing in September 2011. The loan is for a term of 20 years and interest is charged at a rate of 2.14% per annum over the Bank's base rate. The loan is secured by a first legal mortgage over a freehold property of the company. The balance at year end was £406,122.
5. Bank loan of £1,500,000 repayable by monthly instalments commencing January 2011. The loan is for a term of 5 years and interest is charged at a rate of 2.39% per annum over the banks base rate. The loan is secured by a debenture comprising fixed and floating charges over all the assets and undertaking of Aquaterra Energy Limited including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future. The balance at year end was £647,013.
6. Bank loan of £656,250 repayable by monthly instalments commencing on December 2012. The loan is for a term of 20 years and interest is charged at 2.51% per annum over the Bank's base rate. The loan is secured by a first legal mortgage over freehold property of the company. The balance at year end was £628,014.

Finance lease obligations are secured upon the assets to which they relate included in note 8

# 16. OPERATING LEASE COMMITMENTS

At 31 December 2013 the group and company had the following annual commitments under non-cancellable operating leases.

Group and Company	Other		Land and buildings	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>Expiring</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	888	2,793	-	18,700
Between two and five years	14,640	10,660	57,698	95,993
After five years	-	-	62,891	-
	<b>15,528</b>	<b>13,453</b>	<b>120,589</b>	<b>114,693</b>

# 17. PROVISIONS FOR TAX LIABILITIES

## Deferred tax liabilities

Deferred taxation liabilities recognised in the financial statements are as follows:

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>Amount provided.</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tax effect of timing differences because of:				
Accelerated capital allowances	(68,269)	(224,859)	(69,091)	(217,493)
Other timing differences	(25,269)	23,892	(25,269)	20,138
	<b>(93,538)</b>	<b>(200,967)</b>	<b>(94,360)</b>	<b>(197,355)</b>

17. PROVISIONS FOR TAX LIABILITIES - continued

Deferred taxation movement	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Liability as at 1 January	(200,967)	(121,893)	(197,355)	(114,557)
Charge/(credit) to profit and loss account	89,829	(79,074)	85,395	(82,798)
Adjustment in respect of prior years	17,600	-	17,600	-
Liability as at 31 December	(93,538)	(200,967)	(94,360)	(197,355)

18. CALLED UP SHARE CAPITAL

Group and Company

Authorised number	Class	Nominal value	2013 £	2012 £
95,106	Ordinary	£1	95,106	95,106
2,766	Non voting ordinary	£1	2,766	2,766
2,128	Non voting EBT ordinary	£1	2,128	2,128
			<b>100,000</b>	<b>100,000</b>

The term EBT refers to Employee Benefit Trust.

Allotted, issued and fully paid:

Number	Class	Nominal value	31 December 2013 £	31 December 2012 £
16,945	Ordinary	£1	16,838	16,838
941	Non voting ordinary	£1	1,048	941
2,128	Non voting EBT ordinary	£1	2,128	2,128
			<b>20,014</b>	<b>19,907</b>

The three classes of share carry the same rights in all respects other than the right to vote at meetings of the company.

## 18. CALLED UP SHARE CAPITAL - continued

**Potential future issues of ordinary, non voting ordinary and non voting EBT ordinary shares**

Certain directors and senior employees hold options to subscribe for ordinary and non voting ordinary shares in the company under the terms of Enterprise Management Incentive agreements entered into on 2 December 2013. The options are exercisable over a 10 year period and are dependent upon fixed target dates and are settled by the issue of equity in the company. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The previous EMI scheme granted 20 February 2009 has been forfeited by the employees during the year.

The fair value per option granted and the assumptions used in the calculation are as follows:

	20 February 2009	2 December 2013
Grant date		
Share price at grant date	£132	£79
Exercise price	£132	£79
Number of employees	5	6
Shares under option	1,715	2,617
Vesting period (years)	7	At various points over 3 years
Expected volatility	39%	57%
Option life (years)	10	10
Expected life (years)	5	3
Risk free rate	3.9%	2.70%
Expected dividends expressed as a dividend yield	1.65%	2.66%
Fair value per option	£51.71	£363

The expected volatility is based on historical volatility over the last three years from available market data of comparable business. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

	Number	Weighted average exercise price
Scheme 1 - Outstanding at 1 January 2013	1,155	£132
Forfeited in the year	(1,155)	-
Scheme 2 - Outstanding at 2 December 2013	2,167	£79
Outstanding and exercisable at 31 December 2013	2,167	£79

19. SHARE PREMIUM ACCOUNT

Group and company	31 December 2013	31 December 2012
	£	£
At 1 January 2013	-	-
Premium on shares issued during the year	16,799	-
At 31 December 2013	16,799	-

20. RESERVES

	Group	Company
	Profit and loss account	Profit and loss account
	£	£
At 1 January 2013	8,547,401	8,142,929
Exchange adjustments	(32,358)	-
Profit for the financial year	315,335	735,178
Dividend declared	(503,133)	(503,133)
Share option expense	244,378	244,378
At 31 December 2013	8,571,623	8,619,352

21. RELATED PARTY DISCLOSURES

Amounts owed from/(to) the directors at year end were:

	Loan	Loan	Interest accrued	Interest accrued
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	£	£	£	£
Amounts owed from - G Morrison	75,000	-	-	-
Amounts owed to - M Boyd	-	(334,429)	-	(46,810)
	75,000	(334,429)	-	(46,810)

Included in other debtors is £2,128 (2012: £2,128) due from Aquaterra Energy Employee Benefit Trust 2006 in respect of amounts borrowed to meet its liabilities.

The company is exempt under the terms of FRS 8, "Related party disclosures", from disclosing related party transaction with entities that are part of the Aquaterra Energy Limited group however for the Egyptian 90% interest, Aquaterra Energy Limited has a debtor of £215,809 outstanding at year end.

## 22. PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately in independently administered funds.

Contributions made by the company to the scheme during the year amounted to £139,152 (2012: £123,915). The balance outstanding at the year end was £26,602 (2012: £21,977).

## 23. ULTIMATE CONTROLLING PARTY.

The ultimate controlling party is considered to be M Boyd, the majority shareholder. Aquaterra Energy Limited is the largest and smallest entity to consolidate these financial statements. These financial statements are available to the companies registered offices.

## 24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Profit for the financial year	<b>315,335</b>	684,498	<b>735,178</b>	444,612
Adjustment in respect of employee share scheme	<b>244,378</b>	12,761	<b>244,378</b>	12,761
Issue of shares	<b>107</b>	-	<b>107</b>	-
Share premium	<b>16,799</b>	-	<b>16,799</b>	-
Dividend	<b>(503,133)</b>	-	<b>(503,133)</b>	-
Exchange adjustments	<b>(32,358)</b>	-	<b>-</b>	-
Net addition to shareholders' funds	<b>41,128</b>	697,259	<b>493,329</b>	457,373
Opening shareholders' funds	<b>8,567,308</b>	7,870,049	<b>8,162,836</b>	7,705,463
<b>Closing shareholders' funds</b>	<b>8,608,436</b>	8,567,308	<b>8,656,165</b>	8,162,836

## 25. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	31 December 2013	31 December 2012
	£	£
Operating profit	788,067	966,625
Depreciation charges	2,242,466	1,407,574
Adjustment in respect of employee share scheme	244,378	12,761
(Increase)/decrease in stocks and work in progress	(161,660)	30,932
(Increase)/decrease in debtors	(180,128)	1,123,644
(Decrease)/increase in creditors	(3,386,015)	5,626,071
Foreign exchange losses	(9,631)	-
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(462,523)</b>	<b>9,167,607</b>

## 26. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31 December 2013	31 December 2012
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest paid	(17,249)	(128,644)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(17,249)</b>	<b>(128,644)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(809,751)	(6,009,312)
<b>Net cash outflow for capital expenditure</b>	<b>(809,751)</b>	<b>(6,009,312)</b>
<b>Financing</b>		
Issue of ordinary share capital	16,906	-
Loan repayments in year	(866,719)	(387,471)
<b>Net cash outflow from financing</b>	<b>(849,813)</b>	<b>(387,471)</b>

**27. ANALYSIS OF CHANGES IN NET FUNDS**

	1 January 2013	Cash flow	Non cash	31 December 2013
	£	£	£	£
Cash at bank and in hand	3,392,669	(2,326,234)	-	1,066,435
Debt:				
Other loans	(332,036)	332,036	-	-
Debts falling due within one year	(438,838)	438,838	(441,077)	(441,077)
Debts falling due after one year	(3,245,890)	90,753	339,920	(2,815,217)
Finance leases	(47,543)	5,092	-	(42,451)
	(4,064,307)	866,719	(101,157)	(3,298,745)
<b>Total</b>	<b>(671,638)</b>	<b>(1,459,515)</b>	<b>(101,157)</b>	<b>(2,232,310)</b>

**28. COMMITMENTS AND OTHER GUARANTEES**

The company has at 31 December 2013 committed to purchase tangible assets of £279,923 (2012: £373,320) and commitments to purchase the following currency through the use of forward contracts:

- a) \$3.25m on the 28 February 2014
- b) \$4.25m on 25 March 2014

In addition to the above, the company has the following guarantees in place at year end

- a) Guarantee in favour of Petrofac (Malaysia PM-304) Limited \$1,110,869
- b) Guarantee in favour of South Atlantic Petroleum Benin S.A. \$1,227,304

**29. DIVIDENDS**

The directors have proposed and approved a final dividend for the year ended 31 December 2013 of £28.13 per share (2012 : £nil).