

Acteon Group Limited

**Directors' report and financial
statements**

Registered number 4231212
31 December 2010

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Contents

Directors' report and business review	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	5
Group and company audit report	6
Consolidated Income Statement	7
Consolidated Statement of Recognised Income and Expense	8
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flow	11
Notes	12
Company balance sheet under UK GAAP	52

Directors' report and business review

The directors submit their report and the consolidated financial statements for the year ended 31 December 2010

Results and dividends

The profit for the year, after taxation, amounted to £27,585,000 (2009 £24,046,000) No dividend is to be recommended in respect of 2010 (2009 £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 1,540 people, most 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 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 pipelines, and subsea electronics, all supported by activity management.

Acteon companies work 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 sectors. The company 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 provides mobile offshore drilling rig relocation services.

2H Offshore focuses on shallow and deep water 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 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 oil and gas industry worldwide.

InterMoor Marine Services provides relocation services for rigs and floating production units, including survey and navigation services.

Aquatic supplies a range of powered reel systems which are deployed by clients in relation to flexible pipe and umbilical lay.

Seatrionics specialises in the rental of subsea electronic equipment and ancillary services.

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 industry. 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.

Acquisitions

During the year the Group acquired 100% of the issued share capital of IOS Offshore Holding AS along with its wholly owned trading subsidiary IOS Offshore AS (subsequently renamed IOS InterMoor AS). Both of these companies are based in Stavanger, Norway. IOS InterMoor provides a similar range of products and services to Acteon's other InterMoor businesses, as described above. This transaction was completed in June 2010.

Financial performance

The Group's financial performance in 2010 reflected the beginnings of an overall improvement in general economic conditions, with a slight upturn in investment activities by many of the Group's clients. The Group's activity levels were, however, affected by the negative impact of the Macondo incident which occurred in April 2010 and which impacted materially on the ability of its major clients in the USA to carry out normal levels of activity. Although certain Acteon companies (notably 2H and InterMoor) had an involvement in post-incident recovery activity, the overall impact on our USA activities was negative. Despite Macondo, and generally difficult economic conditions, the Group's operating performance was creditable, with turnover up 8% to £310.9m and profit for the year up by 15% to £27.6m. These increases arise from a combination of the acquisition of IOS Offshore at the half-year (which accounted for around one-third of the increment) and quite encouraging organic growth in regions outside the Gulf of Mexico. Net debt at the end of the year increased only slightly, despite the cost of the IOS acquisition, aided by a combination of earnings, relatively low capital expenditure, and effective control over working capital.

The financial performance of the Group for 2010, compared with 2009, can be summarised as follows:

	2010	2009	Increase
	£'000	£'000	%
Group revenue	310,862	287,936	8%
Profit for the year	27,585	24,046	15%

Key Performance Indicators

Further key performance indicators pertinent to the Group are shown below

	2010	2009
Financial		
Gross Margin % of revenues	29.5%	28.3%
Net book value of fixed assets (£000s)	135,911	126,102
Non-financial		
Average number of employees	1,538	1,549

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
- Contracts and projects in the oil and gas sector are frequently complex, and there are risks associated with their execution

Likely future developments in the business

Activity levels in the group and amongst its clients started to increase in 2010 as a result of improved economic conditions around the world, despite the Gulf of Mexico market being depressed as a result of the Macondo incident. Oil prices have continued to increase during 2010 and into 2011, with a price at this time this report was prepared materially above \$100 per barrel. The directors believe that this level of oil price, along with the anticipated recovery in the USA economy and improvements in the regulatory environment for offshore oil exploration and production there, provide a good basis for further improved levels of demand for the Group's products and services and anticipate that Acteon will be able to capitalise on this in 2011 and beyond.

Going concern

At the balance sheet date the Group has both liquid assets of £56.7m 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 multi-mooring swivel connectors, enhancements in powered reel-drive systems and tensioners to increase load capacities to meet the deeper water and larger product requirements from customers, and the development and successful implementation of what is thought to be the world's first remotely operated underwater drilling and pinning machine.

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 applicants. 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:

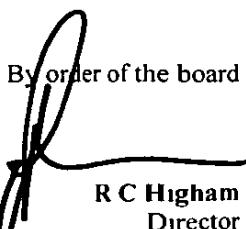
R C Higham
K F Ovenden
W Honeybourne (USA)
J K Quake (USA)

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

24 March 2011

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. In accordance with 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 any 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



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 2010 set out on pages 7 to 60. 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 and www.frc.org.uk/apb/scope/private.cfm.

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 2010 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

28 March 2011

Consolidated Income Statement
for year ended 31 December 2010

	<i>Note</i>	2010 £'000	2009 £'000
Revenue		310,862	287,936
Cost of sales		(219,142)	(206,587)
Gross profit		91,720	81,349
Other income	7	208	-
Administrative expenses		(53,390)	(46,436)
Profit from operating activities		38,538	34,913
Finance income		4,402	4,564
Finance expense		(6,699)	(7,348)
Net finance expense	11	(2,297)	(2,784)
Profit before income tax		36,241	32,129
Income tax expense	12	(8,656)	(8,083)
Profit for the year		27,585	24,046
Attributable to:			
Equity holders of the parent		28,076	24,077
Minority interest		(491)	(31)
Profit for the year		27,585	24,046

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 2010

	<i>Note</i>	2010 £000	2009 £000
Profit for the year		27,585	24,046
Translation of foreign currency net investments		1,720	(5,825)
Defined benefit plan actuarial losses	23	(140)	(42)
Income tax on income and expense recognised directly in equity		388	(47)
 Income and expense recognised directly in equity		1,968	(5,914)
 Total recognised income and expense for the year		29,553	18,132
 Attributable to:			
Equity holders of the Company		30,044	18,163
Minority interest		(491)	(31)
 Total recognised income and expense for the year		29,553	18,132

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

Consolidated Balance Sheet

at 31 December 2010

	<i>Note</i>	2010 £000	2009 £000
Non-current assets			
Property, plant and equipment	14	135,911	126,102
Intangible assets	15	164,249	127,053
Deferred income tax assets	16	4,366	3,463
Total non-current assets		304,526	256,618
Current assets			
Inventories	17	14,017	19,914
Trade and other receivables	18	76,961	68,616
Cash and cash equivalents		56,713	80,821
Total current assets		147,691	169,351
Total assets		452,217	425,969
Equity			
Share capital	19	11,640	11,453
Share premium	20	16,239	9,907
Foreign currency translation reserve	20	13,338	11,618
Capital redemption reserve	20	1,154	1,154
Retained earnings	20	111,214	82,788
Total equity attributable to equity holders of the Company		153,585	116,920
Minority interest		2,158	2,649
Total equity		155,743	119,569
Non-current liabilities			
Loans and borrowings	21	194,823	213,368
Other creditors	22	4,339	4,558
Employee benefits	23	1,502	1,225
Deferred income tax liabilities	16	21,824	19,523
Total non-current liabilities		222,488	238,674
Current liabilities			
Loans and borrowings	21	18,250	19,806
Trade and other payables	25	49,148	45,606
Current income tax liabilities		6,588	2,314
Total current liabilities		73,986	67,726
Total liabilities		296,474	306,400
Total equity and liabilities		452,217	425,969

These financial statements were approved by the board of directors on 24 March 2011 and were signed on its behalf by

R C Higham - Director

K F Ovenden - Director

The notes on pages 12 to 30 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity
for year ended 31 December 2010

	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 2009	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
Profit for the year	-	-	-	-	28,076	28,076	(491)	27,585
Income and expense recognised directly in equity								
Foreign currency translation difference	-	-	1,720	-	-	1,720	-	1,720
Defined benefit plan actuarial losses	-	-	-	-	(140)	(140)	-	(140)
Income tax on income and expense recognised directly in equity	-	-	-	-	388	388	-	388
Total income and expense recognised directly in equity	-	-	1,720	-	248	1,968	-	1,968
Issue of ordinary shares (note 19)	187	6,332	-	-	-	6,519	-	6,519
Amortisation of share-based payments (note 24)	-	-	-	-	102	102	-	102
Balance at 31 December 2010	11,640	16,239	13,338	1,154	111,214	153,585	2,158	155,743

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 2010

	<i>Note</i>	2010 £000	2009 £000
Cash flow from operating activities			
Profit for the year		27,585	24,046
Adjustments for			
Gain on sale of property, plant and equipment		(1,318)	(737)
Depreciation of property, plant and equipment	14	22,272	20,074
Amortisation of intangible assets	15	6,270	4,694
Equity-settled share-based payment transactions	24	102	226
Net finance expense	11	2,297	2,784
Income tax expense	12	8,656	8,083
		<hr/>	<hr/>
		65,864	59,170
Change in inventories		6,407	(3,910)
Change in trade and other receivables		399	30,136
Change in trade and other payables		1,022	(10,514)
Change in provisions and employee benefits		192	13
		<hr/>	<hr/>
Cash generated from operating activities		73,884	74,895
Interest paid		(6,381)	(6,828)
Income tax paid		(9,660)	(8,558)
		<hr/>	<hr/>
Net cash from operating activities		57,843	59,509
		<hr/>	<hr/>
Cash flows from investing activities			
Interest received		1,235	1,307
Proceeds from sale of property, plant and equipment		5,140	5,493
Acquisition of subsidiary, net of cash acquired	5	(35,894)	-
Purchase of property, plant and equipment	14	(17,621)	(24,862)
Purchase of intangible assets	15	(273)	(252)
		<hr/>	<hr/>
Net cash used in investing activities		(47,413)	(18,314)
		<hr/>	<hr/>
Cash flow from financing activities			
Proceeds from share issue	19	6,519	-
Repayment of borrowings		(41,379)	-
Payment of finance lease liabilities		(116)	(637)
		<hr/>	<hr/>
Net cash used in financing activities		(34,976)	(637)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(24,546)	40,558
Cash and cash equivalents at 1 January		80,821	42,562
Effect of exchange rate fluctuations on cash held		438	(2,299)
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		56,713	80,821
		<hr/>	<hr/>

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 2010 comprise the parent company and its subsidiaries (together referred to as "the Group" and individually as "Group 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 60.

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 24 March 2011.

(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*)

(e) Going concern

The Group's business activities and financial position, together with the factors likely to affect its future development and performance, are set out in the Directors' report and business review on pages 1 to 4. Note 4 to the financial statements also discloses the objectives, policies and processes for managing the financial risks to which the Group is exposed. These include foreign exchange risk, cash flow and interest rate risk, credit risk, liquidity risk and capital risk.

The Group's forecasts and projections and sensitivity analyses thereof, show that the Group has sufficient financial resources for the foreseeable future and is well placed to manage its business and financial risks. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3 Significant accounting policies

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

Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions and balances eliminated on consolidation

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

Revenue recognition

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

(i) Sale of equipment and other goods

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

(ii) Rendering of services

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

Notes (*continued*)

Accounting policies (*continued*)

(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

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 for those completed before 1 January 2010. Subsequent to this date, these costs are now charged to the income statement in accordance with IFRS 3 (*revised*), *Business Combinations*. 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 is typically 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 Group's 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 elements 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, where appropriate, 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 between the grant date and the date when 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 three defined benefit schemes as follows:

Two defined benefit schemes in respect of employees of its German subsidiary, MENCK GmbH, in which there are 132 participants. Of these, 5 participate in a final salary scheme and the remaining 127 participate in a scheme which provides very modest benefits. These are determined by length of service rather than being linked to salary.

The other defined benefit scheme is in respect of employees of its Norwegian subsidiary, IOS InterMoor AS, in which there are 26 participants. Benefits are determined by salary levels and length of service.

Notes (*continued*)

Accounting policies (*continued*)

(ii) Defined benefit plans (*continued*)

Amounts charged to operating profit in relation to the schemes 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. The expected return on any plan assets is shown in the income statement as other finance revenue, adjacent to finance income.

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. Plan assets are valued at fair value and deducted from the pension scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at the balance sheet date. The resulting net defined benefit asset/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. For acquisitions before 1 January 2010, when the final amount payable is determined, or when revised estimates are made, the acquisition cost and provision are adjusted accordingly. After 1 January 2010 any amendment to the initial contingent consideration value is adjusted through the income statement.

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 reviewed the accounting standards not yet adopted which become effective for periods commencing on or after 1 January 2011. These are:

- IFRIC 19 – Extinguishing financial liabilities with equity instruments
- IAS 24 – Related party disclosures (revised 2009)
- Amendment to IFRIC 14 – Prepayments of minimum funding requirement
- IFRS 9 – Financial instruments

None of these standards will impact the Group's current accounting treatments or disclosures.

Notes (continued)

Accounting policies (continued)

4 Financial risk management

The Group's international 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, Euros and Norwegian Kroner. 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. The Board regularly considers its policy in relation to interest rate hedging but has chosen not to enter 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 2010 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

Notes (*continued*)

5 Acquisitions of subsidiaries

Acquisitions 2010

IOS Group

On 30 June 2010 the Group acquired all of the ordinary shares in IOS Offshore AS (later renamed IOS InterMoor AS) via the acquisition of IOS Offshore Holding AS its 100% parent company for £36,026,855 in cash. The company provides mooring components and systems on a rental or sale basis with a focus on the Norwegian continental shelf. In the 6 months to 31 December 2010 the subsidiary generated a profit after tax of £2,579,000. If the acquisition had occurred on 1 January 2010, management estimates that consolidated revenue would have been £16,238,000 and the consolidated profit for the period would have been £5,158,000. 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 2010.

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	15,478	-	15,478
Goodwill	22,056	(22,056)	-
Intangible assets	25	11,635	11,660
Inventories	521	-	521
Trade and other receivables	4,359	-	4,359
Cash and cash equivalents	133	-	133
Deferred tax arising on acquisition	-	(3,258)	(3,258)
Trade and other payables	(2,548)	-	(2,548)
Loans	(20,020)	-	(20,020)
Defined benefit pension scheme deficit	(163)	-	(163)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	19,841	(13,679)	6,162
	<hr/>	<hr/>	<hr/>
Goodwill on acquisition			29,865
	<hr/>		<hr/>
Total consideration			36,027
Cash acquired			(133)
	<hr/>		<hr/>
Net cash outflow			35,894
	<hr/>		<hr/>

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

Goodwill has arisen on the acquisition because of several factors, including market access and cross-selling opportunities created by it being part of the Group, geographical extension of the Group's mooring products and services offering, market knowledge, and the value associated with the technical expertise of its employees.

Acquisitions 2009

There were no acquisitions in 2009.

Notes (continued)

6 Revenue

	2010 £000	2009 £000
Sale of goods	61,684	65,543
Rendering of services	249,178	222,393
Total revenues	310,862	287,936

7 Other income

	2010 £000	2009 £000
Net gain on sale of non-rental property, plant and equipment	208	-
Total other income	208	-

8 Expenses and auditors' remuneration

	2010 £000	2009 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		

Depreciation and other amounts written off tangible fixed assets		
Owned	22,271	19,789
Leased	1	285
Amortisation of intangibles	6,270	4,694
Hire of plant and machinery - rentals payable under operating leases	2,713	812
Hire of other assets - operating leases	4,517	2,894
Compensation from third parties for property, plant and equipment lost or given up	(1,105)	(2,231)
Research and development expenditure	1,478	1,812
<i>Auditors' remuneration.</i>	2010 £000	2009 £000

Fees payable to the Company's auditors for the audit of the Company's accounts	60	55
Fees payable to the Company's auditors and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	346	311
Other services relating to taxation	133	118
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	71	-
All other services	15	20

Notes (continued)

9 Remuneration of directors

	2010	2009
	£000	£000
Directors' emoluments	785	535
Company contributions to money purchase pension schemes	11	11
	<hr/>	<hr/>

The aggregate of emoluments of the highest paid director was £445,000 (2009 £295,000) Company pension contributions of £6,000 (2009 £6,000) were made to a money purchase scheme on his behalf

	Number of directors	
	2010	2009
Retirement benefits are accruing to the following number of directors under Money purchase schemes	2	2
	<hr/>	<hr/>
The number of directors who exercised share options was	-	-
	<hr/>	<hr/>

10 Personnel expenses and employee numbers

The average number of employees during each year was as follows

	Number of employees	
	2010	2009
Directors of Acteon Group Limited	2	2
Technical and administration	1,536	1,547
	<hr/>	<hr/>
	1,538	1,549
	<hr/>	<hr/>
	2010	2009
	£000	£000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	64,754	61,175
Social security costs	8,748	8,619
Contributions to defined contribution plans	1,163	1,153
Expenses related to defined benefit plans	192	13
Equity settled share based payment transactions	102	226
	<hr/>	<hr/>
	74,959	71,186
	<hr/>	<hr/>

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	2010	2009
	£000	£000
Interest income on bank deposits	(1,139)	(1,307)
Foreign exchange gains	(3,121)	(3,257)
Return on pension plan assets	(46)	-
Other interest receivable	(96)	-
Finance income	(4,402)	(4,564)
Interest payable on bank borrowings	5,948	6,765
Amortisation of finance raising costs	499	499
Finance charges under finance lease and hire purchase contracts	1	16
Interest on employee benefit obligations	143	68
Other interest payable	108	-
Finance expense	6,699	7,348
Net finance expense recognised in profit or loss	2,297	2,784
Recognised directly in equity	2010	2009
	£000	£000
Translation of foreign currency net investments	1,720	(5,825)
Income tax on income and expense recognised directly in equity	388	(47)
Finance income/(expense) recognised directly in equity, net of tax	2,108	(5,872)

All finance income/(expense) recognised directly in equity is attributable to holders of equity in 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

	2010 £000	2009 £000
Current tax expense		
Corporation tax on UK profits for year	5,034	3,991
Adjustment for prior periods	(779)	(863)
Foreign tax - current	6,921	3,639
Foreign tax – adjustments in respect of prior periods	315	4,287
	<hr/>	<hr/>
	11,491	11,054
	<hr/>	<hr/>
Deferred tax expense		
Origination and (reversal) of temporary differences	(2,733)	(1,033)
Adjustments for prior periods	(102)	(1,938)
	<hr/>	<hr/>
	(2,835)	(2,971)
	<hr/>	<hr/>
Total income tax expense	8,656	8,083
	<hr/>	<hr/>
Reconciliation of effective tax rate		
	2010 £000	2009 £000
Profit for the year	27,585	24,046
Total income tax expense	8,656	8,083
	<hr/>	<hr/>
Profit excluding income tax	36,241	32,129
	<hr/>	<hr/>
Income tax using the Group's domestic tax rate (28%, 2009 28%)	10,147	8,996
Non-deductible expenses	2,006	531
Unrelieved foreign taxes and franchise taxes paid in the USA	299	1,289
Differences between local tax rates and UK standard rate	(2,965)	(4,219)
Adjustment for prior periods	(566)	1,486
Effect of reduction in tax rate on deferred tax balances	(265)	-
	<hr/>	<hr/>
	8,656	8,083
	<hr/>	<hr/>

Notes (continued)

12 Income tax expense (continued)

	2010	2009
Income tax using the Company's domestic (UK) tax rate	28.0%	28.0%
Variation in tax rate		
Non-deductible expenses	5.5%	1.7%
Unrelieved foreign taxes and franchise taxes paid in the USA	0.8%	4.0%
Differences between local tax rates and UK standard rate	(8.2%)	(13.1%)
Adjustment for prior periods	(1.6%)	4.6%
Effect of reduction in tax rate on deferred tax balances	(0.7%)	-
	23.8%	25.2%
	—	—
Income tax recognised directly in equity	2010	2009
	£000	£000
Relating to share based payments	388	(47)
	—	—
Total income tax recognised directly in equity	388	(47)
	—	—

13 Profit for the financial year

The profit dealt with in the accounts of the parent company was £40,165,000 (2009 £6,373,000). The balance sheet of the parent company can be found on page 52.

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 2009		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
		—	—	—	—
Additions		389	12,197	5,248	17,834
Arising on acquisition	5	19	15,459	-	15,478
Transfer on completion		-	5,109	(5,109)	-
Disposals		(42)	(8,037)	-	(8,079)
Exchange movements		710	2,446	(28)	3,128
		—	—	—	—
Balance at 31 December 2010		26,938	173,719	946	201,603
		—	—	—	—

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 2009	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
Depreciation for the year	1,557	20,715	-	22,272
Disposals	(6)	(4,342)	-	(4,348)
Exchange movements	21	607	-	628
Balance at 31 December 2010	2,787	62,905	-	65,692
Carrying amounts				
At 31 December 2009	24,647	100,620	835	126,102
At 31 December 2010	24,151	110,814	946	135,911
The net carrying amount of land, buildings and leasehold improvements comprises				
			2010	2009
			£000	£000
Freehold land and buildings			15,322	16,067
Long leaseholds			251	262
Short leaseholds			7,493	7,438
Leasehold improvements			1,085	880
			24,151	24,647

Leased plant and machinery

The Group leases equipment under a number of finance lease agreements. At 31 December 2010 the net carrying amount of leased plant and machinery was £nil (2009 £1,122,000).

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 (excluding those arising on acquisition) to property, plant and equipment of £17,834,000 in 2010 (2009 £23,139,000) have been adjusted by the value of capital creditors outstanding at 31 December 2010 to derive the amount for inclusion in the cashflow for the purchase of property, plant and equipment.

Notes (continued)

15 Intangible assets

	Customer	Order	Software	Total
	Goodwill £000	lists £000	books £000	£000
Cost				
Balance at 1 January 2009	95,704	41,540	2,957	2,667
Additions	136	-	-	252
Disposals	-	-	-	(66)
Exchange movements	(325)	-	-	(133)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2009	95,515	41,540	2,957	2,720
	<hr/>	<hr/>	<hr/>	<hr/>
Additions	-	-	-	273
Additions arising on acquisition (note 5)	29,865	10,589	1,046	25
Disposals	-	-	-	(39)
Exchange movements	1,669	-	-	(17)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2010	127,049	52,129	4,003	2,962
	<hr/>	<hr/>	<hr/>	<hr/>
	Customer	Order	Software	Total
	Goodwill £000	lists £000	books £000	£000
Amortisation and impairment losses				
Balance at 1 January 2009	-	6,666	2,957	1,500
Amortisation for the year	-	4,154	-	540
Disposals	-	-	-	(51)
Exchange movements	-	-	-	(87)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2009	-	10,820	2,957	1,902
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation for the year	-	4,683	1,046	541
Disposals	-	-	-	(38)
Exchange movements	-	-	-	(17)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2010	-	15,503	4,003	2,388
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amounts				
At 31 December 2009	95,515	30,720	-	818
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	127,049	36,626	-	574
	<hr/>	<hr/>	<hr/>	<hr/>

Amortisation and impairment charge

Amortisation of intangible assets 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 2010 represents Seatronics Limited's customer list totalling £10,921,000 (2009 £11,765,000) which has a remaining amortisation period of 6 years 6 months (2009 7 years 6 months), and IOS InterMoor AS's customer list totalling £10,060,000 (2009 £nil) which has a remaining amortisation period of 9 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

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:

	2010 £000	2009 £000
High capital intensity units		
Seatrónics	43,380	43,380
InterMoor Ltd	12,694	12,694
IOS InterMoor AS	31,413	-
Fluke Engenharia Ltda	9,177	9,177
Other capital-intensive acquisitions	6,955	6,955
	<hr/> 103,619	<hr/> 72,206
Low capital intensity units		
UWG sub-group (UWG Ltd, Claxton Engineering Services and 2H Group)	11,751	11,751
InterAct PMTI Inc	3,368	3,247
Other low capital intensity acquisitions	8,311	8,311
	<hr/> 23,430	<hr/> 23,309
Total goodwill	<hr/> 127,049	<hr/> 95,515
	<hr/> <hr/>	<hr/> <hr/>

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 cash flows 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 anticipated long-term average growth rate for the market in which the CGU operates. The exceptions to this are InterMoor Ltd, Fluke Engenharia Ltda and InterAct PMTI Inc where recent performance has been markedly weaker than would be expected in normal markets and where growth rates in years 2-5 are expected to be better than the 3% to 6% range as a result of anticipated improvements in markets and efficiencies realised as a result of internal restructuring measures. In all cases, a terminal growth value of 2% (2009 nil) has been assumed. The key inputs to this calculation are shown below.

	As at 31 December 2010	As at 31 December 2009
Period on which management approved forecasts are based	1 Year	1 Year
Growth rate applied for years two to five - InterMoor Ltd	21.5%	12.8%
Growth rate applied for years two to five - Fluke Engenharia Ltda	30.0%	6.0%
Growth rate applied for years two to five - InterAct PMTI Inc	22.0%	3.0%
Growth rate applied for years two to five – Other entities	3.0% to 6.0%	3.0% to 6.0%
Growth rate applied to terminal value calculation	2.0%	-
Pre-tax discount rate	14.0%	14.0%

Notes (*continued*)

15 Intangible assets (*continued*)

Impairment testing for cash-generating units containing goodwill

The pre-tax discount rate applied to the cash flow projections approximates to the Group's tax adjusted weighted average cost of capital, which is broadly consistent with other market participants taken together. Impairment reviews were performed at 31 December 2009 and 31 December 2010 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.

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed as:

	Assets		Liabilities	
	2010 £000	2009 £000	2010 £000	2009 £000
Property, plant and equipment	-	-	11,116	10,408
Intangible assets	-	-	10,112	8,732
Retirement benefit obligations	(80)	(27)	-	-
Provisions / accruals	(464)	(580)	-	-
Other items	-	-	596	383
Share based payments	(545)	(62)	-	-
Tax losses carried forward	(3,277)	(2,794)	-	-
	—	—	—	—
Deferred tax (assets)/liabilities	(4,366)	(3,463)	21,824	19,523
	—	—	—	—
Net deferred tax liabilities			17,458	16,060
	—	—	—	—

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 - 2010

	Balance 1 January 2010 £000	Foreign exchange and reclassifications £000	Recognised in income statement £000	Recognised in equity £000	Acquired in business combinations £000	Balance 31 December 2010 £000
Property, plant and equipment	10,408	172	(149)	-	685	11,116
Intangible assets	8,732	-	(1,878)	-	3,258	10,112
Retirement benefit obligations	(27)	(1)	(120)	-	68	(80)
Provisions / accruals	(580)	(6)	122	-	-	(464)
Share based payments	(62)	-	(95)	(388)	-	(545)
Tax losses carried forward	(2,794)	441	(924)	-	-	(3,277)
Other items	383	4	209	-	-	596
	—	—	—	—	—	—
	16,060	610	(2,835)	(388)	4,011	17,458
	—	—	—	—	—	—

Notes (*continued*)

16 Deferred tax assets and liabilities (*continued*)

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

	Balance 1 January 2009 £000	Foreign Exchange and reclassifications £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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	20,388	(1,404)	(2,971)	47	-	16,060
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

17 Inventories

	2010 £000	2009 £000
Raw materials and consumables	2,003	2,106
Work in progress	6,855	12,963
Finished goods	5,191	6,142
Payments on account	(32)	(1,297)
	<hr/>	<hr/>
	14,017	19,914
	<hr/>	<hr/>

In 2010 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £30,735,000 (2009 £30,168,000)

18 Trade and other receivables

	2010 £000	2009 £000
Trade debtors	65,500	58,420
Other debtors	8,761	7,726
Prepayments	2,700	2,470
	<hr/>	<hr/>
	76,961	68,616
	<hr/>	<hr/>

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

	Allotted, called up and fully paid No'000	£000
At 31 December 2009		
'A' ordinary shares of £0.01 each	590,038	5,900
"B" ordinary shares of £0.01 each	481,239	4,813
'C' ordinary shares of £0.01 each	74,053	740
	<hr/>	<hr/>
	1,145,330	11,453
	<hr/>	<hr/>
Movements in the year		
'A' ordinary shares of £0.01 each	-	-
"B" ordinary shares of £0.01 each	-	-
'C' ordinary shares of £0.01 each	-	-
D' ordinary shares of £0.01 each	18,666	187
	<hr/>	<hr/>
	18,666	187
	<hr/>	<hr/>
At 31 December 2010		
A' ordinary shares of £0.01 each	590,038	5,900
"B" ordinary shares of £0.01 each	481,239	4,813
'C' ordinary shares of £0.01 each	74,053	740
"D" ordinary shares of £0.01 each	18,666	187
	<hr/>	<hr/>
	1,163,996	11,640
	<hr/>	<hr/>

During the year the Company created a new class of share, "D" ordinary shares, and issued 18,665,747 for cash totalling £6,518,905. The excess paid over the nominal value has been credited to the share premium account.

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 20 July 2010.

20 Capital and reserves

Share premium

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.

Notes (*continued*)

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.

	2010 £000	2009 £000
Non-current liabilities		
Secured bank loans	194,823	213,368
	<hr/>	<hr/>
	194,823	213,368
	<hr/>	<hr/>
Current liabilities		
Secured bank loans	18,250	19,690
Finance lease liabilities	-	116
	<hr/>	<hr/>
	18,250	19,806
	<hr/>	<hr/>
Total loans and borrowings	213,073	233,174
	<hr/>	<hr/>

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2010		31 December 2009	
				Face value £000	Carrying amount* £000	Face value £000	Carrying amount* £000
Secured bank loan	Sterling	LIBOR + 0.85% - 2.7%	2014	136,141	135,034	194,500	192,643
Secured bank loan	US Dollar	LIBOR + 0.85% - 2.7%	2014	78,678	78,039	40,804	40,415
Finance lease liabilities	Sterling	3.7-7.0%	2010	-	-	116	116
				<hr/>	<hr/>	<hr/>	<hr/>
Total interest-bearing liabilities				214,819	213,073	235,420	233,174
				<hr/>	<hr/>	<hr/>	<hr/>

* 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

Notes (continued)

21 Loans and borrowings (continued)

Finance lease liabilities are payable as follows:

	Future Minimum lease payments 2010 £000		Present value of minimum lease payments 2010 £000	Future Minimum lease payments 2009 £000		Present value of minimum lease payments 2009 £000
	Interest 2010 £000			Interest 2009 £000		
	-	-		-	-	
Less than one year	-	-	-	122	6	116
	—	—	—	—	—	—
	-	-	-	122	6	116
	—	—	—	—	—	—

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 schemes

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.

IOS InterMoor AS, an indirectly owned subsidiary of Acteon Group Limited incorporated in Norway, also operates a defined benefit scheme. The scheme's pension obligations are met via plan assets held separately in the form of an insurance policy. The company contributes annually into the policy, with the premiums being invested to provide assets sufficient to fund employees' accrued benefit entitlements on retirement.

Charged to the income statement

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

		2010 £000	2009 £000
(i) In respect of the Group's defined contribution schemes			
- UK		614	597
- Overseas		549	556
		<hr/> 1,163	<hr/> 1,153
(ii) In respect of the Group's defined benefit schemes		192	13
		<hr/>	<hr/>

Notes (continued)

23 Employee benefits (continued)

Disclosure relating to the Group's defined benefit obligations

	2010 £000	2009 £000
Total present value of unfunded obligations recognised as a liability—Menck GmbH	1,214	1,225
Total present value of funded obligations net of pension plan assets—IOS InterMoor AS	288	-
 Net liability for defined benefit obligations at 31 December	1,502	1,225

Movement in the present value of the defined benefit obligations

	IOS InterMoor AS 2010 £000	Menck GmbH 2010 £000	2009 £000
Defined benefit obligations at 1 January	-	(1,225)	(1,302)
Pension scheme assumed on acquisition	(1,120)	-	-
Benefits paid by the plan	23	99	100
Current service costs	(177)	(15)	(13)
Interest cost	(80)	(63)	(68)
Actuarial loss recognised in equity (see below)	(48)	(69)	(42)
Payment of payroll taxes on pension obligations	21	-	-
Exchange rate movements on retranslation	(80)	59	100
 Defined benefit obligations at 31 December	(1,461)	(1,214)	(1,225)

Movement in fair value of plan assets

Fair value of plan assets at 1 January	-	-	-
Pension scheme assumed on acquisition	957	-	-
Expected return on plan assets	46	-	-
Actuarial loss on plan assets recognised in equity (see below)	(23)	-	-
Employer contributions	148	-	-
Benefits paid from plan	(23)	-	-
Exchange rate movements on retranslation	68	-	-
 Defined benefit obligations at 31 December	1,173	-	-
 Deficit recognised at 31 December	(288)	(1,214)	(1,225)

Notes (continued)

23 Employee benefits (continued)

Expense recognised in profit or loss

	IOS InterMoor AS	Menck GmbH	
	2010	2010	2009
	£000	£000	£000
Current service costs included in other administrative expenses	(177)	(15)	(13)
Interest on obligation included in finance expense	(80)	(63)	(68)
Expected return on plan assets included in finance income	46	-	-
Total	(211)	(78)	(81)

Actual return on plan assets

	IOS InterMoor AS
	2010
	£000
Total	23

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

	IOS InterMoor AS	Menck GmbH	
	2010	2010	2009
	£000	£000	£000
Cumulative gain at 1 January	-	105	147
Recognised during the period	(71)	(69)	(42)
Cumulative (loss)/gain at 31 December	(71)	36	105

Fair value of plan assets

The approximate breakdown of the fair value of plan assets (expressed as percentages) was as follows

	IOS InterMoor AS
	2010
	%
Equities	15
Corporate bonds	51
Property	16
Money market deposits	14
Other	4
Total	100

Notes (continued)

23 Employee benefits (continued)

Actuarial assumptions

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

	IOS InterMoor AS	Menck GmbH	
	2010	2010	2009
	%	%	%
Discount rate	4.00	5.30	5.60
Expected return on plan assets	5.30	-	-
Future salary increases	4.00	-	-
Staff turnover	-	1.00	1.00
Norwegian national insurance increases	3.75	-	-
Future pension increases	1.30	1.00	1.00

The expected rate of return on plan assets is determined by reference to the risk free Norwegian bond rate of 4.0% together with the long term historical additional return from Norwegian Life Insurance companies of 1.3%. The return is based on the portfolio as a whole and not on the sum of the returns on the individual asset categories.

Historical information – IOS InterMoor AS funded pension scheme (acquired in the current year)

	2010
	£000
Present value of the defined benefit obligation	(1,461)
Fair value of the planned assets	1,173
Deficit in the plan	(288)
Experience adjustments arising on plan liabilities	(2)
Experience adjustments arising on plan assets	(23)

The Group expects to pay contributions totalling £110,000 into the plan during 2011.

Historical information – Menck GmbH unfunded pension scheme

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(1,214)	(1,225)	(1,302)	(1,014)	(978)
Deficit in the plan	(1,214)	(1,225)	(1,302)	(1,014)	(978)
Experience adjustments arising on plan liabilities	(35)	(13)	(11)	(38)	(10)

The scheme is an unfunded scheme and the Group expects to pay £101,000 in plan benefits during 2011. This will settle the liabilities to pensioners 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 have been made under this scheme annually since September 2007. 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
November 2010	3,270	Takeover/sale/IPO	10 years

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

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at 1 January	6.76p	137,687,117	6.73p	135,450,417
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Granted during the year	13.34p	3,270,099	8.30p	2,236,700
Outstanding at 31 December	6.91p	140,957,216	6.76p	137,687,117
Exercisable at 31 December	nil	nil	nil	nil

The options outstanding at 31 December 2010 have an exercise price in the range of 5p to 21p and a weighted average remaining contractual life of 7 years (2009 8 years)

No share options were exercised in 2010 or 2009

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

	November 2010	September 2009	September 2008	September 2007
Number of options granted	3,270,099	2,236,700	35,417,642	100,032,775
Exercise price	£0.118/£0.208	£0.06/£0.106	£0.11/£0.17	£0.05/£0.09
Expected volatility	45%	45%	35%	30%
Dividend yield	Nil	Nil	Nil	Nil
Option life (expected weighted average life) in years	3.25	3.25	2.25	4.5
Risk free interest rate (based on government bond)	1.28%	2.0%	4.4%	6.0%
Fair value of options	£102,000	£5,715	£161,000	£409,000
Employee expenses			2010	2009
			£000	£000
Share options granted in 2007			90	136
Share options granted in 2008			-	89
Share options granted in 2009			3	1
Share options granted in 2010			9	-
Total expense recognised as employee costs			102	226

25 Trade and other payables

	2010	2009
	£000	£000
Trade creditors	16,842	15,540
Other tax and social security	4,063	3,221
Other creditors	9,190	8,311
Accruals and deferred income	19,053	18,534
	<hr/>	<hr/>
	49,148	45,606
	<hr/>	<hr/>

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 approach to financial risk management 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	
	2010	2009
	£000	£000
Trade and other receivables	76,961	68,616
Cash and cash equivalents	56,713	80,821
	<hr/>	<hr/>
	133,674	149,437
	<hr/>	<hr/>

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

	Carrying amount	
	2010	2009
	000	000
Sterling	26,572	28,788
US Dollars	23,638	27,128
Euros	7,998	4,879
Brazilian Real	18,774	12,518
Singapore Dollars	4,502	3,275
Qatari Real	7,062	7,828
Norwegian Kroner	36,792	-
	<hr/>	<hr/>

Notes (continued)

26 Financial instruments (continued)

Impairment losses

The aging of trade receivables at the reporting date was

	Provision for impairment		Provision for impairment	
	Gross 2010 £000	2010 £000	Gross 2009 £000	2009 £000
Not overdue	40,290	195	37,446	-
0-30 days past due	16,985	321	12,437	-
31-90 days past due	6,080	622	4,444	-
Over 91 days past due	8,895	5,612	11,059	6,966
	72,250	6,750	65,386	6,966
Net value of trade receivables	65,500		58,420	

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

	2010 £000	2009 £000
Balance at 1 January	6,966	5,256
Impairment loss (reversed)/recognised	(216)	1,710
Balance at 31 December	6,750	6,966

The impairment loss at 31 December 2010 relating to provisions against the recoverability of amounts on specific contracts totals £5,705,000 (2009 £6,248,000)

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

2010

	Carrying amount £000	Contractual Cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000
Secured bank loans	213,073	227,497	11,461	11,369	22,463	182,204
Trade and other payables	49,148	49,148	49,148	-	-	-
	262,221	276,645	60,609	11,369	22,463	182,205
	=====	=====	=====	=====	=====	=====

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
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
	=====	=====	=====	=====	=====	=====

Notes (continued)

26 Financial instruments (continued)

Exposure to currency risk

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

31 December 2010

Impact in 000s	NOK	USD	Euro	GBP
Trade receivables	36,792	23,638	7,998	26,572
Cash and cash equivalents	12,101	92,108	1,182	(1,970)
Secured bank loans	-	(121,715)	-	(136,141)
Trade payables	(9,447)	(1,673)	(1,718)	(8,808)
 Gross balance sheet exposure	 39,446	 (7,642)	 7,462	 (120,347)

31 December 2009

Impact in 000s	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)

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rate	
	2010 £	2009 £	2010 £	2009 £
Euro	1.1683	1 1227	1.1670	1 1110
USD	1.5416	1 5651	1.5470	1 5930
NOK	9.3479	-	9.1210	-

Notes (continued)

26 Financial instruments (continued)

Sensitivity analysis

A 5 percent strengthening of Sterling against the following currencies at 31 December would have 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 2009.

Impact in £000	Balance sheet (Equity)	Income Statement (Profit after tax)
31 December 2010		
Euro	(1,793)	(393)
USD	(1,679)	(217)
NOK	(1,156)	(129)
31 December 2009		
Euro	(1,468)	(319)
USD	(1,670)	(367)

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.

Interest rate risk

Profile

	Carrying amount	
	2010	2009
	£000	£000
Fixed rate instruments		
Financial liabilities at 31 December	-	116
<hr/>		
Variable rate instruments		
Financial liabilities at 31 December	213,073	233,058
<hr/>		

Fair value sensitivity analysis for fixed rate instruments

The Group has no fixed rate instruments in 2010 and therefore no sensitivity analysis is presented.

Notes (*continued*)

26 Financial instruments (*continued*)

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 2009.

Impact in £000	Income Statement (Profit)		Balance Sheet (Equity)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2010				
Variable rate instruments	(2,231)	2,231	2,231	(2,231)
Cash flow sensitivity	(2,231)	2,231	2,231	(2,231)
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)

Fair values

Fair values versus carrying amounts

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

	2010		2009	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Trade and other receivables	76,961	76,961	68,616	68,616
Cash and cash equivalents	56,713	56,713	80,821	80,821
Secured bank loans	(213,073)	(199,184)	(233,058)	(217,457)
Finance lease liabilities	-	-	(116)	(111)
Trade and other payables	(49,148)	(49,148)	(45,606)	(45,606)
	<hr/>	<hr/>	<hr/>	<hr/>
	(128,547)	(114,658)	(129,343)	(113,737)
	<hr/>	<hr/>	<hr/>	<hr/>

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

Interest rates used for determining fair value

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

	2010 £000	2009 £000
Loans and borrowings	2.0%	2.1%
Leases	-	3.7%

Notes (continued)

27 Operating leases

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

	Land and buildings		Other	
	2010 £000	2009 £000	2010 £000	2009 £000
Unexpired period of the lease				
Less than one year	1,808	403	924	509
Between one and five years	5,777	5,750	911	775
More than five years	10,312	7,973	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	17,897	14,126	1,835	1,284
	<hr/>	<hr/>	<hr/>	<hr/>

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

28 Capital commitments

At 31 December 2010 the Group had entered into contracts to purchase property, plant and equipment totalling £1,711,000 (2009 £938,000) in respect of which delivery and settlement was expected to take place in the following financial year

29 Contingent liabilities

The Group may, from time to time, be subject to claims or proceedings in the normal course of business. While there can be no assurances the directors believe, based on the information currently available to them, the likelihood of a material outflow of economic benefit is remote

30 Parent and ultimate controlling party

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

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

Notes (*continued*)

31 Related parties

(a) Transactions with key management personnel

(i) Key management personnel compensation

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

Key management personnel also participate in the Group's share option programme (note 24).

Key management personnel compensation comprised

	2010 £000	2009 £000
Short term employee benefits	1,767	1,345
Post-employment benefits	19	19
Share-based payments	79	180
 Total	 1,865	 1,544
 Of which outstanding at the year end	 462	 22

(ii) Key management personnel and director transactions

BHHM pension scheme

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

Rent charged by BHHM Pension Scheme amounted to £292,000 (2009 £286,000). The amount owing to BHHM Pension Scheme at 31 December 2010 was £nil (2009 £nil).

Directors' shareholdings

Directors of the Company control 27.58% (2009 28.03%) of the voting shares of the Company.

(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	
	2010 £000	2009 £000	2010 £000	2009 £000
Defined contribution schemes	1,163	1,153	258	251

Notes (continued)

31 Related parties (continued)

(c) Other related party transactions

	Transaction value		Balance outstanding	
	2010 £000	2009 £000	2010 £000	2009 £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	2,902	207	1,512	-

(d) Significant subsidiaries

	Country of incorporation	Ownership interest %	
		2010	2009
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 Servicos Offshore de Instalacas Limitada	Brazil	100	100
InterMoor Limited	Scotland	100	100
InterAct PMTI Inc	USA	80	80
InterMoor Marine Services	Scotland	100	100
IOS InterMoor AS	Norway	100	-
Large Diameter Drilling Limited	England & Wales	100	100
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 2010

	<i>Note</i>	2010	2009
		£000	£000
Fixed assets			
Tangible Investments	33 34	58 350,087	106 313,228
		350,145	313,334
Current assets			
Debtors	35	33,639	15,692
Cash at bank and in hand		60,594	84,930
		94,233	100,622
Creditors: amounts falling due within one year	36	(37,520)	(35,339)
		56,713	65,283
Total assets less current liabilities		406,858	378,617
Creditors: amounts falling due after one year	37	(194,823)	(213,368)
		212,035	165,249
Net assets		212,035	165,249
Capital and reserves			
Called up share capital	38	11,640	11,453
Share premium	39	16,239	9,907
Capital redemption reserve	39	1,154	1,154
Profit and loss account	39	49,713	9,548
Other reserve	39	15,395	15,395
Investment revaluation reserve	39	117,313	117,313
Share option reserve	39	581	479
		212,035	165,249
Shareholders' funds	40	212,035	165,249

The financial statements were approved by the board of directors on 24 March 2011 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

Fixtures and fittings	-	10% to 50% straight line
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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

	Fixtures and fittings £000
Cost	
At 1 January 2010	287
Additions	12
Disposals	(4)
At 31 December 2010	295
Depreciation	
At 1 January 2010	181
Charge for year	58
Disposals	(2)
At 31 December 2010	237
Net book value	
At 31 December 2010	58
At 31 December 2009	106

Notes to the Company financial statements (*continued*)

34 Investments

	Shares in subsidiary undertaking £000
Cost or valuation	
At 1 January 2010	313,228
Additions	36,859
	<hr/>
At 31 December 2010	350,087
	<hr/>

During the year the company acquired all the ordinary share capital of IOS Offshore Holding AS (note 5)

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 2010

If valued on a historic cost basis fixed asset investments would have been stated at £232,774,000 (2009 £195,915,000)

The company held the following principal investments at 31 December

	Country of incorporation	Ownership interest % in ordinary shares	
		2010	2009
2H Offshore Engineering Limited	England & Wales	100	100
2H Offshore Inc	USA	*	100
2H Offshore Engineering Sdn Bhd	Malaysia	*	100
Acteon Angola Limitada	Angola	100	100
InterMoor Pte Limited	Singapore	*	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
InterMoor Inc	USA	*	100
InterMoor do Brasil Servicos Offshore de Instalacas Limitada	Brazil	*	100
InterMoor Limited	Scotland	100	100
InterMoor Marine Services Limited	Scotland	100	100
IOS InterMoor AS	Norway	*	100
InterAct PMTI Inc	USA	*	80
Large Diameter Drilling Limited	England & Wales	100	100
MENCK GmbH	Germany	100	100
Mirage Machines Limited	England & Wales	80	80
Seatrionics Limited	England & Wales	*	95
Seatrionics Inc	USA	*	95
Seatrionics Pte Limited	Singapore	*	95
Team Energy Resources Limited	England & Wales	100	100

* Denotes indirect ownership

Notes to the Company financial statements (*continued*)

35	Debtors	2010 £000	2009 £000
	Amounts due from Group undertakings	31,659	14,572
	Other debtors	1,920	1,062
	Prepayments	60	58
		<hr/>	<hr/>
		33,639	15,692
		<hr/>	<hr/>
	Other debtors include £23,000 (2009 £13,000) in respect of a deferred tax asset arising from timing differences between book and tax depreciation		
36	Creditors: amounts falling due within one year	2010 £000	2009 £000
	Bank loans	18,250	19,690
	Trade creditors	204	147
	Amounts owed to Group undertakings	14,652	11,481
	Other tax and social security	58	86
	Other creditors	3,407	2,368
	Accruals and deferred income	949	1,567
		<hr/>	<hr/>
		37,520	35,339
		<hr/>	<hr/>
37	Creditors: amounts falling due after more than one year	2010 £000	2009 £000
	Bank loans	194,823	213,368
		<hr/>	<hr/>
		194,823	213,368
		<hr/>	<hr/>
	Loans fall due for repayment as follows	2010 £000	2009 £000
	Within one year	18,250	19,690
	Between one and two years	18,250	18,380
	Between two and five years	176,573	194,988
		<hr/>	<hr/>
		213,073	233,058
		<hr/>	<hr/>

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

	Allotted, called up and fully paid No'000	£000
At 31 December 2009		
“A” ordinary shares of £0.01 each	590,038	5,900
“B” ordinary shares of £0.01 each	481,239	4,813
“C” ordinary shares of £0.01 each	74,053	740
	<hr/>	<hr/>
	1,145,330	11,453
Movements in the year		
“A” ordinary shares of £0.01 each	-	-
“B” ordinary shares of £0.01 each	-	-
“C” ordinary shares of £0.01 each	-	-
“D” ordinary shares of £0.01 each	18,666	187
	<hr/>	<hr/>
	18,666	187
At 31 December 2010		
“A” ordinary shares of £0.01 each	590,038	5,900
“B” ordinary shares of £0.01 each	481,239	4,813
“C” ordinary shares of £0.01 each	74,053	740
“D” ordinary shares of £0.01 each	18,666	187
	<hr/>	<hr/>
	1,163,996	11,640
<hr/>		

During the year the Company created a new class of share, “D” ordinary shares, and issued 18,665,747 for cash totalling £6,518,905. The excess paid over the nominal value has been credited to the share premium account.

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 20 July 2010.

Notes to the Company financial statements (*continued*)

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 2010	9,907	1,154	15,395	117,313	479	9,548
Movement in year	6,332	-	-	-	102	40,165
At 31 December 2010	16,239	1,154	15,395	117,313	581	49,713

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

	2010 £000	2009 £000
Shareholders' funds at 1 January	165,249	158,650
Shares issued	6,519	-
Profit for the financial year	40,165	6,373
Credit relating to share based charges	102	226
 Shareholders' funds at 31 December	212,035	165,249
 	<hr/>	<hr/>

41 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2010 £000	2009 £000
Operating leases which expire	76	76
Over five years	<hr/>	<hr/>

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 £37,000 (2009 £28,000). Contributions amounting to £3,000 (2009 £1,000) are payable to the scheme and are included in creditors.

Notes to the Company financial statements (*continued*)

44 Related parties

The Company was charged rent by BHJM Pension scheme, an entity associated by common directors/trustees, amounting to £76,000 (2009 £76,000) No amounts were owing to BHJM Pension scheme at 31 December 2009 or 2010

During the year the Company continued to provide funding to InterAct PMTI Inc, a member of the group Interest, charged at commercial rates, totalled £57,000 (2009 £49,000) in the year The balance owed to the company at the year end amounted to £1,519,000 (2009 £942,000)