Acteon Group Limited

Directors' report and financial statements

Registered number 4231212

31 December 2008

Contents

ACTEON GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2008

Directors' report and business review

The directors submit their report and the consolidated financial statements for the year ended 31 December 2008

Transition to International Financial Reporting Standards

The company has adopted International Financial Reporting Standards (IFRS) for the preparation of its consolidated financial statements for the year ended 31 December 2008, as disclosed in note 33 to the financial statements. The comparatives for the two years ended 31 December 2007 and 31 December 2006 have been restated accordingly. The company has chosen to provide results for a three year period in order to enable a proper appreciation of the impact of the transition. The company continues to prepare its entity financial statements under UK Generally Accepted Accounting Practice (UK GAAP) and its balance sheet and related notes are shown on pages 74 to 82.

Results and dividends

The profit for the year, after taxation, amounted to **£26,058,000** (*2007 – £14,871,000, 2006 – £12,709,000*). No dividend is to be recommended in respect of 2008.

Principal activity

Acteon Group Limited is the holding company for a global energy services organisation. The company does not trade in its own right, but does undertake transactions relating to acquisitions, financing and overhead costs. The Group comprises 17 specialist businesses, which are all focused on the crucial area of offshore oil and gas development and operations linking wells on the seabed with facilities on the surface.

The Group has world-leading engineering skills in many of the areas in which it operates and has achieved a number of industry "firsts" in its recent history. It employs approximately 1,650 people, many with technical skills, from its facilities in Europe, the Middle East, Africa, 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 and through to decommissioning. The Group also offers full system capability, undertaking concept studies and analysis, front-end engineering and detailed design work, before handling manufacturing/construction activity and offshore execution.

Acteon companies provide a range of subsea services including:

- Back-of-the-boat services
- Activity management
- Foundations and moorings
- Conductors and risers
- Cutting and machining
- Subsea electronics
- Manpower provision

Acteon companies work both independently and together to serve industry clients. The principal companies within the Group, and their activities, are listed below:

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 out 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.

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

Principal activity ***(continued)***

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 and experienced personnel to the offshore industry.

Trident provides relocation services for rigs and floating production units including survey and navigation services.

Aquatic provides a range of powered reel systems which are deployed by clients in relation to flexible pipelay and retrieval.

Seatronics specialises in the provision of marine based electronic equipment rental.

International Mooring Systems (IMS) specialises in the sale, rental and management of mooring equipment.

Fluke has a range of mooring-related products and services, the most significant of which is the manufacture of torpedo anchors, principally for supply into the Brazilian offshore oil and gas fields.

Business Environment

Acteon is a leading provider of subsea services to the worldwide offshore oil and gas market. Its principal clients are international, national and independent oil and gas companies in most of the major oil and gas provinces in the world. Its services relate to most parts of the life-cycle of an oil or gas field, including design, build, installation, integrity management and decommissioning.

Acquisitions during the year

The following acquisitions were concluded during 2008:

- Acquisition of 80% of the issued shares of Fluke Engenharia Limitada. This company, which is based in Rio de Janeiro, Brazil, manufactures a wide range of anchors and torpedo piles. This transaction was completed in February 2008.

- Acquisition of 100% of the issued shares of Construction and Piling Equipment Pte Ltd. This company, which is based in Singapore, also has operations in Indonesia and Malaysia. It provides pipeline inspection, repair and maintenance services. This transaction was completed in April 2008. The company was renamed Cape Group Pte Ltd later in 2008.

Financial performance

The Group performed well during 2008, benefiting from continued activity levels in the worldwide offshore oil and gas industry and the resulting buoyant demand for its range of subsea services. Turnover increased by 59% and profit for the year by 75%. Satisfactory growth was seen across the Group's existing businesses.

The growth of the Group can be summarised as follows:

	2008	**2007**	**Growth**
	£'000	**£'000**	**%**
Group Turnover	309,154	194,690	59%
Profit for the year	26,058	14,871	75%

Financial performance ***(continued)***

The increases in revenue and profit for the year arise from a combination of the impact of acquisitions, internally generated growth and the successful cross-selling of products. Details of the acquisitions in the period are disclosed in note 6 to the financial statements.

Key Performance Indicators

The development of the business can be illustrated by reference to the following financial key performance indicators (KPIs):

	2008	2007	2006
Financial			
Gross Margin % of revenues	**30.7%**	32.4%	29.4%
Net book value of fixed assets (£000s)	**131,032**	85,006	31,145
Non-financial			
Average number of employees	**1,595**	1,039	738

Principal risks and uncertainties

The Group's multinational operations and debt financing expose it to a variety of risks, including financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's approach to financial risk management is disclosed in Note 4.

The directors have taken steps to ensure that the day-to-day risks which face the Group in terms of, for example, health and safety and commercial risks are managed comprehensively by the management teams of its operating companies, by insurance covers which should mitigate the impact of risks turning into reality, and by the preparation and review of comprehensive monthly management financial reporting packages which can alert the board to developments in trading performance and cash management.

Any business operates against a background of risks and uncertainties. The directors believe that the principal operational risks facing Acteon are:

- There could be a tail-off in activity levels in the offshore oil and gas exploration and production industry, worldwide.
- Lead times and availability of raw materials and components which are required in order for the Group to provide its products and services could deteriorate from their current levels.
- It could become more difficult to recruit and retain the highly qualified and experienced staff required in order for the Group to carry on its business.
- The considerable health and safety risks which are inherent to the offshore oil and gas industry.

Likely future developments in the business

The directors believe that the current activity levels in the offshore oil and gas industry are sustainable and intend to take steps to ensure that Acteon develops its geographical and product and service portfolio in order to provide high quality offerings which are well differentiated from its competitors. Although global crude oil prices are, at the time this report is being prepared, somewhat lower than the averages seen across the last 2 years, current indications are that the Group's clients will not significantly curtail their capital or operational spending in such a way as to materially impact on the Group's business.

ACTEON GROUP LIMITED

Going concern

At the balance sheet date the Group has both liquid assets of £42.6m and undrawn facilities of £43.0m in addition to normal levels of booked work with a number of customers and suppliers across different geographic areas. After consideration of market conditions and the Group's financial position, the directors have concluded that the Group is well placed to manage its business risks successfully despite the currently uncertain economic outlook. The directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they consider it appropriate to adopt the going concern basis in preparing the annual report and accounts.

Research and development

The Group is active in the development and innovation of its products and services. There has been particular emphasis in developing advanced riser solutions to enhance shallow water drilling operations, and a number of low-cost conductor mounted platforms were successfully installed during the year. There was also further satisfactory development of novel cutting and hot tapping technology, as well as field testing of directional driving technology and subsea motion compensating devices.

Employees

The Group is committed to involving employees in the business through appropriate communication and consultation and does so through circulating internal newsletters and through periodic briefing meetings.

Applications for employment by disabled persons are always fully considered, having regard to the aptitude and abilities of the applicant. If employees become disabled every effort is made to ensure the continuation of their employment with the Group, including the provision of appropriate training. The Group intends that, as far as possible, the training, career development and promotion of a disabled person should be identical to that of a person who does not suffer from a disability.

Directors

The directors who served during the year were:

R C Higham
K F Ovenden
W Honeybourne (USA)
J R Edwards (USA)

Provision of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG LLP were appointed auditors of the Company and the Group for the year ended 31 December 2008. They have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

R C Higham
Director

1 April 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the Group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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United Kingdom

Independent auditors' report to the members of Acteon Group Limited

We have audited the group and parent company financial statements (the "financial statements") of Acteon Group Limited for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense 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 Directors' Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU, and for preparing the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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

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

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

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

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

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

Independent auditors' report to the members of Acteon Group Limited *(continued)*

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

1 April 2009

Consolidated Income Statement
for year ended 31 December 2008

	Note	**2008 £000**	2007 £000	2006 £000
Revenue		**309,154**	194,690	121,507
Cost of sales		**(214,322)**	(131,636)	(85,782)
Gross profit		**94,832**	63,054	35,725
Other income/(expense)	*8*	**1,853**	238	(20)
Exceptional restructuring expenses	*5*	**-**	(491)	(1,780)
Other administrative expenses		**(45,132)**	(26,513)	(14,871)
Total administrative expenses		**(45,132)**	(27,004)	(16,651)
Profit from operating activities		**51,553**	36,288	19,054
Finance income		**2,416**	1,002	885
Finance expense		**(19,364)**	(10,224)	(3,862)
Exceptional finance expense		**-**	(1,697)	(741)
Net finance expense	*12*	**(16,948)**	(10,919)	(3,718)
Profit before income tax		**34,605**	25,369	15,336
Income tax expense	*13*	**(8,547)**	(10,498)	(2,627)
Profit for the year		**26,058**	14,871	12,709
Attributable to:				
Equity holders of the parent		**26,022**	14,524	12,590
Minority interest		**36**	347	119
Profit for the year		**26,058**	14,871	12,709

The notes on pages 12 to 72 are an integral part of these consolidated financial statements.

Movements in reserves are set out in note 22.

Turnover and operating profit in the current and previous years arose wholly from continuing operations.

Consolidated Statement of Recognised Income and Expense
for year ended 31 December 2008

	Note	**2008**	2007	2006
		£000	£000	£000
Translation of foreign currency net investments	*22*	**17,688**	977	(1,222)
Defined benefit plan actuarial gains	*25*	**32**	50	65
Income tax on income and expense recognised directly in equity		**47**	(26)	(34)
Income and expense recognised directly in equity		**17,767**	1,001	(1,191)
Profit for the year		**26,058**	14,871	12,709
Total recognised income and expense for the year	*22*	**43,825**	15,872	11,518
Attributable to:				
Equity holders of the Company		**43,789**	15,525	11,399
Minority interest		**36**	347	119
Total recognised income and expense for the year		**43,825**	15,872	11,518

The notes on pages 12 to 72 are an integral part of these consolidated financial statements.

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Consolidated Balance Sheet
at 31 December 2008

	Note	**2008 £000**	2007 £000	2006 £000
Non-current assets				
Property, plant and equipment	*16*	**131,032**	85,006	31,145
Intangible assets	*17*	**131,745**	116,460	32,158
Deferred income tax assets	*18*	**1,393**	1,426	1,462
Total non-current assets		**264,170**	202,892	64,765
Current assets				
Inventories	*19*	**16,165**	6,985	6,430
Trade and other receivables	*20*	**102,527**	72,409	38,707
Cash and cash equivalents		**42,562**	7,432	2,037
Total current assets		**161,254**	86,826	47,174
Total assets		**425,424**	289,718	111,939
Equity				
Share capital	*22*	**11,453**	11,453	11,289
Share premium	*22*	**9,907**	9,907	7,212
Foreign currency translation reserve	*22*	**17,443**	(245)	(1,222)
Capital redemption reserve	*22*	**1,154**	1,154	1,154
Retained earnings	*22*	**58,574**	32,265	17,672
Total equity attributable to equity holders of the Company		**98,531**	54,534	36,105
Minority interest	*22*	**2,680**	784	658
Total equity		**101,211**	55,318	36,763
Non-current liabilities				
Loans and borrowings	*23*	**236,782**	175,549	36,755
Other creditors	*24*	**4,837**	250	1,000
Employee benefits	*25*	**1,302**	1,014	978
Deferred income tax liabilities	*18*	**21,781**	13,880	4,743
Total non-current liabilities		**264,702**	190,693	43,476
Current liabilities				
Bank overdraft		**-**	-	6,194
Loans and borrowings	*23*	**617**	852	4,504
Trade and other payables	*27*	**57,779**	38,155	20,885
Current income tax liabilities		**1,115**	4,700	117
Total current liabilities		**59,511**	43,707	31,700
Total liabilities		**324,213**	234,400	75,176
Total equity and liabilities		**425,424**	289,718	111,939

These financial statements were approved by the board of directors on 1 April 2009 and were signed on its behalf by:

R C Higham - Director   *K F Ovenden - Director*

The notes on pages 12 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow
for year ended 31 December 2008

	Note	**2008 £000**	2007 £000	2006 £000
Cash flow from operating activities				
Profit for the year		**26,058**	14,871	12,709
Adjustments for:				
(Gain)/loss on sale of property, plant and equipment		**(1,853)**	(238)	20
Depreciation of property, plant and equipment	*16*	**16,956**	9,583	4,022
Amortisation of intangible assets	*17*	**4,545**	4,512	1,333
Equity-settled share-based payment transactions	*26*	**208**	45	459
Net finance expense	*12*	**16,948**	10,919	3,718
Income tax expense	*13*	**8,547**	10,498	2,627
		71,409	50,190	24,888
Change in inventories		**(5,682)**	(14)	(429)
Change in trade and other receivables		**(15,506)**	(19,403)	(3,382)
Change in trade and other payables		**8,152**	(13,182)	(2,655)
Change in provisions and employee benefits		**(38)**	36	(88)
Cash generated from operating activities		**58,335**	17,627	18,334
Interest paid		**(20,131)**	(8,392)	(2,947)
Income tax paid		**(8,680)**	(5,077)	(3,693)
Net cash from operating activities		**29,524**	4,158	11,694
Cash flows from investing activities				
Interest received		**2,416**	1,002	885
Proceeds from sale of property, plant and equipment		**8,965**	4,697	755
Acquisition of subsidiary, net of cash acquired	*6*	**(18,162)**	(90,359)	(24,530)
Acquisition of minority interest		**-**	(14)	-
Purchase of property, plant and equipment	*16*	**(41,236)**	(38,893)	(13,531)
Purchase of intangible assets	*17*	**(532)**	(679)	(237)
Net cash used in investing activities		**(48,549)**	(124,246)	(36,658)
Cash flow from financing activities				
Proceeds from issue of share capital	*22*	**-**	-	1,653
Expenses paid in relation to issue of share capital	*22*	**-**	(7)	(381)
Proceeds of new borrowings		**49,500**	177,542	22,714
Payment of transaction costs		**(447)**	(2,647)	(230)
Repayment of borrowings		**(510)**	(41,896)	(4,996)
Payment of finance lease liabilities		**(859)**	(1,343)	-
Dividends paid	*15*	**-**	-	(200)
Net cash from financing activities		**47,684**	131,649	18,560
Net increase/(decrease) in cash and cash equivalents		**28,659**	11,561	(6,404)
Cash and cash equivalents at 1 January		**7,432**	(4,157)	2,162
Effect of exchange rate fluctuations on cash held		**6,471**	28	85
Cash and cash equivalents at 31 December		**42,562**	7,432	(4,157)

The notes on pages 12 to 72 are an integral part of these consolidated financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Acteon Group Limited is a company incorporated in England. The address of its registered office is Ferryside, Ferry Road, Norwich, Norfolk, NR1 1SW. The consolidated financial statements of the Group as at and for the year ended 31 December 2008 comprise the parent company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in jointly controlled entities. The Group is primarily involved in the provision of specialist subsea products and services to the offshore oil and gas industry. The financial statements of the parent company are set out on pages 74 to 82.

2 Basis of preparation of financial statements

These financial statements have been prepared for the first time in accordance with International Financial Reporting Standards, as adopted in the EU (adopted IFRS), and its interpretations adopted by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee or their predecessors (IFRIC), which had been approved by the European Commission as at 31 December 2008. All references to IFRS refer to IFRS standards as adopted by the EU. The disclosures required by IFRS 1 *First-time Adoption of IFRS* concerning the transition from UK GAAP to IFRS are set out in note 33. The company has chosen to provide results for a three year period in order to enable a proper appreciation of the impact of the transition.

In accordance with the transitional provisions set out in IFRS 1, *First-time Adoption of IFRS* and other relevant standards, the Group has applied the Companies Act 1985 and IFRS in force as at 31 December 2008 in its financial reporting with effect from 1 January 2006 (which is the transition date).

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS and were approved by the Board of Directors on 1 April 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and available-for-sale financial assets, which are stated at fair value. Changes in fair value are reflected in the income statement.

The methods used to measure fair values are discussed further below.

(c) Functional and presentation currency

These consolidated financial statements are presented in Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest £1,000.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods which are affected by those revisions.

Information about areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 6 – business combinations

Note 17 – measurement of the recoverable amounts relating to cash-generating units containing goodwill

Note 28 – valuation of financial instruments

Notes *(continued)*

Accounting policies *(continued)*

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been aligned, where necessary, with the policies adopted by the Group.

(ii) Transactions and balances eliminated on consolidation

Intra-Group transactions and balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Revenue recognition

Turnover comprises the value of goods and services supplied by the Group in the normal course of business, net of trade discounts and sales taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(i) Sale of equipment and other goods

Turnover is recognised when the goods are delivered to the customer, at the contractually agreed delivery location.

(ii) Rendering of services

The Group recognises turnover in line with the fulfilment of its contractual obligations. In most cases relating to the supply of services this represents the fulfilment of all obligations contained in its contracts. In certain circumstances specific elements of the total income relating to a contract are recognised where completion of these elements (by reference to contractual trigger points) entitles the Group to the income. Where the rendering of services includes rental income, the rental income element is recognised on a straight line basis over the period of the rental contract.

Notes *(continued)*

Accounting policies *(continued)*

Intangible fixed assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. The Group has elected to utilise the exemption available under IFRS 1, *First-time Adoption of IFRS*, in relation to the restatement of acquisitions prior to the transition date, 1 January 2006. The goodwill in relation to those acquisitions therefore remains frozen as reported at 31 December 2005 under UK GAAP, but is subject to an annual impairment review.

Acquisitions subsequent to the transition date have been accounted for in accordance with IFRS 3, *Business Combinations.* Goodwill arising on these acquisitions represents the difference between the fair value of the purchase consideration and the fair value of the Group's share of the identifiable net assets of the acquired entity. Consideration includes directly attributable costs of executing the acquisition transaction. Goodwill arising on the acquisition of outstanding minority interests in existing subsidiaries represents the difference between the cost of the additional investments and the fair value of the share of net assets at the acquisition date.

Goodwill is not subject to amortisation but is reviewed for impairment at the end of the first full financial year following the acquisition and annually thereafter and at other points if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit in respect of which the goodwill arose. Impairment is determined by assessing the ability of the cash-generating units to generate future cash flows and comparison of the resulting values with the respective goodwill balances. Impairment losses in respect of goodwill are not reversed.

Order books and customer lists

Order books and customer lists are recognised as intangible assets at their fair value on acquisition. The fair value is determined by discounting the future cash flows expected to be generated from them at an appropriate market-related discount rate. Amortisation is provided so as to write off the cost over the expected economic lives of the assets in equal instalments. The residual values are assumed to be nil.

Economic lives for intangible assets have been established as:

Order books – typically less than one year

Customer lists – 10 years

All intangible assets are reviewed annually for impairment, or more regularly if conditions exist that indicate a review is required.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life which has been established as 3-4 years.

Notes *(continued)*

Accounting policies *(continued)*

Tangible fixed assets

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 January 2006, the IFRS transition date, was determined by reference to its depreciated cost as at that date.

Cost comprises the purchase price or construction cost and any costs directly attributable to making the asset capable of operating as intended, in the intended location. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment other than those held for rental to clients are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the income statement. Where items are sold from the rental fleet, the sale proceeds are reflected in revenue and the remaining net book value is charged to cost of sales.

(ii) Depreciation

Depreciation is calculated using the straight-line basis to allocate the cost less residual values, to the income statement over the estimated useful lives of each item of property, plant and equipment. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Fixtures, fittings and computer equipment	2-10 years
Motor vehicles	2-4 years
Plant and equipment	6-15 years

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Inventory

Inventories 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 less all further costs of completion and disposal.

The Group makes provisions for impairment based on an assessment of excess and obsolete inventories.

Costs in relation to partially complete projects are treated as work in progress where the revenue relating to those projects is unrecognised at the balance sheet date.

Foreign currencies

(i) Transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at each balance sheet date. Gains and losses on retranslation are recognised in the income statement for the year.

Notes *(continued)*

Accounting policies *(continued)*

(ii) Group entities

The results and financial position of all Group entities that have a functional currency different from Sterling are translated into Sterling as follows:

- assets and liabilities for each balance sheet presented are translated at the rate ruling at the balance sheet date;
- income and expenses for each income statement are translated at prevailing exchange rates; and
- resulting exchange differences are recognised directly in equity. From 1 January 2006, the Group's transition date, such differences have been recognised in a separate foreign currency translation reserve (FCTR) in the consolidated balance sheet. As permitted by IFRS 1, *First-time Adoption of IFRS,* cumulative translation differences for all foreign exchange operations have been deemed to be zero at the date of transition.

When a foreign subsidiary is disposed of the portion of the FCTR relating to that subsidiary is required to be included as part of the calculation of profit or loss on the sale. This will only apply to currency translation differences arising after the transition date.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity in the FCTR.

Share-based payments

The Group adopted IFRS 2, *Share-based Payments*, at its transition date and in accordance with the transitional arrangements contained therein this has been applied to all share option contracts executed after 7 November 2002 which had not vested as at 1 January 2006.

The Group operates an equity-settled share option plan, the Acteon Group Ltd 2007 Share Option Plan, under which share options have been granted to certain employees. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the expected period during which the employees become unconditionally entitled to exercise the option (vesting).The fair value of the employee share options, which have a market-based performance condition, is measured as at the date of grant using the Black-Scholes valuation model. The Monte Carlo method has been adopted in order to determine the expected level of vesting. Measurement inputs include the exercise price of options, expected volatility (based on weighted average historic volatility of comparable quoted companies), estimated average life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds).

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. The majority of the Group's employees participate in plans of this nature.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group operates two defined benefit schemes in respect of employees of its German subsidiary, MENCK GmbH, in which there are 100 participants. Of these, 5 participate in a final salary scheme and the remaining 95 participate in a scheme which provides very modest benefits: these are determined by length of service rather than being linked to salary.

Notes *(continued)*

Accounting policies *(continued)*

(ii) Defined benefit plans (continued)

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 income statement 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 income statement as other finance costs, adjacent to finance expense.

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 is presented separately on the face of the balance sheet.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity.

(iii) Short-term benefits

Short-term employee benefit obligations such as annual performance bonuses are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as a short-term benefit if the Group has a present legal or constructive obligation to pay this benefit as a result of past service provided by the employee and the amount of the obligation can be measured reliably.

Leasing

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the lower of fair value and the present value of the minimum future lease payments. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired under hire purchase agreements are depreciated over their useful lives. Obligations under such agreements are included in liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable in respect of operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Notes *(continued)*

Accounting policies *(continued)*

Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated discounted future cash flows. All impairment losses on financial assets measured at amortised cost are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill has an indefinite life and the recoverable amount is estimated at each reporting date.

The Group's approach to impairment testing in relation to goodwill and intangible assets is discussed in the "Goodwill" section above.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to, or recovered from, the taxation authorities. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in later years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Notes *(continued)*

Accounting policies *(continued)*

Income tax expense (continued)

Deferred income tax assets are recognised at each balance sheet date to the extent that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured on an undiscounted basis at the tax rates that are expected to apply when the liability is settled or the asset is realised, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on management's knowledge of prices offered and accepted for comparable items.

(ii) Intangible assets

The fair value of order books and customer lists acquired in a business combination is based on applying the income approach to valuations. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use of the assets.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on historic cost adjusted to fair value, if applicable. However where its estimated selling price in the ordinary course of business, less the estimated costs of completion and sale, are lower than cost then that lower value is adopted.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted where appropriate.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Notes *(continued)*

Accounting policies *(continued)*

(vi) Share-based payments

The methodology used to determine fair value is shown in note 26.

Exceptional items

Exceptional items are those significant items of income or expense that are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. In accordance with IAS 1, *Presentation of Financial Statements*, such items are presented separately on the face of the income statement and analysed in the notes to the financial statements.

Contingent consideration

Contingent consideration relates to the future cash consideration payable in respect of acquisitions which is contingent on the outcome of future events. When an acquisition agreement provides for an adjustment to the consideration which is contingent on future events, provision is made for that amount if the adjustment is probable and can be measured reliably. The amount provided is included in the cost of the acquisition. When the final amount payable is determined, or when revised estimates are made, the acquisition cost and provision are adjusted accordingly.

Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs.

Net financing costs comprise interest payable on borrowings, interest receivable on cash and cash equivalents and amortisation of debt finance costs that are recognised in the income statement.

Interest income and expense is recognised in the income statement as it accrues, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments, less bank overdrafts.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less provision for impairment. Provision is made when there is objective evidence that the Group will not be able to collect a receivable.

Impact of future accounting standards

The Group has not yet adopted the following standards which are only effective for periods commencing on or after 1 January 2009.

IFRS 3 (revised), Business Combinations

This standard includes some significant changes to IFRS 3, *Business Combinations*. It requires that all payments made to purchase a business are recorded at fair value at acquisition date. This standard is effective for accounting periods beginning on or after 1 July 2009 and will have an impact on any acquisitions the Group makes from 1 January 2010.

Notes *(continued)*

Accounting policies *(continued)*

4 Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The board of directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of individual Group entities which are principally Sterling, US Dollars and Euros. As the Group's presentation currency is Sterling, it is also subject to foreign exchange translation risk in respect of the results and underlying net assets of foreign operations. The Group manages foreign currency risk by creating a natural hedge against the major foreign currency risk which is the US Dollar. The impact on earnings of a weakening dollar is mitigated by a reduction in the Sterling value of borrowings denominated in US Dollars, and vice versa.

Details of balances in foreign currencies and the exchange rates used to translate significant balances into Sterling are shown in note 28.

There were no changes in the Group's approach to foreign exchange risk during the year.

(b) Cash flow and fair value interest rate risk

The Group has interest rate risk arising from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk.

The Group has no significant interest-bearing assets other than cash and cash equivalents of a working capital nature. Therefore the Group's income and operating cash flows arising from such assets are substantially independent of changes in market interest rates.

(b) Cash flow and fair value interest rate risk (continued)

The Group monitors its exposure to interest rate risk as part of its overall financial risk management, but has not entered into any derivative contracts to manage its cash flow interest rate risks.

There were no changes in the Group's approach to cash flow and fair value interest rate risk during the year.

(c) Credit risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents, primarily composed of current account balances, are maintained with major financial institutions in each of the territories in which the Group operates. Cash balances held by non-UK operating companies in excess of those required for short-term funding needs are periodically remitted to UK bank accounts.

Sales are made on credit and result in short-term credit exposure on trade receivables. The Group's customers are principally major companies in the oil and gas exploration and production sector that have several years' transaction history with the Group. Credit risk from the ordinary course of trade activities is managed by the relevant operating companies on a customer and/or project basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The major component of this allowance is a specific loss component that relates to individually significant exposures. The ageing of receivables is shown in note 28.

There were no changes in the Group's approach to credit risk during the year.

Notes *(continued)*

Accounting policies *(continued)*

(d) Liquidity risk

The Group maintains a blend of long-term and short-term committed facilities that are designed to ensure that it has sufficient available funds for operations and planned expansion and to meet its financial obligations as they fall due. At 31 December 2008 the Group had access to variable rate borrowings in the form of a £270 million committed credit facility, of which £190m takes the form of term loans and £80m takes the form of a revolving credit facility. The Group is able to draw down on this revolving facility as needed, at interest rates determined with reference to LIBOR. Further details of this facility are set out in the directors' report on page 4.

There were no changes in the Group's approach to liquidity risk during the year.

(e) Capital risk management

The objectives when managing capital (equity and bank borrowings) are to safeguard the Group's ability to continue as a going concern in order to:

- provide returns for shareholders;
- provide benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

The Group monitors bank borrowings on the basis of its covenanted gearing ratio. This ratio is calculated by dividing the net debt at the end of the period by the earnings for the period. Net debt is the sum of loans and borrowings (note 23) less cash and cash equivalents.

There were no changes to the Group's approach to capital management in the year.

5 Exceptional restructuring expenses

The Group incurred exceptional restructuring expenses of £491,000 in 2007 and £1,780,000 in 2006. The costs in 2007 related to an internal restructuring of US subsidiaries. The charge in 2006 related to costs (£1,401,000) required to execute a change to the ownership structure of the Group and £379,000 of professional fees relating to a potential acquisition that did not come to fruition.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests

Acquisitions 2008

Cape Group

On 30 April 2008 the Group acquired all of the ordinary shares in Construction And Piling Equipment Pte Ltd (later renamed Cape Group Pte Ltd) for £3,685,000 in cash and contingent consideration. The company provides pipeline inspection and maintenance services and emergency pipeline repairs. In the 8 months to 31 December 2008 the subsidiary generated a loss after tax of £246,000. If the acquisition had occurred on 1 January 2008, management estimates that consolidated revenue would have been £4,287,000 and the consolidated loss for the period would have been £369,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2008.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	752	-	752
Intangible assets	-	1,200	1,200
Inventories	150	-	150
Trade and other receivables	1,225	-	1,225
Cash and cash equivalents	444	-	444
Deferred tax arising on acquisition	-	(216)	(216)
Trade and other payables	(1,825)	-	(1,825)
Net identifiable assets and liabilities	746	984	1,730
Plus minority interests *			14
			1,744
Goodwill on acquisition			1,941
Total consideration **			3,685
Cash acquired			(444)
Contingent consideration			(559)
Net cash outflow			2,682

* The minority interest recognised on acquisition relates to an 85% stake in a minor subsidiary of the acquired company which had negative net assets at acquisition.

** Includes transaction costs of £334,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

The goodwill value is provisional and may need to be subsequently amended dependent on the crystallisation of the future targets upon which the additional consideration is contingent.

Goodwill has arisen on the acquisition because of the expected cross-selling opportunities in the south-east Asia market to be derived from Group ownership of the company, market knowledge, and the value associated with the technical expertise of its employees.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

Fluke Group

On 29 February 2008 the Group acquired 80% of the ordinary shares in Fluke Engenharia Limitada for £19,519,000 in cash and contingent consideration. The company supplies a range of mooring-related products and services, the most significant of which is the manufacture of torpedo anchors, principally for supply into the Brazilian offshore oil and gas industry.

In the 10 months to 31 December 2008 the subsidiary generated a loss after tax of £1,532,000. If the acquisition had occurred on 1 January 2008, management estimates that consolidated revenue would have been £20,335,000 and the consolidated loss for the period would have been £1,840,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2008.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	7,371	2,697	10,068
Intangible assets	-	5,700	5,700
Inventories	1,238	-	1,238
Trade and other receivables	1,224	-	1,224
Cash and cash equivalents	232	-	232
Loans and borrowings	(510)	-	(510)
Deferred tax arising on acquisition	-	(2,855)	(2,855)
Trade and other payables	(2,881)	-	(2,881)
Net identifiable assets and liabilities	6,674	5,542	12,216
Less minority interests			(1,874)
Net assets acquired			10,342
Goodwill on acquisition			9,177
Total consideration *			19,519
Cash acquired			(232)
Contingent consideration			(3,807)
Net cash outflow			15,480

* Includes transaction costs of £705,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

The goodwill value is provisional and may need to be subsequently amended dependent on the crystallisation of the future targets upon which the additional consideration is contingent.

Goodwill has arisen on the acquisition because of the market opportunities which have been created for the Group as a whole in the Brazilian oil and gas market.

Notes *(continued)*

6 **Acquisitions of subsidiaries and minority interests** *(continued)*

Acquisitions 2007

Seatronics Group

On 5 July 2007 the Group acquired 95.13% of the ordinary shares in Seascan Limited for £67,056,000 in cash. The company specialises in the rental of marine electronic equipment to the oil and gas industry through subsidiaries which trade as Seatronics. In the 6 months to 31 December 2007 the subsidiary generated profit after tax of £3,124,000. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have been £24,000,000 and consolidated profit after tax for the period would have been £6,300,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2007.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	13,986	-	13,986
Intangible assets	53	18,435	18,488
Inventories	251	-	251
Trade and other receivables	8,737	-	8,737
Cash and cash equivalents	1,803	-	1,803
Loans and borrowings	(2,754)	-	(2,754)
Deferred tax	(118)	(4,547)	(4,665)
Trade and other payables	(11,564)	-	(11,564)
Net identifiable assets and liabilities	10,394	13,888	24,282
Less minority interests			(506)
Net assets acquired			23,776
Goodwill on acquisition			43,280
Consideration paid, satisfied in cash*			67,056
Cash acquired			(1,803)
Net cash outflow			65,253

* Includes transaction costs of £555,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

Goodwill has arisen on the acquisition because of several factors, including market access opportunities created for Seatronics by its being part of the Group; extension of the Group's range of subsea services, allowing it to offer a more complete suite of capabilities; critical mass in the USA and south-east Asia markets; and the technical knowledge of its employees.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

International Mooring Systems Group

On 5 July 2007 the Group acquired all of the ordinary shares in International Mooring Systems Ltd for £19,829,000 in cash. The company sells, rents and manages mooring components and systems. In the 6 months to 31 December 2007 the subsidiary generated profit after tax of £925,000. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have been £15,600,000 and consolidated profit after tax for the period would have been £2,000,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2007.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	14,100	-	14,100
Intangible assets	-	6,400	6,400
Trade and other receivables	5,656	-	5,656
Cash and cash equivalents	(1,038)	-	(1,038)
Loans and borrowings	(742)	-	(742)
Deferred tax arising on acquisition	-	(2,711)	(2,711)
Trade and other payables	(14,399)	-	(14,399)
Net identifiable assets and liabilities	3,577	3,689	7,266
Goodwill on acquisition			12,563
Consideration paid, satisfied in cash*			19,829
Bank overdraft acquired			1,038
Net cash outflow			20,867

* Includes transaction costs of £298,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

Goodwill has arisen on the acquisition because of several factors, including market access opportunities created for International Mooring Systems by its being part of the Group; geographical extension of the Group's moorings products and services offering; critical mass in the south-east Asia market; and the technical knowledge of its employees.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

Chain Corporation

On 5 July 2007 the Group acquired all of the ordinary shares in Chain Corporation International Ltd for £34,000 in cash. The company specialises in the inspection and certification of mooring chain. In the 6 months to 31 December 2007 the subsidiary generated profit after tax of £nil. If the acquisition had occurred on 1 January 2007, management estimates that revenue would have been £700,000 and profit after tax for the period would have been £100,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2007.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	485	-	485
Intangible assets	-	500	500
Trade and other receivables	422	-	422
Cash and cash equivalents	114	-	114
Deferred tax arising on acquisition	-	(43)	(43)
Trade and other payables	(1,575)	-	(1,575)
Net identifiable assets and liabilities	(554)	457	(97)
Goodwill on acquisition			131
Consideration paid, satisfied in cash*			34
Cash acquired			(114)
Net cash inflow			(80)

* Transaction costs relating to this acquisition are included in the acquisition costs of International Mooring Systems. Both acquisitions were made on the same day from the same vendor.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

Goodwill has arisen on the acquisition because of the expected synergies to be derived from the Group ownership of the company in conjunction with the existing mooring businesses of the Group.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

InterAct PMTI

On 16 June 2007 the Group acquired 80 % of the ordinary shares in Pacific Management Technologies Inc (later renamed InterAct PMTI Inc) via a newly created subsidiary PMTI Acquisition Inc for £4,001,000 in cash. The company provides project management and engineering consultancy services to the offshore oil and gas industry. In the 6 months to 31 December 2007 the subsidiary generated a loss after tax of £179,000. If the acquisition had occurred on 1 January 2007, management estimates that revenue would have been £5,200,000 and profit after tax for the period would have been £100,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2007.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	**Fair value adjustments £000**	**Recognised values on acquisition £000**
Property, plant and equipment	26	-	26
Intangible assets	-	1,700	1,700
Trade and other receivables	667	-	667
Cash and cash equivalents	(208)	-	(208)
Loans and borrowings	(4)	-	(4)
Deferred tax arising on acquisition	-	(510)	(510)
Trade and other payables	(119)	-	(119)
Net identifiable assets and liabilities	362	1,190	1,552
Less minority interests			(72)
Net assets acquired			1,480
Goodwill on acquisition			2,521
Consideration paid, satisfied in cash*			4,001
Bank overdraft acquired			208
Net cash outflow			4,209

* Includes transaction costs of £230,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

Goodwill has arisen on the acquisition because of the expected cross-selling opportunities to be derived from Group ownership of the company and the value associated with the specialist technical knowledge of an established project management and engineering consultancy.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

2H Offshore Engineering

On 12 October 2007 the Group acquired 20% of the ordinary shares in 2H Offshore Engineering Ltd for £2,880,000. The Group had acquired 80% of the ordinary shares in 1999. Consideration was satisfied by the issue of shares. The company specialises in the analysis, design, supply and integrity monitoring of complex marine riser systems.

As the company was previously included in the consolidated results of the Group the purchase of the minority interest did not impact the assets and liabilities on a line by line basis. At the date of purchase, the minority interest of £799,000 that had previously been included in minority interests was transferred to reserves. The acquisition gave rise to goodwill calculated as follows:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	130	-	130
Trade and other receivables	943	-	943
Deferred tax arising on acquisition	-	(109)	(109)
Trade and other payables	(274)	-	(274)
Net identifiable assets and liabilities	799	(109)	690
Goodwill on acquisition			2,190
Consideration paid *			2,880
Less consideration satisfied by share issue			(2,866)
Net cash outflow			14

* Includes transaction costs of £14,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

Goodwill has arisen on the acquisition because any separable intangibles would have been recognisable on the acquisition of the original majority holding and therefore the purchase of the minority interest is residual goodwill.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

Gillespie Design Services

On 30 November 2007 the Group acquired all of the ordinary shares in Gillespie Design Services Ltd for £362,000 in cash. The company was a supplier of pipeline location data to Trident Offshore Ltd (a Group company). The services of the acquiree were treated as an operating cost to the Group prior to the acquisition. The company did not generate any turnover or profit subsequent to the acquisition.

The amount paid was determined to have been for the acquisition of a database and no residual goodwill arose on the acquisition. The database was considered to have a similar useful life to the customer lists acquired as part of other acquisitions and the value is comparatively small in relation to the value of those lists. The database is therefore included as part of customer lists within intangibles.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

Acquisitions 2006

Mirage Machines

On 1 January 2006 the Group acquired 80% of the ordinary shares in Mirage Machines Ltd for £971,000 in cash. The company is a leading supplier of portable machine tool technology. In the 12 months to 31 December 2006 the subsidiary generated revenue of £1,276,000 and a loss after tax of £114,000.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	199	101	300
Intangible assets	-	300	300
Inventories	73	-	73
Trade and other receivables	313	(26)	287
Loans and borrowings	(23)	-	(23)
Deferred tax arising on acquisition	-	(48)	(48)
Trade and other payables	(224)	(190)	(414)
Net identifiable assets and liabilities	338	137	475
Less minority interests			(44)
Net identifiable assets and liabilities			431
Goodwill on acquisition			540
Consideration paid, satisfied in cash*			971
Cash acquired			-
Net cash outflow			971

* Includes transaction costs of £40,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

Goodwill has arisen on the acquisition because of the expected benefits to be derived from a company whose products enhanced and protected the Group's existing specialist engineering capability.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

Aquatic Engineering & Construction

On 5 July 2006 the Group acquired all of the ordinary shares in Aquatic Engineering & Construction Limited for £11,794,000 in cash. The company provides a range of powered reel systems for the subsea oil and gas industry. In the 6 months to 31 December 2006 the subsidiary generated profit after tax of £1,803,000. If the acquisition had occurred on 1 January 2006, management estimates that revenue would have been £23,100,000 and profit after tax for the period would have been £2,700,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2006.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	2,719	-	2,719
Intangible assets	5	7,300	7,305
Inventories	400	-	400
Trade and other receivables	5,598	-	5,598
Cash and cash equivalents	(1,497)	-	(1,497)
Loans and borrowings	(828)	-	(828)
Deferred tax	(295)	(2,100)	(2,395)
Trade and other payables	(2,713)	(159)	(2,872)
Net identifiable assets and liabilities	3,389	5,041	8,430
Goodwill on acquisition			3,364
Consideration paid, satisfied in cash*			11,794
Bank overdraft acquired			1,497
Net cash outflow			13,291

* Includes transaction costs of £296,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

Goodwill has arisen on the acquisition because of several factors, including market access opportunities created for Aquatic by its being part of the Group; extension of the Group's range of subsea services, allowing it to offer a more complete suite of capabilities; and the technical knowledge of its employees.

Notes *(continued)*

6 Acquisitions of subsidiaries and minority interests *(continued)*

Trident Offshore

On 5 July 2006 the Group acquired all of the ordinary shares in Trident Offshore Ltd for £12,356,000 in cash. The company provides specialist marine supervision and project management for the installation of mobile drilling rigs and floating production units. In the 6 months to 31 December 2006 the subsidiary generated profit after tax of £463,000. If the acquisition had occurred on 1 January 2006, management estimates that revenue would have been £4,400,000 and profit after tax for the period would have been £633,000. In determining these amounts, management has assumed that the fair value adjustments at acquisition would have been the same if the acquisition had occurred on 1 January 2006.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Property, plant and equipment	479	-	479
Intangible assets	61	2,600	2,661
Inventories	437	-	437
Trade and other receivables	1,141	-	1,141
Cash and cash equivalents	2,088	-	2,088
Deferred tax arising on acquisition	-	(797)	(797)
Trade and other payables	(1,278)	-	(1,278)
Net identifiable assets and liabilities	2,928	1,803	4,731
Goodwill on acquisition			7,625
Consideration paid, satisfied in cash*			12,356
Cash acquired			(2,088)
Net cash outflow			10,268

* Includes transaction costs of £396,000.

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). In determining the fair value of intangibles (customer lists and order books) acquired, the Group applied the income approach to ascertain the discounted cashflows expected to be delivered from the use of the assets.

Goodwill has arisen on the acquisition because of several factors, including market access opportunities created for Trident by its being part of the Group; extension of the Group's range of subsea services, allowing it to offer a more complete suite of capabilities; and the technical knowledge of its employees.

Notes *(continued)*

7 Revenue

	2008 £000	2007 £000	2006 £000
Sale of goods	**70,509**	30,882	14,904
Rendering of services	**238,645**	163,808	106,603
Total revenues	**309,154**	194,690	121,507

8 Other income

	2008 £000	2007 £000	2006 £000
Net gain/(loss) on sale of property, plant and equipment	**1,853**	238	(20)
Total other income	**1,853**	238	(20)

Notes *(continued)*

9 Expenses and auditors' remuneration

	2008	2007	2006
	£000	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Depreciation and other amounts written off tangible fixed assets:			
Owned	**16,541**	9,247	3,966
Leased	**415**	336	56
Amortisation of intangibles	**4,545**	4,512	1,333
Hire of plant and machinery - rentals payable under operating leases	**665**	469	42
Hire of other assets - operating leases	**2,645**	1,989	1,315
Compensation from third parties for property, plant and equipment lost or given up	**(404)**	(24)	(404)
Research and development expenditure	**2,412**	1,257	721

Auditors' remuneration:

	2008	2007	2006
	£000	£000	£000
Fees payable to the Company's auditors for the audit of the Company's accounts	**50**	47	31
Fees payable to the Company's auditors and its associates for other services:			
Audit of the Company's subsidiaries pursuant to legislation	**88**	111	122
Other services pursuant to such legislation	**-**	41	53
Other services relating to taxation	**119**	28	75
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Company's subsidiaries	**627**	21	25
All other services	**280**	18	108

Fees paid for 2006 and 2007 relate to services performed by PKF (UK) LLP. Fees paid for 2008 relate to services performed by KPMG LLP.

Notes *(continued)*

10 Remuneration of directors

	2008 £000	2007 £000	2006 £000
Directors' emoluments	**760**	630	806
Company contributions to money purchase pension schemes	**11**	9	12
Amounts paid to third parties in respect of directors' services	**-**	-	15

The aggregate of emoluments of the highest paid director was £420,000 *(2007: £345,000, 2006: £295,000).* Company pension contributions of £6,000 *(2007: £5,000, 2006: £4,500)* were made to a money purchase scheme on his behalf.

	Number of directors		
	2008	2007	2006
Retirement benefits are accruing to the following number of directors under:			
Money purchase schemes	**2**	2	3
The number of directors who exercised share options was:	**-**	-	3

11 Personnel expenses and employee numbers

The average number of employees during each year was as follows:

	Number of employees		
	2008	2007	2006
Directors of Acteon Group Limited	**2**	2	3
Technical and administration	**1,593**	1,037	735
	1,595	1,039	738

	2008 £000	2007 £000	2006 £000
The aggregate payroll costs of these persons were as follows:			
Wages and salaries	**54,785**	39,237	26,358
Social security costs	**4,779**	3,427	1,937
Contributions to defined contribution plans	**2,211**	620	480
Expenses related to defined benefit plans	**13**	11	17
Equity settled share based payment transactions	**208**	45	459
	61,996	43,340	29,251

The two USA citizens who serve as non-executive directors are not employees of the Company or the Group.

Notes *(continued)*

12 Finance income and expense

Recognised in profit or loss

	2008 £000	2007 £000	2006 £000
Interest income on bank deposits	**(2,416)**	(921)	(486)
Foreign exchange gains	**-**	(81)	(399)
Finance income	**(2,416)**	(1,002)	(885)
Foreign exchange losses	**304**	-	-
Interest payable on bank borrowings	**18,449**	9,759	2,896
Amortisation of finance raising costs	**458**	304	911
Finance charges under finance lease and hire purchase contracts	**82**	112	14
Interest on employee benefit obligations	**71**	49	41
Finance expense	**19,364**	10,224	3,862
Accelerated amortisation of finance raising costs	**-**	1,697	741
Exceptional finance expense	**-**	1,697	741
Net finance expense recognised in profit or loss	**16,948**	10,919	3,718

	2008 £000	2007 £000	2006 £000
Recognised directly in equity			
Translation of foreign currency net investments	**17,688**	977	(1,222)
Income tax on income and expense recognised directly in equity	**47**	(26)	(34)
Finance income recognised directly in equity, net of tax	**17,735**	951	(1,256)

All finance income recognised directly in equity is attributable to equity holders of the company. Translation gains and losses in respect of the foreign currency net investments are recognised in the foreign currency translation reserve. Income tax on income and expense recognised directly in equity is recognised in retained earnings.

Notes *(continued)*

13 Income tax expense

	2008 £000	2007 £000	2006 £000
Current tax expense			
Corporation tax on UK profits for year	**1,346**	1,696	(636)
Adjustment for prior periods	**(309)**	78	91
Foreign tax - current	**3,467**	7,087	3,163
Foreign tax – adjustments in respect of prior periods	**136**	439	-
	4,640	9,300	2,618
Deferred tax expense			
Origination and (reversal) of temporary differences	**4,069**	1,716	9
Adjustments for prior periods	**(162)**	(518)	-
	3,907	1,198	9
Total income tax expense	**8,547**	10,498	2,627

Reconciliation of effective tax rate

	2008 £000	2007 £000	2006 £000
Profit for the year	**26,058**	14,871	12,709
Total income tax expense	**8,547**	10,498	2,627
Profit excluding income tax	**34,605**	25,369	15,336
Income tax using the Company's domestic tax rate (28.5%, 30%, 30%)*	**9,862**	7,611	4,601
Non-deductible expenses	**191**	97	892
Unrelieved foreign taxes and franchise taxes paid in the USA	**694**	1,429	286
Tax relief on share options exercised	**-**	-	(3,634)
Differences between local tax rates and UK standard rate	**(1,865)**	1,581	391
Chargeable gains	**-**	(254)	-
Losses carried forward	**-**	35	-
Adjustment for prior periods	**(335)**	(1)	91
	8,547	10,498	2,627

* The effective rate for 2008 is a weighted average of the applicable corporation tax rates during the year. The 30% rate was reduced to 28% from 1 April 2008

Notes *(continued)*

13 Income tax expense *(continued)*

	2008	2007	2006
Income tax using the Company's domestic (UK) tax rate	**28.5%**	30%	30%
Variation in tax rate:			
Non-deductible expenses	**0.6%**	-	6%
Unrelieved foreign taxes and franchise taxes paid in the USA	**2.0%**	6%	2%
Tax relief on share options exercised	-	-	(24%)
Differences between local tax rates and UK standard rate	**(5.4%)**	6%	2%
Chargeable gains	-	(1%)	-
Losses carried forward	-	-	-
Adjustment for prior periods	**(1.0%)**	-	1%
	24.7%	41%	17%

Income tax recognised directly in equity

	2008 £000	2007 £000	2006 £000
Retirement benefit obligations	-	(26)	(34)
Relating to share based payments	**47**	-	-
Total income tax recognised directly in equity	**47**	(26)	(34)

14 Profit for the financial year

The profit dealt with in the accounts of the parent company was £23,081,000 *(2007: loss £6,070,000, 2006: profit £4,478,000)*. The balance sheet of the parent company can be found on page 74.

15 Dividends

	2008 £000	2007 £000	2006 £000
Ordinary dividends declared and paid during the year	-	-	200
Proposed for approval at the Annual General Meeting (not recognised as a liability at 31 December)	-	-	-

Notes *(continued)*

16 Property, plant and equipment

	Note	Land, buildings and leasehold improvements £000	Plant, equipment and fixtures and fittings £000	Assets under construction £000	Total £000
Cost or deemed cost					
Balance at 1 January 2006		542	27,292	109	27,943
Additions		173	10,651	2,707	13,531
Arising on acquisition	*6*	1,232	2,266	-	3,498
Transfer on completion		-	109	(109)	-
Disposals		(123)	(1,306)	-	(1,429)
Exchange movements		(5)	(1,767)	-	(1,772)
Balance at 31 December 2006		1,819	37,245	2,707	41,771
Additions		6,388	30,936	1,569	38,893
Arising on acquisition *	*6*	682	27,915	-	28,597
Transfer on completion		-	2,707	(2,707)	-
Disposals		-	(6,053)	-	(6,053)
Exchange movements		21	1,189	-	1,210
Balance at 31 December 2007		8,910	93,939	1,569	104,418
Additions		918	35,195	6,903	43,016
Arising on acquisition	*6*	7,093	3,727	-	10,820
Transfer on completion		-	1,569	(1,569)	-
Disposals		(20)	(11,799)	-	(11,819)
Exchange movements		2,455	23,978	-	26,433
Balance at 31 December 2008		**19,356**	**146,609**	**6,903**	**172,868**

* During 2007 the Group increased its holding in 2H Offshore from 80% to 100% by acquiring the 20% minority holding. Fixed asset additions for the purpose of this table exclude the share in the assets of 2H as these were included in asset additions at the time of the initial acquisition of the 80% holding in the company.

Notes *(continued)*

16 Property, plant and equipment *(continued)*

	Land, buildings and leasehold improvements £000	Plant, equipment and fixtures and fittings £000	Assets under construction £000	Total £000
Depreciation and impairment losses				
Balance at 1 January 2006	115	7,494	-	7,609
Depreciation for the year	72	3,950	-	4,022
Disposals	(32)	(642)	-	(674)
Exchange movements	(1)	(330)	-	(331)
Balance at 31 December 2006	154	10,472	-	10,626
Depreciation for the year	156	9,427	-	9,583
Disposals	-	(1,595)	-	(1,595)
Exchange movements	11	787	-	798
Balance at 31 December 2007	321	19,091	-	19,412
Depreciation for the year	414	16,542	-	16,956
Disposals	(74)	(4,347)	-	(4,421)
Exchange movements	89	9,800	-	9,889
Balance at 31 December 2008	**750**	**41,086**	-	**41,836**
Carrying amounts				
At 1 January 2006	427	19,798	109	20,334
At 31 December 2006	1,665	26,773	2,707	31,145
At 31 December 2007	8,589	74,848	1,569	85,006
At 31 December 2008	**18,606**	**105,523**	**6,903**	**131,032**

The net carrying amount of land and buildings comprises:

	2008 £000	2007 £000	2006 £000
Freehold land and buildings	**5,593**	2,147	1,131
Long leaseholds	**9,356**	253	259

Leased plant and machinery

The Group leases equipment under a number of finance lease agreements. At 31 December 2008 the net carrying amount of leased plant and machinery was £2,208,000 *(2007: £2,726,000, 2006: £598,000)*.

Security

At each balance sheet date all properties were subject to a fixed or floating charge in order to secure bank loans.

Cashflow

The additions to property, plant and equipment of £43,016,000 in 2008 have been adjusted by the value of capital creditors outstanding at 31 December 2008 to derive the amount for inclusion in the cashflow for the purchase of property, plant and equipment.

Notes *(continued)*

17 Intangible assets

	Goodwill £000	Patents and trade-marks £000	Customer Lists £000	Order Books £000	Software £000	Total £000
Cost						
Balance at 1 January 2006	11,221	25	-	-	786	12,032
Additions	-	-	-	-	237	237
Additions arising on acquisition (note 6)	11,529	-	9,500	700	66	21,795
Exchange movements	(60)	-	-	-	-	(60)
Disposals	-	(25)	-	-	-	(25)
Balance at 31 December 2006	22,690	-	9,500	700	1,089	33,979
Additions	-	-	-	-	679	679
Additions arising on acquisition (note 6)	60,685	-	25,340	2,057	53	88,135
Exchange movements	(7)	-	-	-	-	(7)
Disposals	-	-	-	-	(33)	(33)
Balance at 31 December 2007	83,368	-	34,840	2,757	1,788	122,753
Additions	-	-	-	-	532	532
Additions arising on acquisition (note 6)	11,118	-	6,700	200	-	18,018
Exchange movements	1,218	-	-	-	347	1,565
Balance at 31 December 2008	**95,704**	**-**	**41,540**	**2,957**	**2,667**	**142,868**

Notes *(continued)*

17 Intangible assets *(continued)*

	Goodwill £000	Patents and trade-marks £000	Customer Lists £000	Order Books £000	Software £000	Total £000
Amortisation and impairment losses						
Balance at 1 January 2006	-	-	-	-	545	545
Amortisation for the year	-	2	476	700	155	1,333
Exchange movements	-	-	(55)	-	-	(55)
Disposals	-	(2)	-	-	-	(2)
Balance at 31 December 2006	-	-	421	700	700	1,821
Amortisation for the year	-	-	2,189	2,057	266	4,512
Exchange movements	-	-	(8)	-	-	(8)
Disposals	-	-	-	-	(32)	(32)
Balance at 31 December 2007	-	-	2,602	2,757	934	6,293
Amortisation for the year	-	-	4,027	200	318	4,545
Exchange movements	-	-	37	-	248	285
Balance at 31 December 2008	**-**	**-**	**6,666**	**2,957**	**1,500**	**11,123**
Carrying amounts						
At 1 January 2006	11,221	25	-	-	241	11,487
At 31 December 2006	22,690	-	9,079	-	389	32,158
At 31 December 2007	83,368	-	32,238	-	854	116,460
At 31 December 2008	**95,704**	**-**	**34,874**	**-**	**1,167**	**131,745**

Amortisation and impairment charge

The amortisation is allocated to administrative expenses.

Customer lists represent the value associated with the customer base of subsidiaries acquired since 1 January 2006 (note 6).

Order books represent the value associated with incomplete customer orders at the date of acquisition in subsidiaries acquired since 1 January 2006 (note 6).

Notes *(continued)*

17 Intangible assets *(continued)*

Impairment testing for cash-generating units containing goodwill

Goodwill is allocated to operating units for the purpose of impairment testing and this represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2008	2007	2006
	£000	£000	£000
High capital intensity units			
Seatronics	**43,280**	43,280	-
International Mooring Systems and Chain Corporation	**12,694**	12,694	-
Other capital-intensive acquisitions	**15,996**	4,878	4,878
	71,970	60,852	4,878
Low capital intensity units			
UWG sub-group (UWG Ltd, Claxton Engineering Services and 2H Group)	**11,751**	11,751	9,561
Other low capital intensity acquisitions	**11,983**	10,765	8,251
	23,734	22,516	17,812
Total goodwill	**95,704**	83,368	22,690

Recoverable amounts for the cash-generating unit are based on value-in-use calculations. These calculations use pre-tax cash flow projections for a five year period, based on financial budgets approved by the board covering a one year period. Cash flows beyond the one year period are extrapolated based on estimated long-term average growth rates (typically 3 to 6 per cent.). Goodwill is considered to have an infinite life and the cashflows in year five are used as a basis for calculating a terminal value. The terminal value is added to the value-in-use calculated for years one to five. The growth rate in years two to five does not exceed the long-term average growth rate for the market in which the CGU operates. For the terminal value calculation no terminal growth has been assumed. The key inputs to this calculation are shown below:

	As at 31 December 2008	As at 31 December 2007	As at 31 December 2006
Period on which management approved forecasts are based	**1 Year**	1 Year	1 Year
Growth rate applied for years two to five	**3.0% to 6.0%**	3.0% to 6.0%	3.0% to 6.0%
Pre-tax discount rate	**16.0%**	15.6%	15.9%

The pre-tax discount rate applied to the cash flow projections approximates to the Group's tax adjusted weighted average cost of capital. Impairment reviews were performed at 1 January 2006, 31 December 2006, 31 December 2007 and 31 December 2008 by comparing the carrying value of goodwill with the recoverable amount of the cash-generating unit. As part of the impairment reviews a sensitivity analysis was performed. On the basis of this review management concluded that there was no evidence of impairment.

There are no intangible assets, other than goodwill, with indefinite useful lives.

Notes *(continued)*

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as:

	Assets			Liabilities		
	2008	2007	2006	**2008**	2007	2006
	£000	£000	£000	**£000**	£000	£000
Property, plant and equipment	-	-	-	**11,447**	4,366	1,741
Intangible assets	-	-	-	**9,984**	9,269	2,707
Goodwill	-	(117)	(107)	-	-	-
Retirement benefit obligations	**(27)**	(27)	(53)	-	-	-
Provisions / accruals	**(556)**	(513)	(213)	-	-	-
Inventories	**(15)**	(7)	-	-	-	-
Other items	**(146)**	-	-	**350**	245	295
Share based payments	**(123)**	-	-	-	-	-
Tax losses carried forward	**(526)**	(762)	(1,089)	-	-	-
Deferred tax (assets) liabilities	**(1,393)**	(1,426)	(1,462)	**21,781**	13,880	4,743
Net deferred tax liabilities				**20,388**	12,454	3,281

Deferred tax impact of movements in temporary differences during the year - 2008

	Balance 1 January 2008	Foreign exchange	Recognised in income statement	Recognised in equity	Acquired in business combinations	Balance 31 December 2008
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	4,366	1,193	4,971	-	917	**11,447**
Intangible assets	9,269	-	(1,439)	-	2,154	**9,984**
Goodwill	(117)	(18)	135	-	-	**-**
Retirement benefit obligations	(27)	(9)	9	-	-	**(27)**
Provisions / accruals	(513)	(82)	39	-	-	**(556)**
Inventories	(7)	(1)	(7)	-	-	**(15)**
Share based payments	-	-	(76)	(47)	-	**(123)**
Tax losses carried forward	(762)	(120)	356	-	-	**(526)**
Other items	245	39	(80)	-	-	**204**
	12,454	1,002	3,908	(47)	3,071	**20,388**

Notes *(continued)*

18 Deferred tax assets and liabilities *(continued)*

Deferred tax impact of movements in temporary differences during the year - 2007

	Balance 1 January 2007 £000	Foreign exchange £000	Recognised in income statement £000	Recognised in equity £000	Acquired in business combinations £000	Balance 31 December 2007 £000
Property, plant and equipment	1,741	29	2,889	-	(299)	4,360
Intangible assets	2,707	-	(1,657)	-	8,219	9,269
Goodwill	(107)	-	(10)	-	-	(117)
Retirement benefit obligations	(53)	-	-	26	-	(27)
Provisions / accruals	(213)	-	(302)	-	-	(515)
Inventories	-	-	(7)	-	-	(7)
Tax losses carried forward	(1,089)	-	333	-	-	(756)
Other items	295	-	(48)	-	-	247
	3,281	29	1,198	26	7,920	12,454

Deferred tax impact of movements in temporary differences during the year - 2006

	Balance 1 January 2006 £000	Foreign exchange £000	Recognised in income statement £000	Recognised in equity £000	Acquired in business combinations £000	Balance 31 December 2006 £000
Property, plant and equipment	1,005	(54)	553	-	293	1,797
Intangible assets	(28)	-	(325)	-	3,060	2,707
Goodwill	(120)	-	13	-	-	(107)
Retirement benefit obligations	(87)	-	-	34	-	(53)
Provisions / accruals	(677)	-	521	-	(113)	(269)
Tax losses carried forward	(173)	-	(916)	-	-	(1,089)
Other items	132	-	163	-	-	295
	52	(54)	9	34	3,240	3,281

Notes *(continued)*

19 Inventories

	2008	2007	2006
	£000	£000	£000
Raw materials and consumables	**1,774**	575	310
Work in progress	**9,853**	9,169	4,572
Finished goods	**6,247**	2,655	1,888
Payments on account	**(1,709)**	(5,414)	(340)
	16,165	6,985	6,430

In 2008 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £19,525,000 *(2007: £13,425,000, 2006: £10,135,000).*

20 Trade and other receivables

	2008	2007	2006
	£000	£000	£000
Trade debtors	**92,029**	66,797	35,739
Other debtors	**8,150**	3,985	1,656
Prepayments	**2,348**	1,627	1,312
	102,527	72,409	38,707

The Group's exposures to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 28.

Notes *(continued)*

21 Share capital

	Authorised £000	Allotted, called up and fully paid No'000	Allotted, called up and fully paid £000
At 1 January 2006			
Ordinary shares of £0.01 each	3,620	82,090	821
"A" ordinary shares of £0.01 each	3,250	-	-
"B" ordinary shares of £0.01 each	7,240	610,110	6,101
"C" ordinary shares of £0.01 each	3,060	305,550	3,056
	17,170	997,750	9,978
Movements in year			
Ordinary shares of £0.01 each	(2,132)	(82,090)	(821)
"A" ordinary shares of £0.01 each	5,901	590,038	5,900
"B" ordinary shares of £0.01 each	(1,289)	(128,871)	(1,288)
"C" ordinary shares of £0.01 each	(2,480)	(247,964)	(2,480)
	-	131,113	1,311
At 31 December 2006 and 1 January 2007			
Ordinary shares of £0.01 each	1,488	-	-
"A" ordinary shares of £0.01 each	9,151	590,038	5,900
"B" ordinary shares of £0.01 each	5,951	481,239	4,813
"C" ordinary shares of £0.01 each	580	57,586	576
	17,170	1,128,863	11,289
Movements in year			
Ordinary shares of £0.01 each	(1,488)	-	-
"C" ordinary shares of £0.01 each	200	16,467	164
	(1,288)	16,467	164
At 31 December 2007			
"A" ordinary shares of £0.01 each	9,151	590,038	5,900
"B" ordinary shares of £0.01 each	5,951	481,239	4,813
"C" ordinary shares of £0.01 each	780	74,053	740
	15,882	1,145,330	11,453
Movements in year			
"C" ordinary shares of £0.01 each	2,500	-	-
	2,500	-	-
At 31 December 2008			
"A" ordinary shares of £0.01 each	9,151	590,038	5,900
"B" ordinary shares of £0.01 each	5,951	481,239	4,813
"C" ordinary shares of £0.01 each	3,280	74,053	740
	18,382	1,145,330	11,453

All shares rank pari passu, in all respects, except that any "A" ordinary shares and any "B" ordinary shares in issue will confer enhanced voting rights on their holders. The consent of the majority of the holders of the "A" ordinary shares and "B" ordinary shares is required in respect of certain matters. Further details of these rights are contained in the company's Articles of Association and an Investment and Shareholders' Agreement dated 9 November 2006.

Notes *(continued)*

22 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
Balance at 1 January 2006	9,978	7,251	-	1,154	4,792	23,175	495	23,670
Total recognised income and expense	-	-	(1,222)	-	12,621	11,399	119	11,518
Issue of ordinary shares *	1,311	(39)	-	-	-	1,272	-	1,272
Acquired via acquisitions	-	-	-	-	-	-	44	44
Dividends to equity holders	-	-	-	-	(200)	(200)	-	(200)
Amortisation of share-based payments	-	-	-	-	459	459	-	459
Balance at 31 December 2006	11,289	7,212	(1,222)	1,154	17,672	36,105	658	36,763
Total recognised income and expense	-	-	977	-	14,548	15,525	347	15,872
Issue of ordinary shares **	164	2,695	-	-	-	2,859	-	2,859
Acquired via acquisitions	-	-	-	-	-	-	(221)	(221)
Amortisation of share-based payments	-	-	-	-	45	45	-	45
Balance at 31 December 2007	11,453	9,907	(245)	1,154	32,265	54,534	784	55,318
Total recognised income and expense	-	-	17,688	-	26,101	43,789	36	43,825
Acquired via acquisitions	-	-	-	-	-	-	1,860	1,860
Amortisation of share-based payments	-	-	-	-	208	208	-	208
Balance at 31 December 2008	**11,453**	**9,907**	**17,443**	**1,154**	**58,574**	**98,531**	**2,680**	**101,211**

* The £1,311,000 is net of share issue costs.

** The issue of shares in the year ending 31 December 2007 was in relation to the acquisition of the 20% minority interest in 2H Offshore Engineering Ltd (note 6).

Notes *(continued)*

22 Capital and reserves *(continued)*

Share premium

The share premium represents the excess of the proceeds received from the issue of shares over the nominal value of the shares.

Capital redemption reserve

The capital redemption reserve arose on the repurchase of own shares by the Company.

Retained earnings

Retained earnings comprise cumulative undistributed earnings of the Group.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising after 1 January 2006 from the translation of the financial statements of foreign operations.

23 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 28.

	2008	2007	2006
	£000	£000	£000
Non-current liabilities			
Secured bank loans	**236,646**	174,789	36,549
Finance lease liabilities	**136**	760	206
	236,782	175,549	36,755
Current liabilities			
Secured bank loans	-	-	4,383
Finance lease liabilities	**617**	852	121
	617	852	4,504
Total loans and borrowings	**237,399**	176,401	41,259

Notes *(continued)*

23 Loans and borrowings *(continued)*

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2008 Face value	31 December 2008 Carrying amount*	31 December 2007 Face value	31 December 2007 Carrying amount*	31 December 2006 Face value	31 December 2006 Carrying amount*
				£000	£000	£000	£000	£000	£000
Secured bank loan	Sterling	Libor + 0.85% - 2.7%	2014	**194,500**	**192,271**	145,000	142,750	7,831	7,813
Secured bank loan	US Dollar	Libor + 0.85% - 2.7%	2014	**44,890**	**44,375**	32,544	32,039	33,193	33,119
Finance lease liabilities	Sterling	7.0-7.8%	2009 to 2010	**753**	**753**	1,612	1,612	327	327
Total interest-bearing liabilities				**240,143**	**237,399**	179,156	176,401	41,351	41,259

* The carrying amount of each loan is the face value less its unamortised debt issue costs.

Both of the secured bank loans are secured via fixed or floating charges over the Group's properties and other assets.

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008	Future minimum lease payments 2007	Interest 2007	Present value of minimum lease payments 2007	Future minimum lease payments 2006	Interest 2006	Present value of minimum lease payments 2006
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Less than one year	**415**	**48**	**367**	466	110	356	95	23	72
Between one and five years	**415**	**29**	**386**	1,400	144	1,256	285	30	255
	830	**77**	**753**	1,866	254	1,612	380	53	327

Notes *(continued)*

24 Other creditors

These comprise contingent consideration in relation to acquisitions. The consideration is contingent on the future financial performance of the acquired companies and the retention of certain key personnel.

25 Employee benefits

Defined contribution schemes

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

Defined benefit scheme

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.

Charged to the income statement

Total charges to the income statement in respect of the schemes operated by the Group were as follows:

		2008	2007	2006
		£000	£000	£000
(i)	In respect of the Group's defined contribution schemes			
	- UK	**503**	486	398
	- Overseas	**1,708**	134	82
		2,211	620	480
(ii)	In respect of the Group's defined benefit scheme	**13**	11	17

Disclosure relating to the Group's defined benefit obligations

	2008	2007	2006
	£000	£000	£000
Total present value of unfunded obligations recognised as a liability	**1,302**	1,014	978

Notes *(continued)*

25 Employee benefits *(continued)*

Movement in the present value of the defined benefit obligations

	2008	2007	2006
	£000	£000	£000
Defined benefit obligations at 1 January	**(1,014)**	(978)	(1,066)
Benefits paid by the plan	**90**	66	58
Current service costs	**(13)**	(11)	(17)
Interest cost	**(71)**	(49)	(41)
Actuarial gains recognised in equity (see below)	**32**	50	65
Exchange rate movements on retranslation	**(326)**	(92)	23
Defined benefit obligations at 31 December	**(1,302)**	(1,014)	(978)

Expense recognised in profit or loss

	2008	2007	2006
	£000	£000	£000
Current service costs	**(13)**	(11)	(17)
Interest on obligation	**(71)**	(49)	(41)
Total	**(84)**	(60)	(58)

Notes *(continued)*

25 Employee benefits *(continued)*

Actuarial gains and losses recognised directly in equity in the statement of recognised income and expense

	2008 £000	2007 £000	2006 £000
Cumulative amount at 1 January	**115**	65	-
Recognised during the period	**32**	50	65
Cumulative amount at 31 December	**147**	115	65

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2008 %	2007 %	2006 %
Discount rate	**5.85**	5.5	4.7
Future salary increases	-	1.7	2.5
Staff turnover	**1.0**	1.0	1.0
Future pension increases	**1.0**	1.0	1.0

Historical information

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Present value of the defined benefit obligation	**(1,302)**	(1,014)	(978)	(1,066)	(872)
Deficit in the plan	**(1,302)**	(1,014)	(978)	(1,066)	(872)
Experience adjustments arising on plan liabilities	**(11)**	(38)	(10)	(8)	-

The scheme is an unfunded scheme and the Group expects to pay £110,000 in plan benefits during 2009. This will settle the liabilities as they fall due.

Notes *(continued)*

26 Share based payments

In September 2007 the Group established a share option programme that entitles certain key management personnel and senior employees to purchase shares in the Company. Grants were made under this scheme in September 2007 and September 2008. Options are exercisable at the market value of shares at the date of grant. A similar scheme operated from 2002 to 2006.

The terms and conditions of the grants are as follows:

Grant date	Number of option shares (thousands)	Vesting conditions	Contractual life of options
September 2007	100,033	Takeover/sale/IPO	10 years
September 2008	35,418	Takeover/sale/IPO	10 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2008	**Number of options 2008**	Weighted average exercise price 2007	Number of options 2007
Outstanding at 1 January	5.17p	100,032,775	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Granted during the year	11.11p	35,417,642	5.17p	100,032,775
Outstanding at 31 December	6.73p	135,450,417	5.17p	100,032,775
Exercisable at 31 December	nil	nil	nil	nil

The options outstanding at 31 December 2008 have an exercise price in the range of 5p to 17p and a weighted average contractual life of 9.0 years *(2007: 9.7 years).*

No share options were exercised in 2008 or 2007.

Notes *(continued)*

26 Share based payments *(continued)*

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes valuation method, with the following assumptions:

	2008	2007
Number of options granted	**35,417,642**	100,032,775
Exercise price	**£0.11 /£0.17**	£0.05/£0.09
Expected volatility	**35%**	30%
Dividend yield	**Nil**	Nil
Option life (expected weighted average life) in years	**2.25**	4.5
Risk free interest rate (based on government bonds)	**4.4%**	6.0%
Fair value of options	**£161,000**	£409,000

Employee expenses

	2008 £000	2007 £000	2006 £000
Share options granted in 2006 or earlier	**-**	-	459
Share options granted in 2007	**136**	45	-
Share options granted in 2008	**72**	-	-
Total expense recognised as employee costs	**208**	45	459

27 Trade and other payables

	2008 £000	2007 £000	2006 £000
Trade creditors	**25,317**	17,947	8,523
Other tax and social security	**2,949**	1,604	1,539
Other creditors	**6,687**	4,653	4,157
Accruals and deferred income	**22,826**	13,951	6,666
	57,779	38,155	20,885

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

Notes *(continued)*

28 Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy is described in note 4.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount		
	2008	2007	2006
	£000	£000	£000
Trade and other and receivables	**102,527**	72,409	38,707
Cash and cash equivalents	**42,562**	7,432	2,037
	145,089	79,841	40,744

The carrying amount of the Group's net trade receivables were denominated in the following principal currencies:

	Carrying amount		
	2008	2007	2006
	000	000	000
Sterling	**45,597**	37,962	20,344
US dollars	**45,993**	40,252	22,229
Euros	**6,459**	8,427	5,991
Brazilian real	**13,869**	3,957	63
Singapore dollars	**4,992**	3,522	-
Qatari real	**9,046**	-	-

Notes *(continued)*

28 Financial instruments *(continued)*

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2008 £000	Provision for impairment 2008 £000	Gross 2007 £000	Provision for impairment 2007 £000	Gross 2006 £000	Provision for impairment 2006 £000
Not overdue	**44,859**	**-**	34,023	-	15,178	-
0-30 days past due	**20,378**	**-**	14,833	-	10,464	-
31-90 days past due	**13,781**	**-**	12,392	-	7,492	-
Over 91 days past due	**18,267**	**5,256**	7,585	2,036	3,826	1,221
	97,285	**5,256**	68,833	2,036	36,960	1,221
Net value of trade receivables		**92,029**		66,797		35,739

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008 £000	2007 £000	2006 £000
Balance at 1 January	**2,036**	1,221	746
Impairment loss recognised	**3,220**	815	475
Balance at 31 December	**5,256**	2,036	1,221

The impairment loss at 31 December 2008 of £5,256,000 relates to provisions against the recoverability of amounts on specific contracts.

Notes *(continued)*

28 Financial instruments *(continued)*

Liquidity risk

The Group's policy on liquidity risk management is discussed in note 4.

The following are the contractual maturities of financial liabilities, including estimated interest payments and including the impact of netting agreements:

Non-derivative financial liabilities

2008	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Secured bank loans	**236,646**	**288,987**	**5,111**	**5,111**	**25,556**	**83,774**	**169,435**
Finance lease liabilities	**753**	**830**	**208**	**208**	**414**	-	-
Trade and other payables	**57,779**	**57,779**	**57,779**	-	-	-	-
	295,178	**347,596**	**63,098**	**5,319**	**25,970**	**83,774**	**169,435**
2007							
Secured bank loans	174,789	259,443	6,919	6,919	13,837	90,826	140,942
Finance lease liabilities	1,612	1,866	233	233	467	933	-
Trade and other payables	38,155	38,155	38,155	-	-	-	-
	214,556	299,464	45,307	7,152	14,304	91,759	140,942
2006							
Secured bank loans	40,932	51,653	3,504	3,659	7,078	23,953	13,459
Finance lease liabilities	327	380	47	47	95	191	-
Trade and other payables	20,885	20,885	20,885	-	-	-	-
Bank overdraft	6,194	6,194	6,194	-	-	-	-
	68,338	79,112	30,630	3,706	7,173	24,144	13,459

Notes *(continued)*

28 Financial instruments *(continued)*

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

31 December 2008

	USD	Euro	GBP
Trade receivables	45,993	6,459	45,597
Secured bank loans	(65,000)	-	(194,500)
Trade payables	(7,327)	(4,078)	(11,559)
Gross balance sheet exposure	(26,334)	2,381	(160,462)

The following significant exchange rates applied during the year:

	Average rate			Reporting date spot rate		
	2008	2007	2006	**2008**	2007	2006
	£	£	£	**£**	£	£
Euro	**1.2501**	1.4568	1.4672	**1.0270**	1.3571	1.4852
USD	**1.8530**	2.0064	1.8510	**1.4480**	1.9973	1.9591

Sensitivity analysis

A 5 percent strengthening of Sterling against the following currencies at 31 December would have increased (decreased) equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007 and 2006.

Impact in £000	Balance Sheet (Equity)	Income Statement (Profit after tax)
31 December 2008		
Euro	(1,242)	(239)
USD	(2,342)	(707)
31 December 2007		
Euro	(709)	(143)
USD	(1,140)	(481)
31 December 2006		
Euro	(516)	(72)
USD	(518)	(277)

A 5 percent weakening of Sterling against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes *(continued)*

28 **Financial instruments** *(continued)*

Interest rate risk

Profile

	Carrying amount 2008 £000	2007 £000	2006 £000
Fixed rate instruments			
Financial liabilities at 31 December	**753**	1,612	327
Variable rate instruments			
Financial liabilities at 31 December	**236,646**	174,789	40,932

Fair value sensitivity analysis for fixed rate instruments

Fixed rate instruments consist of finance leases. The value of these is not considered material to the Group and therefore no sensitivity analysis is presented.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Tax effects have been ignored. The analysis is performed on the same basis for 2007 and 2006.

Impact in £000	Income Statement (Profit) 100 bp increase	100 bp decrease	Balance Sheet (Equity) 100 bp increase	100 bp decrease
31 December 2008				
Variable rate instruments	**(2,057)**	**2,057**	**2,057**	**(2,057)**
Cash flow sensitivity	**(2,057)**	**2,057**	**2,057**	**(2,057)**
31 December 2007				
Variable rate instruments	(1,114)	1,114	1,114	(1,114)
Cash flow sensitivity	(1,114)	1,114	1,114	(1,114)
31 December 2006				
Variable rate instruments	(366)	366	366	(366)
Cash flow sensitivity	(366)	366	366	(366)

Notes *(continued)*

28 Financial instruments *(continued)*

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2008		2007		2006	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Trade and other receivables	**102,527**	**102,527**	72,409	72,409	38,707	38,707
Cash and cash equivalents	**42,562**	**42,562**	7,432	7,432	2,037	2,037
Secured bank loans	**(236,646)**	**(190,015)**	(174,789)	(111,956)	(40,932)	(31,219)
Finance lease liabilities	**(753)**	**(679)**	(1,612)	(1,340)	(327)	(270)
Trade and other payables	**(57,779)**	**(57,779)**	(38,155)	(38,155)	(20,885)	(20,885)
Bank overdraft	**-**	**-**	-	-	(6,194)	(6,194)
	(150,089)	**(103,384)**	(134,715)	(71,610)	(27,594)	(17,824)

The fair values of borrowings have been calculated by discounting expected future cash flows at prevailing interest rates.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the rates applicable to the borrowings at the relevant balance sheet date, and were as follows:

	2008 £000	2007 £000	2006 £000
Loans and borrowings	**4.3%**	7.8%	6.8%
Leases	**7.0%**	7.6%	7.8%

29 Operating leases

Total amounts payable in relation to non-cancellable operating lease arrangements are, for the unexpired periods of such leases, as follows:

	Land and buildings			**Other**		
	2008 £000	2007 £000	2006 £000	**2008 £000**	2007 £000	2006 £000
Unexpired period of the lease						
Less than one year	**493**	137	41	**296**	20	15
Between one and five years	**4,755**	2,883	1,833	**1,233**	147	127
More than five years	**13,530**	8,685	6,767	**-**	-	-
	18,778	11,705	8,641	**1,529**	167	142

Operating leases consist mainly of property leases for buildings and storage sites occupied by the Group.

During the year ended 31 December 2008 £3,310,000 was recognised as an expense in the income statement in respect of operating leases *(2007: £2,458,000, 2006: £1,357,000).*

Notes *(continued)*

30 Capital commitments

At 31 December 2008 the Group had entered into contracts to purchase property, plant and equipment totalling £10,053,000 *(2007: £6,921,000, 2006: £5,331,000)* in respect of which delivery and settlement was expected to take place in the following financial year.

31 Parent and ultimate controlling party

The Group is controlled by FR Acteon Holdings Limited, a company incorporated in the Cayman Islands.

The Group's ultimate parent company and ultimate controlling party is FR X Offshore GP Limited, a company incorporated in the Cayman Islands.

32 Related parties

(a) Transactions with key management personnel

(i) Key management personnel compensation

Key management comprises executive directors and members of the Group Management Committee. In addition to their salaries, the Group also provides non-cash benefits and contributes to a post-employment defined contribution plan on their behalf.

Key management personnel also participate in the Group's share option programme (note 26).

Key management personnel compensation comprised:

	2008	2007	2006
	£000	£000	£000
Short term employee benefits	**1,846**	1,650	1,592
Post-employment benefits	**26**	26	24
Share-based payments	**169**	37	175
Total	**2,041**	1,713	1,791
Of which outstanding at the year end:	549	475	405

(ii) Key management personnel and director transactions

BHHM pension scheme

The Group had transactions with BHHM Pension Scheme, an entity associated by common directors/trustees as follows:

Rent charged by BHHM Pension Scheme amounted to £285,000 *(2007: £271,000, 2006: £217,000).* The amount owing to BHHM Pension Scheme at 31 December 2008 was £nil *(2007: £nil, 2006: £8,000).*

Directors' shareholdings

Directors of the Company control 28.03% of the voting shares of the Company.

Notes *(continued)*

32 **Related parties** *(continued)*

(b) Post-employment benefit plans

The Group operates and participates in a post-employment benefit plan as detailed in note 25.

The Group contributed the following amounts to defined contribution plans and had amounts outstanding at 31 December each year as follows:

	Employer contributions			Outstanding at 31 December		
	2008	2007	2006	**2008**	2007	2006
	£000	£000	£000	**£000**	£000	£000
Defined contribution schemes	**2,211**	620	480	**380**	201	76

(c) Other related party transactions

	Transaction value			Balance outstanding		
	2008	2007	2006	**2008**	2007	2006
	£000	£000	£000	**£000**	£000	£000
Sale of goods and services						
Products and services provided to companies controlled by the ultimate controlling party	**231**	63	-	**42**	36	-

(d) Significant subsidiaries

	Country of incorporation	Ownership interest %		
		2008	2007	2006
2H Offshore Engineering Limited	England & Wales	**100**	100	80
2H Offshore Inc	USA	**100**	100	80
2H Offshore Engineering Sdn Bhd	Malaysia	**100**	100	-
Acteon Angola Limitada	Angola	**100**	100	-
Acteon International Mooring Systems Pte Limited	Singapore	**100**	100	-
Acteon Middle East FZE	UAE	**100**	100	-
Aquatic Engineering & Construction Limited	Scotland	**100**	100	100
Cape Group Pte Limited	Singapore	**100**	-	-
Claxton Engineering Services Limited	England & Wales	**100**	100	100
Conductor Installation Services Limited	England & Wales	**100**	100	100
Fluke Engenharia Limitada	Brazil	**80**	-	-
InterMoor Inc	USA	**100**	100	100
InterMoor do Brasil Services Offshore de Instalacas Limitada	Brazil	**100**	100	-
International Mooring Systems Limited	Scotland	**100**	100	-
InterAct PMTI Inc	USA	**80**	80	-
MENCK GmbH	Germany	**100**	100	100
Mirage Machines Limited	England & Wales	**80**	80	80
Seatronics Limited	England & Wales	**95**	95	-
Seatronics Inc	USA	**95**	95	-
Seatronics Pte Limited	Singapore	**95**	95	-
Team Energy Resources Limited	England & Wales	**100**	100	100
Trident Offshore Limited	Scotland	**100**	100	100
UWG Limited	England & Wales	**100**	100	100

Notes *(continued)*

33 Explanation of transition to IFRS

As stated in the accounting policies, these are the Group's first consolidated financial statements prepared in accordance with IFRS. The accounting policies have been applied in preparing the financial statements for the year ended 31 December 2008, the comparative information presented in these financial statements for the years ended 31 December 2006 and 31 December 2007, and in the preparation of an opening IFRS Balance sheet as at 1 January 2006 (the Group's date of transition to IFRS).

In preparing its opening IFRS Balance sheet, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with its previous basis of accounting ('UK GAAP'). An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The analysis below sets out the most significant adjustments arising from the transition to IFRS

(a) Goodwill amortisation
IFRS 3, *Business Combinations* prohibits the amortisation of goodwill; instead goodwill is subject to annual impairment reviews. Under UK GAAP goodwill was systematically amortised over its estimated life of 20 years. Under the transitional provisions of IFRS 1, the goodwill balance at 1 January 2006 has been frozen and hence amortisation charges booked in the years to 31 December 2006 and 31 December 2007, under UK GAAP, have been reversed.

(b) Deferred tax adjustments
Under UK GAAP deferred tax was recognised in respect of all timing differences that had originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax under IAS 12, *Income Taxes* is recognised in respect of all temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying value for financial reporting purposes. A deferred tax liability has been recognised in accordance with IAS 12 on the difference between the carrying value of separable intangible assets arising from business combinations in the balance sheet and the tax base of £nil. This liability was not previously required to be recorded under UK GAAP.

(c) Employee benefits
Under UK GAAP, in line with common practice, the Group did not account for holiday pay accruals unless legally obliged to make cash settlement. IAS 19, *Employee Benefits* explicitly requires appropriate provision to be made for the cost of holiday entitlements not taken at the balance sheet date.

(d) Capitalised software
Under UK GAAP, all capitalised computer software was included within tangible fixed assets. IAS 38, *Intangible Assets* requires software that is not an integral part of an item of computer hardware to be classified within intangible assets. As a result reclassification has been made in the transition balance sheet between property, plant and equipment and intangible assets. Neither the useful economic life nor the depreciation/amortisation rate are affected.

(e) Intangible assets (other than goodwill and computer software)
Under UK GAAP, intangible assets are only recognised when they are separable and accordingly the Group did not recognise any intangible assets arising from acquisitions. Under IFRS 3, intangible assets can arise from contractual or legal rights and need not be separable. As a result, an element of the goodwill arising from acquisitions under UK GAAP post-transition has been recognised as an intangible asset in the form of customer lists and the value of order books under IFRS. Acquisitions pre-transition have not been adjusted as the Group has chosen to utilise the exemption available under IFRS 1 for restating previous acquisitions.

(f) Presentational changes
The formats of the primary financial statements in this report are presented in accordance with IAS 1, *Presentation of Financial Statements*. In addition to the key accounting policy changes and IFRS adjustments highlighted above, there are a number of presentational changes required by IFRS that have no impact on the results and net assets of the Group. The main such changes are the reclassification of deferred tax assets and liabilities to separate balance sheet headings, the presentation of the retirement benefit obligation without the associated deferred tax asset and the foreign currency translation differences being shown in a separate foreign currency translation reserve.

Notes *(continued)*

33 Explanation of transition to IFRS *(continued)*

Group balance sheet as at 1 January 2006 – measurement effect of IFRS on UK GAAP balances

	Note	UK GAAP balances in IFRS format £000	Effect of transition to IFRS £000	As reported under IFRS £000
Non current assets				
Property, plant and equipment	(i)	20,575	(241)	20,334
Intangible assets	(ii)	11,246	241	11,487
Deferred tax assets	(iii)	174	910	1,084
Total non-current assets		31,995	910	32,905
Current assets				
Stock		5,091	-	5,091
Trade and other receivables		28,751	-	28,751
Cash and cash equivalents		4,586	-	4,586
Total current assets		38,428	-	38,428
Total assets		**70,423**	**910**	**71,333**
Equity				
Called up share capital		9,978	-	9,978
Share premium account		7,251	-	7,251
Capital redemption reserve		1,154	-	1,154
Retained earnings	(v)	4,627	165	4,792
Total equity attributable to equity holders of the parent		23,010	165	23,175
Minority interests		495	-	495
Total equity		23,505	165	23,670
Liabilities				
Non current liabilities				
Interest bearing loans and borrowings		19,497	-	19,497
Retirement benefit obligation	(vi)	979	87	1,066
Deferred tax liabilities	(vii)	485	652	1,137
Total non current liabilities		20,961	739	21,700
Current liabilities				
Bank overdraft		2,424	-	2,424
Interest bearing loans and borrowings		3,363	-	3,363
Trade and other payables	(viii)	19,134	6	19,140
Current tax payable		1,036	-	1,036
Total current liabilities		25,957	6	25,963
Total liabilities		46,918	745	47,663
Total equity and liabilities		**70,423**	**910**	**71,333**

Notes *(continued)*

33 Explanation of transition to IFRS *(continued)*

Group balance sheet as at 31 December 2006 – measurement effect of IFRS on UK GAAP balances

	Note	UK GAAP balances in IFRS format £000	Effect of transition to IFRS £000	As reported under IFRS £000
Non current assets				
Property, plant and equipment	(i)	31,534	(389)	31,145
Intangible assets	(ii)	28,766	3,392	32,158
Deferred tax assets	(iii)	803	659	1,462
Total non-current assets		61,103	3,662	64,765
Current assets				
Stock		6,430	-	6,430
Trade and other receivables		38,707	-	38,707
Cash and cash equivalents		2,037	-	2,037
Total current assets		47,174	-	47,174
Total assets		**108,277**	**3,662**	**111,939**
Equity				
Called up share capital		11,289	-	11,289
Share premium account		7,212	-	7,212
Foreign currency translation reserve	(iv)	-	(1,222)	(1,222)
Capital redemption reserve		1,154	-	1,154
Retained earnings	(v)	16,126	1,546	17,672
Total equity attributable to equity holders of the parent		35,781	324	36,105
Minority interests		658	-	658
Total equity		36,439	324	36,763
Liabilities				
Non current liabilities				
Interest bearing loans and borrowings		36,755	-	36,755
Other creditors		1,000	-	1,000
Retirement benefit obligation	(vi)	925	53	978
Deferred tax liabilities	(vii)	1,540	3,203	4,743
Total non current liabilities		40,220	3,256	43,476
Current liabilities				
Bank overdraft		6,194	-	6,194
Interest bearing loans and borrowings		4,504	-	4,504
Trade and other payables	(viii)	20,803	82	20,885
Current tax payable		117	-	117
Total current liabilities		31,618	82	31,700
Total liabilities		71,838	3,338	75,176
Total equity and liabilities		**108,277**	**3,662**	**111,939**

Notes *(continued)*

33 Explanation of transition to IFRS *(continued)*

Group balance sheet as at 31 December 2007 – measurement effect of IFRS on UK GAAP balances

	Note	UK GAAP balances in IFRS format	Effect of transition to IFRS	As reported under IFRS
Non current assets		£000	£000	£000
Property, plant and equipment	(i)	85,860	(854)	85,006
Intangible assets	(ii)	105,159	11,301	116,460
Deferred tax assets	(iii)	-	1,426	1,426
Total non-current assets		191,019	11,873	202,892
Current assets				
Stock		6,985	-	6,985
Trade and other receivables		72,409	-	72,409
Cash and cash equivalents		7,432	-	7,432
Total current assets		86,826	-	86,826
Total assets		**277,845**	**11,873**	**289,718**
Equity				
Called up share capital		11,453	-	11,453
Share premium account		9,907	-	9,907
Foreign currency translation reserve	(iv)	-	(245)	(245)
Capital redemption reserve		1,154	-	1,154
Retained earnings	(v)	31,016	1,249	32,265
Total equity attributable to equity holders of the parent		53,530	1,004	54,534
Minority interests		784	-	784
Total equity		54,314	1,004	55,318
Liabilities				
Non current liabilities				
Interest bearing loans and borrowings		175,549	-	175,549
Other creditors		250	-	250
Retirement benefit obligation	(vi)	987	27	1,014
Deferred tax liabilities	(vii)	3,167	10,713	13,880
Total non current liabilities		179,953	10,740	190,693
Current liabilities				
Interest bearing loans and borrowings		852	-	852
Trade and other payables	(viii)	38,026	129	38,155
Current tax payable		4,700	-	4,700
Total current liabilities		43,578	129	43,707
Total liabilities		223,531	10,869	234,400
Total equity and liabilities		**277,845**	**11,873**	**289,718**

Notes *(continued)*

33 Explanation of transition to IFRS *(continued)*

Notes		As at 31 December 2005 £000	As at 31 December 2006 £000	As at 31 December 2007 £000
(i)	**Property, plant and equipment**			
	Reclassification of software costs to intangible assets	(241)	(389)	(854)
(ii)	**Non current assets - goodwill**			
	Goodwill reclassified as separately identified intangibles	-	(9,079)	(32,238)
	Accumulated de-recognition of goodwill amortisation	-	1,236	4,888
	Accumulated increase in value of residual goodwill due to deferred tax liabilities arising on acquisitions	-	2,945	10,983
	Non current assets – other intangible assets			
	Recognition of separately identified intangibles	-	9,079	32,238
	Amortisation of separately identified intangibles	-	(1,178)	(5,424)
	Reclassification of software costs from property, plant and equipment	241	389	854
		241	3,392	11,301
(iii)	**Deferred tax asset**			
	Recognition of deferred income tax assets	910	659	1,426
	Total assets	**910**	**3,662**	**11,873**
(iv)	**Foreign currency translation reserve**			
	Foreign currency translation differences reclassified from retained earnings	-	(1,222)	(245)
(v)	**Retained earnings**			
	Reclassification of foreign currency translation differences to foreign currency translation reserve	-	1,222	245
	Accumulated impact of transition differences	165	324	1,004
		165	1,546	1,249
(vi)	**Retirement benefit obligations**			
	Gross up obligation to remove associated deferred tax asset	87	53	27
(vii)	**Deferred tax liabilities**			
	Recognition of deferred income tax liabilities	652	3,203	10,713
(viii)	**Trade and other payables**			
	Recognition of holiday pay accrual	6	82	129
	Total equity and liabilities	**910**	**3,662**	**11,873**

Notes *(continued)*

33 Explanation of transition to IFRS *(continued)*

Group income statement for the year ended 31 December 2006 – measurement effect of IFRS on UK GAAP balances

	Note	UK GAAP balances in IFRS format £000	Effect of transition to IFRS £000	As reported under IFRS £000
Revenue		121,507	-	121,507
Cost of sales		(85,782)	-	(85,782)
Gross profit		35,725	-	35,725
Other income		(20)	-	(20)
Exceptional administrative expenses		(2,521)	-	(2,521)
Other administrative expenses	(ix)	(15,764)	(18)	(15,782)
Total administrative expenses		(18,285)	(18)	(18,303)
Results from operating activities		17,420	(18)	17,402
Finance income		885	-	885
Finance expenses		(2,951)	-	(2,951)
Net finance expense		(2,066)	-	(2,066)
Profit before income tax		15,354	(18)	15,336
Income tax expense	(x)	(2,804)	177	(2,627)
Profit for the year		12,550	159	12,709
Attributable to:				
Equity holders of the parent (as restated)		12,431	159	12,590
Minority interest		119	-	119
Profit for the year		**12,550**	**159**	**12,709**

Notes *(continued)*

33 Explanation of transition to IFRS *(continued)*

Group income statement for the year ended 31 December 2007 – measurement effect of other IFRS on UK GAAP balances

	Note	UK GAAP balances in IFRS format £000	Effect of transition to IFRS £000	As reported Under IFRS £000
Revenue		194,690	-	194,690
Cost of sales		(131,636)	-	(131,636)
Gross profit		63,054	-	63,054
Other income		238	-	238
Exceptional administrative expenses		(2,188)	-	(2,188)
Other administrative expenses	(ix)	(26,176)	(641)	(26,817)
Total administrative expenses		(28,364)	(641)	(29,005)
Results from operating activities		34,928	(641)	34,287
Finance income		1,002	-	1,002
Finance expenses		(9,920)	-	(9,920)
Net finance expense		(8,918)	-	(8,918)
Profit before income tax		26,010	(641)	25,369
Income tax expense	(x)	(11,819)	1,321	(10,498)
Profit for the year		14,191	680	14,871
Attributable to:				
Equity holders of the parent		13,844	680	14,524
Minority interest		347	-	347
Profit for the year		**14,191**	**680**	**14,871**

Notes *(continued)*

33 Explanation of transition to IFRS *(continued)*

Explanation of the effect of transition to IFRS on net income

Notes		Year ended 31 December 2006 £000	Year ended 31 December 2007 £000
(ix)	**Other administrative expenses**		
	De-recognition of goodwill amortisation	1,236	3,652
	Amortisation of separately identified intangibles	(1,178)	(4,246)
	Recognition of holiday pay accrual	(76)	(47)
		(18)	(641)
(x)	**Income tax expense**		
	(Reversal)/recognition of deferred tax asset	(275)	789
	Reversal of deferred tax liabilities	452	532
		177	1,321
	Net impact on income	**159**	**680**

Statement of recognised gains and losses
There are no differences between the amounts previously presented under UK GAAP in the Statement of Recognised Gains and Losses and their equivalents under IFRS presented in the Statement of Recognised Income and Expense.

Reconciliation of cash flows under UK GAAP to IFRS
The cash flow statements for the years ended 31 December 2007, 31 December 2006 and 31 December 2005 as presented in these financial statements have been subject to a number of presentational adjustments following the transition to IFRS. There is no impact on the net increase/(decrease) in cash and cash equivalents for each year as reported under IFRS compared with that originally reported under UK GAAP.

Company balance sheet and notes prepared under UK GAAP

Company balance sheet
at 31 December 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Tangible	*35*		**745**		720
Investments	*36*		**307,413**		273,431
			308,158		274,151
Current assets					
Debtors	*37*	**29,478**		27,557	
Cash at bank and in hand		**69,003**		28,895	
		98,481		56,452	
Creditors: amounts falling due within one year	*38*	**(10,659)**		(20,453)	
Net current assets			**87,822**		35,999
Total assets less current liabilities			**395,980**		310,150
Creditors: amounts falling due after one year	*39*		**(237,330)**		(174,789)
Net assets			**158,650**		135,361
Capital and reserves					
Called up share capital	*40*		**11,453**		11,453
Share premium	*41*		**9,907**		9,907
Capital redemption reserve	*41*		**1,154**		1,154
Profit and loss account	*41*		**3,175**		(4,511)
Other reserve	*41*		**15,395**		-
Investment revaluation reserve	*41*		**117,313**		117,313
Share option reserves	*41*		**253**		45
Shareholders' funds	*42*		**158,650**		135,361

The financial statements were approved by the board of directors on 1 April 2009 and were signed on its behalf by:

R C Higham - Director *K F Ovenden - Director*

Notes to the company financial statements

34 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation of financial statements
The financial statements have been prepared under the historical cost convention except for certain investments held at valuation and in accordance with applicable accounting standards.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the Group financial statements include the company in its cash flow statement.

Tangible fixed assets and depreciation
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
Fixtures and fittings	-	10% to 50% straight line

No depreciation is provided on freehold land.

Investments
Investments are stated either at the lower of cost and net realisable value or at market value at the date where Group reorganisations have taken place.

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

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

Notes to the company financial statements *(continued)*

34 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Share-based payments

The company has adopted *FRS 20, Share-based Payments.* This has been applied to all share option contracts executed after 7 November 2002 which had not vested as at 1 January 2006.

The company operates an equity-settled share option plan, the Acteon Group Ltd 2007 Share Option Plan, under which share options have been granted to certain employees. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the expected period during which the employees become unconditionally entitled to exercise the option (vesting). The fair value of the employee share options, which have a market-based performance condition, is measured as at the date of grant using the Black-Scholes valuation model. The Monte Carlo method has been adopted in order to determine the expected level of vesting. Measurement inputs include the exercise price of options, expected volatility (based on weighted average historic volatility of comparable quoted companies), estimated average life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds).

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes to the company financial statements *(continued)*

35 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2008	634	163	797
Additions	-	78	78
At 31 December 2008	634	241	875
Depreciation			
At 1 January 2008	1	76	77
Charge for year	10	43	53
At 31 December 2008	11	119	130
Net book value			
At 31 December 2008	**623**	**122**	**745**
At 31 December 2007	633	87	720

Notes to the company financial statements *(continued)*

36 Investments

	Shares in subsidiary undertakings £000
Cost or valuation	
At 1 January 2008	273,431
Additions	33,982
At 31 December 2008	**307,413**

During the year the company acquired all the ordinary share capital of Construction And Piling Equipment Pte Ltd (later renamed Cape Group Pte Ltd, note 6). The company also increased its investments in Acteon South American Investments Limited and Acteon Middle East And Far East Investments Limited through the acquisition of newly issued share capital. The increased investment in Acteon South American Investments related to the acquisition of Fluke Engenharia Limitada and associated working capital.

During 2007 as a result of a Group reorganisation certain investments were formally valued by external professional valuers at market value which has been reflected in the opening cost or valuation at 1 January 2008.

If valued on a historic cost basis fixed asset investments would have been stated at £190,100,000 *(2007: £156,118,000)*.

The company held the following principal investments at 31 December:

	Country of incorporation		**Ownership interest % in ordinary shares**		
			2008	2007	2006
2H Offshore Engineering Limited	England & Wales	*	**100**	100	80
2H Offshore Inc	USA	*	**100**	100	80
2H Offshore Engineering Sdn Bhd	Malaysia	*	**100**	100	-
Acteon Angola Limitada	Angola		**100**	100	-
Acteon International Mooring Systems Pte Limited	Singapore	*	**100**	100	-
Acteon Middle East FZE	UAE		**100**	100	-
Aquatic Engineering & Construction Limited	Scotland		**100**	100	100
Cape Group Pte Limited	Singapore		**100**	-	-
Claxton Engineering Services Limited	England & Wales	*	**100**	100	100
Conductor Installation Services Limited	England & Wales		**100**	100	100
Fluke Engenharia Limitada	Brazil	*	**80**	-	-
InterMoor Inc	USA	*	**100**	100	100
InterMoor do Brasil Services Offshore de Instalacas Limitada	Brazil	*	**100**	100	-
International Mooring Systems Limited	Scotland		**100**	100	-
InterAct PMTI Inc	USA	*	**80**	80	-
MENCK GmbH	Germany		**100**	100	100
Mirage Machines Limited	England & Wales		**80**	80	80
Seatronics Limited	England & Wales	*	**95**	95	-
Seatronics Inc	USA	*	**95**	95	-
Seatronics Pte Limited	Singapore	*	**95**	95	-
Team Energy Resources Limited	England & Wales		**100**	100	100
Trident Offshore Limited	Scotland		**100**	100	100
UWG Limited	England & Wales		**100**	100	100

* Denotes indirect ownership

Notes to the company financial statements *(continued)*

37 Debtors

	2008 £000	2007 £000
Amounts due from Group undertakings	**27,744**	24,679
Other debtors	**1,673**	2,813
Prepayments	**61**	65
	29,478	27,557

Other debtors include £11,000 *(2007: £28,000)* in respect of a deferred tax asset arising from timing differences between book and tax depreciation.

38 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	**560**	167
Amounts owed to Group undertakings	**4,853**	16,165
Other tax and social security	**130**	43
Other creditors	**3,535**	1,002
Accruals and deferred income	**1,581**	3,076
	10,659	20,453

39 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Bank loans	**236,646**	174,789
Other creditors	**684**	-
	237,330	174,789

Loans fall due for repayment as follows:

	2008 £000	2007 £000
Within one year	**-**	-
Between one and two years	**14,502**	14,652
Between two and five years	**56,703**	56,928
After more than five years	**165,441**	103,209
	236,646	174,789

The maturity dates relating to these loans and the applicable interest rates are shown in note 23.

Notes to the company financial statements *(continued)*

40 Share capital

	Authorised	Allotted, called up and fully paid	
	£000	No 000	£000
At 1 January 2007			
Ordinary shares of £0.01 each	1,488	-	-
"A" ordinary shares of £0.01 each	9,151	590,038	5,900
"B" ordinary shares of £0.01 each	5,951	481,239	4,813
"C" ordinary shares of £0.01 each	580	57,586	576
	17,170	1,128,863	11,289
Movements in year			
Ordinary shares of £0.01 each	(1,488)	-	-
"C" ordinary shares of £0.01 each	200	16,467	164
	(1,288)	16,467	164
At 31 December 2007			
Ordinary shares of £0.01 each			
"A" ordinary shares of £0.01 each	9,151	590,038	5,900
"B" ordinary shares of £0.01 each	5,951	481,239	4,813
"C" ordinary shares of £0.01 each	780	74,053	740
	15,882	1,145,330	11,453
Movements in year			
"C" ordinary shares of £0.01 each	2,500	-	-
	2,500	-	-
At 31 December 2008			
"A" ordinary shares of £0.01 each	9,151	590,038	5,900
"B" ordinary shares of £0.01 each	5,951	481,239	4,813
"C" ordinary shares of £0.01 each	3,280	74,053	740
	18,382	**1,145,330**	**11,453**

All shares rank pari passu, in all respects, except that any "A" ordinary shares and any "B" ordinary shares in issue will confer enhanced voting rights on their holders. The consent of the majority of the holders of the "A" ordinary shares and "B" ordinary shares is required in respect of certain matters. Further details of these rights are contained in the company's Articles of Association and an Investment and Shareholders' Agreement dated 9 November 2006.

Notes to the company financial statements *(continued)*

41 Reserves

	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Investment revaluation reserve £000	Share option reserve £000	Profit and loss account £000
At 1 January 2008	9,907	1,154	-	117,313	45	(4,511)
Movement in year	-	-	-	-	208	23,081
Transfer to other reserve	-	-	15,395	-	-	(15,395)
At 31 December 2008	**9,907**	**1,154**	**15,395**	**117,313**	**253**	**3,175**

The other reserve arises as a result of dividends received subsequent to a legal entity restructuring project. Neither the other reserve nor the investment revaluation reserve are distributable reserves.

42 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Shareholders' funds at 1 January	**135,361**	21,214
Profit for the financial year	**23,081**	(6,070)
Creation of investment revaluation reserve	-	117,313
Issue of new shares, net of expenses	-	2,859
Credit relating to share based charges	**208**	45
Shareholders' funds at 31 December	**158,650**	135,361

43 Commitments

a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2008 £000	2007 £000
Contracted	-	72

b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2008 £000	2007 £000
Operating leases which expire:		
Over five years	**73**	73

44 Contingent liabilities

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

Notes to the company financial statements *(continued)*

45 Retirement benefits

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £27,000 *(2007: £20,000).* Contributions amounting to £2,000 *(2007: £2,000)* are payable to the scheme and are included in creditors.