

Company Number: 4231212

**UWG GROUP LIMITED
ANNUAL REPORT
YEAR ENDED 30 JUNE 2003**

PKF

PKF



UWG GROUP LIMITED

COMPANY INFORMATION

Directors	K Burton M Hewett R C Higham J A Hogan I McFadyen K F Ovenden 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 Cedar House 105 Carrow Road Norwich Norfolk NR1 1HP

UWG GROUP LIMITED

CONTENTS

	Page
DIRECTORS' REPORT	1 - 2
STATEMENT OF DIRECTORS' RESPONSIBILITIES	3
AUDITORS' REPORT	4 - 5
CONSOLIDATED PROFIT AND LOSS ACCOUNT	6
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	7
CONSOLIDATED BALANCE SHEET	8
BALANCE SHEET	9
CONSOLIDATED CASH FLOW STATEMENT	10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	11 - 31

UWG GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2003

The directors submit their report and the consolidated financial statements for the year ended 30 June 2003.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £938,702 (2002 - £420,936).

The directors recommend a dividend of £112,000 leaving a balance of £826,702 which is transferred to retained reserves.

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 year, but did undertake a number of transactions relating to the financing and structure of the group.

On 8 April 2003, the company acquired 100% of the share capital of UWG Group Inc, a company incorporated in the state of Delaware, U.S.A.

The principal activities of the subsidiary and sub-subsidiaries are 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.

UWG Group Inc (subsidiary) - the provision of specialist products and services for the offshore oil and gas industry.

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

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

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

UWG GROUP LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 30 JUNE 2003

The directors note that the profit and loss for the 13 months ended 30 June 2002 which appears on page 6 reflects the trading results of the group company for the 13 months between its incorporation and the period end 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	£24,767,100
Profit before tax	£ 1,634,600
Profit after tax	£ 921,700

Directors

The directors who served during the year were:

K Burton
M Hewett
R C Higham
J A Hogan
I McFadyen
K F Ovenden
I Patrick (resigned 6 June 2003)
H H L Ross (appointed 27 March 2003)

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

Exceptional item

Included within administrative expenses in the year is £556,061 for accelerated amortisation of finance-raising costs. The amortisation has been accelerated because it was clear at the time these accounts were prepared that the associated liabilities would be redeemed early. In accordance with Financial Reporting Standard 4, the amortisation of the finance-raising costs have been accelerated to reflect the shorter life of the instrument. Eliminating this exceptional item from the group's performance would result in profit on ordinary activities before taxation amounting to £2,638,288 rather than the £2,082,227 reported.

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 MEMBERS OF
UWG GROUP LIMITED**

We have audited the financial statements of UWG Group Limited for the year ended 30 June 2003 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.

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.

INDEPENDENT AUDITORS' REPORT (continued)

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 2003 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PKF
Registered Auditors

Norwich, UK
.....21/07.....2003

PKF

UWG GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2003

	Notes	Year ended 30 June 2003	Year ended 30 June 2003	Thirteen months ended 30 June 2002
TURNOVER				
Continuing operations		27,962,336		15,389,559
Acquisitions		73,300		
	2		28,035,636	15,389,559
Cost of sales			(20,348,179)	(11,250,202)
GROSS PROFIT			7,687,457	4,139,357
Administrative expenses			(5,159,212)	(2,670,883)
Other operating income			4,144	5,447
OPERATING PROFIT				
Continuing operations		2,557,989		1,473,921
Acquisitions		(25,600)		
	3		2,532,389	1,473,921
Share of associate's operating profit/(loss)			202,887	(84,431)
Interest receivable and similar income	6		2,735,276	1,389,490
Interest payable and similar charges	7		198,552	77,812
Share of associate's interest payable and similar charges			(812,728)	(486,465)
			(38,873)	(11,107)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			2,082,227	969,730
TAXATION (including share of associate's taxation)	8		(1,085,623)	(495,921)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			996,604	473,809
MINORITY INTERESTS			(57,902)	(52,873)
PROFIT FOR THE FINANCIAL YEAR			938,702	420,936
DIVIDENDS	9		(112,000)	-
			826,702	420,936

UWG GROUP LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 JUNE 2003

	Year ended 30 June 2003	Thirteen months ended 30 June 2002
	£	£
Profit for the financial year	938,702	420,936
Exchange difference on retranslation of foreign subsidiary eliminated against reserves	(37,969)	(27,580)
Total recognised gains and losses relating to the year	900,733	393,356

UWG GROUP LIMITED
CONSOLIDATED BALANCE SHEET
30 JUNE 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Intangible	10	11,146,025	11,135,487
Tangible	11	3,378,745	2,713,363
Investments	12	651,826	529,639
		<u>15,176,596</u>	<u>14,378,489</u>
CURRENT ASSETS			
Stocks	13	811,866	488,714
Debtors	14	7,121,785	6,238,417
Cash at bank and in hand		<u>7,046,336</u>	<u>3,864,963</u>
		<u>14,979,987</u>	<u>10,592,094</u>
CREDITORS: amounts falling due within one year (including convertible debt)	15	<u>(9,402,089)</u>	<u>(12,263,216)</u>
NET CURRENT ASSETS/(LIABILITIES)		5,577,898	(1,671,122)
TOTAL ASSETS LESS CURRENT LIABILITIES		20,754,494	12,707,367
CREDITORS: amounts falling due after more than one year (including convertible debt)	16	(5,943,750)	(3,568,590)
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(31,541)</u>	<u>(126,617)</u>
NET ASSETS		14,779,203	9,012,160
CAPITAL AND RESERVES			
Called up share capital	20	9,663,358	8,037,862
Share premium account	21	3,689,145	394,233
Profit and loss account	21	1,182,089	393,356
SHAREHOLDERS' FUNDS	22	14,534,592	8,825,451
Minority interests	23	244,611	186,709
		14,779,203	9,012,160

The financial statements were approved by the board on 10 October 2003

Signed on behalf of the board of directors

R C Higham

Director

K F Ovenden

Director

UWG GROUP LIMITED
BALANCE SHEET
30 JUNE 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Investments	12	15,706,333	15,238,095
CURRENT ASSETS			
Debtors	14	2,147,524	2,046,015
Cash at bank and in hand		4,811,097	1,737,580
		<u>6,958,621</u>	<u>3,783,595</u>
CREDITORS: amounts falling due within one year (including convertible debt)	15	(2,091,179)	(5,641,217)
NET CURRENT ASSETS/(LIABILITIES)		<u>4,867,442</u>	<u>(1,857,622)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,573,775</u>	<u>13,380,473</u>
CREDITORS: amounts falling due after more than one year (including convertible debt)	16	(5,943,750)	(3,562,500)
NET ASSETS		<u>14,630,025</u>	<u>9,817,973</u>
CAPITAL AND RESERVES			
Called up share capital	20	9,663,358	8,037,862
Share premium account	21	3,689,145	394,233
Profit and loss account	21	1,277,522	1,385,878
		<u>14,630,025</u>	<u>9,817,973</u>

The financial statements were approved by the board on 30 October 2003

Signed on behalf of the board of directors

R C Higham

Director



K F Ovenden

Director



UWG GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2003

	Year ended 30 June 2003	Thirteen months ended 30 June 2002
	£	£
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	2,532,389	1,473,921
Amortisation of intangible assets	624,462	362,323
Depreciation of tangible fixed assets	1,003,569	419,942
Profit on sale of fixed assets	(9,034)	-
Increase in debtors	(1,056,822)	(1,243,669)
(Increase)/decrease in stocks	(229,589)	133,186
Increase in creditors	158,303	149,638
Amortisation of finance raising costs	744,077	109,675
Net cash inflow from operating activities	3,767,355	1,405,016
CASH FLOW STATEMENT (note 25)		
Net cash inflow from operating activities	3,767,355	1,405,016
Returns on investments and servicing of finance	(610,955)	(1,313,630)
Taxation	(870,029)	(528,736)
Capital expenditure	(1,491,821)	(551,090)
Acquisitions and disposals	(7,023,125)	(63,800)
	(6,228,575)	(1,052,240)
Financing	9,068,054	2,296,361
Increase in cash	2,839,479	1,244,121
Reconciliation of net cash flow to movement in net debt (note 26)		
Increase in cash in the year	2,839,479	1,244,121
Net cash (inflow) from financing	(4,156,250)	(1,107,100)
Net cash outflow from repayment of finance leases	8,604	4,739
Loans and finance leases obtained on acquisition	-	(661,853)
	(1,308,167)	(520,093)
Change in net debt	(520,093)	-
Net debt at 1 July 2002	(520,093)	-
Net debt at 30 June 2003	(1,828,260)	(520,093)

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

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 2003.

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 year of the parent company was £3,644 (2002 - £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 between 15 and 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 leasehold premises are depreciated over the period of the lease to which the improvements relate.

(f) Finance and operating leases

Assets acquired under finance leases or hire purchase agreements 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
YEAR ENDED 30 JUNE 2003

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 year 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

Deferred tax is recognised in respect of all timing differences that give rise to an obligation to pay tax in the future. Deferred tax assets are not recognised where the basis of their recoverability is uncertain. Deferred tax is measured on a non discounted 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 year.

The group does not operate any defined benefit pension schemes.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

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.

The profit and loss account on page 6 for the 13 months ended 30 June 2002 reflects the trading results of the group company for the 13 months between its incorporation and the balance sheet date, but only consolidates the results of the other group companies for the 7 months between the date of their acquisition and balance sheet date. If the group had been formed on or before 1 July 2001 its consolidated results for the full 12 month period would have been as set out in the directors' report.

3 OPERATING PROFIT

The figures for continuing operations in the year ended 30 June 2003 include amounts relating to acquisitions as follows: cost of sales of £74,000 and administrative expenses of £24,900.

The continuing operations in the period ended 30 June 2002 relate entirely to acquisitions.

The operating profit is stated after charging:

	Year ended	Thirteen months ended
	30 June 2003	30 June 2002
	£	£
Amortisation of intangible assets	624,462	362,323
Depreciation of tangible fixed assets:		
- owned by the company	996,086	415,204
- held under finance lease or hire purchase contracts	7,483	4,738
Audit fees	32,891	29,655
Auditors' remuneration - non-audit services	56,410	40,495
Operating lease rentals:		
- plant & machinery	18,106	-
- land and property	178,012	149,764
Income from operating leases	(4,144)	(5,447)
Exceptional item:		
Accelerated amortisation of finance-raising costs	556,061	-

Included within administrative expenses for the year is £556,061 for accelerated amortisation of finance-raising costs. The amortisation has been accelerated because it was clear at the time these accounts were prepared that the associated liabilities would be redeemed early. In accordance with Financial Reporting Standard 4, the amortisation of the finance-raising costs have been accelerated to reflect the shorter life of the instrument.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	Year ended 30 June 2003	£	Thirteen months ended 30 June 2002	£
Directors' emoluments	1,319,787		874,267	
Contributions to money purchase pension schemes	6,229		9,000	

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	7	3

The highest paid director received emoluments and benefits as follows:

	Year ended 30 June 2003	£	Thirteen months ended 30 June 2002	£
Emoluments and benefits under long term incentive schemes	134,480		140,451	
Contributions to money purchase pension schemes	649		-	

A total of £NIL (2002 - £7,500) was paid to a third party in respect of the provision of the services of a director.

5 STAFF COSTS

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

	Year ended 30 June 2003	£	Thirteen months ended 30 June 2002	£
Wages and salaries	6,224,145		3,339,379	
Social security costs	645,602		356,347	
Other pension costs	21,253		30,022	
	6,891,000		3,725,748	

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

	No	No
Directors of UWG Group Limited and its subsidiaries	13	13
Technical and administration	137	116
	150	129

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 June 2003	£	Thirteen months ended 30 June 2002	£
Interest receivable	198,552		74,821	
Exchange differences	-		2,991	
	198,552		77,812	

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2003	£	Thirteen months ended 30 June 2002	£
Bank loans and overdrafts	448,648		195,704	
Other loans	275,920		236,246	
Finance charges under finance lease and hire purchase contracts	1,176		3,526	
Exchange differences	86,984		45,087	
Other interest	-		5,902	
	812,728		486,465	

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

8 TAXATION

	Year ended 30 June 2003	Thirteen months ended 30 June 2002
	£	£
(a) Analysis of charge in year		
UK corporation tax		
Current tax on income for the year	944,421	353,076
Adjustments in respect of prior periods	(6,113)	15,177
Share of associate's tax charge/(credit)	41,827	(15,477)
	<hr/>	<hr/>
	980,135	352,776
Double taxation relief	(104,395)	(94,468)
	<hr/>	<hr/>
Total UK taxation	875,740	258,308
	<hr/>	<hr/>
Foreign tax		
Current tax on income for the year (withholding tax and U.S.A Federal income tax)	285,738	235,002
Texas Franchise tax	18,599	30,499
	<hr/>	<hr/>
	304,337	265,501
	<hr/>	<hr/>
Total current tax	1,180,077	523,809
	<hr/>	<hr/>
Deferred tax		
Changes in deferred tax balances arising from:		
Origination or reversal of timing differences	(94,454)	(27,888)
	<hr/>	<hr/>
Tax on profit on ordinary activities	1,085,623	495,921
	<hr/>	<hr/>

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

8 TAXATION (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year 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:

	Year ended 30 June 2003	Thirteen months ended 30 June 2002
	£	£
Profit on ordinary activities before tax	2,082,227	969,730
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2002: 30%)	624,668	290,919
Effects of:		
Expenses disallowed (including depreciation)	560,283	112,305
Capital allowances	(241,824)	(82,438)
Effect of subsidiaries taxed at different rates	15,098	17,656
Unrelieved foreign tax and Texas franchise tax paid	45,245	74,059
Effect of inclusion of share of associate's activity	(7,377)	13,184
Unrelieved losses carried forward into 2004	9,083	-
Goodwill amortised on consolidation	187,339	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
Over provision for taxation including foreign tax in respect of prior periods	(12,438)	-
Current tax charge for the year	1,180,077	523,809

9 DIVIDENDS

	Year ended 30 June 2003	Thirteen months ended 30 June 2002
	£	£
Ordinary shares		
Final proposed	112,000	-
of which:		
Dividends on equity shares	112,000	-

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

10 INTANGIBLE FIXED ASSETS

Group	Goodwill
	£
Cost	
At 1 July 2002	11,497,810
Additions	635,000
At 30 June 2003	12,132,810
Amortisation	
At 1 July 2002	362,323
Charge for the year	624,462
At 30 June 2003	986,785
Net book amount	
At 30 June 2003	11,146,025
At 30 June 2002	11,135,487

The goodwill addition in the year relates to the purchase of trading assets from a third party as shown in note 23.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

11 TANGIBLE FIXED ASSETS

Group

	Land, buildings and leasehold improvements £	Plant & machinery, fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 July 2002	302,351	2,809,481	21,473	3,133,305
Additions	2,168	1,846,097	-	1,848,265
Disposals	-	(181,049)	-	(181,049)
Exchange movement	-	(7,376)	(437)	(7,813)
At 30 June 2003	<u>304,519</u>	<u>4,467,153</u>	<u>21,036</u>	<u>4,792,708</u>
Depreciation				
At 1 July 2002	5,761	408,859	5,322	419,942
Charge for year	8,673	988,653	6,243	1,003,569
On disposals	-	(7,724)	-	(7,724)
Exchange movement	-	(1,747)	(77)	(1,824)
At 30 June 2003	<u>14,434</u>	<u>1,388,041</u>	<u>11,488</u>	<u>1,413,963</u>
Net book amount				
At 30 June 2003	<u>290,085</u>	<u>3,079,112</u>	<u>9,548</u>	<u>3,378,745</u>
At 30 June 2002	<u>296,590</u>	<u>2,400,622</u>	<u>16,151</u>	<u>2,713,363</u>

The net book amount of land and buildings comprises:

	2003 £	2002 £
Long leaseholds	<u>280,862</u>	<u>286,968</u>

The net book amounts of plant & machinery, fixtures & fittings above include £7,400 (2002 - £16,156) in respect of assets held under finance leases or hire purchase contracts.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

12 FIXED ASSET INVESTMENTS

Group

	Share of associate's net assets £
Cost	
At 1 July 2002	529,639
Share of increase in net assets	<u>122,187</u>
At 30 June 2003	<u>651,826</u>

The share of the associate's net assets are 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	
At 1 July 2002	15,238,095
Additions	<u>468,238</u>
At 30 June 2003	<u>15,706,333</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
UWG Group, Inc (subsidiary) - acquired in the year	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 and UWG Group, Inc which are incorporated in the state of Delaware, U.S.A.

All companies have been consolidated into the group financial statements.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

13 STOCKS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Raw materials	116,240	100,909	-	-
Work in progress	695,626	387,805	-	-
	811,866	488,714	-	-
	=====	=====	=====	=====

14 DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Due within one year				
Trade debtors	5,990,021	4,757,022	-	-
Amounts due from group undertakings	-	-	1,987,655	1,829,996
Other debtors	291,526	367,540	156,484	197,269
Prepayments & accrued income	840,238	1,113,855	3,385	18,750
	7,121,785	6,238,417	2,147,524	2,046,015
	=====	=====	=====	=====

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

15 CREDITORS

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Amounts falling due within one year				
Bank loans and overdrafts (note 17)	4,185,367	2,808,342	1,222,631	187,500
Trade creditors	2,058,350	1,420,898	53,728	1,193
Corporation tax	657,366	585,897	-	-
Other tax and social security	423,908	384,027	-	-
Proposed dividends	112,000	-	112,000	-
Net obligations under finance lease and hire purchase contracts (note 18)	5,610	8,124	-	-
Other creditors	906,467	5,221,458	657,000	5,169,619
Accruals and deferred income	<u>1,053,021</u>	<u>1,834,470</u>	<u>45,820</u>	<u>282,905</u>
	<u>9,402,089</u>	<u>12,263,216</u>	<u>2,091,179</u>	<u>5,641,217</u>

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

Included in other creditors for both the company and the group are £NIL (2002 - £6,000,000) of bank guaranteed "A" loan notes redeemable on 3 February 2003 stated net of prepaid finance raising expenses of £NIL (2002 - £830,381) in accordance with Financial Reporting Standard 4. These "A" loan notes were redeemed in the year in accordance with the loan note deed. The remaining prepaid finance-raising costs of £89,869 (2002 - £NIL) have been offset against bank loans and overdrafts in accordance with Financial Reporting Standard 4.

Included in other creditors within the group is £6,599 (2002 - £NIL) relating to outstanding contributions payable to the pension scheme.

Also included in other creditors falling due within one year for both the company and the group is £650,000 relating to "B" Loan notes which are due to be redeemed in October 2003. 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.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

16 CREDITORS

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Amounts falling due after more than one year				
Bank loans (note 17)	4,593,750	1,562,500	4,593,750	1,562,500
Net obligations under finance lease and hire purchase contracts (note 18)	-	6,090	-	-
Other creditors	<u>1,350,000</u>	<u>2,000,000</u>	<u>1,350,000</u>	<u>2,000,000</u>
	<u><u>5,943,750</u></u>	<u><u>3,568,590</u></u>	<u><u>5,943,750</u></u>	<u><u>3,562,500</u></u>
	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>

Other creditors for both the company and the group comprise "B" Loan notes which are for repayment between October 2004 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		Company	
	2003 £	2002 £	2003 £	2002 £
Bank loans	-	625,000	-	625,000
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

17 LOANS

Loans fall due for payment as follows:

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Bank loans				
Within one year	1,222,631	187,500	1,222,631	187,500
Between one and two years	1,437,500	187,500	1,437,500	187,500
Between two and five years	<u>3,156,250</u>	<u>750,000</u>	<u>3,156,250</u>	<u>750,000</u>
After more than five years	-	625,000	-	625,000
	<u><u>5,816,381</u></u>	<u><u>1,750,000</u></u>	<u><u>5,816,381</u></u>	<u><u>1,750,000</u></u>
	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>

The repayment terms of loans that were 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 2.5%.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

18 FINANCE LEASES

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

	Group	Company		
	2003 £	2002 £	2003 £	2002 £
Within one year	5,610	8,124	-	-
Between one and five years	-	6,090	-	-
	5,610	14,214	-	-
	=====	=====	=====	=====

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

19 PROVISIONS FOR LIABILITIES AND CHARGES

Group

	Deferred taxation £
At 1 July 2002	126,617
Credited to profit and loss	(94,454)
Exchange movement	(622)
At 30 June 2003	31,541
	=====

Deferred tax is analysed as follows:

	2003 £	2002 £
Capital allowances	91,661	140,259
Other timing differences	(46,420)	(3,628)
Losses	(13,700)	(10,014)
	31,541	126,617
	=====	=====

There is also a deferred tax asset of £68,129 (2002 - £68,129) not provided for. This has arisen on capital losses unrelieved at the balance sheet date, and is not expected to be utilised for the foreseeable future.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

20 SHARE CAPITAL

	Authorised	Allotted, called up and fully paid	
	£	No	£
At 1 July 2002			
Ordinary shares of £0.01 each	3,620,000	79,976,730	799,767
"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
	14,110,000	803,786,230	8,037,862
Movements in year:			
Ordinary shares of £0.01 each	-	1,753,786	17,538
"C" Ordinary shares of £0.01 each	1,610,000	160,795,829	1,607,958
	1,610,000	162,549,615	1,625,496
At 30 June 2003			
Ordinary shares of £0.01 each	3,620,000	81,730,516	817,305
"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
"C" Ordinary shares of £0.01 each	1,610,000	160,795,829	1,607,958
	15,720,000	966,335,845	9,663,358

During the year 1,753,786 ordinary shares of 1p each with an aggregate nominal value of £17,538 were issued for a total cash consideration of £50,000.

Also during the period 160,795,829 "C" ordinary shares of 1p each with an aggregate nominal value of £1,607,958 were issued for a total cash consideration of £5,000,000.

All shares rank pari passu in all respects, except that any "A" ordinary shares in issue will confer enhanced voting rights on their holders. 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 year options were granted over 11,592,037 (2002 - 96,678,805) ordinary shares pursuant to the group's share option scheme. The total number of ordinary shares under option at the balance sheet date amounted to 108,270,842 (2002 - 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.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

21 RESERVES

	Group £	Company £
Share premium account		
At 1 July 2002	394,233	394,233
Premium on shares issued during the year	3,424,504	3,424,504
Expenses of share issue	<u>(129,592)</u>	<u>(129,592)</u>
At 30 June 2003	<u>3,689,145</u>	<u>3,689,145</u>
Profit and loss account		
At 1 July 2002	393,356	1,385,878
Profit for the year	938,702	3,644
Dividends	<u>(112,000)</u>	<u>(112,000)</u>
Exchange difference on retranslation of foreign subsidiaries	<u>(37,969)</u>	<u>-</u>
At 30 June 2003	<u>1,182,089</u>	<u>1,277,522</u>

22 SHAREHOLDERS' FUNDS

	2003 £	2002 £
Shareholders' funds at 1 July 2002	8,825,451	-
Profit for the year	938,702	420,936
Other recognised gains and losses	<u>(37,969)</u>	<u>(27,580)</u>
Dividends	<u>(112,000)</u>	<u>-</u>
Other movements:		
New shares issued (net of expenses)	<u>4,920,408</u>	<u>8,432,095</u>
Shareholders' funds at 30 June 2003	<u>14,534,592</u>	<u>8,825,451</u>

23 MINORITY INTERESTS

Minority interests comprised:

	2003 £	2002 £
Equity interests (2H Offshore Engineering Limited)	<u>244,611</u>	<u>186,709</u>

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

24 ACQUISITIONS AND DISPOSALS

UWG Group Limited acquired 100% of the share capital of UWG Group Inc, a newly incorporated company, on 8 April 2003. This company subsequently acquired a third party's trading assets.

Detailed below is a breakdown of the aggregate net assets acquired by UWG Group Inc:

	Book value £	Fair value £
Tangible fixed assets	344,000	344,000
Stocks	93,563	93,563
Debtors	74,650	74,650
Net assets acquired	512,213	512,213
Goodwill arising	635,000	635,000
	1,147,213	1,147,213
	=====	=====
Satisfied by:		
Cash	1,023,125	
Consideration outstanding at the year end	124,088	
Total consideration for acquisitions in the year	1,147,213	
	=====	

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

25 GROSS CASH FLOWS

	Year ended 30 June 2003	Thirteen months ended 30 June 2002
	£	£
Returns on investments and servicing of finance		
Interest received	198,552	77,812
Interest paid	(804,766)	(447,860)
Interest element of finance lease rentals	(1,176)	(3,526)
Finance raising costs paid	(3,565)	(940,056)
	<hr/>	<hr/>
	(610,955)	(1,313,630)
	<hr/>	<hr/>
Taxation		
Corporation tax paid	(554,318)	(488,613)
Overseas taxation paid	(315,711)	(40,123)
	<hr/>	<hr/>
	(870,029)	(528,736)
	<hr/>	<hr/>
Capital expenditure		
Payments to acquire tangible fixed assets	(1,504,265)	(551,090)
Receipts from sales of tangible fixed assets	12,444	-
	<hr/>	<hr/>
	(1,491,821)	(551,090)
	<hr/>	<hr/>
Acquisitions and disposals		
Payment to acquire trade of third party undertaking	(1,023,125)	-
Net overdraft acquired with subsidiary undertakings	-	(63,800)
Deferred consideration for the acquisition of subsidiary undertakings	(6,000,000)	-
	<hr/>	<hr/>
	(7,023,125)	(63,800)
	<hr/>	<hr/>
Financing		
Issue of share capital	5,050,000	1,194,000
Expenses paid in connection with the issue of shares	(129,592)	-
New loans	6,000,000	1,750,000
Capital element of finance lease rentals	(8,604)	(4,739)
Bank loans repaid	(1,843,750)	(642,900)
	<hr/>	<hr/>
	9,068,054	2,296,361
	<hr/>	<hr/>

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

26 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2002 £	Cash flows £	Other changes £	At 30 June 2003 £
Cash at bank and in hand	3,864,963	3,181,373	-	7,046,336
Overdrafts	(2,620,842)	(341,894)	-	(2,962,736)
		<u>2,839,479</u>		
Debt due within 1 year	(187,500)	187,500	(1,312,500)	(1,312,500)
Debt due after 1 year	(1,562,500)	(4,343,750)	1,312,500	(4,593,750)
Finance leases	(14,214)	8,604	-	(5,610)
Total	<u>(520,093)</u>	<u>(1,308,167)</u>	-	<u>(1,828,260)</u>

27 OTHER COMMITMENTS

Group

At 30 June 2003 the group had annual commitments under operating leases as follows:

Expiry date:	Land and buildings		Other	
	2003 £	2002 £	2003 £	2002 £
Within one year	58,445	1,362	-	6,053
Between one and five years	<u>89,171</u>	<u>181,327</u>	<u>18,875</u>	<u>8,202</u>

28 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, 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.

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

29 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 **£58,110** (2002 - £33,897).

The amount owing to the BHHM Pension scheme at 30 June 2003 was **£NIL** (2002 - £4,856).

The amount due from the BHHM Pension Scheme at 30 June 2003 was **£1,436** (2002 - £NIL).

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

Rent charged to the group during the year **£17,000** (2002 - £10,208).

The group had the following transactions with Claxton Engineering Limited (1990) Retirement Benefit Scheme, an entity associated by common directors/trustees:

Rent charged by Claxton Engineering Limited (1990) Retirement Benefit Scheme **£23,000** (2002 - £12,555).

The group incurred consultancy fees and expenses totalling **£7,000** (2002 - £NIL) from Lime Rock Partners II L.P. a shareholder in the group.

30 POST BALANCE SHEET EVENTS

Following the year end the company re-financed its bank loans and the outstanding B loan notes. The disclosures within notes 14, 15 and 16 do not reflect this early repayment.

31 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 company to the schemes during the year amounted to **£21,253** (2002 - £30,022).

UWG GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

32 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 year (or date of appointment, if later) were:

	Ordinary shares of 1p each		B Ordinary shares of 1p each	
	2003	2002	2003	2002
K Burton	6,028,396	6,028,396	-	-
M Hewett	-	-	-	-
R C Higham	-	-	380,952,368	380,952,368
J A Hogan	6,698,219	6,698,219	-	-
I McFadyen	-	-	342,857,132	342,857,132
K F Ovenden	6,028,396	6,028,396	-	-
I Patrick	1,674,554	1,674,554	-	-
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.

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

	Ordinary shares of 1p each	
	2003	2002
K Burton	12,410,635	12,410,635
M Hewett	12,410,635	12,410,635
J A Hogan	1,861,595	1,861,595
K F Ovenden	12,410,635	12,410,635
I Patrick	1,007,116	1,007,116