

ACTEON GROUP LIMITED

Company Number 4231212

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2006

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ACTEON GROUP LIMITED

COMPANY INFORMATION

Directors	R C Higham K F Ovenden W Honeybourne (USA) J R Edwards (USA)
Secretary	R C Higham
Company Number	4231212
Registered Office	1 Chalk Hill House 19 Rosary Road Norwich Norfolk NR1 1SZ
Auditors	PKF (UK) LLP Cedar House 105 Carrow Road Norwich Norfolk NR1 1HP

ACTEON GROUP LIMITED

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ACTEON GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2006

The directors submit their report and the consolidated financial statements for the year ended 31 December 2006

Results and dividends

The profit for the year, after taxation, amounted to £12,550,000 (period ending December 2005 – £4,477,000)

No dividend is to be recommended in respect of 2006

Principal activity and review of the business

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

The group has world-leading engineering skills in many of the areas in which it operates and has achieved a number of industry "firsts" in its recent history. It employs approximately 700 people, many with technical skills, from its facilities in Europe, the Americas and the Far East.

Acteon businesses get involved at every stage in the life of an oilfield, from its initial development concept, through operations and maintenance through to decommissioning. The group also offers a full system capability, undertaking concept studies and analysis, front-end engineering and detailed design work, before handling manufacturing/construction work and offshore execution.

Acteon has four main business areas, supported by an established well construction and operations skill centre. These are

- Foundations and moorings
- Conductor systems
- Deepwater risers
- Decommissioning services
- Personnel services

Within these business areas Acteon companies work independently and together to serve industry clients.

MENCK manages all aspects of complex piling projects for customers, not only in the oil and gas business but also in the civil engineering sector. The company also manufactures and rents out some of the world's most sophisticated pile-driving hammers.

InterMoor specialises in deepwater mooring systems and foundations, especially for floating drilling and production facilities. The company also offers mobile offshore drilling rig relocation services.

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

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

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

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

ACTEON GROUP LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 DECEMBER 2006

Principal activity and review of the business (continued)

Claxton supplies equipment and services for well construction, workover maintenance and abandonment operations. These specifically focus on pressure control and remediation, conductor tensioning and rigless tubular retrieval.

Team is the group's well construction and operations skill centre and supplies qualified and experienced personnel to the offshore industry

Acquisitions during the year

The following acquisitions were concluded during 2006

- Acquisition of 80% of the issued shares of **Mirage Machines Ltd** This company, which is based in Derby, UK and is registered in England and Wales, specialises in the design and manufacture of on-site machining and cutting equipment for oilfield and other applications This transaction was completed in January 2006
 - Acquisition of 100% of the issued shares of **Trident Offshore Ltd**, which is based in Aberdeen, UK and is registered in Scotland Trident provides relocation services for rigs and floating production units including survey and navigation services This transaction was completed in July 2006
 - Acquisition of 100% of the issued shares of **Aquatic Engineering and Construction Ltd**, which is based in Aberdeen, UK and is registered in Scotland Aquatic provides a range of powered reel systems which are deployed by clients in relation to flexible pipelay and retrieval This transaction was completed in July 2006

Business review

Development of the business

The group performed exceptionally well during 2006, benefiting from high activity levels in the worldwide offshore oil and gas industry and the resulting buoyant demand for its range of subsea services. Turnover increased from £100,869,000 for the 18-month period ended 31 December 2005 to £121,507,000, with operating profit advancing from £9,823,000 to £17,420,000. Satisfactory growth was seen in each of the group's businesses, and encouraging first-time contributions seen from the new businesses in the group, **Mirage, Trident and Aquatic**.

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

- Turnover
 - 12m to June 2004 - £38,451,873
 - 18m to December 2005 - £100,869,000
 - 12m to December 2006 - £121,507,000
 - Increased investment in fixed assets – recognising that some Acteon companies operate sizeable equipment rental fleets
 - Fixed assets at net book value
 - As at June 2004 - £11,773,000
 - As at December 2005 - £20,575,000
 - As at December 2006 - £31,534,000
 - The group relies significantly on the skills and energies of its people, both for delivery of products and services to clients and for managing its affairs Recent development of the employed headcount has been
 - Average for 12m ended June 2004 - 232
 - Average for 18m ended December 2005 - 417
 - Average for 12m ended December 2006 - 566

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

ACTEON GROUP LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 DECEMBER 2006

Principal risks and uncertainties facing the company

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

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

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

Likely future developments in the business

The directors believe that the current activity levels in the offshore oil and gas industry are sustainable at least in the short to medium-term and intend to take steps to ensure that Acteon develops its geographical and product and service portfolio in order to provide high quality offerings which are well differentiated from its competitors

Research and development

The group is active in the field of research and development, through most of its operating companies. These include new concepts for field development in the deepwater riser business, low-cost conductor platforms in the Conductor Systems business and alternative deployment of high-powered pile-driving hammers from lower cost vessels in Foundations

Employees

The Group is committed to involving employees in the business through appropriate communication and consultation and does so through circulating internal newsletters and through periodic briefing meetings. Applications for employment by disabled persons are always fully considered, having regard to the aptitude and abilities of the applicant. If employees become disabled every effort is made to ensure the continuation of their employment with the group, including the provision of appropriate training. The group intends that, as far as possible, the training, career development and promotion of a disabled person should be identical to that of a person who does not suffer from a disability

Financial instruments

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

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

ACTEON GROUP LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 DECEMBER 2006

Directors

The directors who served during the year were

R C Higham
K F Ovenden
W Honeybourne (USA - appointed 9 November 2006)
J R Edwards (USA - appointed 9 November 2006)
J A Hogan (resigned 9 November 2006)
K Burton (resigned 9 November 2006)
I McFadyen (resigned 9 November 2006)
H H L Ross (resigned 9 November 2006)

The directors' interests in the company's share capital are shown in note 34 to the financial statements

Exceptional items

During 2006 the group incurred expenditure on certain items which are considered to be exceptional in nature. These related to a project involving a significant change in the ownership structure of the group, a potential acquisition which did not come to fruition, and the accelerated amortisation of certain financing costs. These exceptional items are disclosed in note 6. The total of the costs involved was £2,521,000. The directors note that if these exceptional costs had not been incurred the operating profit of the group would have been £19,941,000 rather than the £17,420,000 shown in the financial statements (2005 - £9,823,000).

Provision of information to auditors

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

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

By order of the board

R C Higham
Director

17th April 2007

ACTEON GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACTEON GROUP LIMITED

We have audited the financial statements of Acteon Group Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss Account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom and Generally Accepted Accounting Practice, of the state of the company's and group's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

PKF(UK)WP
PKF (UK) LLP

Registered Auditors

Norwich, UK

19th April 2007

ACTEON GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2006

		Year ended 31 December 2006	Eighteen months ended 31 December 2005
	Notes	£'000	£'000
TURNOVER			
Group		121,507	100,869
Less share of joint venture turnover		-	(160)
TURNOVER			
Continuing operations		102,395	74,245
Acquisitions		19,112	26,464
	2	<u>121,507</u>	<u>100,709</u>
Cost of sales		(85,782)	(75,739)
GROSS PROFIT		35,725	24,970
Administrative expenses	6	(18,305)	(15,251)
Other operating income		-	4
OPERATING PROFIT – Group			
Continuing operations		13,746	5,171
Acquisitions		3,674	4,552
	3	<u>17,420</u>	<u>9,723</u>
Share of joint venture's operating profit		-	100
OPERATING PROFIT			
Group and share of joint venture		17,420	9,823
Interest receivable and similar income	7	885	762
Interest payable and similar charges	8	(2,899)	(2,673)
Other finance charges	9	(52)	(71)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,354	7,841
TAXATION	10	(2,804)	(3,364)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		12,550	4,477
MINORITY INTERESTS	25	(83)	(138)
PROFIT FOR THE YEAR		12,467	4,339

ACTEON GROUP LIMITED
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2006

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Profit for the financial year	12,467	4,339
Actuarial gain/(loss) on defined benefit pension scheme	65	(168)
Deferred tax associated with defined benefit pension scheme	(34)	60
Exchange difference on retranslation of foreign subsidiaries eliminated against reserves	(1,258)	455
 Total recognised gains and losses relating to the year	 11,240	 4,686

ACTEON GROUP LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2006

	Notes	2006 £'000	2006 £'000	Restated 2005 £'000	Restated 2005 £'000
FIXED ASSETS					
Intangible	12		28,766		11,246
Tangible	13		31,534		20,575
			60,300		31,821
CURRENT ASSETS					
Stocks	15	6,430		5,091	
Debtors	16	39,510		28,925	
Cash at bank and in hand		2,827		4,586	
		48,767		38,602	
CREDITORS amounts falling due within one year	17	(32,408)		(25,957)	
NET CURRENT ASSETS			16,359		12,645
TOTAL ASSETS LESS CURRENT LIABILITIES			76,659		44,466
CREDITORS amounts falling due after more than one year	18		(37,755)		(19,497)
PROVISIONS FOR LIABILITIES AND CHARGES	20		(1,540)		(485)
NET ASSETS EXCLUDING PENSION LIABILITY			37,364		24,484
Pension liability	33		(925)		(979)
NET ASSETS			36,439		23,505
CAPITAL AND RESERVES					
Called up share capital	21		11,289		9,978
Share premium account	22		7,212		7,251
Capital redemption reserve			1,154		1,154
Profit and loss account	22		16,126		4,627
SHAREHOLDERS' FUNDS – ALL EQUITY	24		35,781		23,010
Minority interests	25		658		495
			36,439		23,505

The financial statements were approved by the board and authorised for issue on *17th April 2007*

Signed on behalf of the board of directors

R C Higham Director

K F Ovenden Director

ACTEON GROUP LIMITED
BALANCE SHEET
31 DECEMBER 2006

	Notes	2006 £'000	2006 £'000	Restated 2005 £'000	Restated 2005 £'000
FIXED ASSETS					
Tangible Investments	13 14	62 50,737		17 25,615	
			50,799		25,632
CURRENT ASSETS					
Debtors	16	13,123		15,583	
Cash at bank and in hand		784		-	
			13,907		15,583
CREDITORS: amounts falling due within one year	17	(5,943)		(6,054)	
NET CURRENT ASSETS			7,964		9,529
TOTAL ASSETS LESS CURRENT LIABILITIES			58,763		35,161
CREDITORS: amounts falling due after more than one year	18	(37,549)		(19,497)	
NET ASSETS			21,214		15,664
CAPITAL AND RESERVES					
Called up share capital	21	11,289		9,978	
Share premium account	22	7,212		7,251	
Capital redemption reserve		1,154		1,154	
Profit and loss account	22	1,559		(2,719)	
SHAREHOLDERS' FUNDS -- ALL EQUITY			21,214		15,664

The financial statements were approved by the board and authorised for issue on 17th April 2007

Signed on behalf of the board of directors

R C Higham Director

K F Ovenden Director



Mark A. Henden

ACTEON GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2006

	Year ended 31 December 2006	Eighteen months ended 31 December 2005
	£'000	£'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	17,420	9,723
Amortisation of intangible assets	1,236	1,099
Depreciation of tangible fixed assets	4,177	5,951
Impairment of fixed assets	-	353
Profit/(loss) on sale of fixed assets	20	(126)
(Increase) in debtors	(3,382)	(17,592)
(Increase) in stocks	(429)	(1,992)
(Decrease)/increase in creditors	(2,078)	12,527
Amortisation of finance raising costs	911	196
Accounting charge in relation to share option scheme	459	-
Net cash inflow from operating activities	18,334	10,139
CASH FLOW STATEMENT (note 27)		
Net cash inflow from operating activities	18,334	10,139
Dividends received from joint venture	-	234
Returns on investments and servicing of finance	(2,292)	(2,698)
Taxation	(3,693)	(2,117)
Capital expenditure	(12,686)	(5,636)
Acquisitions and disposals	(24,530)	(8,650)
Equity dividends paid	(200)	(112)
Financing	(25,067)	(8,840)
	18,663	10,459
(Decrease)/increase in cash	(6,404)	1,619
Reconciliation of net cash flow to movement in net debt (note 28)		
(Decrease)/increase in cash in the year	(6,404)	1,619
Net cash inflow from financing	(16,048)	(7,959)
Retranslation difference	(1,585)	(149)
Change in net debt	(24,037)	(6,489)
Net debt at 1 January 2005	(21,471)	(14,982)
Net debt at 31 December 2006	(45,508)	(21,471)

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 December 2006

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 £4,477,600 (2005 restated - loss of £2,787,257)

(b) Basis of consolidation

The financial statements have been consolidated using the acquisition method of accounting for subsidiaries, in accordance with FRS 2 – “Accounting for Subsidiary Undertakings”. The equity accounting and gross equity accounting methods have been used for associates and joint ventures, respectively, in accordance with FRS 9 – “Associates and Joint Ventures”

(c) Turnover

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

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

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

(d) Intangible fixed assets

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

(e) Tangible fixed assets

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

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

Improvements to leasehold premises are depreciated over the 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 no formal valuation exists

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES (continued)

(g) Stocks and work in progress

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

(h) Foreign currencies

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

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

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

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

(i) Operating leases

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

(j) Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

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

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

(k) Dividends

Proposed dividends in relation to a year have previously been recognised in the financial statements in that year even where shareholders' approval for the dividends was not obtained until after the balance sheet date. In accordance with FRS 21 – "Events after the balance sheet date" the company now only recognises dividends when these have been approved by the shareholders. Proposed dividends at the balance sheet date which had not been approved by the shareholders as at that date have not been recognised in the financial statements for that year, but are disclosed in the notes. This represents a change in accounting policy this year and the financial statements therefore include an appropriate prior period adjustment.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES (continued)

(l) Share based payments

The group has adopted FRS 20 – “Share Based Payments” in 2006 and in accordance with the transitional arrangements contained therein this has been applied to all share option contracts executed after 7 November 2002 which had not vested as at 1 January 2006

The group operated an equity-settled share option plan under which share options were granted to certain employees. The fair value determined at the grant date has been expensed on a straight line basis over the vesting period. The resulting accounting charge is disclosed in note 3

(m) Pensions

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

The group accounts for pension schemes in accordance with FRS 17 - "Retirement Benefits". In addition to the defined contribution schemes, the group also operates two defined benefit schemes in respect of employees of its German subsidiary, MENCK GmbH, in which there are 85 participants. Of these, 5 participate in a final salary scheme and the remaining 80 participate in a scheme which provides very modest benefits. These are determined by length of service rather than being linked to salary.

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

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

2 TURNOVER

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

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

3 OPERATING PROFIT

The figures for continuing operations in the year ended 31 December 2006 include amounts relating to acquisitions as follows cost of sales of **£13,522,000** (2005 - £19,669,104) and administrative expenses of **£1,916,000** (2005 - £2,242,413)

The operating profit is stated after charging/(crediting)

	Year Ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Amortisation of intangible assets	1,236	1,099
Depreciation of tangible fixed assets		
- owned by the company	4,121	5,951
- held under finance leases and hire purchase contracts	56	-
Auditors fees		
- audit	31	23
- audit of accounts of associates	122	90
- other services pursuant to legislation	53	20
- other services relating to tax	75	49
- services relating to corporate finance	25	-
- all other services	108	28
Operating lease rentals		
- plant & machinery	42	84
- land and property	1,315	1,146
Income from operating leases	-	(899)
Accounting charge in relation to employee share option scheme	459	-
Exceptional items	2,521	353

Details of the exceptional items are shown in note 6

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

4 DIRECTORS' EMOLUMENTS AND BENEFITS

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

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Directors' emoluments	806	781
Contributions to money purchase pension schemes	12	12

The number of directors accruing benefits under pension schemes were

Money purchase schemes	3	3
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The highest paid director received remuneration of £295,000 (18 months to 31 December 2005 - £270,499)

The value of the group's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £4,500 (18 months to 31 December 2005 - £5,083)

During the year, the aggregate amount of consideration paid to third parties for making available the services of a director was £15,000 (18 months to 31 December 2005 - £30,000)

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Wages and salaries	26,358	22,658
Social security costs	1,937	1,775
Other pension costs	497	342
	<hr/> 28,792	<hr/> 24,775

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

	No	No
Directors of Acteon Group Limited	5	6
Technical and administration	561	411
	<hr/> 566	<hr/> 417

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

6 EXCEPTIONAL ITEMS

As noted in the directors' report, the group incurred exceptional costs in 2006, which totalled £2,521,000

Change of ownership structure

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

Potential acquisition

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

Accelerated amortisation of finance costs

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

Impairment of goodwill

Included within administrative expenses for the period to 31 December 2005 is £353,000 relating to an impairment of goodwill in UWG Group, Inc which has been calculated in accordance with Financial Reporting Standard 11. There were indicators of impairment in that period, and it was considered that the useful economic life of the goodwill included in the accounts was significantly reduced.

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

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Bank interest receivable	486	460
Exchange gains	399	302
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ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

8 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Bank interest payable	2,885	2,670
Finance charges under finance lease and hire purchase contracts	14	-
Interest on tax paid late	-	3
	<hr/>	<hr/>
	2,899	2,673
	<hr/>	<hr/>

9 OTHER FINANCE CHARGES

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Interest on pension scheme liabilities	52	71
	<hr/>	<hr/>

10 TAXATION

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
(a) Analysis of charge in year		
UK corporation tax		
Current tax on income for the year	(104)	1,046
Adjustments in respect of prior periods	(441)	2
	<hr/>	<hr/>
	(545)	1,048
Double taxation relief	-	(153)
	<hr/>	<hr/>
Total UK taxation	(545)	895
	<hr/>	<hr/>
Foreign tax		
Current tax on income for the year (withholding tax and USA Federal and state income tax)	3,163	1,938
	<hr/>	<hr/>
Total current tax	2,618	2,833
Deferred tax		
Changes in deferred tax balances arising from Origination or reversal of timing differences	186	531
	<hr/>	<hr/>
Tax on profit on ordinary activities	2,804	3,364
	<hr/>	<hr/>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

10 TAXATION (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2005 – 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

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Profit on ordinary activities before tax	15,354	7,841
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2005 - 30%)	4,606	2,352
Effects of		
Expenses disallowed (including depreciation)	831	1,371
Capital allowances	(622)	(1,949)
Effect of subsidiaries taxed at different rates	391	225
Unrelieved foreign tax and Texas franchise tax paid	286	162
Effect of inclusion of share of associate's/joint venture's activity	-	(40)
Utilisation of trading losses	576	-
Unrelieved losses carried forward into 2007	703	-
Goodwill amortised on consolidation	358	312
Over provision for taxation including foreign tax in respect of prior periods	(505)	-
Other differences	(9)	(38)
Profit on part-complete contracts at period end in USA	(363)	438
Tax relief claim from share options exercised	(3,634)	-
Current tax charge for the year	2,618	2,833

During the year the group's share option scheme vested fully. The resulting claim for tax relief has reduced the overall tax liability of the group by £2,975,000 (2005 - £NIL)

11 DIVIDENDS

	2006 £'000	2005 £'000
Dividends on equity shares	200	-
Dividends proposed before the date of approval of the financial statements not provided amount to £NIL (2005 – £200,000)		

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12 INTANGIBLE FIXED ASSETS

Group	Trademarks £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2005	27	14,417	14,444
Additions	-	18,784	18,784
Disposals	(24)	-	(24)
Exchange movement	(3)	(60)	(63)
At 31 December 2006	-	33,141	33,141
Amortisation			
At 1 January 2005	2	3,196	3,198
Charge for the year	2	1,234	1,236
Disposals	(4)	-	(4)
Exchange movement	-	(55)	(55)
At 31 December 2006	-	4,375	4,375
Net book amount			
At 31 December 2006	-	28,766	28,766
At 31 December 2005	25	11,221	11,246

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

13 TANGIBLE FIXED ASSETS

Group

	Land, buildings and leasehold improvements £'000	Plant & machinery, fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2006	542	28,187	28,729
Additions	1,405	15,927	17,332
Disposals	(123)	(1,306)	(1,429)
Exchange movement	(5)	(1,767)	(1,772)
At 31 December 2006	<hr/> 1,819	<hr/> 41,041	<hr/> 42,860
Depreciation			
At 1 January 2006	115	8,039	8,154
Charge for year	72	4,105	4,177
On disposals	(32)	(642)	(674)
Exchange movement	(1)	(330)	(331)
At 31 December 2006	<hr/> 154	<hr/> 11,172	<hr/> 11,326
Net book amount			
At 31 December 2006	<hr/> 1,665	<hr/> 29,869	<hr/> 31,534
At 31 December 2005	<hr/> 427	<hr/> 20,148	<hr/> 20,575

The net book amount of land and buildings comprises

	2006 £'000	2005 £'000
Freehold land & buildings	1,131	-
Long leaseholds	259	266

Included within plant and machinery at 31 December 2006 are assets which were deployed under operating leases with a net book value amounting to £NIL (2005 - £2,909,786), and accumulated depreciation amounting to £NIL (2005 - £543,614)

Included in the cost of tangible fixed assets is expenditure amounting to £2,706,644 (2005 - £109,492) on assets in the course of construction. Depreciation will be provided on those assets from the date on which they are brought into use

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

13 TANGIBLE FIXED ASSETS (continued)

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

	2006 £'000	2005 £'000
Plant and machinery	598	—
Company		
Cost		Fixtures & fittings £'000
At 1 January 2006	42	
Additions	69	
At 31 December 2006	111	
Depreciation		
At 1 January 2006	25	
Charge for year	24	
At 31 December 2006	49	
Net book amount		
At 31 December 2006	62	
At 31 December 2005	17	

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

14 FIXED ASSET INVESTMENTS

Company

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2006	25,615
Additions	25,122
	<hr/>
At 31 December 2006	50,737
	<hr/>

The company held the following principal investments at 31 December 2006

Name of company	Class of share	% held	Country of Incorporation
2H Offshore Engineering Limited (sub-subsidiary)	Ordinary	80	England & Wales
2H Offshore Inc (100% subsidiary of 2H Offshore Engineering Limited)	Ordinary	80	USA
2H Offshore Projetos Limitada (100% subsidiary of 2H Offshore Engineering Limited)	Ordinary quotas	80	Brazil
Aquatic Engineering & Construction Limited (subsidiary)	Ordinary	100	Scotland
Aquatic Engineering & Construction BV (100% subsidiary of Aquatic Engineering & Construction Limited)	Ordinary	100	Netherlands
Claxton Engineering Services Limited (sub-subsidiary)	Ordinary	100	England & Wales
Conductor Installation Services Limited (subsidiary)	Ordinary	100	England & Wales
InterMoor Inc (subsidiary)	Ordinary	100	USA
MENCK GmbH (subsidiary)	Ordinary	100	Germany
Mirage Machines Limited (subsidiary)	Ordinary	80	England & Wales
Team Energy Resources Limited (subsidiary)	Ordinary	100	England & Wales
Trident Offshore Limited (subsidiary)	Ordinary	100	Scotland
UWG Limited (subsidiary)	Ordinary	100	England & Wales
UWG Group, Inc (trading as Wellcut, Inc) (subsidiary)	Ordinary	100	USA

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

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 STOCKS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Raw materials	310	334	-	-
Work in progress	4,572	4,834	-	-
Finished goods	1,888	1,333	-	-
Payments on account	(340)	(1,410)	-	-
	<hr/> 6,430	<hr/> 5,091	<hr/> -	<hr/> -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16 DEBTORS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	35,739	24,866	-	-
Amounts due from group undertakings	-	-	12,610	14,139
Other debtors	2,459	2,833	407	1,427
Prepayments	1,312	1,226	106	17
	<hr/> 39,510	<hr/> 28,925	<hr/> 13,123	<hr/> 15,583
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Group

Other debtors include £803,072 (2005 - £174,205) in respect of a deferred tax asset arising from trading losses carried forward of £630,487 (2005 - £174,205), capital allowances of £165,790 (2005 - £NIL), and other timing differences of £6,795 (2005 - £NIL). This is mainly recoverable after more than one year

Company

Other debtors include £16,000 (2005 - £NIL) in respect of a deferred tax asset arising from timing differences between book and tax depreciation

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 CREDITORS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Amounts falling due within one year				
Bank loans and overdrafts (note 19)	11,367	5,787	4,383	3,988
Trade creditors	8,523	7,154	199	48
Amounts owed to group undertakings	-	-	4	968
Corporation tax	117	1,036	-	-
Other tax and social security	1,539	933	250	-
Net obligations under finance leases and hire purchase contracts	121	-	-	-
Other creditors	4,157	8,881	2	842
Accruals and deferred income	6,584	2,166	1,105	208
	<hr/> 32,408	<hr/> 25,957	<hr/> 5,943	<hr/> 6,054
	<hr/>	<hr/>	<hr/>	<hr/>

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

Group

Included in other creditors is £107,230 (2005 - £14,638) relating to outstanding contributions payable to pension schemes

18 CREDITORS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Amounts falling due after more than one year				
Bank loans (note 19)	36,549	19,497	36,549	19,497
Net obligations under Finance leases and hire purchase contracts	206	-	-	-
Other creditors	1,000	-	1,000	-
	<hr/> 37,755	<hr/> 19,497	<hr/> 37,549	<hr/> 19,497
	<hr/>	<hr/>	<hr/>	<hr/>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

19 LOANS

Loans fall due for payment as follows

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank loans				
Within one year	4,383	3,363	4,383	3,363
Between one and two years	4,705	4,115	4,705	4,115
Between two and five years	19,185	13,175	19,185	13,175
After more than five years	12,659	2,207	12,659	2,207
	<hr/> 40,932	<hr/> 22,860	<hr/> 40,932	<hr/> 22,860
	<hr/>	<hr/>	<hr/>	<hr/>

The loan falling due after more than five years is repayable by four quarterly instalments of \$3,693,683 (£1,885,398) commencing on 31 March 2012, one instalment of \$5,043,724 (£2,574,511) on 31 March 2013 and one instalment of \$4,981,354 (£2,542,675) on 30 June 2013. Interest on this loan is charged at LIBOR plus a margin of 1.5%.

20 DEFERRED TAXATION

Group

	Deferred taxation £'000
At 1 January 2006	485
Charged to profit and loss	815
Exchange movement	(54)
On acquisition	294
At 31 December 2006	<hr/> 1,540
	<hr/>

Deferred tax is analysed as follows

	Provided	
	2006 £'000	2005 £'000
Arising from differences between book and tax depreciation	1,899	1,025
Unrelieved trading losses	(328)	(6)
Other timing differences	(31)	(534)
	<hr/> 1,540	<hr/> 485
	<hr/>	<hr/>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

21 SHARE CAPITAL

	Authorised	Allotted, called up and fully paid	
	£'000	No'000	£'000
At 1 January 2006			
Ordinary shares of £0.01 each	3,620	82,090	821
"A" Ordinary shares of £0.01 each	3,250	-	-
"B" Ordinary shares of £0.01 each	7,240	610,110	6,101
"C" Ordinary shares of £0.01 each	3,060	305,550	3,056
	<hr/> 17,170	<hr/> 997,750	<hr/> 9,978
Movements in year			
Ordinary shares of £0.01 each	(2,132)	(82,090)	(821)
"A" Ordinary shares of £0.01 each	5,901	590,038	5,900
"B" Ordinary shares of £0.01 each	(1,289)	(128,871)	(1,288)
"C" Ordinary shares of £0.01 each	(2,480)	(247,964)	(2,480)
	<hr/> -	<hr/> 131,113	<hr/> 1,311
At 31 December 2006			
Ordinary shares of £0.01 each	1,488	-	-
"A" Ordinary shares of £0.01 each	9,151	590,038	5,900
"B" Ordinary shares of £0.01 each	5,951	481,239	4,813
"C" Ordinary shares of £0.01 each	580	57,586	576
	<hr/> 17,170	<hr/> 1,128,863	<hr/> 11,289

On 9 November 2006 131,113,472 ordinary shares of £0.01 each with an aggregate nominal value of £1,311,135 were issued for total cash consideration of £1,652,961, as a result of share options vesting (note 35)

On 9 November 2006, the share capital of the company was re-structured in accordance with the revised Articles of Association. There are no longer any ordinary shares in issue

All shares rank pari passu in all respects, except that any "A" ordinary shares in issue will confer enhanced voting rights on their holders. 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.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

22 RESERVES

	Group £'000	Company £'000
Share premium account		
At 1 January 2006	7,251	7,251
Premium on shares issued during the year	342	342
Expenses of share issue	(381)	(381)
At 31 December 2006	<hr/> 7,212	<hr/> 7,212
Profit and loss account		
At 1 January 2006	4,427	1,881
Prior year adjustment (note 23)	200	(4,600)
At 1 January 2006 (as restated)	4,627	(2,719)
Profit for the year retained for the year	12,467	4,478
Dividends equity capital	(200)	(200)
Value of share options exercised (FRS 20 charge)	459	-
Exchange difference on retranslation of foreign subsidiaries	(1,258)	-
Profit and loss reserve excluding pension liability	<hr/> 16,095	<hr/> 1,559
Actuarial gain on pension scheme	65	-
Movement on deferred asset relating to pension scheme	(34)	-
At 31 December 2006	<hr/> 16,126	<hr/> 1,559
Share option reserve		
At 1 January 2006	-	-
Value of share options granted (FRS20 charge)	459	-
Transfer in respect of share options exercised	(459)	-
At 31 December 2006	<hr/> -	<hr/> -

23 PRIOR YEAR ADJUSTMENT

As noted in the accounting policies note, the group has adopted FRS 21 – “Events after the balance sheet date” this year, as a result of which the financial statements can only include proposed dividends where these had been approved by shareholders on or before the balance sheet date. Accordingly, the 2006 financial statements include a prior period adjustment this year amounting to £200,000 for the group and £4,600,000 for the company.

Proposed dividends at the balance sheet date which were awaiting shareholder approval are not recognised in the financial statements for the year, but are disclosed in the notes.

This prior period adjustment has resulted in the Profit and Loss reserves brought forward as at 1 January 2006 increasing by £200,000 for the group and decreasing by £4,600,000 for the company.

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

24 SHAREHOLDERS' FUNDS

	2006	Restated 2005
	£'000	£'000
Shareholders' funds at 1 January 2006	23,010	15,824
Profit for the year	12,467	4,339
Other recognised gains and losses	(1,227)	347
Dividends	(200)	-
Other movements		
New shares issued	1,653	2,500
Expenses paid in connection with the issue of shares	(381)	
Add back charge in relation to FRS 20, charged in arriving at profit for the year	459	-
Shareholders' funds at 31 December 2006	<u>35,781</u>	<u>23,010</u>

25 MINORITY INTERESTS

Minority interests comprised	2006	2005
	£'000	£'000
Equity interests - 2H Offshore Engineering Limited and (2006) Mirage Machines Limited	658	495

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

26 ACQUISITIONS AND DISPOSALS

a) Mirage Machines Limited

On 1 January 2006, Acteon Group Limited acquired 80% of the issued share capital of Mirage Machines Limited

Detailed below is a breakdown of the aggregate net assets acquired

	Book value £'000	Fair value £'000
Tangible fixed assets	199	300
Current assets (stock, debtors and cash)	386	360
Current liabilities (creditors and taxation)	(238)	(428)
Creditors due after more than one year	(9)	(9)
	<hr/>	<hr/>
Minority interests	338	223
	(68)	(44)
	<hr/>	<hr/>
Net assets acquired	270	179
	<hr/>	<hr/>
Goodwill arising		792
	<hr/>	<hr/>
Total purchase consideration		971
	<hr/>	<hr/>
Satisfied by		
Cash		971
	<hr/>	<hr/>

The accounting reference date of Mirage Machines Limited prior to acquisition was coterminous with the group

The aggregate profit after taxation of Mirage Machines Limited for the nine months ended 31 December 2005 is as detailed below

	£'000
Profit after taxation	137
	<hr/>

ACTEON GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

26 ACQUISITIONS AND DISPOSALS (continued)

b) Aquatic Engineering & Construction Limited

On 5 July 2006, Acteon Group Limited acquired 100% of the issued share capital of Aquatic Engineering & Construction Limited

Detailed below is a breakdown of the aggregate net assets acquired, which include those of its wholly owned subsidiary Aquatic Engineering & Construction BV

	Book value £'000	Fair value £'000
Tangible fixed assets	2,724	2,724
Current assets (stock, debtors and cash)	5,998	5,998
Current liabilities (creditors and taxation)	(4,913)	(5,072)
Creditors due after more than one year	(420)	(420)
Net assets acquired	3,389	3,230
Goodwill arising		8,564
Total purchase consideration		11,794
Satisfied by		11,794
Cash		11,794

The aggregate results of Aquatic Engineering & Construction Limited, together with its subsidiary, Aquatic Engineering & Construction BV from 1 August 2005 (the start of its accounting period) to the date of acquisition are as detailed below

	£'000
Turnover	19,528
Operating profit	1,849
Profit before taxation	1,666
Profit after taxation	1,206

The aggregate profit after taxation of Aquatic Engineering and Construction Limited, together with Aquatic Engineering and Construction BV for the year ended 31 July 2005 is as detailed below

	£'000
Profit after taxation	274

ACTEON GROUP LIMITED
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26 ACQUISITIONS AND DISPOSALS (continued)

c) Trident Offshore Limited

On 5 July 2006, Acteon Group Limited acquired 100% of the issued share capital of Trident Offshore Limited

Detailed below is a breakdown of the aggregate net assets acquired

	Book value £'000	Fair value £'000
Tangible fixed assets	540	540
Current assets (stock, debtors and cash)	3,666	3,666
Current liabilities (creditors and taxation)	(1,278)	(1,278)
 Net assets acquired	 2,928	 2,928
Goodwill arising	—	9,428
 Total purchase consideration	 12,356	
 Satisfied by	 —	
Cash	12,356	—

The aggregate results of Trident Offshore Limited from 1 April 2006 (the start of its accounting period) to the date of acquisition are as detailed below

	£'000
Turnover	1,490
Operating profit	151
Profit before taxation	163
Profit after taxation	62

The aggregate profit after taxation of Trident Offshore Limited for the year ended 31 March 2006 is as detailed below

	£'000
Profit after taxation	1,266

ACTEON GROUP LIMITED
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27 GROSS CASH FLOWS

	Year ended 31 December 2006 £'000	Eighteen months ended 31 December 2005 £'000
Returns on investments and servicing of finance		
Interest received	885	762
Interest paid	(2,947)	(2,745)
Finance raising costs paid	(230)	(715)
	<hr/>	<hr/>
	(2,292)	(2,698)
<hr/>		
Taxation		
Corporation tax paid	(459)	(567)
Overseas taxation paid	(3,234)	(1,550)
	<hr/>	<hr/>
	(3,693)	(2,117)
<hr/>		
Capital expenditure		
Payments to acquire intangible fixed assets	-	(27)
Payments to acquire tangible fixed assets	(13,441)	(8,569)
Receipts from sales of tangible fixed assets	755	2,492
Receipt from reduction in investment cost	-	468
	<hr/>	<hr/>
	(12,686)	(5,636)
<hr/>		
Acquisitions and disposals		
Payment to acquire subsidiary undertakings	(25,121)	(8,650)
Net cash acquired with subsidiary undertakings	591	-
	<hr/>	<hr/>
	(24,530)	(8,650)
<hr/>		
Financing		
Issue of share capital	1,653	2,500
Expenses paid in connection with the issue of shares	(381)	-
New loans	22,387	11,389
Bank loans repaid	(4,996)	(3,430)
	<hr/>	<hr/>
	18,663	10,459
<hr/>		

ACTEON GROUP LIMITED
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28 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2006 £'000	Cash flows £'000	Exchange movement £'000	At 31 December 2006 £'000
Cash at bank and in hand	4,586	(1,844)	85	2,827
Overdrafts	(2,424)	(4,560)	-	(6,984)
		<hr/>	<hr/>	<hr/>
		(6,404)		
Debt due within 1 year	(3,500)	(1,023)	(73)	(4,596)
Debt due after 1 year	(20,133)	(15,025)	(1,597)	(36,755)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(21,471)	(22,452)	(1,585)	(45,508)
	<hr/>	<hr/>	<hr/>	<hr/>

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

29 CAPITAL COMMITMENTS

Group

At 31 December 2006 the group had capital commitments as follows

	2006 £'000	2005 £'000
Contracted for but not provided in the financial statements	5,331	727
	<hr/>	<hr/>
	<hr/>	<hr/>

30 OTHER COMMITMENTS

Group

At 31 December 2006 the group had annual commitments under operating leases as follows

Expiry date.	Land and buildings		Other	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Within one year	274	98	8	5
Between one and five years	597	790	60	35
After more than five years	362	299	11	11
	<hr/>	<hr/>	<hr/>	<hr/>

31 CONTINGENT LIABILITIES

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

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32 TRANSACTIONS WITH RELATED PARTIES

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

Rent charged by the BHHM Pension Scheme amounted to £217,436 (2005 - £173,682). The amount owing from the BHHM Pension Scheme at 31 December 2006 was £7,828 (2005 - £83,323)

During the period, the group was charged rent of £11,500 (2005 - £34,500) by the Claxton Engineering Limited (1990) Retirement Benefit Scheme

During the period, the group was charged rent of £31,500 (2005 - £NIL) by the Silk Family Pension Scheme

The group had the following transaction with Mrs J McFadyen, the mother of Mr I McFadyen, a director who ceased to hold office during the year

Rent charged to the group during the year amounted to £NIL (2005 - £8,565)

33 PENSION COSTS

a) Defined contribution scheme disclosures

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

Contributions made by the group to the schemes during the period amounted to £290,455 (2005 - £352,164)

b) Defined benefit scheme disclosures

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

The benefits paid out to the scheme members during the year totalled £58,161 (2005 - £88,076)

The valuation used for Financial Reporting Standard 17 purposes was carried out by a qualified independent actuary on 31 December 2006 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

	31 December	31 December
	2006	2005
Inflation assumption	1 0%	1 0%
Rate of increases in salaries	2 5%	3 0%
Rate of increase in pensions in payment	1.0%	1 0%
Rate of increase of deferred pensions	1.0%	1 0%
Discount rate applied to scheme liabilities	4.7%	4 0%

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33 PENSION COSTS (continued)

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

	2006 £'000	2005 £'000
Present value of scheme liabilities	(978)	(1,066)
Related deferred tax asset	53	87
Net deficit in the scheme	(925)	(979)
Movement in deficit in the year	2006 £'000	2005 £'000
Deficit in scheme at beginning of the year	(1,066)	(872)
Movement in period		
Current service cost	(17)	(17)
Payments of benefits	58	88
Exchange rate movements on retranslation	23	(26)
Other finance expense	(41)	(71)
Actuarial gain/(loss)	65	(168)
Deficit in scheme at end of the year	(978)	(1,066)
Analysis of the amount chargeable to operating profit	2006 £'000	2005 £'000
Current service cost	(17)	(17)
Total operating charge	(17)	(17)
Analysis of the amount chargeable to other finance charges	2006 £'000	2005 £'000
Interest on pension scheme liabilities	(41)	(71)
	(41)	(71)

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33 PENSION COSTS (continued)

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

	2006 £'000	2005 £'000
Experience losses arising on the scheme liabilities	(10)	(8)
Changes in assumptions underlying the present value of the scheme liabilities	75	(160)
Actuarial gain/(loss) recognised in STRGL	65	(168)
History of experience gains and losses		
Experience gains and losses on scheme liabilities		
amount (£)	(10)	(8)
percentage of the present value of the scheme liabilities (%)	1.00	0.73
Total amount recognised in STRGL		
amount (£)	65	(168)
percentage of the present value of the scheme liabilities (%)	6.64	15.76

34 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

	Ordinary shares of 1p each		B Ordinary shares of 1p each		C Ordinary Shares of 1p each	
	2006	2005	2006	2005	2006	2005
R C Higham	-	-	316,081,636	380,952,368	-	-
K F Ovenden	-	6,028,396	-	-	4,905,909	-
W Honeybourne	-	-	-	-	-	-
J R Edwards	-	-	-	-	-	-
J A Hogan	-	6,698,219	-	-	-	-
K Burton	-	6,028,396	-	-	-	-
I McFadyen	-	-	-	229,157,132	-	-
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

No shareholding is shown as at 31 December 2006 in respect of Mr McFadyen, Mr Burton and Mr Hogan because they had ceased to hold office as directors by that date

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34 DIRECTORS' INTERESTS (continued)

Acteon Group Limited 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. The maximum potential number of shares under option at the balance sheet date were as follows

	Ordinary shares of 1p each	2006	2005
K F Ovenden	-	15,823,536	
J A Hogan	-	3,723,195	
K Burton	-	15,823,535	

On 9 November 2006 the directors exercised share options as detailed below

	Ordinary shares of 1p each
K F Ovenden	13,616,105
J A Hogan	3,350,306
K Burton	13,616,105

35 EQUITY-SETTLED SHARE OPTION PLAN

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

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

The exercise price of all the options which were exercised during the year was £0.01 except for options over 11,394,186 shares which were held by USA employees for those employees the exercise price was £0.04

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

The following assumptions have been used to value the equity settled options

	2003	2004	2005	2006
Dividend yield	1%	1%	1%	1%
Expected volatility	43.5%	43.2%	38.3%	33.1%
Risk free interest rate	3.9%	5.2%	4.5%	4.9%
Expected life of option (years)	5	3.5	2.5	1.75
Share price at grant	0.5p	1p	2.2p	4p
Exercise price	1p	1p	1p	1p/4p

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36 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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