

ACTEON GROUP LIMITED

Company Number: 4231212

ANNUAL REPORT

EIGHTEEN MONTHS ENDED 31 DECEMBER 2005



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ACTEON GROUP LIMITED

COMPANY INFORMATION

Directors	J A Hogan R C Higham K Burton K F Ovenden I McFadyen H H L Ross
Secretary	R C Higham
Company Number	4231212
Registered Office	1 Chalk Hill House 19 Rosary Road Norwich Norfolk NR1 1SZ
Auditors	PKF (UK) LLP Cedar House 105 Carrow Road Norwich Norfolk NR1 1HP

ACTEON GROUP LIMITED

CONTENTS

	Page
DIRECTORS' REPORT	1 - 2
STATEMENT OF DIRECTORS' RESPONSIBILITIES	3
INDEPENDENT AUDITORS' REPORT	4
CONSOLIDATED PROFIT AND LOSS ACCOUNT	5
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	6
CONSOLIDATED BALANCE SHEET	7
BALANCE SHEET	8
CONSOLIDATED CASH FLOW STATEMENT	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10 - 32

ACTEON GROUP LIMITED
DIRECTORS' REPORT
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

The directors submit their report and the consolidated financial statements for the period ended 31 December 2005.

Results and dividends

The profit for the period, after taxation, amounted to **£4,338,955** (2004 - £1,507,646).

The directors recommend a dividend of £200,000 leaving a balance of £4,138,955 which is transferred to retained reserves.

Principal activity and review of the business

Acteon is the holding company of a global energy services organisation. The company did not trade in its own right, but did undertake a number of transactions relating to acquisitions, financing and overhead costs. Acteon comprises nine specialist companies, which are all focused on the crucial area of offshore oil and gas development and operations linking wells on the seabed and facilities on the surface.

The company has leading engineering skills in many of the areas in which it operates and has achieved a number of industry firsts. The group employs approximately 500 people, many with a technical skill, from its offices in Europe, the Americas and the Far East.

Acteon businesses get involved at every stage in the life of an oilfield from its initial development concept through operations and maintenance through to decommissioning. The company also offers a full system capability, undertaking concept studies and analysis, front-end engineering and detailed design work, before handling the manufacturing/construction work and offshore execution.

Acteon has four main business areas supported by an established well construction and operations skill centre.

- Foundations and moorings
- Conductor systems
- Deepwater risers
- Decommissioning services
- Personnel services

Within these business areas Acteon companies work independently and together to serve industry clients.

MENCK manages all aspects of complex piling projects for customers, not only in the oil and gas business but also in the civil engineering sector. The company also manufactures and rents some of the world's most sophisticated pile driving hammers.

InterMoor specialises in deepwater mooring systems and foundations, especially for floating drilling and production facilities. The company also offers mobile offshore drilling rig relocation services.

Conductor Installation Services (CIS) installs conductors from drilling rigs or floating vessels, and offers a full package of related equipment and services.

UWG combines structural and drilling engineering and subsea operations experience to deliver practical and reliable well conductor systems.

2H Offshore focuses on deepwater riser projects with a full complement of design, supply, monitoring and integrity management capabilities.

WellCut is one of the leading subsea well and platform well abandonment contractors with a comprehensive project management offering supported by a range of advanced severance tools.

ACTEON GROUP LIMITED
DIRECTORS' REPORT (continued)
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

Claxton supplies equipment and services for well construction, workover maintenance and abandonment operations. These specifically focus on pressure control and remediation, conductor tensioning and rigless tubular retrieval.

Team is the group's well construction and operations skill centre and supplies qualified, experienced personnel to the offshore industry.

During the period Acteon purchased 100% of the share capital of Tomi Acquisition Inc, a company incorporated in the state of Delaware, USA, with an effective date of 1 October 2004. That company had been incorporated for the purpose of acquiring the assets and trade of Technip Offshore Moorings Inc from Technip Offshore Inc. Tomi Acquisition Inc changed its name to InterMoor Inc on 28 October 2004.

On 14 February 2005 the company acquired 100% of the share capital of Conductor Installation Services Limited, a company incorporated in England and Wales.

The directors are satisfied with the performance of the group for the period and plan to continue to develop its activities in the future.

Directors

The directors who served during the period were:

J A Hogan
R C Higham
K Burton
K F Ovenden
I McFadyen
H H L Ross

The directors' interests in the company's share capital are shown in note 32 to the financial statements.

Exceptional item

Included within administrative expenses for the period is £353,324 relating to an impairment of goodwill in UWG Group, Inc in accordance with Financial Reporting Standard 11. There were indicators of impairment in the period, and it was considered that the useful economic life of the goodwill included in the accounts was significantly reduced.

Appointment of auditors

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

By order of the board



K F Ovenden
Director

25/4/06

ACTEON GROUP LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which 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 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ACTEON GROUP LIMITED**

We have audited the financial statements of Acteon Group Limited for the period ended 31 December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheets, the Cash Flow Statement, and the related notes. 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 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group'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 of the state of the company's and group's affairs as at 31 December 2005 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Norwich, UK
25/19.....2006


PKF (UK) LLP
Registered Auditors

ACTEON GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

		Eighteen months ended 31 December 2005 £	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
	Notes			
TURNOVER				
- group and share of joint venture		100,868,611		
Less: share of joint venture turnover		(159,403)		
TURNOVER				
Continuing operations		74,245,539		38,451,873
Acquisitions		26,463,669		-
	2		100,709,208	38,451,873
Cost of sales			(75,738,866)	(28,067,549)
GROSS PROFIT			24,970,342	10,384,324
Administrative expenses			(15,251,049)	(7,495,163)
Other operating income			4,229	13,508
OPERATING PROFIT - group				
Continuing operations		5,171,370		2,902,669
Acquisitions		4,552,152		-
	3		9,723,522	2,902,669
Profit on sale of interest in associates			-	284,582
Share of associate's operating profit			-	86,838
Share of joint venture's operating profit			100,128	-
OPERATING PROFIT				
- group and share of joint venture and associate			9,823,650	3,274,089
Interest receivable and similar income	6		761,829	550,313
Interest payable and similar charges	7		(2,673,563)	(972,163)
Other finance charges	8		(70,774)	-
Share of associate's interest payable and similar charges			-	(9,802)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			7,841,142	2,842,437
TAXATION	9		(3,364,342)	(1,224,592)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			4,476,800	1,617,845
MINORITY INTERESTS	23		(137,845)	(110,199)
PROFIT FOR THE PERIOD			4,338,955	1,507,646
DIVIDENDS	10		(200,000)	(112,000)
			4,138,955	1,395,646

ACTEON GROUP LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Profit for the financial period	4,338,955	1,507,646
Actuarial loss on defined benefit pension scheme	(168,104)	-
Deferred tax associated with defined benefit pension scheme	60,487	-
Exchange difference on retranslation of foreign subsidiary eliminated against reserves	454,567	(323,029)
Total recognised gains and losses relating to the period	4,685,905	1,184,617

ACTEON GROUP LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2005

		31 December 2005		30 June 2004	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible	11		11,246,156		13,183,369
Tangible	12		20,574,829		11,772,571
			<u>31,820,985</u>		<u>24,955,940</u>
CURRENT ASSETS					
Stocks	14	5,090,848		3,099,240	
Debtors	15	28,924,860		11,138,341	
Cash at bank and in hand		4,586,546		2,582,742	
		<u>38,602,254</u>		<u>16,820,323</u>	
CREDITORS: amounts falling due within one year	16	(26,157,007)		(10,526,833)	
NET CURRENT ASSETS			<u>12,445,247</u>		<u>6,293,490</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>44,266,232</u>		<u>31,249,430</u>
CREDITORS: amounts falling due after more than one year	17		(19,497,433)		(14,211,981)
PROVISIONS FOR LIABILITIES AND CHARGES	19		(485,058)		(13,037)
NET ASSETS EXCLUDING PENSION LIABILITY			<u>24,283,741</u>		<u>17,024,412</u>
Pension liability	31		(978,858)		(845,446)
NET ASSETS			<u><u>23,304,883</u></u>		<u><u>16,178,966</u></u>
CAPITAL AND RESERVES					
Called up share capital	20		9,977,494		9,414,652
Share premium account	21		7,251,463		5,314,305
Capital redemption reserve			1,153,746		1,153,746
Profit and loss account	21		4,427,358		(58,547)
SHAREHOLDERS' FUNDS	22		<u>22,810,061</u>		<u>15,824,156</u>
Minority interests	23		494,822		354,810
			<u><u>23,304,883</u></u>		<u><u>16,178,966</u></u>

The financial statements were approved by the board on 25/9/06

Signed on behalf of the board of directors

R C Higham

Director

K F Ovenden

Director

ACTEON GROUP LIMITED

BALANCE SHEET 31 DECEMBER 2005

	Notes	31 December 2005		30 June 2004	
		£	£	£	£
FIXED ASSETS					
Tangible	12		17,492	-	
Investments	13		25,615,539	24,657,155	
			<u>25,633,031</u>	<u>24,657,155</u>	
CURRENT ASSETS					
Debtors	15	20,383,512		9,339,508	
Cash at bank and in hand		-		1,382,395	
		<u>20,383,512</u>		<u>10,721,903</u>	
CREDITORS: amounts falling due within one year	16	(6,255,634)		(5,016,344)	
NET CURRENT ASSETS			<u>14,127,878</u>	<u>5,705,559</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>39,760,909</u>	<u>30,362,714</u>	
CREDITORS: amounts falling due after more than one year	17		(19,497,433)	(14,211,981)	
NET ASSETS			<u><u>20,263,476</u></u>	<u><u>16,150,733</u></u>	
CAPITAL AND RESERVES					
Called up share capital	20		9,977,494	9,414,652	
Share premium account	21		7,251,463	5,314,305	
Capital redemption reserve			1,153,746	1,153,746	
Profit and loss account	21		1,880,773	268,030	
SHAREHOLDERS' FUNDS			<u><u>20,263,476</u></u>	<u><u>16,150,733</u></u>	

The financial statements were approved by the board on 25/9/06

Signed on behalf of the board of directors

R C Higham Director

K F Ovenden Director



ACTEON GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	9,723,522	2,902,669
Amortisation of intangible assets	1,098,838	754,405
Depreciation of tangible fixed assets	5,951,306	2,446,033
Impairment of fixed assets	353,324	-
Profit on sale of fixed assets	(125,875)	(2,616)
Increase in debtors	(17,592,483)	(743,042)
(Increase)/decrease in stocks	(1,991,608)	1,128,627
Increase/(decrease) in creditors	12,526,930	(4,791,479)
Amortisation of finance raising costs	194,975	124,629
Net decrease in pension liability	(70,857)	-
Net cash inflow from operating activities	10,068,072	1,819,226
CASH FLOW STATEMENT (note 25)		
Net cash inflow from operating activities	10,068,072	1,819,226
Dividends received from joint venture	233,612	-
Returns on investments and servicing of finance	(2,626,734)	(1,218,428)
Taxation	(2,116,883)	(1,813,699)
Capital expenditure	(5,636,293)	(3,055,797)
Acquisitions and disposals	(8,650,094)	(10,382,922)
Equity dividends paid	(112,000)	(112,000)
Financing	(8,840,320)	(14,763,620)
	10,459,504	11,223,039
Increase/(decrease) in cash	1,619,184	(3,540,581)
Reconciliation of net cash flow to movement in net debt (note 26)		
Increase/(decrease) in cash in the period	1,619,184	(3,540,581)
Net cash (inflow) from financing	(7,959,504)	(10,169,701)
Net cash outflow from repayment of finance leases	-	5,610
Retranslation difference	(148,903)	550,734
Change in net debt	(6,489,223)	(13,153,938)
Net debt at 1 July 2004	(14,982,198)	(1,828,260)
Net debt at 31 December 2005	(21,471,421)	(14,982,198)

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 December 2005.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985. The profit for the period of the parent company was **£1,812,743** (2004 - £1,415,760).

(b) Basis of consolidation

The financial statements have been consolidated using the acquisition method of accounting for subsidiaries, in accordance with Financial Reporting Standard 2. The equity accounting and gross equity accounting methods have been used for associates and joint ventures, respectively, in accordance with Financial Reporting Standard 9.

(c) Turnover

Turnover comprises the value of goods and services supplied by the group, net of sales taxes. This is in accordance with Financial Reporting Standard 5 Application Note G and UITF40: the group recognises its revenue in line with the fulfilment of its contractual obligations.

In most cases relating to the supply of goods this represents the fulfilment of all obligations contained in its contracts. However in certain circumstances specific elements of the total contract income are recognised where these are distinct elements which, when completed, entitle the group to the income.

Rental and operating lease income is recognised on a straight line basis over the period of the rental or lease.

(d) Intangible fixed assets

Intangible fixed assets comprise purchased goodwill and goodwill arising on consolidation which are stated at cost less accumulated amortisation. Goodwill is amortised over its estimated useful life. The useful lives of goodwill are in most cases between 15 and 20 years. Following the impairment review undertaken in UWG Group, Inc its goodwill has a remaining useful life of 3 years.

(e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Buildings	2 % straight line
Furniture, computer, office and communication equipment	10 to 50 % straight line
Motor vehicles	25 to 50 % straight line
Plant and machinery	7 to 33 % straight line

Improvements to leasehold premises are depreciated over the period of the lease to which the improvements relate.

(f) Investments

Investments are stated at the lower of cost and net realisable value. They are not stated at market value as the investments are unlisted and hence no formal valuation exists.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

1 ACCOUNTING POLICIES (continued)

(g) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(h) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange differences are taken into account in arriving at profit before taxation.

The amounts in the balance sheet relating to foreign enterprises included in the consolidated accounts are translated into sterling using the rate of exchange ruling at the balance sheet date. Exchange differences arising from the retranslation of opening net investments are recorded as movements on reserves. Amounts in the profit and loss accounts of foreign enterprises are translated at the average rate, with exchange differences at the balance sheet date also recorded as movements on reserves.

(i) Operating leases

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

(j) Deferred taxation

The company has a policy of full provision for deferred tax assets and liabilities in respect of all timing differences, except that deferred tax assets are recognised only where their recoverability in the short term is regarded as more likely than not. Deferred tax balances are not discounted.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

1 ACCOUNTING POLICIES (continued)

(k) Pensions

The group operates various defined contribution pension schemes and the pension charge in the profit and loss account represents the amounts payable by the group to the schemes in respect of the period.

The group accounts for pension schemes in accordance with FRS 17 "Retirement Benefits". In addition to the defined contribution schemes, the group also operates two defined benefit schemes in respect of employees of its German subsidiary, MENCK GmbH, in which there are 77 participants. Of these, 5 participate in a final salary scheme and the remaining 72 participate in a scheme which provides very modest benefits: these are determined by length of service rather than being linked to salary.

In relation to the German schemes, amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits under the scheme have vested. If the benefits have not vested, the costs are recognised over the period in which the vesting will occur. The interest cost is shown in the profit and loss account as other finance costs, adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a 'high quality' corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at the balance sheet date. The resulting defined benefit liability, net of the related deferred taxation, is presented separately after other net assets on the face of the balance sheet.

2 TURNOVER

Turnover is attributable to one principal class of business which is the provision of specialist products and services to the worldwide oil and gas industry.

Analysis of turnover by geographical sector has not been presented as required by Schedule 4 Section 55(2) of the Companies Act 1985. The directors are of the opinion that the disclosure of such information would be seriously prejudicial to the interests of the group.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

3 OPERATING PROFIT

The figures for continuing operations in the period ended 31 December 2005 include amounts relating to acquisitions as follows: cost of sales of **£19,669,104** (2004 - £NIL) and administrative expenses of **£2,242,413** (2004 - £NIL)

The operating profit is stated after charging/(crediting):

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Amortisation of intangible assets	1,098,838	754,405
Depreciation of tangible fixed assets:		
- owned by the company	5,951,306	2,446,033
Audit fees		
- group auditors	81,909	47,112
- other auditors	20,289	38,756
Auditors' remuneration - non-audit services		
- group auditors	80,646	42,837
- other auditors	34,511	28,755
Operating lease rentals:		
- plant & machinery	84,334	43,431
- land and property	1,146,173	238,074
Income from operating leases	(899,410)	(13,508)
Exceptional item:		
Accelerated amortisation of purchased goodwill	353,324	-
	<u> </u>	<u> </u>

Included within administrative expenses for the period is £353,324 relating to an impairment of goodwill in UWG Group, Inc which has been calculated in accordance with Financial Reporting Standard 11. There were indicators of impairment in the period, and it was considered that the useful economic life of the goodwill included in the accounts was significantly reduced.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

4 DIRECTORS' EMOLUMENTS AND BENEFITS

The emoluments payable to individuals holding Director positions within the group at any time during the period were as follows:

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Directors' emoluments	2,685,162	1,499,122
Contributions to money purchase pension schemes	38,368	15,200
	<u>2,723,530</u>	<u>1,514,322</u>

A total of 18 individuals held Director positions within the period.

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	11	9
	<u>11</u>	<u>9</u>

The highest paid director received emoluments and benefits as follows:

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Emoluments and benefits under long term incentive schemes	270,499	152,723
Contributions to money purchase pension schemes	5,083	2,183
	<u>275,582</u>	<u>154,906</u>

A total of £NIL (2004 - £21,995) was paid to a director of a subsidiary as compensation for loss of office.

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Wages and salaries	22,657,558	9,485,429
Social security costs	1,774,911	761,817
Other pension costs	341,913	132,132
	<u>24,774,382</u>	<u>10,379,378</u>

The average monthly number of employees, including executive directors, during the period was:

	No	No
Directors of Acteon Group Limited and its subsidiaries	17	15
Technical and administration	400	217
	<u>417</u>	<u>232</u>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Other interest receivable	460,478	159,621
Exchange differences	301,351	390,692
	<u>761,829</u>	<u>550,313</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Bank loans and overdrafts	2,670,298	933,373
Other loans	-	36,153
Finance charges under finance lease and hire purchase contracts	-	806
Interest on tax paid late	3,265	1,831
	<u>2,673,563</u>	<u>972,163</u>

8 OTHER FINANCE CHARGES

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Interest on pension scheme liabilities	70,774	-

This charge is reported for the first time in the period to 31 December 2005 in accordance with FRS17.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

9 TAXATION

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
(a) Analysis of charge in period		
UK corporation tax		
Current tax on income for the period	1,045,791	1,393,238
Adjustments in respect of prior periods	1,928	(186,570)
Share of associate's tax charge	-	4,768
	<u>1,047,719</u>	<u>1,211,436</u>
Double taxation relief	(152,893)	(97,600)
Total UK taxation	<u>894,826</u>	<u>1,113,836</u>
Foreign tax		
Current tax on income for the period (withholding tax and USA Federal income tax)	1,904,837	335,219
Texas Franchise tax	34,068	21,406
	<u>1,938,905</u>	<u>356,625</u>
Total current tax	<u>2,833,731</u>	<u>1,470,461</u>
Deferred tax		
Changes in deferred tax balances arising from: Origination or reversal of timing differences	530,611	(245,869)
Tax on profit on ordinary activities	<u><u>3,364,342</u></u>	<u><u>1,224,592</u></u>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

9 TAXATION (continued)

(b) Factors affecting the tax charge for the period

The tax assessed for the period is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Profit on ordinary activities before tax	7,841,142	2,842,437
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2004 - 30%)	2,352,343	852,731
Effects of:		
Expenses disallowed (including depreciation)	1,371,419	465,265
Capital allowances	(1,949,399)	(260,692)
Effect of subsidiaries taxed at different rates	224,979	163,059
Unrelieved foreign tax and Texas franchise tax paid	161,840	92,340
Effect of inclusion of share of associate's/joint venture's activity	(40,054)	(18,343)
Unrelieved losses carried forward into 2005	-	143,041
Goodwill amortised on consolidation	312,215	213,625
Over provision for taxation including foreign tax in respect of prior periods	-	(174,543)
Other differences	(38,117)	(6,022)
Profit on part-complete contracts at period end in USA	438,505	-
Current tax charge for the period	2,833,731	1,470,461

10 DIVIDENDS

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Ordinary shares		
Final proposed	200,000	112,000
of which:		
Dividends on equity shares	200,000	112,000

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

11 INTANGIBLE FIXED ASSETS

Group	Trademarks £	Goodwill £	Total £
Cost			
At 1 July 2004	-	14,924,559	14,924,559
Additions	27,185	(133,484)	(106,299)
Disposals	-	133,484	133,484
Reduction in cost	-	(468,330)	(468,330)
Exchange movement	-	(38,640)	(38,640)
At 31 December 2005	<u>27,185</u>	<u>14,417,589</u>	<u>14,444,774</u>
Amortisation			
At 1 July 2004	-	1,741,190	1,741,190
Charge for the period	2,232	1,096,606	1,098,838
Impairment	-	353,324	353,324
Exchange movement	-	5,266	5,266
At 31 December 2005	<u>2,232</u>	<u>3,196,386</u>	<u>3,198,618</u>
Net book amount			
At 31 December 2005	<u>24,953</u>	<u>11,221,203</u>	<u>11,246,156</u>
At 30 June 2004	<u>-</u>	<u>13,183,369</u>	<u>13,183,369</u>

The negative goodwill addition and disposal in the period relates to the acquisition and dissolution of Moorings Solutions LLC, as shown in note 24.

The reduction in the goodwill at cost on consolidation relates to a reduction in the purchase consideration relating to one of the acquisitions.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

12 TANGIBLE FIXED ASSETS

Group

	Land, buildings and leasehold improvements £	Plant & machinery, fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 July 2004	503,002	14,522,063	15,451	15,040,516
Additions	33,090	16,921,032	33,034	16,987,156
Disposals	-	(3,588,882)	(10,358)	(3,599,240)
Exchange movement	5,621	295,028	-	300,649
At 31 December 2005	<u>541,713</u>	<u>28,149,241</u>	<u>38,127</u>	<u>28,729,081</u>
Depreciation				
At 1 July 2004	45,678	3,210,420	11,847	3,267,945
Charge for period	68,416	5,869,115	13,775	5,951,306
On disposals	-	(1,089,199)	(10,358)	(1,099,557)
Exchange movement	650	33,908	-	34,558
At 31 December 2005	<u>114,744</u>	<u>8,024,244</u>	<u>15,264</u>	<u>8,154,252</u>
Net book amount				
At 31 December 2005	<u>426,969</u>	<u>20,124,997</u>	<u>22,863</u>	<u>20,574,829</u>
At 30 June 2004	<u>457,324</u>	<u>11,311,643</u>	<u>3,604</u>	<u>11,772,571</u>

The net book amount of land and buildings comprises:

	31 December 2005 £	30 June 2004 £
Long leaseholds	<u>265,598</u>	<u>274,756</u>

Included within plant and machinery at 31 December 2005 are assets which were deployed under operating leases with a net book value amounting to £2,909,786, and accumulated depreciation amounting to £543,614.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

12 TANGIBLE FIXED ASSETS (continued)

Company

	Fixtures & fittings £
Cost	
At 1 July 2004	-
Additions	42,185
	<u>42,185</u>
At 31 December 2005	<u>42,185</u>
Depreciation	
At 1 July 2004	-
Charge for period	24,693
	<u>24,693</u>
At 31 December 2005	<u>24,693</u>
Net book amount	
At 31 December 2005	17,492
	<u><u>17,492</u></u>
At 30 June 2004	<u><u>-</u></u>

13 FIXED ASSET INVESTMENTS

Group

	Share of joint venture's net assets £
Cost - (All in relation to Moorings Solutions LCC)	
At acquisition	270,630
Profit in the period	100,128
Dividends	(233,612)
	<u>137,146</u>
Share of net assets upon acquisition as 100% subsidiary (see note 24)	<u>(137,146)</u>
At 31 December 2005	<u><u>-</u></u>

Company

	Shares in subsidiary undertakings £
Cost	
At 1 July 2004	24,657,155
Additions	1,780,014
Reduction in cost	(468,330)
Impairment	(353,300)
	<u>25,615,539</u>
At 31 December 2005	<u><u>25,615,539</u></u>

The reduction in the cost relates to a reduction in the purchase consideration relating to one of the acquisitions.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

13 FIXED ASSET INVESTMENTS (continued)

The company held the following investments in subsidiary undertakings, at 31 December 2005:

Name of company	Class of share	% held
Team Energy Resources Limited (subsidiary)	Ordinary	100
UWG Limited (subsidiary)	Ordinary	100
UWG Group, Inc (trading as Wellcut, Inc) (subsidiary)	Ordinary	100
MENCK GmbH (subsidiary)	Ordinary	100
Claxton Engineering Services Limited (sub-subsidiary)	Ordinary	100
2H Offshore Engineering Limited (sub-subsidiary)	Ordinary	80
2H Offshore Inc (100% subsidiary 2H Offshore Engineering Limited)	Ordinary	80
2H Offshore Projetos Limitada (100% subsidiary of 2H Offshore Engineering Limited)	Ordinary quotas	80
Intermoor Inc (subsidiary) - acquired in period	Ordinary	100
Conductor Installation Services Limited (subsidiary) - acquired in period	Ordinary	100
Team Energy Resources (Cyprus) Limited (sub-subsidiary) - incorporated in the period	Ordinary	100
Team Drill Limited (subsidiary) - dormant	Ordinary	100
UWG Group Limited (previously named Underwater Tools Limited) (subsidiary) - dormant	Ordinary	100

All companies, with the exception of the dormant companies, principally provide specialist products and services to the worldwide oil and gas industry. All companies are registered in England and Wales, with the exception of 2H Offshore Inc, UWG Group, Inc and Intermoor Inc which are incorporated in the state of Delaware, USA, 2H Offshore Projetos Limitada which is incorporated in Brazil, MENCK GmbH which is incorporated in Germany, and Team Energy Resources (Cyprus) Limited which is incorporated in Cyprus.

Intermoor Inc also held, with effect from 1 October 2004, 50% of the membership interests in Moorings Solutions LLC, a joint venture incorporated in the state of Louisiana, USA. The principal activity of the company during the period was the provision of mooring services to the offshore oil and gas industry. On 30 June 2005, Intermoor Inc acquired the remaining 50% of the membership interests in Moorings Solutions LLC. Effective from 7 November 2005, Intermoor Inc dissolved and liquidated Moorings Solutions LLC in accordance with the Membership Interest Purchase Agreement executed with an effective date of 30 June 2005 between Intermoor Inc and TACP Inc.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

14 STOCKS

	Group		Company	
	31 December	30 June	31 December	30 June
	2005	2004	2005	2004
	£	£	£	£
Raw materials	333,789	213,681	-	-
Work in progress	4,834,054	1,817,915	-	-
Finished goods	1,333,518	1,067,644	-	-
Payments on account	(1,410,513)	-	-	-
	<u>5,090,848</u>	<u>3,099,240</u>	<u>-</u>	<u>-</u>

15 DEBTORS

	Group		Company	
	31 December	30 June	31 December	30 June
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	24,865,744	8,810,776	-	-
Amounts due from group undertakings	-	-	14,139,383	9,262,172
Other debtors	2,833,546	1,624,158	6,227,040	77,336
Prepayments & accrued income	1,225,570	703,407	17,089	-
	<u>28,924,860</u>	<u>11,138,341</u>	<u>20,383,512</u>	<u>9,339,508</u>

Company

Included in amounts owed by group undertakings to the company is an amount of **£NIL** (2004 - £2,257,403), which is repayable after one year.

Group

Other debtors include **£174,205** (2004 - £222,439) in respect of a deferred tax asset arising from trading losses carried forward of **£174,205** (2004 - £208,301), and other timing differences of **£NIL** (2004 - £41,464) less accelerated capital allowances of **£NIL** (2004 - £27,326). This is recoverable in more than one year.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

16 CREDITORS

	Group		Company	
	31 December	30 June	31 December	30 June
	2005	2004	2005	2004
	£	£	£	£
Amounts falling due within one year				
Bank loans and overdrafts (note 18)	5,787,397	3,944,719	3,988,000	1,904,996
Trade creditors	7,153,635	2,669,578	47,610	32,235
Amounts owed to group undertakings	-	-	968,239	2,832,948
Corporation tax	1,036,406	309,202	-	-
Other tax and social security	933,243	466,847	-	-
Proposed dividends	200,000	112,000	200,000	112,000
Other creditors	8,880,475	1,637,361	842,000	-
Accruals and deferred income	2,165,851	1,387,126	209,785	134,165
	<u>26,157,007</u>	<u>10,526,833</u>	<u>6,255,634</u>	<u>5,016,344</u>

The bank loans and overdraft are secured by way of a fixed and floating charge over the assets of the group.

Group

Included in other creditors is £14,638 (2004 - £10,614) relating to outstanding contributions payable to the pension scheme.

17 CREDITORS

	Group		Company	
	31 December	30 June	31 December	30 June
	2005	2004	2005	2004
	£	£	£	£
Amounts falling due after more than one year				
Bank loans (note 18)	19,497,433	13,369,981	19,497,433	13,369,981
Other creditors	-	842,000	-	842,000
	<u>19,497,433</u>	<u>14,211,981</u>	<u>19,497,433</u>	<u>14,211,981</u>

Included within creditors falling due after more than one year above are amounts in respect of debts partly payable more than five years from the balance sheet date as follows:

	Group		Company	
	31 December	30 June	31 December	30 June
	2005	2004	2005	2004
	£	£	£	£
Bank loans	<u>2,206,822</u>	<u>2,840,363</u>	<u>2,206,822</u>	<u>2,840,363</u>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

18 LOANS

Loans fall due for payment as follows:

	Group		Company	
	31 December	30 June	31 December	30 June
	2005	2004	2005	2004
	£	£	£	£
Bank loans				
Within one year	3,363,054	1,904,996	3,363,054	1,904,996
Between one and two years	4,115,346	1,904,996	4,115,346	1,904,996
Between two and five years	13,175,265	8,624,622	13,175,265	8,624,622
After more than five years	2,206,822	2,840,363	2,206,822	2,840,363
	<u>22,860,487</u>	<u>15,274,977</u>	<u>22,860,487</u>	<u>15,274,977</u>

The loan falling due after more than five years is repayable by two quarterly instalments of \$1,975,000 (£1,147,722) commencing on 31 March 2011. Interest on this loan is charged at LIBOR plus a margin of 1.5%.

19 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred taxation £
At 1 July 2004	13,037
Charged to profit and loss	471,833
Exchange movement	188
At 31 December 2005	<u>485,058</u>

Deferred tax is analysed as follows:

	Provided	
	31 December	30 June
	2005	2004
	£	£
Capital allowances	1,025,405	19,198
Losses	(6,161)	(6,161)
Other timing differences	(534,186)	-
	<u>485,058</u>	<u>13,037</u>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

20 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No £	£
At 1 July 2004			
Ordinary shares of £0.01 each	3,620,000	82,090,361	820,903
"A" Ordinary shares of £0.01 each	3,250,000	-	-
"B" Ordinary shares of £0.01 each	7,240,000	610,109,500	6,101,095
"C" Ordinary shares of £0.01 each	3,060,000	249,265,414	2,492,654
	<u>17,170,000</u>	<u>941,465,275</u>	<u>9,414,652</u>
Movements in period:			
"C" Ordinary shares of £0.01 each	-	56,284,247	562,842
	<u>-</u>	<u>56,284,247</u>	<u>562,842</u>
At 31 December 2005			
Ordinary shares of £0.01 each	3,620,000	82,090,361	820,903
"A" Ordinary shares of £0.01 each	3,250,000	-	-
"B" Ordinary shares of £0.01 each	7,240,000	610,109,500	6,101,095
"C" Ordinary shares of £0.01 each	3,060,000	305,549,661	3,055,496
	<u>17,170,000</u>	<u>997,749,522</u>	<u>9,977,494</u>

All shares rank pari passu in all respects, except that any "A" ordinary shares in issue will confer enhanced voting rights on their holders. There were no "A" shares in issue during the period. The consent of the holders of the "C" ordinary shares is required in respect of certain matters. Further detail of these rights is contained in the company's Articles of Association.

During the period, 56,284,247 "C" ordinary shares of £0.01 each with an aggregate nominal value £562,842 were issued for a total cash consideration of £2,500,000.

During the period, options were granted over 45,503,300 (2004 - NIL) ordinary shares pursuant to the group's share option scheme. The total number of shares under option at the balance sheet date amounted to 133,256,634 (2004 - 108,270,842) ordinary shares of £0.01 each.

The price to be paid for the shares on exercise will be £0.01 per share. Exercise of the options is subject to certain performance criteria and other conditions. The options lapse on the tenth anniversary of their issue as detailed below:

Number of options	Year end when options lapse
80,657,979	31 December 2012
9,229,955	31 December 2013
29,220,600	31 December 2014
14,148,100	31 December 2015

21 RESERVES

	Group £	Company £
Share premium account		
At 1 July 2004	5,314,305	5,314,305
Premium on shares issued during the period	1,937,158	1,937,158
At 31 December 2005	<u>7,251,463</u>	<u>7,251,463</u>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

21 RESERVES (continued)

	Group £	Company £
Profit and loss account		
At 1 July 2004	(58,547)	268,030
Profit for the period	4,338,955	1,812,743
Dividends	(200,000)	(200,000)
Exchange difference on retranslation of foreign subsidiaries	454,567	-
	<u>4,534,975</u>	<u>1,880,773</u>
Profit and loss reserve excluding pension liability	4,534,975	1,880,773
Actuarial loss on pension scheme	(168,104)	-
Movement on deferred asset relating to pension scheme	60,487	-
	<u>4,427,358</u>	<u>1,880,773</u>
At 31 December 2005	<u>4,427,358</u>	<u>1,880,773</u>

22 SHAREHOLDERS' FUNDS

	31 December 2005 £	30 June 2004 £
Shareholders' funds at 1 July 2004	15,824,156	14,534,592
Profit for the period	4,338,955	1,507,646
Other recognised gains and losses	346,950	(323,029)
Dividends	(200,000)	(112,000)
Other movements:		
New shares issued	2,500,000	2,530,200
Shares re-purchased by the company and associated costs	-	(2,313,253)
	<u>22,810,061</u>	<u>15,824,156</u>
Shareholders' funds at 31 December 2005	<u>22,810,061</u>	<u>15,824,156</u>

23 MINORITY INTERESTS

Minority interests comprised:

	31 December 2005 £	30 June 2004 £
Equity interests (2H Offshore Engineering Limited)	<u>494,822</u>	<u>354,810</u>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

24 ACQUISITIONS AND DISPOSALS

a) Intermoor Inc

Acteon Group Limited incorporated a new Delaware corporation in October 2004. Effective 1 October 2004 that corporation changed its name to Intermoor Inc and acquired the trade and assets of Technip Offshore Moorings Inc.

Detailed below is a breakdown of the aggregate net assets acquired:

	Book Value £	Fair value £
Tangible fixed assets	7,638,529	7,638,529
Investment in joint venture	270,630	270,630
Current assets	232,450	232,450
Net assets acquired	<u>8,141,609</u>	<u>8,141,609</u>
Satisfied by:		
Cash		<u>8,141,609</u>

As set out in the Asset Purchase Agreement, there is also a maximum contingent consideration relating to this acquisition of a maximum of £871,688 (\$1,500,000), based upon certain contractual conditions within a specified time period. It is the directors' opinion that the likelihood of such conditions occurring is remote, and consequently no provision is considered necessary.

b) Moorings Solutions LLC

On 30 June 2005, Intermoor Inc acquired the remaining 50% of the share capital of Moorings Solutions LLC which it did not acquire as part of the October 2004 transaction with Technip Offshore Moorings Inc.

Detailed below is a breakdown of the aggregate net assets acquired:

	Book Value £	Other fair value adjustments £	Fair value £
Tangible fixed assets	274,117	504,998	779,115
Net assets acquired	<u>274,117</u>	<u>504,998</u>	<u>779,115</u>
Negative goodwill arising	-	(133,484)	(133,484)
	<u>274,117</u>	<u>371,514</u>	<u>645,631</u>
Satisfied by:			
Cash			508,485
Investment in joint venture at acquisition of remaining 50% (see note 13)			137,146
Total consideration			<u>645,631</u>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

25 GROSS CASH FLOWS

	Eighteen months ended 31 December 2005 £	Year ended 30 June 2004 £
Returns on investments and servicing of finance		
Interest received	761,829	159,620
Interest paid	(2,673,563)	(1,092,242)
Interest element of finance lease rentals	-	(806)
Finance raising costs paid	(715,000)	(285,000)
	<u>(2,626,734)</u>	<u>(1,218,428)</u>
Taxation		
Corporation tax paid	(567,340)	(1,009,083)
Overseas taxation paid	(1,549,543)	(804,616)
	<u>(2,116,883)</u>	<u>(1,813,699)</u>
Capital expenditure		
Payments to acquire intangible fixed assets	(27,185)	-
Payments to acquire tangible fixed assets	(8,569,512)	(3,384,072)
Receipts from sales of tangible fixed assets	2,492,074	328,275
Receipt from reduction in investment cost	468,330	-
	<u>(5,636,293)</u>	<u>(3,055,797)</u>
Acquisitions and disposals		
Net cash acquired with subsidiary undertakings	-	567,900
Deferred consideration for the acquisition of subsidiary undertakings	-	(2,000,000)
Payment to acquire subsidiary undertakings	(8,650,094)	(8,950,822)
	<u>(8,650,094)</u>	<u>(10,382,922)</u>
Financing		
Issue of share capital	2,500,000	2,540,000
Expenses paid in connection with the issue of shares	-	(9,800)
New loans	11,390,051	17,050,338
Capital element of finance lease rentals	-	(5,610)
Bank loans repaid	(3,430,547)	(6,880,636)
Shares repurchased by the company	-	(1,471,253)
	<u>10,459,504</u>	<u>11,223,039</u>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

26 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2004 £	Cash flows £	Exchange movement £	At 31 December 2005 £
Cash at bank and in hand	2,582,742	2,003,804	-	4,586,546
Overdrafts	(2,039,723)	(384,620)	-	(2,424,343)
		1,619,184		
Debt due within 1 year	(2,155,236)	(1,314,905)	(29,816)	(3,499,957)
Debt due after 1 year	(13,369,981)	(6,644,599)	(119,087)	(20,133,667)
Total	(14,982,198)	(6,340,320)	(148,903)	(21,471,421)

Net debt is shown above gross of financing costs amortised over the term of the loans.

27 CAPITAL COMMITMENTS

Group

At 31 December 2005 the group had entered into contracts for capital expenditure not provided for in these accounts amounting to approximately **£726,985** (2004 - £NIL).

28 OTHER COMMITMENTS

Group

At 31 December 2005 the group had annual commitments under operating leases as follows:

	Land and buildings		Other	
	31 December 2005 £	30 June 2004 £	31 December 2005 £	30 June 2004 £
Expiry date:				
Within one year	98,370	38,976	5,308	21,186
Between one and five years	326,915	370,374	34,866	45,807
After more than five years	298,720	-	10,736	-

29 CONTINGENT LIABILITIES

The company has an agreement with certain investing directors and management in the group which states that if, by 4 December 2006, certain conditions apply then each investor shall be entitled, on giving written notice to the company, to require the company to purchase their ordinary shares at their original subscription price, distributable reserves permitting.

The total potential liability to the company if all shares were to be repurchased is £1,169,000 (2004 - £1,169,000). It is the opinion of the directors that it is highly unlikely that any such notices will be received.

The company has a cross-guarantee with other group companies in respect of group borrowings.

At 31 December 2005 there were two legal cases pending against Intermoor Inc, a subsidiary undertaking, one relating to an alleged infringement of patent rights, and the other concerning the acquisition of the trade and assets of Technip Offshore Moorings Inc. At 31 December 2005 no amounts could be quantified as to potential liabilities. It is the opinion of the directors that the group will successfully resist such claims and that no liability will result.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

30 TRANSACTIONS WITH RELATED PARTIES

The group had the following transactions with BHHM Pension Scheme, an entity associated by common directors/trustees:

Rent charged by the BHHM Pension Scheme amounted to **£173,682** (2004 - £63,210). The amount owing from the BHHM Pension Scheme at 31 December 2005 was **£83,323** (2004 - £NIL). The amount due to the BHHM Pension Scheme at 31 December 2005 was **£NIL** (2004 - £131).

During the period, the group was charged rent of **£34,500** (2004 - £23,000) by the Claxton Engineering Limited (1990) Retirement Benefit Scheme.

The group had the following transaction with Mrs J McFadyen, the mother of Mr I McFadyen, a director holding interests in the group:

Rent charged to the group during the period amounted to **£8,565** (2004 - £17,000).

The group incurred consultancy fees and expenses totalling **£30,000** (2004 - £13,853) invoiced by Lime Rock Partners II L.P., a shareholder in the group.

The group had the following transactions with WHOC Limited and WHOC (QDS) Limited, companies under similar control:

The group sold its holding in Delta Simons Environmental Consultants Limited in the previous year to WHOC Limited for £212,000. This amount was outstanding at 30 June 2004 and a provision of £212,000 was made against this balance since there was doubt concerning the ability of that company to repay the loan.

Also in the previous year, the group sold its holding in QDS Environmental Limited to WHOC (QDS) Limited for £188,000. This amount was outstanding at 30 June 2004 and a provision of £188,000 was made against this balance since there was doubt concerning the ability of that company to repay the loan.

31 PENSION COSTS

a) Defined contribution scheme disclosures

The group operates various defined contribution pension schemes, the assets of which are held separately from those of the group in independently administered funds.

Contributions made by the group to the schemes during the period amounted to **£352,164** (2004 - £57,790).

b) Defined benefit scheme disclosures

MENCK GmbH, a subsidiary of Acteon Group Limited incorporated in Germany, operates a defined benefit pension scheme. Unlike UK pension schemes the pension obligations of the scheme are met via the assets of the company. There are no assets held separately by the scheme itself.

The benefits paid out to the scheme members during the period totalled **£88,076** (2004 - £74,342).

The valuation used for Financial Reporting Standard 17 purposes was carried out by a qualified independent actuary on 31 December 2005 in order to assess the liabilities of the scheme and other retirement liabilities of the company at that date.

The major assumptions used were as follows:

	31 December 2005	30 June 2004
Inflation assumption	1.0%	1.0%
Rate of increases in salaries	3.0%	3.0%
Rate of increase in pensions in payment	1.0%	1.0%
Rate of increase of deferred pensions	1.0%	1.0%
Discount rate applied to scheme liabilities	4.0%	5.5%

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

31 PENSION COSTS (continued)

Analysis of amount recognisable in the Statement of Total Recognised Gains and Losses (STRGL)

	31 December 2005	30 June 2004
	£	£
Experience losses arising on the scheme liabilities	(7,777)	-
Changes in assumptions underlying the present value of the scheme liabilities	(160,327)	-
Actuarial loss recognised in STRGL	<u>(168,104)</u>	<u>-</u>

History of experience gains and losses

	31 December 2005	30 June 2004
Experience gains and losses on scheme liabilities:		
amount (£)	(7,777)	-
percentage of the present value of the scheme liabilities (%)	0.73	-
Total amount recognised in STRGL:		
amount (£)	(168,104)	-
percentage of the present value of the scheme liabilities (%)	<u>15.8</u>	<u>-</u>

32 DIRECTORS' INTERESTS

The directors who served during the period and their interests in the company's issued share capital at the balance sheet date and at the start of the period were:

	Ordinary shares of 1p each		B Ordinary shares of 1p each	
	2005	2004	2005	2004
J A Hogan	6,698,219	6,698,219	-	-
R C Higham	-	-	380,952,368	380,952,368
K Burton	6,028,396	6,028,396	-	-
K F Ovenden	6,028,396	6,028,396	-	-
I McFadyen	-	-	229,157,132	229,157,132
H H L Ross	-	-	-	-

The shareholding stated above for I McFadyen includes a beneficial interest in shares held in a trust of which he is the beneficiary.

Acteon Group Limited has granted options to its directors and to certain staff in the group enabling them to purchase ordinary shares in the company at a point in the future, subject to the financial performance of the group and certain other conditions. No options were exercised by directors during the period. The options granted to directors, none of which are yet exercisable, are as follows:

	Ordinary shares of 1p each	
	2005	2004
J A Hogan	3,723,195	1,861,595
R C Higham	-	-
K Burton	15,823,535	12,410,635
K F Ovenden	15,823,536	12,410,635
I McFadyen	-	-
H H L Ross	-	-

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EIGHTEEN MONTHS ENDED 31 DECEMBER 2005

31 PENSION COSTS (continued)

The company's total obligations under the scheme (and hence, since the scheme is unfunded, the deficit) at the end of the period was:

	31 December 2005 £	30 June 2004
Present value of scheme liabilities	(1,066,247)	(872,348)
Related deferred tax asset	87,389	26,902
Net deficit in the scheme	<u>(978,858)</u>	<u>(845,446)</u>

Movement in deficit in the period

	31 December 2005 £	30 June 2004 £
Deficit in scheme at beginning of the period (2004 - on acquisition)	(872,348)	(875,759)
Movement in period:		
Current service cost	(17,219)	-
Payments of benefits	88,076	-
Exchange rate movements on retranslation	(25,878)	3,411
Other finance expense	(70,774)	-
Actuarial loss	(168,104)	-
Deficit in scheme at end of the period	<u>(1,066,247)</u>	<u>(872,348)</u>

Analysis of the amount chargeable to operating profit

	31 December 2005 £	30 June 2004 £
Current service cost	(17,219)	-
Total operating charge	<u>(17,219)</u>	<u>-</u>

Analysis of the amount chargeable to other finance charges

	31 December 2005 £	30 June 2004 £
Interest on pension scheme liabilities	(70,774)	-
	<u>(70,774)</u>	<u>-</u>