Acteon Group Limited

Directors' report and financial statements

Registered number 4231212

31 December 2009

Contents

Directors' report and business review

The directors submit their report and the consolidated financial statements for the year ended 31 December 2009

Results and dividends

The profit for the year, after taxation, amounted to **£24,046,000** (*2008 £26,058,000*) No dividend is to be recommended in respect of 2009 (*2008 £nil*)

Principal activity

Acteon Group Limited is the holding company for a global subsea 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 a number of well-known brands in the industry, 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 1,750 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 exploration, through development, operations, maintenance and 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 foundations and moorings, risers, conductors and pipeline, and subsea electronics, all supported by activity management

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 and renewables 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 It offers sale, rental and management of mooring equipment The company also offers mobile offshore drilling rig relocation services

2H Offshore focuses on shallow and 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

InterMoor Marine Services (formerly 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 pipe and umbilical lay

Seatronics specialises in the provision of marine based electronic equipment rental

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 and contractors 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 exploration, design, build, installation, integrity management and decommissioning

Financial performance

The Group's financial performance in 2009 reflected the impact of prevailing oil prices being considerably lower than had been the case during 2007 and 2008, and also of difficulties in credit markets impacting on the investment plans of many of its clients Despite these negative impacts, the Group's trading performance was satisfactory – with turnover down 7% (to £287 9m) and profit for the year down 8% (to £24 0m) The Group responded decisively to the deterioration in trading conditions by making adjustments to its fixed cost base and by optimising cash by significantly reducing capital expenditure and by focusing very strongly on working capital performance As a result of these measures, net debt declined significantly during the period

The financial performance of the Group for 2009, compared with 2008, can be summarised as follows

	2009	**2008**	**Decrease**
	£'000	**£'000**	**%**
Group Turnover	**287,936**	309,154	7%
Profit for the year	**24,046**	26,058	8%

Key Performance Indicators

Further key performance indicators pertinent to the Group are shown below

	2009	2008
Financial		
Gross Margin % of revenues	**28.3%**	30 7%
Net book value of fixed assets (£000s)	**126,102**	131,032
Non-financial		
Average number of employees	**1,781**	1,595

The increase in the average number of employees has arisen partly from the impact of acquisitions part-way through 2008 and partly from the net impact of higher 2009 activity levels in the more labour intensive businesses in the group including manpower

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

Activity levels in the Group and amongst its clients declined during 2009, as a result of materially lower prevailing oil prices Since mid-2009, however, oil prices have increased significantly and, at the time this report was prepared, were in the $65 to $80 per barrel range The directors believe that this level of prevailing oil price, and its stability, along with sufficiently open credit markets, provide a good basis for increased levels of demand for the Group's products and services and anticipate that Acteon will be able to capitalise on this, having largely maintained its asset base and skilled workforce during 2009 and into 2010

Going concern

At the balance sheet date the Group has both liquid assets of £80 8m and undrawn facilities of £43 0m in addition to reasonable 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 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 continues to believe in the importance of investing in innovation and in the development of its products and services, in order to achieve technical success and to improve project economics During the year Acteon has continued to invest in several areas of its business, with developments in underwater remote welding equipment, enhancements in passive heave-compensation devices and the successful implementation of shrink-fit flange joints for riser systems

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 K Quake (USA) – appointed 2 December 2009
J R Edwards (USA) – resigned 2 December 2009

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

R C Higham
Director

18 March 2010

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period 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 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and 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 2006 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

KPMG

Independent auditors' report to the members of Acteon Group Limited

We have audited the financial statements of Acteon Group Limited for the year ended 31 December 2009 set out on pages 7 to 59 The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' 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
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

D MacAskill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

18 March 2010

Consolidated Income Statement
for year ended 31 December 2009

	Note	2009 £000	2008 £000
Revenue	6	**287,936**	309,154
Cost of sales		**(206,587)**	(214,322)
Gross profit		**81,349**	94,832
Other income	7	**-**	118
Other administrative expenses		**(46,436)**	(43,397)
Profit from operating activities		**34,913**	51,553
Finance income		**4,564**	2,416
Finance expense		**(7,348)**	(19,364)
Net finance expense	11	**(2,784)**	(16,948)
Profit before income tax		**32,129**	34,605
Income tax expense	12	**(8,083)**	(8,547)
Profit for the year		**24,046**	26,058
Attributable to:			
Equity holders of the parent		**24,077**	26,022
Minority interest		**(31)**	36
Profit for the year		**24,046**	26,058

The notes on pages 12 to 50 are an integral part of these consolidated financial statements

Movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 10

Revenue and profit from operating activities in the current and previous years arose wholly from continuing operations

Consolidated Statement of Recognised Income and Expense

for year ended 31 December 2009

	Note	2009	2008
		£000	£000
Profit for the year		**24,046**	26,058
Translation of foreign currency net investments		**(5,825)**	17,688
Defined benefit plan actuarial (losses)/gains	*23*	**(42)**	32
Income tax on income and expense recognised directly in equity		**(47)**	47
Income and expense recognised directly in equity		**(5,914)**	17,767
Total recognised income and expense for the year		**18,132**	43,825
Attributable to:			
Equity holders of the Company		**18,163**	43,789
Minority interest		**(31)**	36
Total recognised income and expense for the year		**18,132**	43,825

The notes on pages 12 to 50 are an integral part of these consolidated financial statements

Consolidated Balance Sheet
at 31 December 2009

	Note	2009 £000	2008 £000
Non-current assets			
Property, plant and equipment	*14*	**126,102**	131,032
Intangible assets	*15*	**127,053**	131,745
Deferred income tax assets	*16*	**3,463**	1,393
Total non-current assets		**256,618**	264,170
Current assets			
Inventories	*17*	**19,914**	16,165
Trade and other receivables	*18*	**68,616**	102,527
Cash and cash equivalents		**80,821**	42,562
Total current assets		**169,351**	161,254
Total assets		**425,969**	425,424
Equity			
Share capital	*19*	**11,453**	11,453
Share premium	*20*	**9,907**	9,907
Foreign currency translation reserve	*20*	**11,618**	17,443
Capital redemption reserve	*20*	**1,154**	1,154
Retained earnings	*20*	**82,788**	58,574
Total equity attributable to equity holders of the Company		**116,920**	98,531
Minority interest		**2,649**	2,680
Total equity		**119,569**	101,211
Non-current liabilities			
Loans and borrowings	*21*	**213,368**	236,782
Other creditors	*22*	**4,558**	4,837
Employee benefits	*23*	**1,225**	1,302
Deferred income tax liabilities	*16*	**19,523**	21,781
Total non-current liabilities		**238,674**	264,702
Current liabilities			
Loans and borrowings	*21*	**19,806**	617
Trade and other payables	*25*	**45,606**	57,779
Current income tax liabilities		**2,314**	1,115
Total current liabilities		**67,726**	59,511
Total liabilities		**306,400**	324,213
Total equity and liabilities		**425,969**	425,424

These financial statements were approved by the board of directors on 18 March 2010 and were signed on its behalf by

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

The notes on pages 12 to 50 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity
for year ended 31 December 2009

	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 2008	11,453	9,907	(245)	1,154	32,265	54,534	784	55,318
Profit for the year	-	-	-	-	26,022	26,022	36	26,058
Income and expense recognised directly in equity								
Foreign currency translation difference	-	-	17,688	-	-	17,688	-	17,688
Defined benefit plan actuarial gains	-	-	-	-	32	32	-	32
Income tax on income and expense recognised directly in equity	-	-	-	-	47	47	-	47
Total income and expense recognised directly in equity	-	-	17,688	-	79	17,767	-	17,767
Acquired via acquisitions (note 5)	-	-	-	-	-	-	1,860	1,860
Amortisation of share-based payments (note 24)	-	-	-	-	208	208	-	208
Balance at 31 December 2008	11,453	9,907	17,443	1,154	58,574	98,531	2,680	101,211
Profit for the year	-	-	-	-	24,077	24,077	(31)	24,046
Income and expense recognised directly in equity								
Foreign currency translation difference	-	-	(5,825)	-	-	(5,825)	-	(5,825)
Defined benefit plan actuarial losses	-	-	-	-	(42)	(42)	-	(42)
Income tax on income and expense recognised directly in equity	-	-	-	-	(47)	(47)	-	(47)
Total income and expense recognised directly in equity	-	-	(5,825)	-	(89)	(5,914)	-	(5,914)
Amortisation of share-based payments (note 24)	-	-	-	-	226	226	-	226
Balance at 31 December 2009	**11,453**	**9,907**	**11,618**	**1,154**	**82,788**	**116,920**	**2,649**	**119,569**

The notes on pages 12 to 50 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flow
for year ended 31 December 2009

	Note	**2009**	2008
		£000	£000
Cash flow from operating activities			
Profit for the year		**24,046**	26,058
Adjustments for			
Gain on sale of property, plant and equipment		**(737)**	(694)
Depreciation of property, plant and equipment	*14*	**20,074**	16,956
Amortisation of intangible assets	*15*	**4,694**	4,545
Equity-settled share-based payment transactions	*24*	**226**	208
Net finance expense	*11*	**2,784**	16,948
Income tax expense	*12*	**8,083**	8,547
		59,170	72,568
Change in inventories		**(3,910)**	(5,682)
Change in trade and other receivables		**30,136**	(15,506)
Change in trade and other payables		**(10,514)**	8,152
Change in provisions and employee benefits		**13**	(38)
Cash generated from operating activities		**74,895**	59,494
Interest paid		**(6,828)**	(20,131)
Income tax paid		**(8,558)**	(8,680)
Net cash from operating activities		**59,509**	30,683
Cash flows from investing activities			
Interest received		**1,307**	2,416
Proceeds from sale of property, plant and equipment		**5,493**	7,806
Acquisition of subsidiary, net of cash acquired	*5*	**-**	(18,162)
Purchase of property, plant and equipment	*14*	**(24,862)**	(41,236)
Purchase of intangible assets	*15*	**(252)**	(532)
Net cash used in investing activities		**(18,314)**	(49,708)
Cash flow from financing activities			
Proceeds of new borrowings		**-**	49,500
Payment of transaction costs		**-**	(447)
Repayment of borrowings		**-**	(510)
Payment of finance lease liabilities		**(637)**	(859)
Net cash (used in)/from financing activities		**(637)**	47,684
Net increase in cash and cash equivalents		**40,558**	28,659
Cash and cash equivalents at 1 January		**42,562**	7,432
Effect of exchange rate fluctuations on cash held		**(2,299)**	6,471
Cash and cash equivalents at 31 December		**80,821**	42,562

The notes on pages 12 to 50 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 2009 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 52 to 59

2 Basis of preparation of financial statements

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") The parent company financial statements present information about the Company as a separate entity and not about its group

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS") The Company has elected to prepare its parent company financial statements in accordance with UK GAAP

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS and were approved by the Board of Directors on 18 March 2010

(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 Any 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 5 – business combinations

Note 15 – measurement of the recoverable amounts relating to cash-generating units containing goodwill

Note 26 – 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

(iii) Long term contracts

Turnover and profits on long term contracts are recognised in accordance with the stage of a contract's completion when the outcome of the contract can be estimated reliably Full provision is made for any anticipated losses

Notes *(continued)*

Accounting policies *(continued)*

Intangible fixed assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. The goodwill in relation to acquisitions prior to the Group's IFRS transition date remains frozen as reported at 31 December 2005 under UK GAAP, but is subject to an annual impairment review

Acquisitions subsequent to the IFRS 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 IFRS transition date, such differences have been recognised in a separate foreign currency translation reserve (FCTR) in the consolidated balance sheet

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 IFRS 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 IFRS 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 124 participants Of these, 5 participate in a final salary scheme and the remaining 119 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 24

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 standard which is only effective for periods commencing on or after 1 January 2010

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 26

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

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 26

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 2009 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

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 actual and projected performance against a suite of bank covenants

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

5 Acquisitions of subsidiaries and minority interests

Acquisitions 2009

There were no acquisitions in 2009

Notes *(continued)*

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

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)*

5 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 Revenue

	2009	2008
	£000	£000
Sale of goods	**65,543**	70,509
Rendering of services	**222,393**	238,645
Total revenues	**287,936**	309,154

7 Other income

	2009	2008
	£000	£000
Net gain on sale of property, plant and equipment	**-**	118
Total other income	**-**	118

Notes *(continued)*

8 Expenses and auditors' remuneration

	2009 £000	2008 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets		
Owned	**19,789**	16,541
Leased	**285**	415
Amortisation of intangibles	**4,694**	4,545
Hire of plant and machinery - rentals payable under operating leases	**812**	665
Hire of other assets - operating leases	**2,894**	2,645
Compensation from third parties for property, plant and equipment lost or given up	**(2,231)**	(404)
Research and development expenditure	**1,812**	2,412

	2009 £000	2008 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company's accounts	**55**	50
Fees payable to the Company's auditors and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	**311**	188
Other services relating to taxation	**118**	119
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
All other services	**20**	280

Notes *(continued)*

9 Remuneration of directors

	2009 £000	2008 £000
Directors' emoluments	**535**	760
Company contributions to money purchase pension schemes	**11**	11

The aggregate of emoluments of the highest paid director was £295,000 *(2008 £420,000)* Company pension contributions of £6,000 *(2008 £6,000)* were made to a money purchase scheme on his behalf

	Number of directors 2009	2008
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	**2**	2
The number of directors who exercised share options was	-	-

10 Personnel expenses and employee numbers

The average number of employees during each year was as follows

	Number of employees 2009	2008
Directors of Acteon Group Limited	**2**	2
Technical and administration	**1,779**	1,593
	1,781	1,595

	2009 £000	2008 £000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	**61,175**	54,785
Social security costs	**7,300**	4,779
Contributions to defined contribution plans	**2,472**	2,211
Expenses related to defined benefit plans	**13**	13
Equity settled share based payment transactions	**226**	208
	71,186	61,996

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

Notes *(continued)*

11 Finance income and expense

Recognised in profit or loss

	2009 £000	2008 £000
Interest income on bank deposits	(1,307)	(2,416)
Foreign exchange gains	(3,257)	-
Finance income	**(4,564)**	(2,416)
Foreign exchange losses	-	304
Interest payable on bank borrowings	6,765	18,449
Amortisation of finance raising costs	499	458
Finance charges under finance lease and hire purchase contracts	16	82
Interest on employee benefit obligations	68	71
Finance expense	**7,348**	19,364
Net finance expense recognised in profit or loss	**2,784**	16,948

	2009 £000	2008 £000
Recognised directly in equity		
Translation of foreign currency net investments	(5,825)	17,688
Income tax on income and expense recognised directly in equity	(47)	47
Finance (expense)/income recognised directly in equity, net of tax	(5,872)	17,735

All finance (expense)/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)*

12 Income tax expense

	2009 £000	2008 £000
Current tax expense		
Corporation tax on UK profits for year	**3,991**	1,346
Adjustment for prior periods	**(863)**	(309)
Foreign tax - current	**3,639**	3,467
Foreign tax – adjustments in respect of prior periods	**4,287**	136
	11,054	4,640
Deferred tax expense		
Origination and (reversal) of temporary differences	**(1,033)**	4,069
Adjustments for prior periods	**(1,938)**	(162)
	(2,971)	3,907
Total income tax expense	**8,083**	8,547

Reconciliation of effective tax rate

	2009 £000	2008 £000
Profit for the year	**24,046**	26,058
Total income tax expense	**8,083**	8,547
Profit excluding income tax	**32,129**	34,605
Income tax using the Company's domestic tax rate (28%, *2008 28 5%**)	**8,996**	9,862
Non-deductible expenses	**531**	191
Unrelieved foreign taxes and franchise taxes paid in the USA	**1,289**	694
Differences between local tax rates and UK standard rate	**(4,219)**	(1,865)
Adjustment for prior periods	**1,486**	(335)
	8,083	8,547

* 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 *(contınued)*

12 Income tax expense *(contınued)*

	2009	2008
Income tax usıng the Company's domestıc (UK) tax rate	**28.0%**	28 5%
Varıatıon ın tax rate		
Non-deductıble expenses	**1.7%**	0 6%
Unrelıeved foreıgn taxes and franchıse taxes paıd ın the USA	**4.0%**	2 0%
Dıfferences between local tax rates and UK standard rate	**(13.1%)**	(5 4%)
Adjustment for prıor perıods	**4.6%**	(1 0%)
	25.2%	24 7%

Income tax recognısed directly ın equıty

	2009 £000	2008 £000
Relatıng to share based payments	**(47)**	47
Total ıncome tax recognısed dırectly ın equıty	**(47)**	47

13 Profit for the financial year

The profit dealt wıth ın the accounts of the parent company was £6,373,000 *(2008 £23,081,000)* The balance sheet of the parent company can be found on page 52

Notes *(continued)*

14 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 2008		8,910	93,939	1,569	104,418
Additions		918	35,195	6,903	43,016
Arising on acquisition	*5*	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
Additions		809	15,073	7,257	23,139
Transfer on completion		5,473	7,852	(13,325)	-
Disposals		(93)	(15,961)	-	(16,054)
Exchange movements		317	(7,028)	-	(6,711)
Balance at 31 December 2009		**25,862**	**146,545**	**835**	**173,242**

Notes *(continued)*

14 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 2008	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
Depreciation for the year	629	19,445	-	20,074
Disposals	(84)	(11,333)	-	(11,417)
Exchange movements	(80)	(3,273)	-	(3,353)
Balance at 31 December 2009	**1,215**	**45,925**	**-**	**47,140**
Carrying amounts				
At 31 December 2008	18,606	105,523	6,903	131,032
At 31 December 2009	**24,647**	**100,620**	**835**	**126,102**

The net carrying amount of land, buildings and leasehold improvements comprises

	2009 £000	2008 £000
Freehold land and buildings	**16,067**	9,220
Long leaseholds	**262**	247
Short leaseholds	**7,438**	8,416
Leasehold improvements	**880**	723
	24,647	18,606

Leased plant and machinery

The Group leases equipment under a number of finance lease agreements At 31 December 2009 the net carrying amount of leased plant and machinery was £1,122,000 (*2008 £2,208,000*)

Security

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

Cashflow

The gross additions to property, plant and equipment of £23,139,000 in 2009 *(2008 £43,016,000)* have been adjusted by the value of capital creditors outstanding at 31 December 2009 to derive the amount for inclusion in the cashflow for the purchase of property, plant and equipment

Notes *(continued)*

15 Intangible assets

	Goodwill £000	Customer lists £000	Order books £000	Software £000	Total £000
Cost					
Balance at 1 January 2008	83,368	34,840	2,757	1,788	122,753
Additions	-	-	-	532	532
Additions arising on acquisition (note 5)	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
Additions	136	-	-	252	388
Disposals	-	-	-	(66)	(66)
Exchange movements	(325)	-	-	(133)	(458)
Balance at 31 December 2009	**95,515**	**41,540**	**2,957**	**2,720**	**142,732**

	Goodwill £000	Customer lists £000	Order books £000	Software £000	Total £000
Amortisation and impairment losses					
Balance at 1 January 2008	-	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
Amortisation for the year	-	4,154	-	540	4,694
Disposals	-	-	-	(51)	(51)
Exchange movements	-	-	-	(87)	(87)
Balance at 31 December 2009	-	**10,820**	**2,957**	**1,902**	**15,679**
Carrying amounts					
At 31 December 2008	95,704	34,874	-	1,167	131,745
At 31 December 2009	**95,515**	**30,720**	-	**818**	**127,053**

Amortisation and impairment charge

Amortisation is allocated to administrative expenses

Customer lists represent the value associated with the customer base of subsidiaries acquired since 1 January 2006 The principal carrying amount at 31 December 2009 represents Seatronics Limited's customer list totalling £11,765,000 (*2008 £13,443,000*) which has a remaining amortisation period of 7 years 6 months (*2008 8 years 6 months*)

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

The goodwill addition in 2009 represents the increase in the contingent consideration for the acquisition of Cape Group (See note 5) assessed at the balance sheet date

Notes *(continued)*

15 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

	2009 £000	2008 £000
High capital intensity units		
Seatronics	**43,280**	43,280
InterMoor Ltd (Formerly International Mooring Systems and Chain Corporation)	**12,694**	12,694
Other capital-intensive acquisitions	**16,132**	15,996
	72,106	71,970
Low capital intensity units		
UWG sub-group (UWG Ltd, Claxton Engineering Services and 2H Group)	**11,751**	11,751
Other low capital intensity acquisitions	**11,658**	11,983
	23,409	23,734
Total goodwill	**95,515**	95,704

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 The exception to this is InterMoor Ltd, where the average growth rate for this period is expected to be higher due to the short-term fall in activity budgeted in year one as a result of the current economic climate For the terminal value calculation no terminal growth has been assumed The key inputs to this calculation are shown below

	As at 31 December 2009	As at 31 December 2008
Period on which management approved forecasts are based	**1 Year**	1 Year
Growth rate applied for years two to five	**3 0% to 6.0%**	3 0% to 6 0%
Growth rate applied for years two to five (InterMoor Ltd)	**12.8%**	3 0%
Pre-tax discount rate	**14.0%**	15 0%

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 31 December 2008 and 31 December 2009 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)*

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as

	Assets		Liabilities	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Property, plant and equipment	-	-	**10,408**	11,447
Intangible assets	-	-	**8,732**	9,984
Retirement benefit obligations	**(27)**	(27)	-	-
Provisions / accruals	**(580)**	(556)	-	-
Inventories	-	(15)	-	-
Other items	-	(146)	**383**	350
Share based payments	**(62)**	(123)	-	-
Tax losses carried forward	**(2,794)**	(526)	-	-
Deferred tax (assets)/liabilities	**(3,463)**	(1,393)	**19,523**	21,781
Net deferred tax liabilities			**16,060**	20,388

The group has recognised deferred tax assets in respect of losses carried forward on the basis that they will be used to offset future taxable profits

Deferred tax impact of movements in temporary differences during the year - 2009

	Balance 1 January 2009 £000	Foreign exchange £000	Recognised in income statement £000	Recognised in equity £000	Acquired in business combinations £000	Balance 31 December 2009 £000
Property, plant and equipment	11,447	(1,466)	427	-	-	**10,408**
Intangible assets	9,984	-	(1,252)	-	-	**8,732**
Retirement benefit obligations	(27)	4	(4)	-	-	**(27)**
Provisions / accruals	(556)	37	(61)	-	-	**(580)**
Inventories	(15)	1	14	-	-	**-**
Share based payments	(123)	-	14	47	-	**(62)**
Tax losses carried forward	(526)	35	(2,303)	-	-	**(2,794)**
Other items	204	(15)	194	-	-	**383**
	20,388	(1,404)	(2,971)	47	-	**16,060**

Notes *(continued)*

16 Deferred tax assets and liabilities *(continued)*

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

	Balance 1 January 2008 £000	Foreign exchange £000	Recognised in income statement £000	Recognised in equity £000	Acquired in business combinations £000	Balance 31 December 2008 £000
Property, plant and equipment	4,366	1,194	4,970	-	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	1,003	3,907	(47)	3,071	20,388

17 Inventories

	2009 £000	2008 £000
Raw materials and consumables	**2,106**	1,774
Work in progress	**12,963**	9,853
Finished goods	**6,142**	6,247
Payments on account	**(1,297)**	(1,709)
	19,914	16,165

In 2009 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £23,251,000 *(2008 £19,525,000)*

18 Trade and other receivables

	2009 £000	2008 £000
Trade debtors	**58,420**	92,029
Other debtors	**7,726**	8,150
Prepayments	**2,470**	2,348
	68,616	102,527

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 26

Notes *(continued)*

19 Share capital

	Authorised		Allotted, called up and fully paid	
	No'000	£000	No'000	£000
At 31 December 2008 and 2009				
"A' ordinary shares of £0 01 each	915,037	9,151	590,038	5,900
'B ordinary shares of £0 01 each	595,129	5,951	481,239	4,813
'C' ordinary shares of £0 01 each	328,037	3,280	74,053	740
	1,838,203	**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

20 Capital and reserves

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

21 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 26

	2009 £000	2008 £000
Non-current liabilities		
Secured bank loans	**213,368**	236,646
Finance lease liabilities	**-**	136
	213,368	236,782
Current liabilities		
Secured bank loans	**19,690**	-
Finance lease liabilities	**116**	617
	19,806	617
Total loans and borrowings	**233,174**	237,399

Notes *(continued)*

21 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 2009 Face value	31 December 2009 Carrying amount*	31 December 2008 Face value	31 December 2008 Carrying amount*
				£000	£000	£000	£000
Secured bank loan	Sterling	Libor + 0 85% - 2 7%	2014	**194,500**	**192,643**	194,500	192,271
Secured bank loan	US Dollar	Libor + 0 85% - 2 7%	2014	**40,804**	**40,415**	44,890	44,375
Finance lease liabilities	Sterling	3 7-7 0%	2010	**116**	**116**	753	753
Total interest-bearing liabilities				**235,420**	**233,174**	240,143	237,399

* 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 2009	Interest 2009	Present value of minimum lease payments 2009	Future Minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008
	£000	£000	£000	£000	£000	£000
Less than one year	**122**	**6**	**116**	415	48	367
Between one and five years	-	-	-	415	29	386
	122	**6**	**116**	830	77	753

Notes *(continued)*

22 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

23 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

		2009 £000	2008 £000
(i)	In respect of the Group's defined contribution schemes		
	- UK	**597**	503
	- Overseas	**1,875**	1,708
		2,472	2,211
(ii)	In respect of the Group's defined benefit scheme	**13**	13

Disclosure relating to the Group's defined benefit obligations

	2009 £000	2008 £000
Total present value of unfunded obligations recognised as a liability	**1,225**	1,302

Notes *(continued)*

23 Employee benefits *(continued)*

Movement in the present value of the defined benefit obligations

	2009 £000	2008 £000
Defined benefit obligations at 1 January	(1,302)	(1,014)
Benefits paid by the plan	100	90
Current service costs	(13)	(13)
Interest cost	(68)	(71)
Actuarial (loss)/gain recognised in equity (see below)	(42)	32
Exchange rate movements on retranslation	100	(326)
Defined benefit obligations at 31 December	(1,225)	(1,302)

Expense recognised in profit or loss

	2009 £000	2008 £000
Current service costs	(13)	(13)
Interest on obligation	(68)	(71)
Total	(81)	(84)

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

	2009 £000	2008 £000
Cumulative amount at 1 January	147	115
Recognised during the period	(42)	32
Cumulative amount at 31 December	105	147

Actuarial assumptions

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

	2009 %	2008 %
Discount rate	5.6	5 85
Future salary increases	-	-
Staff turnover	1.0	1 0
Future pension increases	1.0	1 0

Historical information

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of the defined benefit obligation	(1,225)	(1,302)	(1,014)	(978)	(1,066)
Deficit in the plan	(1,225)	(1,302)	(1,014)	(978)	(1,066)
Experience adjustments arising on plan liabilities	(13)	(11)	(38)	(10)	(8)

The scheme is an unfunded scheme and the Group expects to pay £104,000 in plan benefits during 2010 This will settle the liabilities as they fall due

Notes *(continued)*

24 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, September 2008 and September 2009 Options are exercisable at the market value of shares at the date of grant

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
September 2009	2,237	Takeover/sale/IPO	10 years

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

	Weighted average exercise price 2009	**Number of options 2009**	Weighted average exercise price 2008	Number of options 2008
Outstanding at 1 January	**6.73p**	**135,450,417**	5 17p	100,032,775
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Granted during the year	**8.30p**	**2,236,700**	11 11p	35,417,642
Outstanding at 31 December	**6.76p**	**137,687,117**	6 73p	135,450,417
Exercisable at 31 December	**nil**	**nil**	nil	nil

The options outstanding at 31 December 2009 have an exercise price in the range of 5p to 17p and a weighted average contractual life of 8 years *(2008 9 years)*

No share options were exercised in 2009 or 2008

Notes *(continued)*

24 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

	September 2009	September 2008	September 2007
Number of options granted	2,236,700	35,417,642	100,032,775
Exercise price	£0 06/£0 106	£0 11 /£0 17	£0 05/£0 09
Expected volatility	45%	35%	30%
Dividend yield	Nil	Nil	Nil
Option life (expected weighted average life) in years	3 25	2 25	4 5
Risk free interest rate (based on government bond)	2 0%	4 4%	6 0%
Fair value of options	£5,715	£161,000	£409,000

Employee expenses

	2009 **£000**	2008 £000
Share options granted in 2007	**136**	136
Share options granted in 2008	**89**	72
Share options granted in 2009	**1**	-
Total expense recognised as employee costs	**226**	208

25 Trade and other payables

	2009 **£000**	2008 £000
Trade creditors	**15,540**	25,317
Other tax and social security	**3,221**	2,949
Other creditors	**8,311**	6,687
Accruals and deferred income	**18,534**	22,826
	45,606	57,779

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26

Notes *(continued)*

26 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	
	2009	2008
	£000	£000
Trade and other receivables	**68,616**	102,527
Cash and cash equivalents	**80,821**	42,562
	149,437	145,089

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

	Carrying amount	
	2009	2008
	000	000
Sterling	**28,788**	45,597
US dollars	**27,128**	45,993
Euros	**4,879**	6,459
Brazilian real	**12,518**	13,869
Singapore dollars	**3,275**	4,992
Qatari real	**7,828**	9,046

Notes *(continued)*

26 Financial instruments *(continued)*

Impairment losses

The aging of trade receivables at the reporting date was

	Gross 2009 £000	Provision for impairment 2009 £000	Gross 2008 £000	Provision for impairment 2008 £000
Not overdue	**37,446**	**-**	44,859	-
0-30 days past due	**12,437**	**-**	20,378	-
31-90 days past due	**4,444**	**-**	13,781	-
Over 91 days past due	**11,059**	**6,966**	18,267	5,256
	65,386	**6,966**	97,285	5,256
Net value of trade receivables		**58,420**		92,029

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

	2009 £000	2008 £000
Balance at 1 January	**5,256**	2,036
Impairment loss recognised	**1,710**	3,220
Balance at 31 December	**6,966**	5,256

The impairment loss at 31 December 2009 relating to provisions against the recoverability of amounts on specific contracts totals £6,248,000 *(2008 £5,256,000)*

Notes *(continued)*

26 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

2009	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	**233,058**	**253,881**	**15,122**	**9,885**	**23,307**	**205,567**	-
Finance lease liabilities	**116**	**122**	**61**	**61**	-	-	-
Trade and other payables	**45,606**	**45,606**	**45,606**	-	-	-	-
	278,780	**299,609**	**60,789**	**9,946**	**23,307**	**205,567**	-
2008							
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

Notes *(continued)*

26 Financial instruments *(continued)*

Exposure to currency risk

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

31 December 2009

	USD	Euro	GBP
Trade receivables	27,128	4,879	28,788
Cash and cash equivalents	39,571	(4,021)	61,731
Secured bank loans	(65,000)	-	(194,500)
Trade payables	(4,560)	(1,731)	(9,024)
Gross balance sheet exposure	(2,861)	(873)	(113,005)

31 December 2008

	USD	Euro	GBP
Trade receivables	45,993	6,459	45,597
Cash and cash equivalents	37,125	2,351	13,900
Secured bank loans	(65,000)	-	(194,500)
Trade payables	(7,327)	(4,078)	(11,559)
Gross balance sheet exposure	10,791	4,732	(146,562)

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rate	
	2009	2008	**2009**	2008
	£	£	**£**	£
Euro	**1.1227**	1 2501	**1 1110**	1 0270
USD	**1.5651**	1 8530	**1.5930**	1 4480

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 2008

Impact in £000	**Balance sheet (Equity)**	**Income Statement (Profit after tax)**
31 December 2009		
Euro	**(1,468)**	**(319)**
USD	**(1,670)**	**(367)**
31 December 2008		
Euro	(1,242)	(239)
USD	(2,342)	(707)

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)*

26 Financial instruments *(continued)*

Interest rate risk

Profile

	Carrying amount 2009 £000	2008 £000
Fixed rate instruments		
Financial liabilities at 31 December	**116**	753
Variable rate instruments		
Financial liabilities at 31 December	**233,058**	236,646

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 2008

Impact in £000	**Income Statement (Profit) 100 bp increase**	**100 bp decrease**	**Balance Sheet (Equity) 100 bp increase**	**100 bp decrease**
31 December 2009				
Variable rate instruments	**(2,349)**	**2,349**	**2,349**	**(2,349)**
Cash flow sensitivity	**(2,349)**	**2,349**	**2,349**	**(2,349)**
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)

Notes *(contınued)*

26 Financıal ınstruments *(contınued)*

Faır values

Faır values versus carryıng amounts

The faır values of financıal assets and lıabılıtıes, together wıth the carryıng amounts shown ın the balance sheet, are as follows

	2009		2008	
	Carryıng amount £000	**Faır value £000**	Carryıng amount £000	Faır value £000
Trade and other receıvables	**68,616**	**68,616**	102,527	102,527
Cash and cash equıvalents	**80,821**	**80,821**	42,562	42,562
Secured bank loans	**(233,058)**	**(217,457)**	(236,646)	(190,015)
Fınance lease lıabılıtıes	**(116)**	**(111)**	(753)	(679)
Trade and other payables	**(45,606)**	**(45,606)**	(57,779)	(57,779)
	(129,343)	**(113,737)**	(150,089)	(103,384)

The faır values of borrowıngs have been calculated by dıscountıng expected future cash flows at prevaılıng ınterest rates

Interest rates used for determınıng faır value

The ınterest rates used to dıscount estımated cash flows, where applıcable, are based on the rates applıcable to the borrowıngs at the relevant balance sheet date, and were as follows

	2009 £000	2008 £000
Loans and borrowıngs	**2.1%**	4 3%
Leases	**3.7%**	7 0%

27 Operatıng leases

Total amounts payable ın relatıon to non-cancellable operatıng lease arrangements are, for the unexpıred perıods of such leases, as follows

	Land and buildıngs		Other	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Unexpıred perıod of the lease				
Less than one year	**403**	493	**509**	296
Between one and five years	**5,070**	4,755	**775**	1,233
More than five years	**6,835**	13,530	**-**	-
	12,308	18,778	**1,284**	1,529

Operatıng leases consıst maınly of property leases for buıldıngs and storage sıtes occupıed by the Group

Notes *(contιnued)*

28 Capital commιtments

At 31 December 2009 the Group had entered ιnto contracts to purchase property, plant and equιpment totallιng £938,000 *(2008 £10,053,000)* ιn respect of whιch delιvery and settlement was expected to take place ιn the followιng financιal year

29 Contιngent liabilιtιes

The Group may, from tιme to tιme, be subject to claιms or proceedιngs ιn the normal course of busιness Whιle there can be no assurances the dιrectors belιeve, based on the ιnformatιon currently avaιlable to them, the lιkelιhood of a materιal outflow of economιc benefit ιs remote

30 Parent and ultιmate controllιng party

The Group ιs controlled by FR Acteon Holdιngs Lιmιted, a company ιncorporated ιn the Cayman Islands

The Group's ultιmate parent company and ultιmate controllιng party ιs FR X Offshore GP Lιmιted, a company ιncorporated ιn the Cayman Islands

31 Related partιes

(a) Transactιons wιth key management personnel

(ι) Key management personnel compensatιon

Key management comprιses executιve dιrectors and members of the Group Management Commιttee In addιtιon to theιr salarιes, the Group also provιdes non-cash benefits and contrιbutes to a post-employment defined contrιbutιon plan on theιr behalf

Key management personnel also partιcιpate ιn the Group's share optιon programme (note 24)

Key management personnel compensatιon comprιsed

	2009	2008
	£000	£000
Short term employee benefits	**1,345**	1,846
Post-employment benefits	**19**	26
Share-based payments	**180**	169
Total	**1,544**	2,041
Of whιch outstandιng at the year end	**22**	549

(ιι) Key management personnel and dιrector transactιons

BHHM pensιon scheme

The Group had transactιons wιth BHHM Pensιon Scheme, an entιty assocιated by common dιrectors/trustees as follows

Rent charged by BHHM Pensιon Scheme amounted to £286,000 *(2008 £285,000)* The amount owιng to BHHM Pensιon Scheme at 31 December 2009 was £nιl *(2008 £nιl)*

Dιrectors' shareholdιngs

Dιrectors of the Company control 28 03% of the votιng shares of the Company

Notes *(continued)*

31 **Related parties** *(continued)*

(b) Post-employment benefit plans

The Group operates a post-employment benefit plan as detailed in note 23

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	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Defined contribution schemes	**2,472**	2,211	**251**	380

(c) Other related party transactions

	Transaction value		Balance outstanding	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Sales of goods and services				
Products and services provided to companies controlled by the ultimate controlling party on a commercial arm's length basis	**207**	231	**-**	42

(d) Significant subsidiaries

	Country of incorporation	Ownership interest %	
		2009	2008
2H Offshore Engineering Limited	England & Wales	**100**	100
2H Offshore Inc	USA	**100**	100
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
Cape Group Pte Limited	Singapore	**100**	100
Claxton Engineering Services Limited	England & Wales	**100**	100
Conductor Installation Services Limited	England & Wales	**100**	100
Fluke Engenharia Limitada	Brazil	**80**	80
InterMoor Inc	USA	**100**	100
InterMoor do Brasil Services Offshore de Instalacas Limitada	Brazil	**100**	100
InterMoor Limited (formerly International Mooring Systems Limited)	Scotland	**100**	100
InterMoor Marine Services Limited (formerly Trident Offshore Limited)	Scotland	**100**	100
InterAct PMTI Inc	USA	**80**	80
MENCK GmbH	Germany	**100**	100
Mirage Machines Limited	England & Wales	**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

Company balance sheet and notes prepared under UK GAAP

Company balance sheet
at 31 December 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Tangible	*33*		**106**		745
Investments	*34*		**313,228**		307,413
			313,334		308,158
Current assets					
Debtors	*35*	**15,692**		29,478	
Cash at bank and in hand		**84,930**		69,003	
		100,622		98,481	
Creditors: amounts falling due within one year	*36*	**(35,339)**		(10,659)	
Net current assets			**65,283**		87,822
Total assets less current liabilities			**378,617**		395,980
Creditors: amounts falling due after one year	*37*		**(213,368)**		(237,330)
Net assets			**165,249**		158,650
Capital and reserves					
Called up share capital	*38*		**11,453**		11,453
Share premium	*39*		**9,907**		9,907
Capital redemption reserve	*39*		**1,154**		1,154
Profit and loss account	*39*		**9,548**		3,175
Other reserve	*39*		**15,395**		15,395
Investment revaluation reserve	*39*		**117,313**		117,313
Share option reserve	*39*		**479**		253
Shareholders' funds	*40*		**165,249**		158,650

The financial statements were approved by the board of directors on 18 March 2010 and were signed on its behalf by

R C Higham - Director

K F Ovenden - Director

Notes to the company financial statements

32 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 408 of the Companies Act 2006 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)*

32 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)*

33 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2009	634	241	875
Additions	-	47	47
Disposals	(634)	(1)	(635)
At 31 December 2009	-	287	287
Depreciation			
At 1 January 2009	11	119	130
Charge for year	3	63	66
Disposals	(14)	(1)	(15)
At 31 December 2009	-	181	181
Net book value			
At 31 December 2009	-	**106**	**106**
At 31 December 2008	623	122	745

Notes to the company financial statements *(continued)*

34 Investments

	Shares in subsidiary undertaking £000
Cost or valuation	
At 1 January 2009	307,413
Additions	5,815
At 31 December 2009	**313,228**

During the year the company increased its investment in Acteon Middle East And Far East Investments Limited and InterMoor Norge AS by subscribing for newly issued share capital It also increased its investment in Cape Group Pte Ltd as a result of a re-assessment of the contingent consideration due on the acquisition of the company

The company also acquired the following fixed asset investments from its subsidiary company UWG Limited

- 100% of the share capital of Claxton Engineering Services Limited
- 80% of the share capital of 2H Offshore Engineering Limited

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 2009

If valued on a historic cost basis fixed asset investments would have been stated at £195,915,000 *(2008 £190,100,000)*

The company held the following principal investments at 31 December

	Country of incorporation		Ownership interest % in ordinary shares 2009	2008
2H Offshore Engineering Limited	England & Wales		**100**	100
2H Offshore Inc	USA	*	**100**	100
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
Cape Group Pte Limited	Singapore		**100**	100
Claxton Engineering Services Limited	England & Wales		**100**	100
Conductor Installation Services Limited	England & Wales		**100**	100
Fluke Engenharia Limitada	Brazil	*	**80**	80
InterMoor Inc	USA	*	**100**	100
InterMoor do Brasil Services Offshore de Instalacas Limitada	Brazil	*	**100**	100
InterMoor Limited (formerly International Mooring Systems Limited)	Scotland		**100**	100
InterMoor Marine Services Limited (formerly Trident Offshore Limited)	Scotland		**100**	100
InterAct PMTI Inc	USA	*	**80**	80
MENCK GmbH	Germany		**100**	100
Mirage Machines Limited	England & Wales		**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

* Denotes indirect ownership

Notes to the company financial statements *(continued)*

35 Debtors

	2009 £000	2008 £000
Amounts due from Group undertakings	**14,572**	27,744
Other debtors	**1,062**	1,673
Prepayments	**58**	61
	15,692	29,478

Other debtors include £13,000 *(2008 £11,000)* in respect of a deferred tax asset arising from timing differences between book and tax depreciation

36 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank loans	**19,690**	-
Trade creditors	**147**	560
Amounts owed to Group undertakings	**11,481**	4,853
Other tax and social security	**86**	130
Other creditors	**2,368**	3,535
Accruals and deferred income	**1,567**	1,581
	35,339	10,659

37 Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Bank loans	**213,368**	236,646
Other creditors	**-**	684
	213,368	237,330

Loans fall due for repayment as follows

	2009 £000	2008 £000
Within one year	**19,690**	-
Between one and two years	**18,380**	14,502
Between two and five years	**194,988**	56,703
After more than five years	**-**	165,441
	233,058	236,646

The maturity dates relating to these loans and the applicable interest rates are shown in note 21

Notes to the company financial statements *(continued)*

38 Share capital

	Authorised		Allotted, called up and fully paid	
	No'000	£000	No'000	£000
At 31 December 2008 and 2009				
"A" ordinary shares of £0 01 each	915,037	9,151	590,038	5,900
"B" ordinary shares of £0 01 each	595,129	5,951	481,239	4,813
"C" ordinary shares of £0 01 each	328,037	3,280	74,053	740
	1,838,203	**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

39 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 2009	9,907	1,154	15,395	117,313	253	3,175
Movement in year	-	-	-	-	226	6,373
At 31 December 2009	**9,907**	**1,154**	**15,395**	**117,313**	**479**	**9,548**

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

40 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Shareholders' funds at 1 January	**158,650**	135,361
Profit for the financial year	**6,373**	23,081
Credit relating to share based charges	**226**	208
Shareholders' funds at 31 December	**165,249**	158,650

Notes to the company financial statements *(continued)*

41 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	
	2009	2008
	£000	£000
Operating leases which expire		
Over five years	**76**	73

42 Contingent liabilities

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

43 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 £28,000 *(2008 £27,000)* Contributions amounting to £1,000 *(2008 £2,000)* are payable to the scheme and are included in creditors