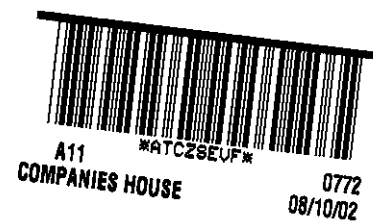


Company Number: 4231212

**UWG GROUP LIMITED**  
**ANNUAL REPORT**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**



**PKF**

# UWG GROUP LIMITED

## COMPANY INFORMATION

<b>Directors</b>	K Burton M Hewett R C Higham J A Hogan I McFadyen K F Ovenden I Patrick
<b>Secretary</b>	R C Higham
<b>Company Number</b>	4231212
<b>Registered Office</b>	1 Chalk Hill House 19 Rosary Road Norwich Norfolk NR1 1SZ
<b>Auditors</b>	PKF Cedar House 105 Carrow Road Norwich Norfolk NR1 1HP

# **UWG GROUP LIMITED**

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**UWG GROUP LIMITED**  
**DIRECTORS' REPORT**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

The directors submit their report and the consolidated financial statements for the period ended 30 June 2002.

**Results and dividends**

The profit for the period, after taxation, amounted to **£420,936**.

**Incorporation**

The company was incorporated on 8 June 2001 and commenced trading on 5 December 2001.

**Principal activity and review of the business**

The principal activity of the company during the year was that of a holding company. The company did not trade in its own right during the period, but did undertake a number of transactions relating to the financing of the group.

On 5 December 2001 the company acquired 100% of the share capital of Team Energy Resources Limited and UWG Limited.

The principal activities of these subsidiary undertakings along with the sub-subsidiaries owned by these companies were as follows:

UWG Limited (subsidiary) - the provision of specialist products and services for the worldwide offshore oil and gas industry, including well interface systems and well abandonment and intervention services.

2H Offshore Engineering Limited (subsidiary of UWG Limited) - provision of deep water riser technology engineering, equipment and services to the oil and gas industry. Its subsidiary 2H Offshore Inc, a company incorporated in the state of Delaware, U.S.A, also provides deep water riser technology engineering, equipment and services to the oil and gas industry.

Claxton Engineering Services Limited (subsidiary of UWG Limited) - repair, service and installation of wellheads, equipment rental and well abandonment for the offshore oil and gas industry.

Team Energy Resources Limited (subsidiary) - provision of engineering consultancy and management services and temporary staff to the oil and gas industry.

Underwater Tools Limited (subsidiary of UWG Limited) - dormant throughout the period.

Team Drill Limited (subsidiary) - dormant throughout the period.

The directors consider the results of the group for the period to be satisfactory, and plan to continue to develop the activities of the group in the forthcoming year, taking into account market conditions that are expected to prevail in the year ended 30 June 2003.

**UWG GROUP LIMITED**  
**DIRECTORS' REPORT (continued)**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

The directors note that the profit and loss account which appears on page 5 reflects the trading results of the group company for the 13 months since its incorporation but consolidates the results of the remaining group companies only for the 7 months between the date of their acquisition and the group's financial year end. They further note that if the group had been formed on or before 1 July 2001 then its consolidated results for the 12 months would have been:

Turnover	£24,676,100
Profit before tax	£ 1,634,600
Profit after tax	£ 921,700

**Directors**

The directors who served during the period were:

K Burton  
M Hewett  
R C Higham  
J A Hogan  
I McFadyen  
K F Ovenden  
I Patrick  
R P Hall (resigned 5 December 2001)  
M Boyd (resigned 5 December 2001)

The directors' interests in the company's share capital are shown in note 29 to the accounts.

By order of the board

  
**R C Higham**  
Secretary

# **UWG GROUP LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year 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 judgements 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 SHAREHOLDERS OF  
UWG GROUP LIMITED**

We have audited the financial statements of UWG Group Limited for the period ended 30 June 2002 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**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 30 June 2002 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  
23.9.2002

  
**PKF**  
Registered Auditors

**UWG GROUP LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

	Notes	2002 £
<b>TURNOVER</b>	<b>2</b>	<b>15,389,559</b>
Cost of sales		<b>(11,250,202)</b>
<b>GROSS PROFIT</b>		<b>4,139,357</b>
Administrative expenses		<b>(2,670,883)</b>
Other operating income		<b>5,447</b>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>1,473,921</b>
Share of associate's operating loss		<b>(84,431)</b>
		<b>1,389,490</b>
Interest receivable and similar income	<b>6</b>	<b>77,812</b>
Interest payable and similar charges	<b>7</b>	<b>(486,465)</b>
Share of associate's interest payable and similar charges		<b>(11,107)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>969,730</b>
<b>TAXATION</b> (including share of associate's taxation)	<b>8</b>	<b>(495,921)</b>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>473,809</b>
<b>MINORITY INTERESTS</b>		<b>(52,873)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>420,936</b>

All amounts relate to continuing operations acquired during the period.



**UWG GROUP LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

	2002 £
Profit for the period	420,936
Exchange difference on retranslation of foreign subsidiary eliminated against reserves	<u>(27,580)</u>
<b>Total recognised gains and losses relating to the period</b>	<b><u>393,356</u></b>

**UWG GROUP LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**30 JUNE 2002**

	Notes	2002 £
<b>FIXED ASSETS</b>		
Intangible	9	11,135,487
Tangible	10	2,713,363
Share of associate's net assets	11	529,639
		<u>14,378,489</u>
<b>CURRENT ASSETS</b>		
Stocks	12	488,714
Debtors	13	6,238,417
Cash at bank and in hand		3,864,963
		<u>10,592,094</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(12,263,216)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,671,122)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>12,707,367</u>
<b>CREDITORS: amounts falling due after more than one year (including convertible debt)</b>	15	(3,568,590)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	<u>(126,617)</u>
<b>NET ASSETS</b>		<u><u>9,012,160</u></u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	19	8,037,858
Share premium account	20	394,237
Profit and loss account	20	393,356
<b>SHAREHOLDERS' FUNDS</b>	21	<u>8,825,451</u>
Minority interests	22	186,709
		<u><u>9,012,160</u></u>

The financial statements were approved by the board on 6 September 2002

Signed on behalf of the board of directors

R C Higham

Director

K Ovenden

Director

PKF

**UWG GROUP LIMITED**  
**BALANCE SHEET**  
**30 JUNE 2002**


	Notes	2002 £
<b>FIXED ASSETS</b>		
Investments	11	15,238,095
<b>CURRENT ASSETS</b>		
Debtors	13	2,046,015
Cash at bank and in hand		1,737,580
		<u>3,783,595</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(5,641,217)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,857,622)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>13,380,473</u>
<b>CREDITORS: amounts falling due after more than one year (including convertible debt)</b>	15	<u>(3,562,500)</u>
<b>NET ASSETS</b>		<u><u>9,817,973</u></u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	19	8,037,858
Share premium account	20	394,237
Profit and loss account	20	1,385,878
		<u><u>9,817,973</u></u>

The financial statements were approved by the board on 6 September 2002

Signed on behalf of the board of directors

R C Higham Director

K Ovenden Director



**UWG GROUP LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

	2002 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>	
Operating profit	1,473,921
Amortisation of intangible assets	362,323
Depreciation of tangible fixed assets	419,942
Increase in debtors	(1,243,669)
Decrease in stocks	133,186
Increase in creditors	149,638
Amortisation of finance raising costs	109,675
<b>Net cash inflow from operating activities</b>	<b>1,405,016</b>

**CASH FLOW STATEMENT (note 24)**

Net cash inflow from operating activities	1,405,016
Returns on investments and servicing of finance	(1,313,630)
Taxation	(528,736)
Capital expenditure	(551,090)
Acquisitions and disposals	(63,800)
	<b>(1,052,240)</b>
Financing	2,296,361
<b>Increase in cash</b>	<b>1,244,121</b>

**Reconciliation of net cash flow to movement in net debt (note 25)**

Increase in cash in the period	1,244,121
Net cash (inflow) from financing	(1,107,100)
Net cash outflow from repayment of finance leases	4,739
Loans and finance leases obtained on acquisition	(661,853)
Change in net debt	(520,093)
<b>Net debt at 8 June 2001</b>	<b>-</b>
<b>Net debt at 30 June 2002</b>	<b>(520,093)</b>

**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**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 30 June 2002.

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 £1,385,878.

**(b) Basis of consolidation**

The financial statements have been consolidated using the acquisition method of accounting for subsidiaries and equity accounting for associates in line with Financial Reporting Standards 2 and 9 respectively.

**(c) Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax.

**(d) Intangible fixed assets**

Intangible fixed assets comprise purchased goodwill arising on consolidation which is stated at cost less accumulated amortisation. Goodwill is amortised over its estimated useful life of 20 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 and office equipment	15 % to 25% straight line
Motor vehicles	25 % straight line
Plant and machinery	20 to 33% straight line
Improvements to leaseholds	20 % straight line or over the period of the lease

Freehold land is not depreciated.

**(f) Finance and operating leases**

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease on a straight line basis.

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

**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**1 ACCOUNTING POLICIES (continued)**

**(g) 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 there is no formal valuation available.

**(h) Stocks, work in progress and long term contracts**

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.

Turnover on long term contracts is recognised in the profit and loss account with reference to the value of the work carried out. Where the outcome of long term contracts can be assessed with reasonable certainty, the profit element recognised in the period is calculated with reference to the value of work carried out, less the matching costs incurred in reaching that stage of completion. Any costs incurred but not yet billed for are included in work in progress and are stated at the lower of cost and net realisable value. Any losses on long term contracts are recognised as soon as they are foreseen.

**(i) 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.

**(j) Deferred taxation**

The group provides for deferred taxation on a full provision basis.

**(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 funds in respect of the period.

**2 TURNOVER**

Turnover is attributable to one 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 carried out as required by Schedule 4 Section 55(1) and (2) of the Companies Act 1985 as the directors are of the opinion that such information would be seriously prejudicial to the interests of the group.

**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**3 OPERATING PROFIT**

The operating profit is stated after charging:

	2002 £
Amortisation of intangible assets	362,323
Depreciation of tangible fixed assets:	
- owned by the company	415,204
- held under finance lease or hire purchase contracts	4,738
Audit fees	29,655
Operating lease rentals:	
- land and property	149,764
Income from operating leases	(5,447)
	<u><u>          </u></u>

**4 DIRECTORS' EMOLUMENTS AND BENEFITS**

	2002 £
Directors' emoluments	874,267
Contributions to money purchase pension schemes	9,000
	<u><u>          </u></u>

The number of directors accruing benefits under pension schemes were:

	No
Money purchase schemes	3
	<u><u>          </u></u>

The highest paid director received emoluments and benefits as follows:

	2002 £
Emoluments	140,451
	<u><u>          </u></u>

A total of £7,500 was paid to a third party in respect of the provision of the services of a director.

**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**5 STAFF COSTS**

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

	2002 £
Wages and salaries	3,339,379
Social security costs	356,347
Other pension costs	30,022
	<u>3,725,748</u>

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

	No
Directors of UWG Group Limited and its subsidiaries	13
Technical and administration	116
	<u>129</u>

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2002 £
Interest receivable	74,821
Exchange differences	2,991
	<u>77,812</u>

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	2002 £
Bank loans and overdrafts	195,704
Other loans	236,246
Finance charges under finance lease and hire purchase contracts	3,526
Exchange differences	45,087
Other interest	5,902
	<u>486,465</u>

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**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**8 TAXATION**

<b>(a) Analysis of charge in period</b>	<b>2002</b>
	<b>£</b>
<b>UK corporation tax</b>	
Current tax on income for the period	353,076
Adjustments in respect of prior periods	15,177
Share of associate's tax credit	(15,477)
	<u>352,776</u>
Double taxation relief	(94,468)
Total UK taxation	<u>258,308</u>
<b>Foreign tax</b>	
Current tax on income for the period (withholding tax and U.S.A Federal income tax)	235,002
Texas Franchise tax	30,499
	<u>265,501</u>
<b>Deferred tax</b>	
Reduction in provision for the period	(27,888)
	<u>495,921</u>
<b>(b) Factors affecting tax charge for period</b>	
The tax assessed for the period is greater than the standard rate of corporation tax in the UK (30 per cent). Reconciling items are explained below:	
Profit on ordinary activities before tax	969,730
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	290,919
Effects of:	
Expenses disallowed (including depreciation)	112,305
Capital allowances	(82,438)
Tax rate difference between UK standard and US standard rates	17,656
Unrelieved foreign tax and Texas franchise tax paid	74,059
Effect of inclusion of share of associate's activity	13,184
Deferred tax credited to the profit and loss account	(27,888)
Goodwill amortised on consolidation	108,697
Tax losses brought forward and utilised in 2002	(28,749)
Under provision in 2001 following a late change to the double taxation relief available	18,176
	<u>495,921</u>

**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**9 INTANGIBLE FIXED ASSETS**

**Group**

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
Additions	11,497,810
At 30 June 2002	<u>11,497,810</u>
<b>Amortisation</b>	
Charge for the period	362,323
At 30 June 2002	<u>362,323</u>
<b>Net book amount</b>	
At 30 June 2002	<u><u>11,135,487</u></u>

**10 TANGIBLE FIXED ASSETS**

**Group**

	<b>Land &amp; buildings £</b>	<b>Plant &amp; machinery, fixtures &amp; fittings £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
Additions	302,351	2,809,481	21,473	3,133,305
At 30 June 2002	<u>302,351</u>	<u>2,809,481</u>	<u>21,473</u>	<u>3,133,305</u>
<b>Depreciation</b>				
Charge for the period	5,761	408,859	5,322	419,942
At 30 June 2002	<u>5,761</u>	<u>408,859</u>	<u>5,322</u>	<u>419,942</u>
<b>Net book amount</b>				
At 30 June 2002	<u><u>296,590</u></u>	<u><u>2,400,622</u></u>	<u><u>16,151</u></u>	<u><u>2,713,363</u></u>

The net book amount of land and buildings comprises:

	<b>2002</b>
	<b>£</b>
Long leaseholds	<u><u>296,590</u></u>

The net book amounts of plant & machinery, fixtures & fittings above include £16,156 in respect of assets held under finance leases or hire purchase contracts.

**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**11 FIXED ASSET INVESTMENTS**

**Group**

	Share of associate's net assets £
Additions	529,639
At 30 June 2002	<u>529,639</u>

The share of the associate is in respect of the interest in QDS Environmental Limited whose principal business is the provision of environmental consultancy and remedial solutions.

UWG Group Limited, via its 100% shareholding in UWG Limited, holds 49.9% of the issued ordinary "A" shares. This represents a holding of 46.9% of the company's total equity.

**Company**

	Shares in subsidiary undertakings £
Cost	
Additions	15,238,095
At 30 June 2002	<u>15,238,095</u>

Investments comprise subsidiary undertakings and sub-subsidiaries as follows:-

<u>Name of company</u>	<u>Class of Share</u>	<u>% held</u>
Team Energy Resources Limited (subsidiary)	Ordinary	100
UWG Limited (subsidiary)	Ordinary	100
Team Drill Limited (subsidiary) - dormant	Ordinary	100
Claxton Engineering Services Limited (sub-subsidiary)	Ordinary	100
2H Offshore Engineering Limited (sub-subsidiary)	Ordinary	80
2H Offshore Inc (100% subsidiary of 2H Offshore Engineering Limited)	Ordinary	80
Underwater Tools Limited (sub-subsidiary) - dormant	Ordinary	100

All companies, with the exception of the dormant companies, 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 which is incorporated in the state of Delaware, U.S.A.

All companies have been consolidated into the group financial statements.

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**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**12 STOCKS**

	Group 2002 £	Company 2002 £
Raw materials	100,909	-
Work in progress	387,805	-
	<u>488,714</u>	<u>-</u>

**13 DEBTORS**

	Group 2002 £	Company 2002 £
<b>Due within one year</b>		
Trade debtors	4,757,022	-
Amounts due from group undertakings	-	1,829,996
Other debtors	367,540	197,269
Prepayments & accrued income	1,113,855	18,750
	<u>6,238,417</u>	<u>2,046,015</u>

**14 CREDITORS**

	Group 2002 £	Company 2002 £
<b>Amounts falling due within one year</b>		
Bank loans and overdrafts (note 16)	2,808,342	187,500
Trade creditors	1,420,898	1,193
Corporation tax	585,897	-
Other tax and social security	384,027	-
Net obligations under finance lease and hire purchase contracts(note 17)	8,124	-
Other creditors	5,221,458	5,169,619
Accruals and deferred income	1,834,470	282,905
	<u>12,263,216</u>	<u>5,641,217</u>

Included in other creditors are £6,000,000 of bank guaranteed "A" loan notes redeemable on 3 February 2003 stated net of prepaid finance raising expenses of £830,381. This prepayment is in accordance with the provisions of Financial Reporting Standard 4. Funding for the redemption of the loan notes has been secured in the form of a committed bank loan facility.

The bank guarantee is unconditional. A fixed and floating charge has been placed over all of the group's assets as security for its bank borrowings.

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**UWG GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**THIRTEEN MONTHS ENDED 30 JUNE 2002**

**15 CREDITORS**

	Group 2002 £	Company 2002 £
<b>Amounts falling due after more than one year</b>		
Bank loans (note 16)	1,562,500	1,562,500
Net obligations under finance lease and hire purchase contracts(note 17)	6,090	-
Other creditors	2,000,000	2,000,000
	<u>3,568,590</u>	<u>3,562,500</u>

Other creditors comprise "B" Loan notes which are for repayment between October 2003 and October 2005. The loan note deed states that if full repayment has not been made by 31 October 2005, they will be converted into A ordinary shares of 1p each. The group anticipates that these loan notes will be repaid in full on or before the due date.

Included within creditors falling due after more than one year above are amounts in respect of debts not wholly payable within five years of the balance sheet date as follows:

	Group 2002 £	Company 2002 £
Bank loans	<u>625,000</u>	<u>625,000</u>

**16 LOANS**

Loans fall due for payment as follows:

	Group 2002 £	Company 2002 £
<b>Bank loans</b>		
Within one year	187,500	187,500
Between one and two years	187,500	187,500
Between two and five years	750,000	750,000
After more than five years	625,000	625,000
	<u>1,750,000</u>	<u>1,750,000</u>

The repayment terms of loans partly falling due after more than 5 years are by four quarterly instalments commencing on 31 March 2007 at £187,500 for the first two instalments, increasing to £312,500 for the following two instalments. Interest on the loan is charged at Libor plus a margin of 3.5%, subject to a ratchet mechanism whereby the margin will be reduced by 0.25% per annum in years 1 and 2 if established covenants are complied with and certain profit levels are achieved.

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**17 FINANCE LEASES**

Net obligations under finance lease and hire purchase agreements fall due as follows:

	<b>Group</b>	<b>Company</b>
	<b>2002</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Within one year	8,124	-
Between one and five years	6,090	-
	<u>14,214</u>	<u>-</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

**18 PROVISIONS FOR LIABILITIES AND CHARGES**

**Group**

	<b>Deferred taxation £</b>
Credited to profit and loss	(27,888)
On acquisition	154,505
<b>At 30 June 2002</b>	<u><u>126,617</u></u>

Deferred tax is analysed as follows:

	<b>2002 £</b>
Capital allowances	140,259
Other timing differences	(3,628)
Losses	(10,014)
	<u><u>126,617</u></u>

There is also a deferred tax asset of £66,000 not provided for. This has arisen on capital losses unrelieved at the balance sheet date.

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**19 SHARE CAPITAL**

	Authorised £	Allotted, called up and fully paid No	£
Movements in period:			
"A" Ordinary shares of £0.01 each	3,250,000	-	-
"B" Ordinary shares of £0.01 each	7,240,000	723,809,500	7,238,095
Ordinary shares of £0.01 each	3,620,000	79,976,730	799,763
	<u>14,110,000</u>	<u>803,786,230</u>	<u>8,037,858</u>
At 30 June 2002			
"A" Ordinary shares of £0.01 each	3,250,000	-	-
"B" Ordinary shares of £0.01 each	7,240,000	723,809,500	7,238,095
Ordinary shares of £0.01 each	3,620,000	79,976,730	799,763
	<u>14,110,000</u>	<u>803,786,230</u>	<u>8,037,858</u>

During the period 79,976,730 ordinary shares of 1p each with an aggregate nominal value of £799,763 were issued for a total cash consideration of £1,194,000.

Also during the period 723,809,500 "B" ordinary shares of 1p each with an aggregate nominal value of £7,238,095 were issued at par.

All shares rank pari passu in all respects, except that any "A" ordinary shares in issue will confer enhanced voting rights on their holders. Further detail of the enhanced voting rights attaching to the "A" ordinary shares is contained in the company's Articles of Association.

During the period a share option scheme was introduced whereby options to purchase ordinary shares were granted to employees of the group. The total number of ordinary shares under option at the balance sheet date amounted to 96,678,805 ordinary shares of £0.01 each.

The price to be paid for the shares on exercise will be 1p 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.

**20 RESERVES**

	Group £	Company £
<b>Share premium account</b>		
Premium on shares issued during the period	394,237	394,237
At 30 June 2002	<u>394,237</u>	<u>394,237</u>
<b>Profit and loss account</b>	£	£
Profit for the period	420,936	1,385,878
Exchange difference on retranslation of foreign subsidiary	(27,580)	-
At 30 June 2002	<u>393,356</u>	<u>1,385,878</u>

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**21 SHAREHOLDERS' FUNDS**

	2002 £
Profit for the period	420,936
Other recognised gains and losses	(27,580)
New shares issued	8,432,095
Shareholders' funds at 30 June 2002	<u>8,825,451</u>

**22 MINORITY INTERESTS**

Minority interests comprised:

	2002 £
Equity interests (2H Offshore Engineering Limited)	<u>186,709</u>



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**23 ACQUISITIONS AND DISPOSALS**

UWG Group Limited acquired 100% of the share capital of UWG Limited (itself a parent of a group) and Team Energy Resources Limited on 5 December 2001.

The subsidiary undertakings acquired during the period contributed all of the group's net operating cash flows, paid in aggregate £87,932 in respect of interest, paid £528,736 in respect of taxation and utilised £551,090 for capital expenditure.

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

	<b>UWG Group Book Value £</b>	<b>Team Energy Resources Limited Book Value £</b>	<b>Aggregate Fair value £</b>
Tangible fixed assets	3,113,788	14,300	3,128,088
Goodwill	2,352,021	-	2,352,021
Stock	682,823	-	682,823
Debtors	3,366,008	1,971,700	5,337,708
Cash	391,800	591,200	983,000
Overdrafts and loans	(2,156,657)	(4,200)	(2,160,857)
Creditors	(2,736,727)	(942,700)	(3,679,427)
Taxation	(271,900)	(106,700)	(378,600)
Deferred taxation	(159,471)	-	(159,471)
	<u>4,581,685</u>	<u>1,523,600</u>	<u>6,105,285</u>
Minority interests	(140,700)	-	(140,700)
Net assets acquired	<u>4,440,985</u>	<u>1,523,600</u>	<u>5,964,585</u>
Goodwill arising	9,273,310	200	9,273,510
<b>Total purchase consideration</b>	<u><u>13,714,295</u></u>	<u><u>1,523,800</u></u>	<u><u>15,238,095</u></u>
<b>Satisfied by:</b>			
Issue of loan notes			8,000,000
Issue of shares			7,238,095
<b>Total consideration for acquisitions in the period</b>			<u><u>15,238,095</u></u>

The results for the period from the beginning of the accounting period of 1 July 2001 to the date of acquisition of the companies acquired are as follows:

	<b>UWG Limited Group £</b>	<b>Team Energy Resources Limited £</b>
Turnover	6,077,500	3,260,600
Operating profit	859,400	177,000
Profit before taxation	494,000	161,000
Taxation	169,300	47,300
Profit after taxation	324,700	113,700
Share of associate's profit after taxation	9,875	-
Minority interest	59,300	-

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**23 ACQUISITIONS AND DISPOSALS (continued)**

The profit after taxation and minority interest for the 2001 financial year commencing on 1 July 2000 for both companies acquired are as follows:

	UWG Limited Group £	Team Energy Resources Limited £
Profit after taxation	702,165	300,289
Minority interest	59,970	-

**24 GROSS CASH FLOWS**

	2002 £
<b>Returns on investments and servicing of finance</b>	
Interest received	77,812
Interest paid	(447,860)
Interest element of finance lease rentals	(3,526)
Finance raising costs paid	(940,056)
	<u>(1,313,630)</u>
<b>Taxation</b>	
Corporation tax paid	(488,613)
Overseas taxation paid	(40,123)
	<u>(528,736)</u>
<b>Capital expenditure</b>	
Payments to acquire tangible fixed assets	(551,090)
	<u></u>
<b>Acquisitions and disposals</b>	
Net overdraft acquired with subsidiary undertakings	(63,800)
	<u></u>
<b>Financing</b>	
Issue of share capital	1,194,000
New loans	1,750,000
Capital element of finance lease rentals	(4,739)
Bank loans repaid	(642,900)
	<u>2,296,361</u>

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**25 ANALYSIS OF CHANGES IN NET DEBT**

	At 8 June 2001 £	Cash flows £	Acquired with subsidiaries £	At 30 June 2002 £
Cash at bank and in hand	-	3,864,963	-	3,864,963
Overdrafts	-	(2,620,842)	-	(2,620,842)
		<u>1,244,121</u>		
Debt due within 1 year	-	(187,500)	-	(187,500)
Debt due after 1 year	-	(919,600)	(642,900)	(1,562,500)
Finance leases	-	4,739	(18,953)	(14,214)
Total	-	<u>141,760</u>	<u>(661,853)</u>	<u>(520,093)</u>

**26 OTHER COMMITMENTS**

**Group**

At 30 June 2002 the group had annual commitments under operating leases as follows:

	Land and buildings 2002 £	Other 2002 £
<b>Expiry date:</b>		
Within one year	1,362	6,053
Between one and five years	<u>181,327</u>	<u>8,202</u>

**27 CONTINGENT LIABILITIES**

The company entered into an agreement with investing directors and management in the group which states that if by 4 December 2006 certain conditions apply, 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 £1,194,000.

**28 TRANSACTIONS WITH RELATED PARTIES**

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

Rent charged by BHHM Pension Scheme amounted to £33,897. The amount owing to the BHHM Pension scheme at 30 June 2002 was £4,856.

The group has the following transactions with Mrs J McFadyen, the mother of Mr I McFadyen, a director and shareholder:

Rent charged to the group during the period £10,208

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**29 DIRECTORS' INTERESTS**

The directors who served during the year and their interests in the company's issued share capital at the balance sheet and at the start of the period (or date of appointment, if later) were

	Ordinary shares of 1p each		B Ordinary shares of 1p each	
	2002	2001	2002	2001
K Burton	6,028,396	-	-	-
M Hewett	-	-	-	-
R C Higham	-	-	380,952,368	-
J A Hogan	6,698,219	-	-	-
I McFadyen	-	-	342,857,132	-
K F Ovenden	6,028,396	-	-	-
I Patrick	1,674,554	-	-	-

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

During the year UWG Group Limited granted options to its directors and 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. The options granted during the year, none of which are yet exercisable, were as follows:

	Ordinary shares of 1p each
K Burton	12,410,635
M Hewett	12,410,635
J A Hogan	1,861,595
K F Ovenden	12,410,635
I Patrick	1,007,116

**30 PENSION COSTS**

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 **£30,022**.