# ACTEON GROUP LIMITED

Company Number 4231212

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2007**

# ACTEON GROUP LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | R C Higham<br>K F Ovenden<br>W Honeybourne (USA)<br>J R Edwards (USA) |
| **Secretary** | R C Higham |
| **Company Number** | 4231212 |
| **Registered Office** | Ferryside<br>Ferry Road<br>Norwich<br>Norfolk<br>NR1 1SW |
| **Auditors** | PKF (UK) LLP<br>Cedar House<br>105 Carrow Road<br>Norwich<br>Norfolk<br>NR1 1HP |

# ACTEON GROUP LIMITED

## CONTENTS

# ACTEON GROUP LIMITED
## DIRECTORS' REPORT
## YEAR ENDED 31 DECEMBER 2007

The directors submit their report and the consolidated financial statements for the year ended 31 December 2007

**Results and dividends**

The profit for the year, after taxation, amounted to **£14,191,000** (2006 – £12,550,000)

No dividend is to be recommended in respect of 2007

**Principal activity and review of the business**

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 fifteen specialist companies, 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 1,000 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 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 has seven main business areas

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

Within these business areas 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

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

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

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

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

**Principal activity and review of the business (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

**Mirage Machines** specialises in the design and manufacture of on-site machining and cutting equipment for oilfield and other applications

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

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

**Acquisitions during the year**

The following acquisitions were concluded during 2007

- Acquisition of 80% of the issued shares of **Pacific Management Technologies, Inc** This company, which is based in Ventura, California, provides professional project management services for oil and gas production, development and decommissioning This transaction was completed in June 2007 The company was renamed **InterAct PMTI, Inc** later in 2007

- Acquisition of 95 1% of the issued shares of **Seascan Ltd**, which is the holding company of the **Seatronics** subsea electronics businesses in Aberdeen (UK), Houston and Lafayette (USA), Abu Dhabi (UAE) and Singapore This transaction was completed in July 2007

- Acquisition of 100% of the issued shares of **International Mooring Systems Ltd**, This company, which is based in Aberdeen (UK) and Singapore, focuses on the sale, rental and management of mooring equipment and provides services in relation to mooring design This transaction was completed in July 2007

- Acquisition of 100% of the issued shares of **Chain Corporation International Ltd**, which is based in Aberdeen, UK This company specialises in the inspection and certification of mooring chain and the repair and upgrade of heavy-duty mooring systems This transaction was completed in July 2007

**Business review**

**Development of the business**

The group performed exceptionally well during 2007, benefiting from high activity levels in the worldwide offshore oil and gas industry and the resulting buoyant demand for its range of subsea services Turnover increased from £121,507,000 to £194,690,000, with operating profit advancing from £17,420,000 to £34,928,000 Satisfactory growth was seen across the group's existing businesses, and encouraging first-time contributions seen from the new businesses in the group InterAct PMTI, Seatronics, International Mooring Systems and Chain Corporation International

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

- Turnover
  12m to June 2004 - £38,451,873
  18m to December 2005 - £100,869,000
  12m to December 2006 - £121,507,000
  12m to December 2007 - £194,690,000

**Development of the business (continued)**

- Increased investment in fixed assets – recognising that some Acteon companies operate sizeable equipment rental fleets

  Fixed assets at net book value

  As at June 2004 - £11,773,000
  As at December 2005 - £20,575,000
  As at December 2006 - £31,534,000
  As at December 2007 - £85,860,000

- The group relies significantly on the skills and energies of its people, both for delivery of products and services to clients and for managing its affairs Recent development of the employed headcount has been

  Average for 12m ended June 2004 - 232
  Average for 18m ended December 2005 - 417
  Average for 12m ended December 2006 - 678
  Average for 12m ended December 2007 – 1,041

  We continue to benefit from having a multi-national workforce and from our strategy of operating each of our businesses with local management

**Principal risks and uncertainties facing the company**

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 where appropriate to developments in trading performance and cash management

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

- There could be a tail-off in the currently high 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 at least in the short to medium-term 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

**Research and development**

The group is active in the field of research and development, through most of its operating companies These include new concepts for field development in the deepwater riser business, low-cost conductor platforms in the Conductor Systems business and alternative deployment of high-powered pile-driving hammers from lower cost vessels in Foundations, all of which have advanced very satisfactorily during 2007 Additional projects which became active in 2008 relate to a real-time pile direction monitoring device for use in directional pile-driving, acoustic loggers for riser monitoring without the need for connecting cables, and further development of in-line motion compensation devices for back-of-the-boat installations in varying sea states

# ACTEON GROUP LIMITED
## DIRECTORS' REPORT
## YEAR ENDED 31 DECEMBER 2007

**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

**Financial instruments**

The company sells to most of its clients on customary credit terms and is, as a result, exposed to the usual credit risk and cashflow risk associated with this form of trading It manages this risk through its credit control procedures The existence of these trade credit facilities does not expose the group to price risk or liquidity risk

The group has created a natural foreign currency hedge by establishing a blend of its borrowings between Sterling and the US dollar such that the impact on dollar earnings of any weakening of the dollar is mitigated by a reduction in the £ value of the $ borrowings The group does not currently deploy interest rate hedging

**Directors**

The directors who served during the year were

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

**Exceptional items**

During 2007 the group incurred expenditure on certain items which are considered to be exceptional in nature These related to a project involving a change in the ownership structure of part of the group and the accelerated amortisation of certain financing costs These exceptional items are disclosed in note 6 The total of the costs involved was £2,188,000 (2006 - £2,521,000) The directors note that if these exceptional costs had not been incurred the operating profit of the group would have been £37,116,000 rather than the £34,928,000 shown in the financial statements (2006 - £19,941,000) On the same basis, profit after tax would have been £15,723,000 (2006 - £14,849,000)

**Provision of information to auditors**

So far as each of the directors is aware at the time this report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

By order of the board

**R C Higham**
Director
24 April 2008

# ACTEON GROUP LIMITED
## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

We have audited the group and parent company financial statements of Acteon Group Limited for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report, and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards ("United Kingdom Generally Accepted Accounting Practice") are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the directors' report is not consistent with the financial statements

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 transactions with the company is not disclosed

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

**Basis of audit opinion**

We conducted our audit in accordance with 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 company's and group's circumstances, consistently applied and adequately disclosed

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

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom and Generally Accepted Accounting Practice , of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- 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

PKF (UK) LLP

**PKF (UK) LLP**
Registered Auditors

Norwich, UK
24 APRIL 2008

# ACTEON GROUP LIMITED
## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## YEAR ENDED 31 DECEMBER 2007

| | Notes | 2007 £'000 | 2007 £'000 | 2006 £'000 | 2006 £'000 |
|---|---|---|---|---|---|
| **TURNOVER** | | | | | |
| Continuing operations | | 168,357 | | 102,395 | |
| Acquisitions | | 26,333 | | 19,112 | |
| | 2 | | 194,690 | | 121,507 |
| Cost of sales | | | (131,636) | | (85,782) |
| **GROSS PROFIT** | | | 63,054 | | 35,725 |
| Administrative expenses (including exceptional costs of £2,188,000 (2006 £2,521,000) as disclosed in note 6 | 6 | | (28,126) | | (18,305) |
| **OPERATING PROFIT** | | | | | |
| Continuing operations | | 29,643 | | 13,746 | |
| Acquisitions | | 5,285 | | 3,674 | |
| **OPERATING PROFIT** | 3 | | 34,928 | | 17,420 |
| Interest receivable and similar income | 7 | | 1,002 | | 885 |
| Interest payable and similar charges | 8 | | (9,871) | | (2,899) |
| Other finance charges | 9 | | (49) | | (52) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | | 26,010 | | 15,354 |
| **TAXATION** | 10 | | (11,819) | | (2,804) |
| **PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION** | | | 14,191 | | 12,550 |
| **MINORITY INTERESTS** | 24 | | (347) | | (83) |
| **PROFIT FOR THE YEAR** | | | 13,844 | | 12,467 |

| **OPERATING PROFIT RECONCILES AS.-** | £'000 | £'000 |
|---|---|---|
| Operating profit prior to exceptional items | 37,116 | 19,941 |
| Exceptional items (note 6) | (2,188) | (2,521) |
| **OPERATING PROFIT AS REPORTED** | 34,928 | 17,420 |

# ACTEON GROUP LIMITED
## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
## YEAR ENDED 31 DECEMBER 2007

| | 2007<br>£'000 | 2006<br>£'000 |
|---|---|---|
| Profit for the financial year | **13,844** | 12,467 |
| Actuarial gain on defined benefit pension scheme | **50** | 65 |
| Deferred tax associated with defined benefit pension scheme | **(26)** | (34) |
| Exchange difference on retranslation of foreign subsidiaries eliminated against reserves | **977** | (1,258) |
| **Total recognised gains and losses relating to the year** | **14,845** | 11,240 |

# ACTEON GROUP LIMITED
## CONSOLIDATED BALANCE SHEET
## 31 DECEMBER 2007

| | Notes | 2007 £'000 | 2007 £'000 | 2006 £'000 | 2006 £'000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible | 12 | | 105,159 | | 28,766 |
| Tangible | 13 | | 85,860 | | 31,534 |
| | | | 191,019 | | 60,300 |
| **CURRENT ASSETS** | | | | | |
| Stocks | 15 | 6,985 | | 6,430 | |
| Debtors | 16 | 72,409 | | 39,510 | |
| Cash at bank and in hand | | 7,432 | | 2,827 | |
| | | 86,826 | | 48,767 | |
| **CREDITORS: amounts falling due within one year** | 17 | (43,578) | | (32,408) | |
| **NET CURRENT ASSETS** | | | 43,248 | | 16,359 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 234,267 | | 76,659 |
| **CREDITORS: amounts falling due after more than one year** | 18 | | (175,799) | | (37,755) |
| **PROVISIONS FOR LIABILITIES AND CHARGES** | 20 | | (3,167) | | (1,540) |
| **NET ASSETS EXCLUDING PENSION LIABILITY** | | | 55,301 | | 37,364 |
| Pension liability | 32 | | (987) | | (925) |
| **NET ASSETS** | | | 54,314 | | 36,439 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 21 | | 11,453 | | 11,289 |
| Share premium account | 22 | | 9,907 | | 7,212 |
| Capital redemption reserve | | | 1,154 | | 1,154 |
| Profit and loss account | 22 | | 30,971 | | 16,126 |
| Share option reserve | 22 | | 45 | | - |
| **SHAREHOLDERS' FUNDS – ALL EQUITY** | 23 | | 53,530 | | 35,781 |
| Minority interests | 24 | | 784 | | 658 |
| | | | 54,314 | | 36,439 |

The financial statements were approved by the board and authorised for issue on 24 April 2008

Signed on behalf of the board of directors

R C Higham Director K F Ovenden Director

# ACTEON GROUP LIMITED
## BALANCE SHEET
## 31 DECEMBER 2007

| | Notes | 2007 £'000 | 2007 £'000 | 2006 £'000 | 2006 £'000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Tangible | 13 | | 720 | | 62 |
| Investments | 14 | | 273,431 | | 50,737 |
| | | | 274,151 | | 50,799 |
| **CURRENT ASSETS** | | | | | |
| Debtors | 16 | 27,557 | | 13,123 | |
| Cash at bank and in hand | | 28,895 | | 784 | |
| | | 56,452 | | 13,907 | |
| **CREDITORS: amounts falling due within one year** | 17 | (20,453) | | (5,943) | |
| **NET CURRENT ASSETS** | | | 35,999 | | 7,964 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 310,150 | | 58,763 |
| **CREDITORS: amounts falling due after more than one year** | 18 | | (174,789) | | (37,549) |
| **NET ASSETS** | | | 135,361 | | 21,214 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 21 | | 11,453 | | 11,289 |
| Share premium account | 22 | | 9,907 | | 7,212 |
| Capital redemption reserve | | | 1,154 | | 1,154 |
| Profit and loss account | 22 | | (4,511) | | 1,559 |
| Investment revaluation reserve | 22 | | 117,313 | | - |
| Share option reserve | 22 | | 45 | | - |
| **SHAREHOLDERS' FUNDS – ALL EQUITY** | | | 135,361 | | 21,214 |

The financial statements were approved by the board and authorised for issue on 24 April 2008

Signed on behalf of the board of directors

R C Higham Director K F Ovenden Director

# ACTEON GROUP LIMITED
## CONSOLIDATED CASH FLOW STATEMENT
## YEAR ENDED 31 DECEMBER 2007

| | 2007 | 2006 |
|---|---|---|
| | £'000 | £'000 |
| **Reconciliation of operating profit to net cash inflow from operating activities** | | |
| Operating profit | 34,928 | 17,420 |
| Amortisation of intangible assets | 3,652 | 1,236 |
| Depreciation of tangible fixed assets | 9,849 | 4,177 |
| (Profit)/loss on sale of tangible fixed assets | (238) | 20 |
| (Increase) in debtors | (19,403) | (3,382) |
| (Increase) in stocks | (14) | (429) |
| (Decrease) in creditors | (11,496) | (2,078) |
| Amortisation of finance raising costs | 304 | 911 |
| Accounting charge in relation to share option scheme | 45 | 459 |
| **Net cash inflow from operating activities** | 17,627 | 18,334 |
| **CASH FLOW STATEMENT (note 26)** | | |
| Net cash inflow from operating activities | 17,627 | 18,334 |
| Returns on investments and servicing of finance | (10,037) | (2,292) |
| Taxation | (5,077) | (3,693) |
| Capital expenditure | (34,877) | (12,686) |
| Acquisitions and disposals | (90,373) | (24,530) |
| Equity dividends paid | - | (200) |
| | (122,737) | (25,067) |
| Financing | 134,298 | 18,663 |
| **Increase/(decrease) in cash** | 11,561 | (6,404) |
| **Reconciliation of net cash flow to movement in net debt (note 27)** | | |
| Increase/(decrease) in cash in the year | 11,561 | (6,404) |
| Net cash inflow from financing | (134,305) | (16,048) |
| Debt finance assumed on acquisition | (3,500) | - |
| Retranslation difference | 28 | (1,585) |
| **Change in net debt (note 27)** | (126,216) | (24,037) |
| **Net debt at 1 January 2007** | (45,508) | (21,471) |
| **Net debt at 31 December 2007** | (171,724) | (45,508) |

# ACTEON GROUP LIMITED
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## YEAR ENDED 31 DECEMBER 2007

### 1 ACCOUNTING POLICIES

**(a) Basis of preparation of financial statements**

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

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 December 2007

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985

**(b) Basis of consolidation**

The financial statements have been consolidated using the acquisition method of accounting for subsidiaries, in accordance with FRS 2 – "Accounting for Subsidiary Undertakings"

**(c) Turnover**

Turnover comprises the value of goods and services supplied by the company in the normal course of business, net of trade discounts and sales taxes This is in accordance with FRS 5 – "Reporting the substance of transactions", Application Note G, and UITF 40 where applicable

The company recognises turnover in line with the fulfilment of its contractual obligations In most cases relating to the supply of goods this represents the fulfilment of all obligations contained in its contracts However in certain circumstances specific elements of the total income relating to a contract are recognised where completion of these elements entitles the company to the income

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

**(d) Intangible fixed assets**

Intangible fixed assets comprise purchased goodwill and goodwill arising on consolidation which are stated at cost less accumulated amortisation Goodwill is amortised over 20 years from the date of acquisition except in cases where indicators suggest an impairment or shorter period are appropriate

**(e) Tangible fixed assets**

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

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

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

**(f) 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

## 1 ACCOUNTING POLICIES (continued)

### (g) Stocks and work in progress

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

### (h) Foreign currencies

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

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

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

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

### (i) Operating leases

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

### (j) Deferred taxation

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 difference 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

### (k) Share based payments

The group adopted FRS 20 – "Share Based Payments" in 2006 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 under which share options have been granted to certain employees The fair value determined at the grant date has been expensed on a straight line basis over the vesting period The resulting accounting charge is disclosed in note 3

## 1 ACCOUNTING POLICIES (continued)

### (l) Pensions

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

The group accounts for pension schemes in accordance with FRS 17 - "Retirement Benefits" In addition to the defined contribution schemes, the group also operates two defined benefit schemes in respect of employees of its German subsidiary, MENCK GmbH, in which there are 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

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

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

### (m) Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives Assets acquired by hire purchase are depreciated over their useful lives Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

## 2 TURNOVER

Analysis of turnover by class of business and geographical sector have not been presented as required by Schedule 4 Section 55(1) and (2) of the Companies Act 1985 The directors are of the opinion that the disclosure of such information would be seriously prejudicial to the interests of the group

# ACTEON GROUP LIMITED
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## YEAR ENDED 31 DECEMBER 2007

### 3 OPERATING PROFIT

The figures for continuing operations in the year ended 31 December 2007 include amounts relating to acquisitions as follows cost of sales of **£16,189,000** (2006 - £13,522,000) and administrative expenses of **£4,859,000** (2006 - £1,916,000)

The operating profit is stated after charging

| | **2007** | 2006 |
|---|---|---|
| | **£'000** | £'000 |
| Amortisation of intangible assets | **3,652** | 1,236 |
| Depreciation of tangible fixed assets | | |
| - owned by the company | **9,513** | 4,121 |
| - held under finance leases and hire purchase contracts | **336** | 56 |
| Auditors fees | | |
| - audit | **47** | 31 |
| - audit of accounts of associates | **111** | 122 |
| - other services pursuant to legislation | **41** | 53 |
| - other services relating to tax | **28** | 75 |
| - services relating to corporate finance | **21** | 25 |
| - all other services | **18** | 108 |
| Operating lease rentals | | |
| - plant & machinery | **469** | 42 |
| - land and property | **1,989** | 1,315 |
| Accounting charge in relation to employee share option scheme | **45** | 459 |
| Exceptional items | **2,188** | 2,521 |

Details of the exceptional items are shown in note 6

### 4 DIRECTORS' EMOLUMENTS AND BENEFITS

The emoluments payable to directors of Acteon Group Limited during the period were as follows

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Directors' emoluments | **630** | 806 |
| Contributions to money purchase pension schemes | **9** | 12 |

| | | |
|---|---|---|
| The number of directors accruing benefits under pension schemes were | | |
| Money purchase schemes | **2** | 3 |

The highest paid director received remuneration of **£345,000** (2006 - £295,000)

The value of the group's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to **£5,000** (2006 - £4,500)

During the year, the aggregate amount of consideration paid to third parties for making available the services of a director was **£NIL** (2006 - £15,000)

### 5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Wages and salaries | **39,237** | 26,358 |
| Social security costs | **3,427** | 1,937 |
| Other pension costs | **631** | 497 |
| | **43,295** | 28,792 |

The average monthly number of employees, including non-executive directors, during the year was as follows

| | No | No |
|---|---|---|
| Directors of Acteon Group Limited | **4** | 5 |
| Technical and administration | **1,037** | 673 |
| | **1,041** | 678 |

## 6 EXCEPTIONAL ITEMS

As noted in the directors' report, the group incurred exceptional costs of **£2,188,000** (2006 - £2,521,000) during the year

**Year ended 31 December 2007**

**Internal restructuring**

During the year the group took steps to combine its USA subsidiaries together within a consolidated USA tax group in order to simplify the administration of its tax affairs in that country The legal and other advisory costs associated with this restructuring totalled £491,000

**Accelerated amortisation of finance costs**

The group expensed £1,697,000 in respect of accelerated amortisation of finance-raising costs This acceleration was required in accordance with Financial Reporting Standard 4, because the group undertook a refinancing in July 2007 as a result of which the existing facilities were repaid early The resulting amortisation reflects the shorter life of the instrument

**Year ended 31 December 2006**

**Change of ownership structure**

The group incurred legal and other professional fees of £1,782,000 to create a liquidity opportunity in relation to its shares and to enable it to secure the funding required for delivery of its medium-term growth plans £1,401,000 of this cost has been expensed in the year, with the remaining £381,000 being charged to the share premium account

**Potential acquisition**

The group incurred legal and other professional fees of £379,000 in relation to a potential acquisition which did not come to fruition

**Accelerated amortisation of finance costs**

The group expensed £741,000 in respect of accelerated amortisation of finance-raising costs This acceleration was required in accordance with Financial Reporting Standard 4, because the group undertook a refinancing in February 2007 as a result of which the associated liabilities were repaid early The resulting amortisation reflects the shorter life of the instrument

The directors consider these to be exceptional items because they relate to expenditure which is outside the group's normal sphere of business and are non-recurring in nature

## 7 INTEREST RECEIVABLE AND SIMILAR INCOME

| | **2007** **£'000** | 2006 £'000 |
|---|---|---|
| Bank interest receivable | **921** | 486 |
| Exchange gains | **81** | 399 |
| | **1,002** | 885 |

## 8 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Bank interest payable | **9,759** | 2,885 |
| Finance charges under finance lease and hire purchase contracts | **112** | 14 |
| | **9,871** | 2,899 |

## 9 OTHER FINANCE CHARGES

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Interest on pension scheme liabilities | **49** | 52 |

## 10 TAXATION

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| **(a) Analysis of charge in year** | | |
| **UK corporation tax** | | |
| Current tax on income for the year | **1,696** | (104) |
| Adjustments in respect of prior periods | **78** | (441) |
| Total UK taxation | **1,774** | (545) |
| **Foreign tax** | | |
| Current tax on income for the year (withholding tax and USA Federal and state income tax) | **7,087** | 3,163 |
| Adjustments in respect of prior periods | **439** | - |
| Total foreign tax | **7,526** | 3,163 |
| **Total current tax** | **9,300** | 2,618 |
| **Deferred tax** | | |
| Changes in deferred tax balances arising from | | |
| Origination or reversal of timing differences | **3,037** | 186 |
| Adjustments in respect of prior periods | **(518)** | - |
| **Tax on profit on ordinary activities** | **11,819** | 2,804 |

## 10 TAXATION (continued)

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2006 – lower) than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30% The differences are explained below

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | **26,010** | 15,354 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2005 - 30%) | **7,803** | 4,606 |
| Effects of | | |
| Expenses disallowed | **349** | 767 |
| Capital allowances (in excess of depreciation) | **(3,356)** | (622) |
| Effect of subsidiaries taxed at different rates | **1,581** | 391 |
| Unrelieved foreign tax and Texas franchise tax paid | **1,429** | 286 |
| Utilisation of trading losses | **(361)** | 576 |
| Unrelieved losses carried forward to following year | **96** | 703 |
| Goodwill amortised on consolidation | **1,083** | 358 |
| Under/(Over) provision for taxation including foreign tax in respect of prior periods | **517** | (441) |
| Other differences | **(53)** | (9) |
| Profit on part-complete contracts at period end in USA | **212** | (363) |
| Tax relief claim from share options exercised | **-** | (3,634) |
| Current tax charge for the year | **9,300** | 2,618 |

During 2006 the group's share option scheme vested fully The resulting claim for tax relief reduced the overall tax liability of the group in 2006 by £2,975,000

## 11 DIVIDENDS

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Dividends on equity shares | **-** | 200 |

### 12 INTANGIBLE FIXED ASSETS

**Group**

| | Goodwill £'000 |
|---|---|
| **Cost** | |
| At 1 January 2007 | 33,141 |
| Additions | 80,044 |
| Exchange movement | (7) |
| At 31 December 2007 | 113,178 |
| **Amortisation** | |
| At 1 January 2007 | 4,375 |
| Charge for the year | 3,652 |
| Exchange movement | (8) |
| At 31 December 2007 | 8,019 |
| **Net book amount** | |
| At 31 December 2007 | 105,159 |
| At 31 December 2006 | 28,766 |

## 13 TANGIBLE FIXED ASSETS

**Group**

| | Land, buildings and leasehold improvements £'000 | Plant & machinery, fixtures & fittings £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2007 | 1,819 | 41,041 | 42,860 |
| Additions | 7,070 | 61,152 | 68,222 |
| Disposals | - | (6,086) | (6,086) |
| Exchange movement | 21 | 1,189 | 1,210 |
| At 31 December 2007 | 8,910 | 97,296 | 106,206 |
| **Depreciation** | | | |
| At 1 January 2007 | 154 | 11,172 | 11,326 |
| Charge for year | 156 | 9,693 | 9,849 |
| On disposals | - | (1,627) | (1,627) |
| Exchange movement | 11 | 787 | 798 |
| At 31 December 2007 | 321 | 20,025 | 20,346 |
| **Net book amount** | | | |
| At 31 December 2007 | 8,589 | 77,271 | 85,860 |
| At 31 December 2006 | 1,665 | 29,869 | 31,534 |

The net book amount of land and buildings comprises

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Freehold land & buildings | 2,147 | 1,131 |
| Long leaseholds | 253 | 259 |

Included in the cost of tangible fixed assets is expenditure amounting to **£1,569,091** (2006 - £2,706,644) on assets in the course of construction Depreciation will be provided on those assets from the date on which they are brought into use

## 13 TANGIBLE FIXED ASSETS (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, is as follows

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Plant and machinery | **2,726** | 598 |

**Company**

| | Freehold land and buildings £'000 | Fixtures and fittings £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2007 | - | 111 | 111 |
| Additions | 634 | 52 | 686 |
| At 31 December 2007 | 634 | 163 | 797 |
| **Depreciation** | | | |
| At 1 January 2007 | - | 49 | 49 |
| Charge for year | 1 | 27 | 28 |
| At 31 December 2007 | 1 | 76 | 77 |
| **Net book amount** | | | |
| At 31 December 2007 | 633 | 87 | 720 |
| At 31 December 2006 | - | 62 | 62 |

## 14 FIXED ASSET INVESTMENTS

**Company**

| | Shares in subsidiary undertakings £'000 |
|---|---|
| **Cost or valuation** | |
| At 1 January 2007 | 50,737 |
| Additions | 122,655 |
| Revaluation in the year | 117,313 |
| Disposals | (17,274) |
| At 31 December 2007 | 273,431 |

## 14 FIXED ASSET INVESTMENTS (continued)

During the year as a result of a group reorganisation certain investments were formally valued by external professional valuers at market value which has been reflected in these accounts

If valued on an historic cost basis fixed asset investments would have been stated at **£156,118,000** (2006 £50,737,000)

The company held the following principal investments at 31 December 2007

| Name of company | Class of share | % held | Country of Incorporation |
|---|---|---|---|
| 2H Offshore Engineering Limited (sub-subsidiary) | Ordinary | 100 | England & Wales |
| 2H Offshore Inc (sub-subsidiary) | Ordinary | 100 | USA |
| 2H Offshore Engineering Sdn Bhd (sub-subsidiary) | Ordinary | 100 | Malaysia |
| Acteon Angola Limitada (subsidiary) | Ordinary | 100 | Angola |
| Acteon International Mooring Systems Pte Limited (sub-subsidiary) | Ordinary | 100 | Singapore |
| Acteon Middle East FZE (subsidiary) | Ordinary | 100 | UAE |
| Aquatic Engineering & Construction Limited (subsidiary) | Ordinary | 100 | Scotland |
| Claxton Engineering Services Limited (sub-subsidiary) | Ordinary | 100 | England & Wales |
| Conductor Installation Services Limited (subsidiary) | Ordinary | 100 | England & Wales |
| InterMoor Inc (sub-subsidiary) | Ordinary | 100 | USA |
| InterMoor do Brasil Services Offshore de Instalacas Limitada (sub-subsidiary) | Ordinary quotas | 100 | Brazil |
| International Mooring Systems Limited (subsidiary) | Ordinary | 100 | Scotland |
| InterAct PMTI Inc (sub-subsidiary) | Ordinary | 80 | USA |
| MENCK GmbH (subsidiary) | Ordinary | 100 | Germany |
| Mirage Machines Limited (subsidiary) | Ordinary | 80 | England & Wales |
| Seatronics Limited (sub-subsidiary) | Ordinary | 95 | England & Wales |
| Seatronics Inc (sub-subsidiary) | Ordinary | 95 | USA |
| Seatronics Pte Limited (sub-subsidiary) | Ordinary | 95 | Singapore |
| Team Energy Resources Limited (subsidiary) | Ordinary | 100 | England & Wales |
| Trident Offshore Limited (subsidiary) | Ordinary | 100 | Scotland |
| UWG Limited (subsidiary) | Ordinary | 100 | England & Wales |

All of these companies principally provide specialist products and services to the worldwide oil and gas industry

## 15 STOCKS

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Raw materials | **575** | 310 | - | - |
| Work in progress | **9,169** | 4,572 | - | - |
| Finished goods | **2,655** | 1,888 | - | - |
| Payments on account | **(5,414)** | (340) | - | - |
| | **6,985** | 6,430 | - | - |

## 16 DEBTORS

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Trade debtors | **66,797** | 35,739 | - | - |
| Amounts due from group undertakings | - | - | **24,679** | 12,610 |
| Other debtors | **3,985** | 2,459 | **2,813** | 407 |
| Prepayments | **1,627** | 1,312 | **65** | 106 |
| | **72,409** | 39,510 | **27,557** | 13,123 |

**Group**
Other debtors include **£NIL** (2006 - £803,072) in respect of a deferred tax asset arising from trading losses carried forward of **£NIL** (2006 - £630,487), capital allowances of **£NIL** (2006 - £165,790), and other timing differences of **£NIL** (2006 - £6,795)

**Company**
Other debtors include **£28,000** (2006 - £16,000) in respect of a deferred tax asset arising from timing differences between book and tax depreciation

## 17 CREDITORS

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Amounts falling due within one year** | | | | |
| Bank loans and overdrafts (note 19) | **-** | 11,367 | **-** | 4,383 |
| Trade creditors | **17,947** | 8,523 | **167** | 199 |
| Amounts owed to group undertakings | **-** | - | **16,165** | 4 |
| Corporation tax | **4,700** | 117 | **-** | - |
| Other tax and social security | **1,604** | 1,539 | **43** | 250 |
| Net obligations under finance leases and hire purchase contracts | **852** | 121 | **-** | - |
| Other creditors | **4,653** | 4,157 | **1,002** | 2 |
| Accruals and deferred income | **13,822** | 6,584 | **3,076** | 1,105 |
| | **43,578** | 32,408 | **20,453** | 5,943 |

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

Liabilities under finance leases and hire purchase contracts are secured on the assets concerned

**Group**
Included in other creditors is **£219,186** (2006 - £107,230) relating to outstanding contributions payable to pension schemes

## 18 CREDITORS

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Amounts falling due after more than one year** | | | | |
| Bank loans (note 19) | **174,789** | 36,549 | **174,789** | 36,549 |
| Net obligations under finance leases and hire purchase contracts | **760** | 206 | **-** | - |
| Other creditors | **250** | 1,000 | **-** | 1,000 |
| | **175,799** | 37,755 | **174,789** | 37,549 |

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

Liabilities under finance leases and hire purchase contracts are secured on the assets concerned

## 18 CREDITORS (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

| | Group 2007 £'000 | Group 2006 £'000 | Company 2007 £'000 | Company 2006 £'000 |
|---|---|---|---|---|
| Between one and five years | **760** | 206 | - | - |

## 19 LOANS

Loans fall due for payment as follows

| | Group 2007 £'000 | Group 2006 £'000 | Company 2007 £'000 | Company 2006 £'000 |
|---|---|---|---|---|
| **Bank loans** | | | | |
| Within one year | - | 4,383 | - | 4,383 |
| Between one and two years | **14,652** | 4,705 | **14,652** | 4,705 |
| Between two and five years | **56,928** | 19,185 | **56,928** | 19,185 |
| After more than five years | **103,209** | 12,659 | **103,209** | 12,659 |
| | **174,789** | 40,932 | **174,789** | 40,932 |

The loan falling due after more than five years is repayable by one instalment on 30 June 2014

Interest on this loan is charged at LIBOR plus a margin ranging between 0 85% and 2 70% depending on the net debt to EBITDA ratio of the group The margin applicable at the date these financial statements were approved was 1 8%

## 20 DEFERRED TAXATION

| Group | Deferred taxation £'000 |
|---|---|
| At 1 January 2007 | **1,540** |
| Charged to profit and loss | **1,716** |
| Exchange movement | **29** |
| On acquisition | **(118)** |
| **At 31 December 2007** | **3,167** |

Deferred tax is analysed as follows

| | Provided 2007 £'000 | Provided 2006 £'000 |
|---|---|---|
| Arising from differences between book and tax depreciation | **4,341** | 1,899 |
| Unrelieved trading losses | **(910)** | (328) |
| Other timing differences | **(264)** | (31) |
| | **3,167** | 1,540 |

## 21 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) | - | - |
| "A" Ordinary shares of £0 01 each | - | - | - |
| "B" Ordinary shares of £0 01 each | - | - | - |
| "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** |

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 9th November 2006

## 22 RESERVES

| Share premium account | Group £'000 | Company £'000 |
|---|---|---|
| At 1 January 2007 | 7,212 | 7,212 |
| Premium on shares issued during the year | 2,702 | 2,702 |
| Expenses of share issue | (7) | (7) |
| At 31 December 2007 | 9,907 | 9,907 |

| Profit and loss account | £'000 | £'000 |
|---|---|---|
| At 1 January 2007 | 16,126 | 1,559 |
| Profit/(loss) retained for the year | 13,844 | (6,070) |
| Exchange difference on retranslation of foreign subsidiaries | 977 | - |
| Profit and loss reserve excluding pension liability | 30,947 | (4,511) |
| Actuarial gain on pension scheme | 50 | - |
| Movement on deferred tax asset relating to pension scheme | (26) | - |
| At 31 December 2007 | 30,971 | (4,511) |

| Investment revaluation reserve | £'000 | £'000 |
|---|---|---|
| At 1 January 2007 | - | - |
| Movement in year | - | 117,313 |
| At 31 December 2007 | - | 117,313 |

The movement on the investment revaluation reserve arises from the transaction referred to in note 6 – exceptional items

| Share option reserve | £'000 | £'000 |
|---|---|---|
| At 1 January 2007 | - | - |
| Value of share options granted (FRS20 charge) | 45 | 45 |
| At 31 December 2007 | 45 | 45 |

## 23 SHAREHOLDERS' FUNDS

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Shareholders' funds at 1 January 2007 | **35,781** | 23,010 |
| Profit for the year | **13,844** | 12,467 |
| Other recognised gains and losses | **1,001** | (1,227) |
| Dividends | **-** | (200) |
| Other movements | | |
| New shares issued | **2,866** | 1,653 |
| Expenses paid in connection with the issue of shares | **(7)** | (381) |
| Add back charge in relation to FRS 20, charged in arriving at profit for the year | **45** | 459 |
| Shareholders' funds at 31 December 2007 | **53,530** | 35,781 |

## 24 MINORITY INTERESTS

| | £'000 |
|---|---|
| As at 1 January 2007 | **658** |
| Charged to profit and loss | **347** |
| On acquisition | **578** |
| Acquired by full acquisition in the year | **(799)** |
| As at 31 December 2007 | **784** |

Minority interests comprised equity interests in

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| 2H Offshore Engineering Limited (now 100% owned) | **-** | 598 |
| Mirage Machines Limited | **60** | 60 |
| InterAct PMTI Inc (acquired in the year) | **77** | - |
| Seascan Limited (acquired in the year) | **647** | - |
| | **784** | 658 |

## 25 ACQUISITIONS AND DISPOSALS

### a) Seascan Limited

On 5 July 2007, Acteon Group Limited acquired 95 13% of the issued share capital of Seascan Limited

Detailed below is a breakdown of the aggregate net assets acquired, which include those of its wholly owned subsidiary undertakings

| | Book value £'000 | Fair value £'000 |
|---|---|---|
| Tangible fixed assets | 14,039 | **14,039** |
| Current assets (stock, debtors and cash) | 10,791 | **10,791** |
| Current liabilities (creditors and taxation) | (13,543) | **(13,543)** |
| Creditors due after more than one year (hire purchase) | (775) | **(775)** |
| | 10,512 | **10,512** |
| Minority interests | (506) | **(506)** |
| Net assets acquired | 10,006 | **10,006** |
| Goodwill arising | | **57,050** |
| **Total purchase consideration** | | **67,056** |
| **Satisfied by** | | |
| Cash | | **67,056** |

The aggregate results of Seascan Limited, together with its subsidiaries from 1 May 2007 (start of the accounting period) to the date of acquisition are as detailed below

| | £'000 |
|---|---|
| Turnover | 4,085 |
| Operating profit | 1,287 |
| Profit before taxation | 1,190 |
| Profit after taxation | 880 |

The aggregate profit after taxation of Seascan Limited together with its subsidiaries for the year ended 30 April 2007 is as detailed below

| | £'000 |
|---|---|
| Profit after taxation | 4,809 |

## 25 ACQUISITIONS AND DISPOSALS (continued)

### b) International Mooring Systems Limited

On 5 July 2007, Acteon Group Limited acquired 100% of the issued share capital of International Mooring Systems Limited

Detailed below is a breakdown of the aggregate net assets acquired, which include those of its wholly owned subsidiary undertaking

| | Book value £'000 | Fair value £'000 |
|---|---|---|
| Tangible fixed assets | 14,100 | **14,100** |
| Current assets (stock, debtors and cash) | 5,855 | **5,855** |
| Current liabilities (creditors and taxation) | (16,378) | **(16,378)** |
| Net assets acquired | 3,577 | **3,577** |
| Goodwill arising | | **16,252** |
| **Total purchase consideration** | | **19,829** |
| **Satisfied by** | | |
| Cash | | **19,829** |

The aggregate results of International Mooring Systems Limited, together with its subsidiary, from 1 May 2007 (the start of its accounting period) to the date of acquisition are as detailed below

| | £'000 |
|---|---|
| Turnover | 2,525 |
| Operating loss | (211) |
| Loss before taxation | (229) |
| Loss after taxation | (399) |

The aggregate profit after taxation of International Mooring Systems Limited, together with its subsidiary for the year ended 30 April 2007 is as detailed below

| | £'000 |
|---|---|
| Profit after taxation | 1,319 |

## 25 ACQUISITIONS AND DISPOSALS (continued)

### c) Chain Corporation International Limited

On 5 July 2007, Acteon Group Limited acquired 100% of the issued share capital of Chain Corporation International Limited

Detailed below is a breakdown of the aggregate net assets acquired

| | Book value £'000 | Fair value £'000 |
|---|---|---|
| Tangible fixed assets | 485 | **485** |
| Current assets (stock, debtors and cash) | 536 | **536** |
| Current liabilities (creditors and taxation) | (1,575) | **(1,575)** |
| Net liabilities acquired | (554) | **(554)** |
| Goodwill arising | | **588** |
| **Total purchase consideration** | | **34** |
| **Satisfied by** | | |
| Cash | | **34** |

The aggregate results of Chain Corporation International Limited from 1 May 2007 (the start of its accounting period) to the date of acquisition are as detailed below

| | £'000 |
|---|---|
| Turnover | 160 |
| Operating profit | 2 |
| Profit before taxation | 7 |
| Loss after taxation | (57) |

The loss after taxation of Chain Corporation International Limited for the year ended 30 April 2007 is as detailed below

| | £'000 |
|---|---|
| Loss after taxation | (68) |

## 25 ACQUISITIONS AND DISPOSALS (continued)

### d) PMTI Acquisition Inc

On 11 June 2007, Acteon Group Limited incorporated PMTI Acquisition Inc, which then acquired 80% of the issued share capital of InterAct PMTI, Inc on 16 June 2007

Detailed below is a breakdown of the aggregate net assets acquired, which include those of its wholly owned subsidiary InterAct PMTI, Inc

| | Book value £'000 | Fair value £'000 |
|---|---|---|
| Tangible fixed assets | 26 | **26** |
| Current assets (stock, debtors and cash) | 701 | **701** |
| Current liabilities (creditors and taxation) | (365) | **(365)** |
| | 362 | **362** |
| Minority interests | (72) | **(72)** |
| Net assets acquired | 290 | **290** |
| Goodwill arising | | **3,711** |
| **Total purchase consideration** | | **4,001** |
| **Satisfied by** | | |
| Cash | | **4,001** |

The results of InterAct PMTI, Inc from 1 January 2007 (the start of the accounting period) to the date of acquisition are as detailed below

| | £'000 |
|---|---|
| Turnover | 1,529 |
| Operating loss | (21) |
| Loss before taxation | (29) |
| Loss after taxation | (32) |

The profit after taxation of InterAct PMTI, Inc for the year ended 31 December 2006 is as detailed below

| | £'000 |
|---|---|
| Profit after taxation | 525 |

## 25 ACQUISITIONS AND DISPOSALS (continued)

### e) 2H Offshore Engineering Limited

On 12 October 2007, Acteon Group Limited acquired the remaining 20% of the issued share capital of 2H Offshore Engineering Limited, resulting in the ultimate parent company owning 100%

Detailed below is a breakdown of the aggregate net assets acquired, which include those of its wholly owned subsidiaries

| | Book value £'000 | Fair value £'000 |
|---|---|---|
| Tangible fixed assets | 130 | **130** |
| Current assets (stock, debtors and cash) | 943 | **943** |
| Current liabilities (creditors and taxation) | (274) | **(274)** |
| Net assets acquired | 799 | **799** |
| Goodwill arising | | **2,081** |
| **Total purchase consideration** | | **2,880** |
| **Satisfied by** | | |
| Share issue | | **2,866** |
| Cash | | **14** |
| | | **2,880** |

No prior trading history has been disclosed, as the company results have been incorporated into the consolidated accounts in previous years

### f) Gillespie Design Services Limited

On 30 November 2007, Trident Offshore Limited (a subsidiary of Acteon Group Limited) acquired 100% of the issued share capital of Gillespie Design Services Limited, an immaterial subsidiary of the group The goodwill arising on this acquisition amounted to £360,000

## 26 GROSS CASH FLOWS

| | 2007<br>£'000 | 2006<br>£'000 |
|---|---|---|
| **Returns on investments and servicing of finance** | | |
| Interest received | 1,002 | 885 |
| Interest paid | (8,280) | (2,947) |
| Interest element of finance lease and hire purchase contracts | (112) | - |
| Finance raising costs paid | (2,647) | (230) |
| | (10,037) | (2,292) |
| **Taxation** | | |
| Corporation tax paid | (1,055) | (459) |
| Overseas taxation paid | (4,022) | (3,234) |
| | (5,077) | (3,693) |
| **Capital expenditure** | | |
| Payments to acquire tangible fixed assets | (39,574) | (13,441) |
| Receipts from sales of tangible fixed assets | 4,697 | 755 |
| | (34,877) | (12,686) |
| **Acquisitions and disposals** | | |
| Payment to acquire subsidiary undertakings | (91,044) | (25,121) |
| Net cash acquired with subsidiary undertakings | 671 | 591 |
| | (90,373) | (24,530) |
| **Financing** | | |
| Issue of share capital | - | 1,653 |
| Expenses paid in connection with the issue of shares | (7) | (381) |
| New loans | 177,544 | 22,387 |
| Bank loans repaid | (41,896) | (4,996) |
| Capital element of finance lease and hire purchase contracts | (1,343) | - |
| | 134,298 | 18,663 |

## 27 ANALYSIS OF CHANGES IN NET DEBT

| | At 1 January 2007 | Cash flows | On Acquisition | Exchange Movements | At 31 December 2007 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash at bank and in hand | 2,827 | 4,577 | - | 28 | 7,432 |
| Overdrafts | (6,984) | 6,984 | - | - | - |
| | | 11,561 | | | |
| Debt due within 1 year | (4,475) | 5,347 | (872) | - | - |
| Debt due after 1 year | (36,549) | (140,995) | - | - | (177,544) |
| Finance leases | (327) | 1,343 | (2,628) | - | (1,612) |
| | (45,508) | (122,744) | (3,500) | 28 | (171,724) |

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

## 28 CAPITAL COMMITMENTS

**Group**
At 31 December 2007 the group had capital commitments as follows

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Contracted for but not provided in the financial statements | 6,921 | 5,331 |

**Company**
At 31 December 2007 the company had capital commitments as follows

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Contracted for but not provided in the financial statements | 72 | - |

## 29 OTHER COMMITMENTS

**Group**
At 31 December 2007 the group had annual commitments under operating leases as follows

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| **Expiry date:** | | | | |
| Within one year | 150 | 274 | 20 | 8 |
| Between one and five years | 1,188 | 597 | 452 | 60 |
| After more than five years | 788 | 362 | - | 11 |

## 30 CONTINGENT LIABILITIES

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

## 31 TRANSACTIONS WITH RELATED PARTIES

### Group

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

Rent charged by the BHHM Pension Scheme amounted to **£225,500** (2006 - £217,436) The amount owing from the BHHM Pension Scheme at 31 December 2006 was **£NIL** (2006 - £7,828)

During the period, the group was charged rent of **£NIL** (2006 - £11,500) by the Claxton Engineering Limited (1990) Retirement Benefit Scheme

During the period, the group was charged rent of **£42,000** (2006 - £31,500) by the Silk Family Pension Scheme

### Company

The company has taken advantage of available exemptions from disclosure of transactions with group companies where consolidated accounts have been prepared

## 32 PENSION COSTS

### a) Defined contribution scheme disclosures

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

Contributions made by the group to the schemes during the period amounted to **£473,727** (2006 - £290,455)

### b) Defined benefit scheme disclosures

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

The benefits paid out to the scheme members during the year totalled **£66,318** (2006 - £58,161)

The valuation used for Financial Reporting Standard 17 purposes was carried out by a qualified independent actuary on 31 December 2007 in order to assess the liabilities of the scheme and other retirement liabilities of the company at that date

The major assumptions used were as follows

| | **2007** | 2006 |
|---|---|---|
| Inflation assumption | **1.0%** | 1 0% |
| Rate of increases in salaries | **1.7%** | 2 5% |
| Rate of increase in pensions in payment | **1.0%** | 1 0% |
| Rate of increase of deferred pensions | **1.0%** | 1 0% |
| Discount rate applied to scheme liabilities | **5.5%** | 4 7% |

## 32 PENSION COSTS (continued)

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

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Present value of scheme liabilities | **(1,014)** | (978) |
| Related deferred tax asset | **27** | 53 |
| Net deficit in the scheme | **(987)** | (925) |

**Movement in deficit in the year**

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Deficit in scheme at beginning of the year | **(978)** | (1,066) |
| Movement in period | | |
| Current service cost | **(11)** | (17) |
| Payments of benefits | **66** | 58 |
| Exchange rate movements on retranslation | **(92)** | 23 |
| Other finance expense | **(49)** | (41) |
| Actuarial gain | **50** | 65 |
| Deficit in scheme at end of the year | **(1,014)** | (978) |

**Analysis of the amount chargeable to operating profit**

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Current service cost | **(11)** | (17) |
| Total operating charge | **(11)** | (17) |

**Analysis of the amount chargeable to other finance charges**

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Interest on pension scheme liabilities | **(49)** | (41) |
| Total other finance charges | **(49)** | (41) |

## 32 PENSION COSTS (continued)

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

| | **2007** | 2006 |
|---|---|---|
| | **£'000** | £'000 |
| Experience losses arising on the scheme liabilities | **(38)** | (10) |
| Changes in assumptions underlying the present value of the scheme liabilities | **88** | 75 |
| Actuarial gain recognised in STRGL | **50** | 65 |

**History of experience gains and losses**

| | **2007** | 2006 | 2005 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Experience gains and losses on scheme liabilities | | | |
| amount (£) | **(38)** | (10) | 8 |
| percentage of the present value of the scheme liabilities (%) | **3 75** | 1 00 | 0 73 |
| Total amount recognised in STRGL | | | |
| amount (£) | **50** | 65 | (168) |
| percentage of the present value of the scheme liabilities (%) | **4.93** | 6 64 | 15 76 |

## 33 EQUITY-SETTLED SHARE OPTION PLAN

**Year ended 31 December 2007**

Included within Note 3 is an accounting charge arising from the equity-settled share option plan amounting to £45,000 The group operates a share option scheme for certain of its employees with vesting conditions based on specified performance criteria and certain other conditions The conditions are such that the vesting periods and exercise periods are not fixed The share options have a maximum life of 10 years from the date of grant

None of the share options were exercisable during the period

The movements during the year in numbers and weighted average exercise price are as follows

| | 2007 Number outstanding No | 2007 Weighted average exercise price £ |
|---|---|---|
| As at 1 January 2007 | - | - |
| Granted during the year | 100,032,775 | £0 0517 |
| Exercised | - | - |
| Lapsed | - | - |
| As at 31 December 2007 | 100,032,775 | £0 0517 |

The fair value of the options at the date of grant has been measured by the use of the Black-Scholes valuation model The Monte Carlo method has been adopted in order to determine the expected level of vesting

The following assumptions were used to value the equity-settled options

| | 2007 |
|---|---|
| Dividend yield | Nil |
| Expected volatility | 30% |
| Risk free interest rate | 6 0% |
| Expected life of option (years) | 4 5 years |
| Market value at date of grant | £0 05 |
| Exercise price | £0 09/£0 05 |

## 33 EQUITY-SETTLED SHARE OPTION PLAN (continued)

**Year ended 31 December 2006**

Included within note 3 is an accounting charge arising from the equity-settled share option plan amounting to £458,700 The group operated a share option scheme for certain of its employees with vesting conditions based on specified performance criteria and other conditions During 2006 all of the option contracts vested As at 31 December 2006 there were no option contracts in existence

| | Maximum number of shares under option |
|---|---|
| As at 1 January 2006 | 58,912,670 |
| Granted during the year | 25,354,663 |
| Exercised | (66,335,283) |
| Lapsed | (17,932,050) |
| As at 31 December 2006 | - |

The exercise price of all the options which were exercised during the year was £0 01 except for options over 11,394,186 shares which were held by USA employees for those employees the exercise price was £0 04

The fair value of the options at the date of grant was measured by the use of the Black-Scholes valuation model The Monte Carlo method was adopted in order to determine the expected level of vesting

The following assumptions were used to value the equity settled options

| | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|
| Dividend yield | 1% | 1% | 1% | 1% |
| Expected volatility | 43 2% | 38 3% | 33 1% | 33 1% |
| Risk free interest rate | 5 2% | 4 5% | 4 9% | 4 9% |
| Expected life of option (years) | 3 5 | 2 5 | 1 75 | 1 75 |
| Share price at grant | £0 01 | £0 022 | £0 04 | £0 04 |
| Exercise price | £0 01 | £0 01 | £0 01/£0 04 | £0 01/£0 04 |

## 34 POST BALANCE SHEET EVENTS

In February 2008 the group acquired an 80% interest in Fluke Engenharia Limitada, a Brazilian company specialising in the manufacturing and service of mooring equipment for the offshore oil and gas industry

## 35 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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