



Accountants and business advisors

ACTEON GROUP LIMITED  
(Formerly UWG Group Limited)

COMPANY NUMBER 4231212

ANNUAL REPORT

YEAR ENDED 30 JUNE 2004



**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)

**COMPANY INFORMATION**

<b>Directors</b>	J A Hogan R C Higham K Burton K F Ovenden I McFadyen H H L Ross
<b>Secretary</b>	R C Higham
<b>Company Number</b>	4231212
<b>Registered Office</b>	1 Chalk Hill House 19 Rosary Road Norwich Norfolk NR1 1SZ
<b>Auditors</b>	PKF Cedar House 105 Carrow Road Norwich Norfolk NR1 1HP

**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)

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**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**DIRECTORS' REPORT**  
**YEAR ENDED 30 JUNE 2004**

The directors submit their report and the consolidated financial statements for the year ended 30 June 2004.

**Results and dividends**

The profit for the year, after taxation and minority interests, amounted to **£1,507,646** (2003 - £938,702).

The directors recommend a dividend of £112,000 leaving a balance of £1,395,646 which is transferred to retained reserves.

**Change of name**

On 10 November 2004 the company changed its name from UWG Group Limited to Acteon Group Limited.

**Principal activity and review of the business**

The principal activity of the company during the year was that of a holding company. The company did not trade in its own right, but did undertake a number of transactions relating to the financing and structure of the group.

On 29 August 2003 the company acquired 100% of the share capital of MENCK GmbH, a company incorporated in Germany.

The principal activities of the subsidiary and sub-subsidiary companies are as follows:

UWG Limited (subsidiary) - the provision of specialist products and services for the worldwide offshore oil and gas industry, including well interface systems and well abandonment and intervention services.

2H Offshore Engineering Limited (subsidiary of UWG Limited) and its subsidiaries, 2H Offshore Inc, a company incorporated in the State of Delaware, USA, and 2H Offshore Projetos Limitada, a company incorporated in Brazil, - the provision of deep water riser technology engineering, equipment and services to the oil and gas industry.

Claxton Engineering Services Limited (subsidiary of UWG Limited) - repair, service and installation of wellheads, equipment rental and well abandonment for the offshore oil and gas industry.

Team Energy Resources Limited (subsidiary) - provision of engineering consultancy, management services and temporary staff to the oil and gas industry.

UWG Group, Inc (trading as Wellcut, Inc) (subsidiary) - the provision of specialist products and services, including decommissioning services, for the offshore oil and gas industry.

MENCK GmbH (subsidiary) - the provision of piling technology products and services for the offshore oil and gas industry.

UWG Group Limited (this company was previously named Underwater Tools Limited) (subsidiary of UWG Limited) - dormant throughout the year.

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

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

**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**DIRECTORS' REPORT (continued)**  
**YEAR ENDED 30 JUNE 2004**

**Directors**

The directors who served during the year were:

J A Hogan  
R C Higham  
K Burton  
K F Ovenden  
I McFadyen  
H H L Ross  
M Hewett (resigned 1 June 2004)


The directors' interests in the company's share capital are shown in note 31 to the financial statements.

**Acquisition of own shares**

During the year the company undertook two transactions involving the repurchase of its own shares. Further details of these and other movements in share capital are set out in note 20.

**Exceptional item - prior year**

Included within administrative expenses in the year ended 30 June 2003 was £556,061 for accelerated amortisation of finance-raising costs. The amortisation was accelerated because it was clear at the time those accounts were prepared that the associated liabilities would be redeemed early. In accordance with Financial Reporting Standard 4, the amortisation of the finance-raising costs was accelerated to reflect the shorter life of the instrument. Eliminating this exceptional item from the group's performance would have resulted in profit on ordinary activities before taxation amounting to £2,638,288 rather than the £2,082,227 reported. The comparable figure for 2004 was £89,869. This has not been classified as exceptional on the grounds that it is not material to the results of the group.

 By order of the board  
K F Ovenden  
Director

**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

The directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ACTEON GROUP LIMITED  
(formerly UWG Group Limited)**

We have audited the financial statements of Acteon Group Limited for the year ended 30 June 2004 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 30 June 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**PKF**

Registered Auditors

Norwich, UK

20<sup>th</sup> December 2004

**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 JUNE 2004**

	Notes	2004 £	2004 £	2003 £
<b>TURNOVER</b>				
Continuing operations		26,304,073		28,035,636
Acquisitions		<u>12,147,800</u>		
	2		38,451,873	28,035,636
Cost of sales			<u>(28,067,549)</u>	<u>(20,348,179)</u>
<b>GROSS PROFIT</b>			10,384,324	7,687,457
Administrative expenses			<u>(7,495,163)</u>	<u>(5,159,212)</u>
Other operating income			13,508	4,144
<b>OPERATING PROFIT</b>				
Continuing operations		574,923		2,532,389
Acquisitions		<u>2,327,746</u>		
	3		2,902,669	2,532,389
Profit on sale of interest in associates	12		284,582	-
Share of associate's operating profit			86,838	202,887
			<u>3,274,089</u>	<u>2,735,276</u>
Interest receivable and similar income	6		550,313	198,552
Interest payable and similar charges	7		<u>(972,163)</u>	<u>(812,728)</u>
Share of associate's interest payable and similar charges			<u>(9,802)</u>	<u>(38,873)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			2,842,437	2,082,227
<b>TAXATION</b>	8		<u>(1,224,592)</u>	<u>(1,085,623)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			1,617,845	996,604
<b>MINORITY INTERESTS</b>			<u>(110,199)</u>	<u>(57,902)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>			1,507,646	938,702
<b>DIVIDENDS</b>	9		<u>(112,000)</u>	<u>(112,000)</u>
			<u>1,395,646</u>	<u>826,702</u>



**ACTEON GROUP LIMITED**  
**(formerly UWG Group Limited)**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 30 JUNE 2004**

	2004 £	2003 £
Profit for the financial year	1,507,646	938,702
Exchange difference on retranslation of foreign subsidiary eliminated against reserves	<u>(323,029)</u>	<u>(37,969)</u>
<b>Total recognised gains and losses relating to the year</b>	<b><u>1,184,617</u></b>	<b><u>900,733</u></b>

**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**CONSOLIDATED BALANCE SHEET**  
**30 JUNE 2004**

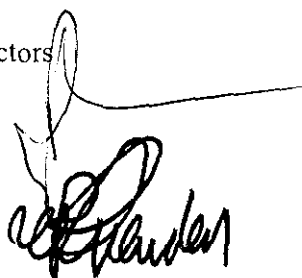
	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Intangible	10	13,183,369	11,146,025
Tangible	11	11,772,571	3,378,745
Investments	12	-	651,826
		<u>24,955,940</u>	<u>15,176,596</u>
<b>CURRENT ASSETS</b>			
Stocks	13	3,099,240	811,866
Debtors	14	11,138,341	7,121,785
Cash at bank and in hand		2,582,742	7,046,336
		<u>16,820,323</u>	<u>14,979,987</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(10,526,833)</u>	<u>(9,402,089)</u>
<b>NET CURRENT ASSETS</b>		<u>6,293,490</u>	<u>5,577,898</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>31,249,430</u>	<u>20,754,494</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	(14,211,981)	(5,943,750)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19	(13,037)	(31,541)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>17,024,412</u>	<u>14,779,203</u>
Pension liability	30	(845,446)	-
<b>NET ASSETS</b>		<u><u>16,178,966</u></u>	<u><u>14,779,203</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	9,414,652	9,663,358
Share premium account	21	5,314,305	3,689,145
Capital redemption reserve	21	1,153,746	-
Profit and loss account	21	(58,547)	1,182,089
<b>SHAREHOLDERS' FUNDS</b>	22	<u>15,824,156</u>	<u>14,534,592</u>
Minority interests	23	<u>354,810</u>	<u>244,611</u>
		<u><u>16,178,966</u></u>	<u><u>14,779,203</u></u>

The financial statements were approved by the board on 20<sup>th</sup> December 2004

Signed on behalf of the board of directors

R C Higham Director

K F Ovenden Director



**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**BALANCE SHEET**  
**30 JUNE 2004**

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Investments	12	24,657,155	15,706,333
<b>CURRENT ASSETS</b>			
Debtors	14	9,339,508	2,147,524
Cash at bank and in hand		1,382,395	4,811,097
		<u>10,721,903</u>	<u>6,958,621</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(5,016,345)</u>	<u>(2,091,179)</u>
<b>NET CURRENT ASSETS</b>		<u>5,705,558</u>	<u>4,867,442</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>30,362,713</u>	<u>20,573,775</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	<u>(14,211,981)</u>	<u>(5,943,750)</u>
<b>NET ASSETS</b>		<u><u>16,150,732</u></u>	<u><u>14,630,025</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	9,414,652	9,663,358
Share premium account	21	5,314,305	3,689,145
Capital redemption reserve	21	1,153,746	-
Profit and loss account	21	268,029	1,277,522
		<u><u>16,150,732</u></u>	<u><u>14,630,025</u></u>

The financial statements were approved by the board on 20<sup>th</sup> December 2004

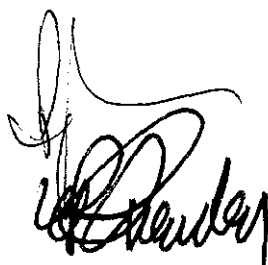
Signed on behalf of the board of directors

R C Higham

Director

K F Ovenden

Director



**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 30 JUNE 2004**

	2004 £	2003 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit	2,902,669	2,532,389
Amortisation of intangible assets	754,405	624,462
Depreciation of tangible fixed assets	2,446,033	1,003,569
Profit on sale of fixed assets	(2,616)	(9,034)
Increase in debtors	(743,042)	(1,056,822)
Decrease/(increase) in stocks	1,128,627	(229,589)
(Decrease)/increase in creditors	(4,791,479)	158,303
Amortisation of finance raising costs	124,629	744,077
<b>Net cash inflow from operating activities</b>	<u>1,819,226</u>	<u>3,767,355</u>
 <b>CASH FLOW STATEMENT (note 25)</b>		
Net cash inflow from operating activities	1,819,226	3,767,355
Returns on investments and servicing of finance	(1,218,428)	(610,955)
Taxation	(1,813,699)	(870,029)
Capital expenditure	(3,055,797)	(1,491,821)
Acquisitions and disposals	(10,382,922)	(7,023,125)
Equity dividends paid	(112,000)	-
	<u>(14,763,620)</u>	<u>(6,228,575)</u>
<b>Financing</b>	<u>11,223,039</u>	<u>9,068,054</u>
<b>(Decrease)/increase in cash</b>	<u>(3,540,581)</u>	<u>2,839,479</u>
 <b>Reconciliation of net cash flow to movement in net debt (note 26)</b>		
(Decrease)/increase in cash in the year	(3,540,581)	2,839,479
Net cash (inflow) from financing	(10,169,701)	(4,156,250)
Net cash outflow from repayment of finance leases	5,610	8,604
Retranslation difference	550,734	-
<b>Change in net debt</b>	<u>(13,153,938)</u>	<u>(1,308,167)</u>
Net debt at 1 July 2003	(1,828,260)	(520,093)
<b>Net debt at 30 June 2004</b>	<u>(14,982,198)</u>	<u>(1,828,260)</u>

**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2004**

**1 ACCOUNTING POLICIES**

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

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

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 30 June 2004.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985. The profit for the year of the parent company was £1,415,760 (2003 - £3,644).

**(b) Basis of consolidation**

The financial statements have been consolidated using the acquisition method of accounting for subsidiaries and equity accounting for associates in line with Financial Reporting Standards 2 and 9 respectively.

**(c) Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax.

**(d) Intangible fixed assets**

Intangible fixed assets comprise purchased goodwill and goodwill arising on consolidation which are stated at cost less accumulated amortisation. Goodwill is amortised over its estimated useful life of between 15 and 20 years.

**(e) Tangible fixed assets**

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

Buildings	2 % straight line
Furniture and office equipment	10 to 25 % straight line
Motor vehicles	25 % straight line
Plant and machinery	12.5 to 33 % straight line

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

**(f) Investments**

Investments are stated at the lower of cost and net realisable value. They are not stated at market value as the investments are unlisted and hence there is no formal valuation available.

**ACTEON GROUP LIMITED**  
(formerly UWG Group Limited)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2004**

**1 ACCOUNTING POLICIES (continued)**

**(g) Stocks, work in progress and long term contracts**

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

Turnover on long term contracts is recognised in the profit and loss account with reference to the value of the work carried out. Where the outcome of long term contracts can be assessed with reasonable certainty, the profit element recognised in the year is calculated with reference to the value of work carried out, less the matching costs incurred in reaching that stage of completion. Any costs incurred but not yet billed for are included in work in progress and are stated at the lower of cost and net realisable value. Any losses on long term contracts are recognised as soon as they are foreseen.

**(h) Foreign currencies**

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

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

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

**(i) Finance leases and hire purchase**

Assets acquired under finance leases or hire purchase agreements are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease on a straight line basis.

**(j) Operating leases**

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

**(k) Deferred taxation**

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

**(l) Pensions**

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

The group operates one defined benefit pension scheme in respect of employees of its German subsidiary, MENCK GmbH. The pension charge in the profit and loss account represents the current service cost of providing retirement benefits to employees.

**ACTEON GROUP LIMITED**  
**(formerly UWG Group Limited)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2004**

**2 TURNOVER**

Turnover is attributable to one class of business which is the provision of specialist products and services to the worldwide oil and gas industry.

Analysis of turnover by geographical sector has not been carried out as required by Schedule 4 Section 55(2) of the Companies Act 1985 as the directors are of the opinion that such information would be seriously prejudicial to the interests of the group.

**3 OPERATING PROFIT**

The figures for continuing operations in the year ended 30 June 2004 include amounts relating to acquisitions as follows: cost of sales of **£8,223,701** (2003 - £74,000) and administrative expenses of **£1,598,338** (2003 - £24,900)

The operating profit is stated after charging/(crediting):

	<b>2004</b>	2003
	<b>£</b>	£
Amortisation of intangible assets	<b>754,405</b>	624,462
Depreciation of tangible fixed assets:		
- owned by the company	<b>2,446,033</b>	996,086
- held under finance lease or hire purchase contracts	-	7,483
Audit fees:		
- group auditors	<b>47,112</b>	32,891
- other auditors	<b>38,756</b>	-
Auditors' remuneration - non-audit services:		
- group auditors	<b>42,837</b>	56,410
- other auditors	<b>28,755</b>	-
Operating lease rentals:		
- plant and machinery	<b>43,431</b>	18,106
- land and property	<b>238,074</b>	178,012
Income from operating leases	<b>(13,508)</b>	(4,144)
Exceptional item:		
Accelerated amortisation of finance-raising costs	-	556,061

Included within administrative expenses for the year to 30 June 2003 is £556,061 for accelerated amortisation of finance-raising costs. The amortisation was accelerated because it was clear at the time those accounts were prepared that the associated liabilities would be redeemed early. In accordance with Financial Reporting Standard 4, the amortisation of the finance-raising cost was accelerated to reflect the shorter life of the instrument.

**ACTEON GROUP LIMITED**  
**(formerly UWG Group Limited)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2004**

**4 DIRECTORS' EMOLUMENTS AND BENEFITS**

	2004	2003
	£	£
Directors' emoluments	1,499,122	1,319,787
Contributions to money purchase pension schemes	15,200	6,229
	<u>1,514,322</u>	<u>1,326,016</u>

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	9	8
	<u>9</u>	<u>8</u>

The highest paid director received emoluments and benefits as follows:

	2004	2003
	£	£
Emoluments and benefits under long term incentive schemes	152,723	134,480
Contributions to money purchase pension schemes	2,183	649
	<u>154,906</u>	<u>135,129</u>

A total of **£21,995** (2003 - £NIL) was paid to a director of a subsidiary as compensation for loss of office.

**5 STAFF COSTS**

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

	2004	2003
	£	£
Wages and salaries	9,485,429	6,224,145
Social security costs	761,817	645,602
Other pension costs	132,132	21,253
	<u>10,379,378</u>	<u>6,891,000</u>

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

	No	No
Directors of Acteon Group Limited and its subsidiaries	15	13
Technical and administration	217	137
	<u>232</u>	<u>150</u>



**ACTEON GROUP LIMITED**  
**(formerly UWG Group Limited)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2004**

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2004	2003
	£	£
Other interest receivable	159,621	198,552
Exchange differences	390,692	-
	<u>550,313</u>	<u>198,552</u>

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	2004	2003
	£	£
Bank loans and overdrafts	933,373	448,648
Other loans	36,153	275,920
Finance charges under finance lease and hire purchase contracts	806	1,176
Exchange differences	-	86,984
Interest on tax paid late	1,831	-
	<u>972,163</u>	<u>812,728</u>

**ACTEON GROUP LIMITED**  
**(formerly UWG Group Limited)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2004**

**8 TAXATION**

<b>(a) Analysis of charge in year</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>UK corporation tax</b>		
Current tax on income for the year	1,393,238	944,421
Adjustments in respect of prior periods	(186,570)	(6,113)
Share of associate's tax charge	4,768	41,827
	<u>1,211,436</u>	<u>980,135</u>
Double taxation relief	(97,600)	(104,395)
Total UK taxation	<u>1,113,836</u>	<u>875,740</u>
<b>Foreign tax</b>		
Current tax on income for the year (withholding tax and USA Federal income tax)	335,219	285,738
Texas Franchise tax	21,406	18,599
	<u>356,625</u>	<u>304,337</u>
<b>Total current tax</b>	<b>1,470,461</b>	<b>1,180,077</b>
<b>Deferred tax</b>		
Changes in deferred tax balances arising from:		
Origination or reversal of timing differences	(245,869)	(94,454)
<b>Tax on profit on ordinary activities</b>	<u><u>1,224,592</u></u>	<u><u>1,085,623</u></u>

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**8 TAXATION (continued)**

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

The tax assessed for the year is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	2,842,437	2,082,227
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003: 30%)	852,731	624,668
Effects of:		
Expenses disallowed (including depreciation)	465,265	560,283
Capital allowances	(260,692)	(241,824)
Effect of subsidiaries taxed at different rates	163,059	15,098
Unrelieved foreign tax and Texas franchise tax paid	92,340	45,245
Effect of inclusion of share of associate's activity	(18,343)	(7,377)
Unrelieved losses carried forward into 2005	143,041	9,083
Goodwill amortised on consolidation	213,625	187,339
Disposal of investment	(6,022)	-
Over provision for taxation including foreign tax in respect of prior periods	(174,543)	(12,438)
Current tax charge for the year	1,470,461	1,180,077

**9 DIVIDENDS**

	2004 £	2003 £
<b>Ordinary shares</b>		
Final proposed	112,000	112,000
of which:		
Dividends on equity shares	112,000	112,000

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**10 INTANGIBLE FIXED ASSETS**

**Group**

	<b>Goodwill £</b>
<b>Cost</b>	
At 1 July 2003	12,132,810
Additions	2,182,574
Disposals	609,175
At 30 June 2004	<u>14,924,559</u>
<b>Amortisation</b>	
At 1 July 2003	986,785
Charge for the year	754,405
At 30 June 2004	<u>1,741,190</u>
<b>Net book amount</b>	
At 30 June 2004	<u>13,183,369</u>
At 30 June 2003	<u>11,146,025</u>

The goodwill addition in the year relates to the purchase of MENCK GmbH, a new subsidiary of the group, as shown in note 24.

The negative goodwill disposal in the year relates to the sale of the company's associate undertakings, as shown in note 12.

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**11 TANGIBLE FIXED ASSETS**

**Group**

	Land, buildings and leasehold improvements £	Plant & machinery, fixtures & fittings £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 July 2003	304,519	4,467,153	21,036	4,792,708
Additions	198,483	10,964,689	-	11,163,172
Disposals	-	(865,065)	(5,585)	(870,650)
Exchange movement	-	(44,714)	-	(44,714)
At 30 June 2004	<u>503,002</u>	<u>14,522,063</u>	<u>15,451</u>	<u>15,040,516</u>
<b>Depreciation</b>				
At 1 July 2003	14,434	1,388,041	11,488	1,413,963
Charge for year	31,244	2,410,713	4,076	2,446,033
On disposals	-	(541,274)	(3,717)	(544,991)
Exchange movement	-	(47,060)	-	(47,060)
At 30 June 2004	<u>45,678</u>	<u>3,210,420</u>	<u>11,847</u>	<u>3,267,945</u>
<b>Net book amount</b>				
At 30 June 2004	<u>457,324</u>	<u>11,311,643</u>	<u>3,604</u>	<u>11,772,571</u>
At 30 June 2003	<u>290,085</u>	<u>3,079,112</u>	<u>9,548</u>	<u>3,378,745</u>

The net book amount of land and buildings comprises:

	2004 £	2003 £
Long leaseholds	<u>274,756</u>	<u>280,862</u>

The net book amounts of plant & machinery, fixtures & fittings above include £NIL (2003 - £7,400) in respect of assets held under finance leases or hire purchase contracts.

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**12 FIXED ASSET INVESTMENTS**

**Group**

	Share of associate's net assets £
<b>Cost</b>	
At 1 July 2003	651,826
Share of increase in net assets	72,268
Disposals	(724,094)
	<hr/>
At 30 June 2004	-
	<hr/> <hr/>

The share of the associate's net assets was in respect of the interest in QDS Environmental Limited. On 1 July 2003 that company demerged resulting in the formation of a new company Delta-Simons Environmental Consultants Limited. The principal business of these two companies is the provision of environmental consultancy and remediation services. Acteon Group Limited, via its 100% shareholding in UWG Limited, held 49.9% of the issued ordinary "A" shares in each of these companies. This represented a holding of 46.9% in each company's total equity. The interest in these associated companies ceased on 3 November 2003 when UWG Limited disposed of its investment in these companies as detailed in note 29.

**Company**

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 July 2003	15,706,333
Additions	8,950,822
	<hr/>
At 30 June 2004	24,657,155
	<hr/> <hr/>

The addition in the year relates to the purchase of MENCK GmbH, a new subsidiary of the group, as shown in note 24.

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**12 FIXED ASSET INVESTMENTS (continued)**

The company holds the following investments in subsidiary undertakings and sub-subsidiary undertakings:

<u>Name of company</u>	<u>Class of share</u>	<u>% held</u>
Team Energy Resources Limited (subsidiary)	Ordinary	100
UWG Limited (subsidiary)	Ordinary	100
UWG Group, Inc (trading as Wellcut, Inc) (subsidiary)	Ordinary	100
Team Drill Limited (subsidiary) - dormant	Ordinary	100
MENCK GmbH (subsidiary) - acquired in the year	Ordinary	100
Claxton Engineering Services Limited (sub-subsidiary)	Ordinary	100
2H Offshore Engineering Limited (sub-subsidiary)	Ordinary	80
2H Offshore Inc (100% subsidiary of 2H Offshore Engineering Limited)	Ordinary	80
2H Offshore Projetos Limitada (90% subsidiary of 2H Offshore Engineering Limited) - incorporated in the year	Ordinary quotas	72
UWG Group Limited (previously named Underwater Tools Limited) (subsidiary) - dormant	Ordinary	100

All companies, with the exception of the dormant companies, provide specialist products and services to the worldwide oil and gas industry. All companies are registered in England and Wales with the exception of 2H Offshore Inc and UWG Group, Inc which are incorporated in the state of Delaware, USA, 2H Offshore Projetos Limitada which is incorporated in Brazil and MENCK GmbH which is incorporated in Germany.

All companies have been consolidated into the group financial statements.

**13 STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Raw materials	213,681	116,240	-	-
Work in progress	1,817,915	695,626	-	-
Finished goods	1,067,644	-	-	-
	<u>3,099,240</u>	<u>811,866</u>	<u>-</u>	<u>-</u>

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**14 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Due within one year</b>				
Trade debtors	8,810,776	5,990,021	-	-
Amounts due from group undertakings	-	-	9,262,172	1,987,655
Other debtors	1,624,158	291,526	77,336	156,484
Prepayments & accrued income	703,407	840,238	-	3,385
	<u>11,138,341</u>	<u>7,121,785</u>	<u>9,339,508</u>	<u>2,147,524</u>

**Company**

Included in amounts owed by group undertakings to the company is an amount of **£2,257,403** (2003 - £NIL) which is repayable after one year.

**Group**

Other debtors include **£222,439** (2003 - £NIL) in respect of a deferred tax asset relating to trading losses carried forward of **£208,301** and other timing differences of **£41,464** less accelerated capital allowances of **£27,326**.



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**15 CREDITORS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>				
Bank loans and overdrafts (note 17)	3,944,719	4,185,367	1,904,996	1,222,631
Trade creditors	2,669,578	2,058,350	32,236	53,728
Amounts owed to group undertakings	-	-	2,832,948	-
Corporation tax	309,202	657,366	-	-
Other tax and social security	466,847	423,908	-	-
Proposed dividends	112,000	112,000	112,000	112,000
Net obligations under finance lease and hire purchase contracts (note 18)	-	5,610	-	-
Other creditors	1,637,361	906,467	-	657,000
Accruals and deferred income	1,387,126	1,053,021	134,165	45,820
	<u>10,526,833</u>	<u>9,402,089</u>	<u>5,016,345</u>	<u>2,091,179</u>

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

Included in other creditors within the group is **£10,614** (2003 - £6,599) relating to outstanding contributions payable to the pension scheme.

Also included in other creditors falling due within one year for both the company and the group is **£NIL** (2003 - £650,000) relating to "B" Loan notes which were redeemed in August 2003 in accordance with the loan note deed.

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**16 CREDITORS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Amounts falling due after more than one year</b>				
Bank loans (note 17)	13,369,981	4,593,750	13,369,981	4,593,750
Other creditors	842,000	1,350,000	842,000	1,350,000
	<u>14,211,981</u>	<u>5,943,750</u>	<u>14,211,981</u>	<u>5,943,750</u>

Other creditors for both the company and the group include "B" Loan notes amounting to £NIL (2003 - £1,350,000). These loan notes were repaid during the year in accordance with the loan note deed.

Included within creditors falling due after more than one year above are amounts in respect of debts not wholly payable within five years of the balance sheet date as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	<u>2,840,363</u>	<u>-</u>	<u>2,840,363</u>	<u>-</u>

**17 LOANS**

Loans fall due for payment as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Bank loans</b>				
Within one year	1,904,996	1,222,631	1,904,996	1,222,631
Between one and two years	1,904,996	1,437,500	1,904,996	1,437,500
Between two and five years	8,624,622	3,156,250	8,624,622	3,156,250
After more than five years	<u>2,840,363</u>	<u>-</u>	<u>2,840,363</u>	<u>-</u>
	<u>15,274,977</u>	<u>5,816,381</u>	<u>15,274,977</u>	<u>5,816,381</u>

The repayment terms of loans falling due after more than 5 years are by four quarterly instalments commencing on 30 September 2009 at £574,999 and \$280,000. Interest on these loans is charged at Libor plus a margin of 3%.

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**18 FINANCE LEASES**

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

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	-	5,610	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

**19 PROVISIONS FOR LIABILITIES AND CHARGES**

**Group**

	<b>Deferred taxation £</b>
At 1 July 2003	31,541
Credited to profit and loss	(18,504)
	<u>          </u>
<b>At 30 June 2004</b>	<b>13,037</b>
	<u>          </u>

Deferred tax is analysed as follows:

	<b>Provided</b>	
	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Capital allowances	19,198	91,661
Other timing differences	(6,161)	(46,420)
Losses	-	(13,700)
	<u>          </u>	<u>          </u>
	<b>13,037</b>	<b>31,541</b>
	<u>          </u>	<u>          </u>

There is also a deferred tax asset of **£27,674** (2003 - £68,129) not provided for. This has arisen on capital losses unrelieved at the balance sheet date, and is not expected to be utilised for the foreseeable future.

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**20 SHARE CAPITAL**

	Authorised £	Allotted, called up and fully paid No	£
At 1 July 2003			
Ordinary shares of £0.01 each	3,620,000	81,730,516	817,305
"A" Ordinary shares of £0.01 each	3,250,000	-	-
"B" Ordinary shares of £0.01 each	7,240,000	723,809,500	7,238,095
"C" Ordinary shares of £0.01 each	1,610,000	160,795,829	1,607,958
	<u>15,720,000</u>	<u>966,335,845</u>	<u>9,663,358</u>
Movements in year:			
Ordinary shares of £0.01 each	-	359,845	3,598
"B" Ordinary shares of £0.01 each	-	(113,700,000)	(1,137,000)
"C" Ordinary shares of £0.01 each	1,450,000	88,469,585	884,696
	<u>1,450,000</u>	<u>(24,870,570)</u>	<u>(248,706)</u>
At 30 June 2004			
Ordinary shares of £0.01 each	3,620,000	82,090,361	820,903
"A" Ordinary shares of £0.01 each	3,250,000	-	-
"B" Ordinary shares of £0.01 each	7,240,000	610,109,500	6,101,095
"C" Ordinary shares of £0.01 each	3,060,000	249,265,414	2,492,654
	<u>17,170,000</u>	<u>941,465,275</u>	<u>9,414,652</u>

All shares rank pari passu in all respects, except that any "A" ordinary shares in issue will confer enhanced voting rights on their holders. There were no "A" shares in issue during the year. The consent of the holders of the "C" ordinary shares is required in respect of certain matters. Further detail of these rights is contained in the company's Articles of Association.

During the year 2,034,399 ordinary shares of 1p each with an aggregate nominal value of £20,344 were issued for a total cash consideration of £40,000. Also during the year 88,469,585 "C" ordinary shares of 1p each with an aggregate nominal value £884,696 were issued for a total cash consideration of £2,500,000.

During the year the company repurchased 1,674,554 ordinary shares, with a nominal value of £16,746, and 113,700,000 "B" ordinary shares, with a nominal value of £1,137,000 for a total consideration of £2,285,000 of which £850,000 remains outstanding in the form of Loan Notes redeemable in December 2006. These repurchases represented, respectively, 2% of the ordinary shares and 15.7% of the "B" ordinary share capital, and in total 11.0% of the company's entire issued share capital. A transfer of £1,153,746 has accordingly been made from distributable reserves to a non-distributable capital redemption reserve in accordance with the requirements of the Companies Act 1985.

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**20 SHARE CAPITAL (continued)**

During the year options were granted over NIL (2003 - 11,592,037) ordinary shares pursuant to the group's share option scheme. The total number of ordinary shares under option at the balance sheet date amounted to 108,270,842 (2003 - 108,270,842) ordinary shares of £0.01 each.

The price to be paid for the shares on exercise will be 1p per share. Exercise of the options is subject to certain performance criteria and other conditions. The options lapse on the tenth anniversary of their issue as detailed below:

Number of options	Year end when options lapse
96,678,805	30 June 2012
11,592,037	30 June 2013

**21 RESERVES**

	Group £	Company £
<b>Share premium account</b>		
At 1 July 2003	3,689,145	3,689,145
Premium on shares issued during the year	1,634,960	1,634,960
Expenses of share issue	(9,800)	(9,800)
At 30 June 2004	<u>5,314,305</u>	<u>5,314,305</u>
<b>Capital redemption reserve</b>	£	£
At 1 July 2003	-	-
Shares re-purchased by the company	1,153,746	1,153,746
At 30 June 2004	<u>1,153,746</u>	<u>1,153,746</u>
<b>Profit and loss account</b>	£	£
At 1 July 2003	1,182,089	1,277,522
Profit for the year	1,507,646	1,415,760
Dividend	(112,000)	(112,000)
Exchange difference on retranslation of foreign subsidiaries	(323,029)	-
Shares re-purchased by the company	(2,285,000)	(2,285,000)
Cost of share re-purchase	(28,253)	(28,253)
Profit and loss reserve excluding pension liability	<u>(58,547)</u>	<u>268,029</u>
Pension reserve (post acquisition)	-	-
At 30 June 2004	<u>(58,547)</u>	<u>268,029</u>

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**22 SHAREHOLDERS' FUNDS**

	2004	2003
	£	£
Shareholders' funds at 1 July 2003	14,534,592	8,825,451
Profit for the year	1,507,646	938,702
Other recognised gains and losses	(323,029)	(37,969)
Dividends	(112,000)	(112,000)
Other movements:		
New shares issued	2,530,200	4,920,408
Shares re-purchased by the company and associated costs	(2,313,253)	-
Shareholders' funds at 30 June 2004	<u>15,824,156</u>	<u>14,534,592</u>

**23 MINORITY INTERESTS**

Minority interests comprised:

	2004	2003
	£	£
Equity interests (2H Offshore Engineering Limited)	<u>354,810</u>	<u>244,611</u>

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**24 ACQUISITIONS AND DISPOSALS**

Acteon Group Limited acquired 100% of the share capital of MENCK GmbH, on 29 August 2003.

Detailed below is a breakdown of the aggregate net assets acquired:

	Book Value £	Accounting policy alignments £	Fair value £
Tangible fixed assets	7,779,100	-	7,779,100
Current assets (stocks, debtors and cash)	6,956,082	-	6,956,082
Current liabilities (creditors and taxation)	(7,118,077)	-	(7,118,077)
Pension liability	(794,700)	(54,157)	(848,857)
Net assets acquired	6,822,405	(54,157)	6,768,248
Goodwill arising	2,128,417	54,157	2,182,574
	<u>8,950,822</u>	<u>-</u>	<u>8,950,822</u>

Satisfied by:

Cash	<u>8,950,822</u>
------	------------------

The aggregate results of MENCK GmbH from 1 January 2003 (the start of its accounting period) to the date of its acquisition by Acteon Group Limited are as detailed below:

	£
Turnover	<u>12,348,893</u>
Operating profit	<u>2,112,422</u>
Profit before taxation	<u>2,097,551</u>
Taxation	<u>845,189</u>
Profit after taxation	<u>1,252,362</u>

The aggregate profit after taxation of MENCK GmbH for the 2002 financial year, which commenced on 1 January 2002, is as detailed below:

	£
Profit after taxation	<u>1,033,198</u>

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**25 GROSS CASH FLOWS**

	2004 £	2003 £
<b>Returns on investments and servicing of finance</b>		
Interest received	159,620	198,552
Interest paid	(1,092,242)	(804,766)
Interest element of finance lease rentals	(806)	(1,176)
Finance raising costs paid	(285,000)	(3,565)
	<u>(1,218,428)</u>	<u>(610,955)</u>
<b>Taxation</b>		
Corporation tax paid	(1,009,083)	(554,318)
Overseas taxation paid	(804,616)	(315,711)
	<u>(1,813,699)</u>	<u>(870,029)</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(3,384,072)	(1,504,265)
Receipts from sales of tangible fixed assets	328,275	12,444
	<u>(3,055,797)</u>	<u>(1,491,821)</u>
Payment to acquire trade of third party undertaking	-	(1,023,125)
Net cash acquired with subsidiary undertakings	567,900	-
Deferred consideration for the acquisition of subsidiary undertakings	(2,000,000)	(6,000,000)
Payment to acquire subsidiary	(8,950,822)	-
	<u>(10,382,922)</u>	<u>(7,023,125)</u>
<b>Financing</b>		
Issue of share capital	2,540,000	5,050,000
Expenses paid in connection with the issue of shares	(9,800)	(129,592)
New loans	17,050,338	6,000,000
Capital element of finance lease rentals	(5,610)	(8,604)
Bank loans repaid	(6,880,636)	(1,843,750)
Shares repurchased by the company	(1,471,253)	-
	<u>11,223,039</u>	<u>9,068,054</u>



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**26 ANALYSIS OF CHANGES IN NET DEBT**

	At 1 July 2003 £	Cash flows £	Exchange movement £	At 30 June 2004 £
Cash at bank and in hand	7,046,336	(4,463,594)	-	2,582,742
Overdrafts	(2,962,736)	923,013	-	(2,039,723)
		(3,540,581)		
Debt due within 1 year	(1,312,500)	(842,736)	-	(2,155,236)
Debt due after 1 year	(4,593,750)	(9,326,965)	550,734	(13,369,981)
Finance leases	(5,610)	5,610	-	-
Total	<u>(1,828,260)</u>	<u>(13,704,672)</u>	<u>550,734</u>	<u>(14,982,198)</u>

**27 OTHER COMMITMENTS**

**Group**

At 30 June 2004 the group had annual commitments under operating leases as follows:

	Land and buildings		Other	
	2004 £	2003 £	2004 £	2003 £
<b>Expiry date:</b>				
Within one year	38,976	58,445	21,186	-
Between one and five years	<u>370,374</u>	<u>89,171</u>	<u>45,807</u>	<u>18,875</u>

**28 CONTINGENT LIABILITIES**

The company has an agreement with certain investing directors and management in the group which states that if by 4 December 2006 certain conditions apply, each investor shall be entitled, on giving written notice to the company, to require the company to purchase their ordinary shares at their original subscription price, distributable reserves permitting.

The total potential liability to the company if all shares were to be repurchased is £1,169,000 (2003 - £1,194,000).

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

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**29 TRANSACTIONS WITH RELATED PARTIES**

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

Rent charged by BHHM Pension Scheme amounted to **£63,210** (2003 - £58,110).

The amount owing to the BHHM Pension Scheme at 30 June 2004 was **£131** (2003 - £NIL).

The amount due from BHHM Pension Scheme at 30 June 2004 was **£NIL** (2003 - £1,436).

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

Rent charged to the group during the year **£17,000** (2003 - £17,000)

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

Rent charged by Claxton Engineering Limited (1990) Retirement Benefit Scheme **£23,000** (2003 - £23,000).

The group incurred consultancy fees and expenses totalling **£13,853** (2003 - £7,000) from Lime Rock Partners II L.P., a shareholder in the group.

The group had the following transactions with WHOC Limited and WHOC (QDS) Limited, companies under similar control:

The group sold its holding in Delta-Simons Environmental Consultants Limited to WHOC Limited for **£212,000**. This amount was outstanding at 30 June 2004 and a provision of **£212,000** has been made against this balance since there is doubt concerning the ability of that company to repay the loan.

The group sold its holding in QDS Environmental Limited to WHOC (QDS) Limited for **£188,000**. This amount was outstanding at 30 June 2004 and a provision of **£188,000** has been made against this balance since there is doubt concerning the ability of that company to repay the loan.

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**30 PENSION COSTS**

**a) 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.

Contributions made by the company to the schemes during the year amounted to **£57,790** (2003 - £21,253).

**b) Defined benefit scheme**

During the year the company acquired MENCK GmbH, a company incorporated in Germany (see note 24) which operates a defined benefit pension scheme. Unlike UK pension schemes the pension obligations of the scheme are met via the assets of the company with there being no assets held separately by the scheme itself.

The benefits paid out to the scheme members during the period totalled **£74,342**.

The valuation used for Financial Reporting Standard 17 purposes was carried out by a qualified independent actuary on 30 June 2004 in order to assess the liabilities of the scheme and other retirement liabilities of the company at that date.

The major assumptions used were as follows:

Inflation assumption	1%
Rate of increases in salaries	3%
Rate of increase in pensions in payment	1%
Rate of increase of deferred pensions	1%
Discount rate applied to scheme liabilities	5.5%

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

	2004
	£
Present value of scheme liabilities	872,348
Related deferred tax asset	(26,902)
Net deficit in the scheme.	<u>845,446</u>

**Movement in deficit in the year**

The net obligation of the scheme did not change significantly between the date of acquisition and the year end. It is the opinion of the directors that the scheme deficit at the year end was the same as on acquisition, with the exception of exchange rate movements on retranslation into sterling for consolidation purposes as follows:

	2004
	£
Deficit in scheme on acquisition	875,759
Movement in year:	
Exchange rate movements on retranslation	(3,411)
Deficit in scheme at the end of the year	<u>872,348</u>

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**31 DIRECTORS INTERESTS**

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year were:

	<b>Ordinary shares of 1p each</b>		<b>B Ordinary shares of 1p each</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
K Burton	6,028,396	6,028,396	-	-
M Hewett (resigned 1 June 2004)	-	-	-	-
R C Higham	-	-	380,952,368	380,952,368
J A Hogan	6,698,219	6,698,219	-	-
I McFadyen	-	-	229,157,132	342,857,132
K F Ovenden	6,028,396	6,028,396	-	-
H H L Ross	-	-	-	-

The shareholding stated above for I McFadyen includes a beneficial interest in shares held in a trust of which he is the beneficiary.

Acteon Group Limited has granted options to its directors and to certain staff in the group enabling them to purchase ordinary shares in the company at a point in the future, subject to the financial performance of the group and certain other conditions. No options were granted to or exercised by directors during the year. The options granted to directors, none of which are yet exercisable, are as follows:

	<b>Ordinary shares of 1p each</b>	
	<b>2004</b>	<b>2003</b>
K Burton	12,410,635	12,410,635
M Hewett (resigned 1 June 2004)	-	12,410,635
J A Hogan	1,861,595	1,861,595
K F Ovenden	12,410,635	12,410,635