INTECSEA (UK) Limited

Annual report and financial statements

30 June 2015

Registered No. 2667945

Directors
R Luff
C Ashton
B Connell
D Baker

Secretary
M Daly (resigned 27 November 2014)
V Jibuike (appointed 27 November 2014)

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
HSBC Bank Plc
City of London Corporate Office
PO Box 125
8 Canada Square
London E14 5XL

Registered Office
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Knaphill
Surrey GU21 2EP

Contents

Registered No. 2667945

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2015.

Principal activities

The principal activity of the company during the year was that of consultant engineers in the oil, gas and water industries.

Future developments

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. In response to the shift in market conditions we have ensured that our personnel numbers and costs are in line with demand and reviewed all internal costs. The directors are confident that our medium-term and long-term prospects remain positive based on our competitive position and our strong financial capacity.

Research and development

INTECSEA (UK) Ltd developed 3 collaborative research proposals for industry for launch (Duplex Stainless Steel Welding developments for HP/HT pipelines, design of pipeline components & strain based fracture mechanics) Progress was also made on active sand erosion technology via Computational Fluid Dynamics (CFD) to permit granting of provisional patent award and further evaluation. INTECSEA (UK) Ltd also established process & chemical management activities via participation in a collaborative Mono-Ethylene Glycol (MEG).

Financial risk management

The company has established risk and financial management policies which are designed to reduce the uncertainty that known risks may create in the achievement of the company's performance objectives. This framework aims to limit undue counterparty exposure, to ensure suitable levels of working capital are maintained, and to monitor and manage risk at both a corporate and individual contract level.

- Price and cash flow risk

Price risks are managed through the commercial process. Cash flow risk is the risk of exposure to variability in cash flows and this is managed by cash flow forecasting as part of the financial disciplines adhered to by the company.

- Exposure to credit and liquidity risk

The company's principal financial instruments comprise receivables, payables and cash. The company has policies and procedures in place to minimise credit and liquidity risk along with long established trading relationships with clients.

Proposed dividend

The directors have declared a dividend of £1,500,000 (2014: £7,000,000).

Going concern

The directors are confident that the company has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements. The business is in good financial health, continues to maintain a flexible cost base, and is well positioned for long term growth.

Registered No. 2667945

Directors' report (continued)

Directors

The directors who served during the year and up to the date of this report were as follows:

R Luff
C Ashton
B Connell (appointed 27 November 2014)
M Daly (resigned 27 November 2014)
F Drennan (resigned 10 November 2014)
D Baker (appointed 4 June 2015)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to Section 485 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the board

R Luff
Director

3 1 MAR 2016

Registered No. 2667945

Strategic report

Business review

Turnover from continuing operations has decreased to £35,524,410 from £38,904,891 representing a decrease of 8.69% from the previous year. Operating profit was £4,132,559 compared to £371,619 in the previous year, representing an increase of 1,012%, whilst the profit on ordinary activities before taxation increased to £4,149,237 from £371,067. The company made a profit for the year after taxation of £3,483,795 (2014: £829,070).

The company's Gross Profit Margin has increased to 36% compared to 31% in the previous year and the earnings before interest and taxes margin has increased from the previous year to 12% (2014: 1%). The debt ratio of 0.71 has decreased from 0.83 in the previous year.

The company has delivered a decrease in turnover in 2015. However, the mix of projects executed has resulted in an overall higher GM% when compared with the prior year. Administration costs were lower in the current year as a result of one off streamlining costs in the prior year. We are confident that our medium-term and long-term prospects remain positive based on our competitive position and our strong financial capacity.

Principal risks and uncertainties

The company recognises the need to manage the material business risks. The internal audit and risk management functions provide assurance that both the risk management process and the internal control framework are operating effectively.

- Economic risk

The business is influenced by the global oil and gas prices. During the financial year 2015, global oil prices have dropped significantly, which required the business to adjust the business model to ensure new projects are secured and continued profitability is maintained.

- Currency risk

The company aims to secure all contracts in GBP. Contracts secured in other currencies have applicable risk assessments carried out on them.

- Competition risk

The company is in a specialist niche market but with limited competition and is constantly looking to build upon its skills and add value to the client.

- Reputation risk

The company has a strong image within the industry and looks to mitigate reputation risk through the WorleyParsons procedures and systems, ensuring constant quality.

On behalf of the board

R Luff
Director

31 MAR 2016

Registered No. 2667945

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of INTECSEA (UK) Limited

We have audited the financial statements of INTECSEA (UK) Limited for the year ended 30 June 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of INTECSEA (UK) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Peter Campbell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

31 March 2016

Profit and loss account

for the year ended 30 June 2015

	Notes	**Year ended 30 June 2015** £	Year ended 30 June 2014 £
Turnover	*2*	**35,524,410**	38,904,891
Cost of sales		**(22,855,564)**	(26,883,744)
Gross profit		**12,668,846**	12,021,147
Administrative expenses		**(8,536,287)**	(11,649,528)
Operating profit	*3*	**4,132,559**	371,619
Interest receivable and similar income	*6*	**57,328**	201,663
Interest payable and similar charges	*7*	**(40,650)**	(202,215)
Profit on ordinary activities before taxation		**4,149,237**	371,067
Tax on profit on ordinary activities	*8*	**(665,442)**	458,003
Retained profit for the year	*16*	**3,483,795**	829,070

All of the company's operations are continuing.

Statement of total recognised gains and losses

for the year ended 30 June 2015

The company has no recognised gains or losses other than those shown in the Profit and Loss Account.

Balance Sheet
at 30 June 2015

	Notes	30 June 2015 £	30 June 2015 £	30 June 2014 £	30 June 2014 £
Fixed assets					
Tangible fixed assets	9		**223,250**		534,621
Current assets					
Debtors	10	**14,250,245**		12,985,322	
Cash at bank and in hand		**151,371**		160,092	
		14,401,616		13,145,414	
Creditors: amounts falling due within one year	12	**(10,331,135)**		(11,370,099)	
Net current assets			**4,070,481**		1,775,315
Net assets			**4,293,731**		2,309,936
Capital and reserves					
Called up share capital	13		**693,000**		693,000
Profit and loss account	14		**3,600,731**		1,616,936
Shareholder's funds	16		**4,293,731**		2,309,936

These financial statements were approved by the board of directors on 31 March 2016 and were signed on its behalf by:

R Luff
Director

Notes to the financial statements (continued)

at 30 June 2015

1 Accounting policies

Basis of preparation

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

Statement of cash flows

At 30 June 2015, the company was a wholly owned subsidiary of WorleyParsons Limited, which prepares publicly available consolidated group financial statements including a group cash flow statement. In accordance with Financial reporting Standard 1 (revised), no cash flow statement is therefore included in these financial statements.

Related parties

The company has taken advantage of the exemption in FRS 8, paragraph 3c, not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

Going concern

The directors are confident that the company has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements. The business is in good financial health, continues to maintain a flexible cost base, and is well positioned for long term growth.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Computer equipment	-	3 years
Leasehold improvements	-	3 years
Fixtures and fittings	-	10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements (continued)

at 30 June 2015

1 Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding VAT and similar taxes.

Attributable profit is recognised when the outcome of a contract can be assessed with reasonable certainty. The excess of revenue recognised over payments received is shown as accrued income. Amounts received in excess of revenue recognised are shown as deferred income. Anticipated losses on contracts are charged to income in their entirety when the losses become evident.

The calculation of revenue recognition is determined by the contractual terms. Revenue from the provision of reimbursable services where the company's contractual obligations are performed gradually over time is recognised as the contract activity progresses to reflect the company's partial performance of its contractual obligations.

Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes to the financial statements (continued)

at 30 June 2015

2 Turnover

Turnover comprises the value of work performed (excluding VAT and similar taxes). An analysis of turnover by geographical market is as follows:

	Year ended 30 June 2015 £	Year ended 30 June 2014 £
By geographical market		
Europe	**14,984,050**	14,433,616
Africa	**18,843,449**	22,827,379
Asia	**1,461,837**	1,091,381
Other	**235,074**	552,515
	35,524,410	38,904,891

The directors consider that all turnover is attributable to a single business class.

3 Operating profit

	Year ended 30 June 2015 £	Year ended 30 June 2014 £
Operating profit is stated after charging:		
Auditor's remuneration:		
Audit of the financial statements	**18,500**	19,700
Depreciation of tangible fixed assets – owned	**345,027**	2,085,129
Hire of other assets - operating leases	**625,891**	477,807

4 Remuneration of directors

	Year ended 30 June 2015 £	Year ended 30 June 2014 £
Directors' remuneration	**362,018**	480,928
Company contributions to money purchase pension schemes	**31,580**	40,071
	393,598	520,999

The highest paid director received remuneration of £248,975 (2014: £258,187) and company contributions to money purchase pension schemes of £21,612 (2014: £20,980). Retirement benefits are accruing to two directors (2014: two) under money purchase schemes.

Notes to the financial statements (continued)

at 30 June 2015

5 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 30 June 2015	Year ended 30 June 2014
Engineering	**100**	92
Administration	**23**	23
	123	115

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2015	Year ended 30 June 2014
	£	£
Wages and salaries	**9,403,848**	8,073,544
Social security costs	**1,025,270**	1,010,378
Other pension costs	**657,738**	582,351
	11,086,856	9,666,283

6 Interest receivable and similar income

	Year ended 30 June 2015	Year ended 30 June 2014
	£	£
Bank interest	**57,328**	201,663
	57,328	201,663

7 Interest payable and similar charges

	Year ended 30 June 2015	Year ended 30 June 2014
	£	£
Interest payable to group undertakings	**40,650**	**202,215**
	40,650	**202,215**

Notes to the financial statements (continued)

at 30 June 2015

8 Taxation

(a) Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows:

	Year ended 30 June 2015 £	Year ended 30 June 2014 £
UK corporation tax		
Current tax on income for the year	**860,370**	97,774
Adjustments in respect of prior periods	**(97,774)**	(349,032)
Foreign tax		
Current tax on income for the year	**11,831**	-
Adjustments in respect of prior periods	**(127,028)**	-
Total current tax (note 8(b))	**647,399**	(251,258)
Deferred tax	**18,043**	(206,745)
Tax on profit on ordinary activities	**665,442**	(458,003)

(b) Factors affecting the current tax charge/(credit) for the year

The current tax charge for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.75% (2014: 22.5%). The differences are explained below.

	Year ended 30 June 2015 £	Year ended 30 June 2014 £
Current tax reconciliation		
Profit on ordinary activities before tax	**4,149,237**	371,067
Current tax at 20.75% (2014: 22.5%)	**860,966**	83,490
Effects of:		
Expenses not deductible for tax purposes	**18,124**	10,492
Accelerated/decelerated capital allowances	**(18,720)**	351,389
Adjustments to tax charge in respect of previous periods	**(224,802)**	(349,032)
Research and development tax credit	**-**	(347,597)
Withholding taxes	**11,831**	-
Total current tax charge/(credit) (note 8(a))	**647,399**	(251,258)

The company has submitted claims for research and development tax credits to HMRC for the years up to 30 June 2014. It has reflected the associated reduced tax charge in the financial statements for both the submitted claims and the estimated claim for the year to 30 June 2015. All submitted claims up to 30 June 2013 have been formally agreed by HMRC.

(c) Factors that may affect future tax charges:

The UK corporation tax rate reduced to 20% from April 2015. The rate will reduce to 19% from April 2017 and 18% from April 2020. The rate changes will impact the amount of future tax payments to be made by the company.

Notes to the financial statements (continued)

at 30 June 2015

9 Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At beginning of year	1,412,550	206,632	155,354	1,774,536
Additions	5,521	28,135	-	33,656
Disposals	(55,520)	-	-	(55,520)
At end of year	1,362,551	234,767	155,354	1,752,672
Depreciation				
At beginning of year	1,057,783	142,147	39,985	1,239,915
Charge for the year	275,305	61,621	8,101	345,027
Disposals	(55,520)	-	-	(55,520)
At end of year	1,277,568	203,768	48,086	1,529,422
Net book value				
At 30 June 2015	**84,983**	**30,999**	**107,268**	**223,250**
At 30 June 2014	354,767	64,485	115,369	534,621

10 Debtors

	30 June 2015 £	30 June 2014 £
Trade debtors	**1,532,701**	5,862,253
Amounts recoverable on contracts	**1,674,266**	3,849,478
Amounts owed by group undertakings	**8,671,131**	378,658
Other debtors	**471,310**	697,413
Corporation tax	**1,093,554**	1,356,149
Prepayments and accrued income	**455,377**	471,422
Deferred tax asset (note 11)	**351,906**	369,949
	14,250,245	12,985,322

Notes to the financial statements (continued)

at 30 June 2015

11 Deferred tax asset

The recognised deferred tax asset arises from depreciation in advance of capital allowances and other timing differences. The movement in the recognised deferred tax asset during the year was:

	£
At 30 June 2014	369,949
Charge to profit and loss	(18,043)
At 30 June 2015	**351,906**

12 Creditors: amounts falling due within one year

	30 June 2015 £	30 June 2014 £
Trade creditors	**460,885**	563,527
Amounts owed to group undertakings	**7,448,604**	7,712,812
Taxation and social security	**296,391**	319,111
Accruals and deferred income	**2,125,255**	2,774,649
	10,331,135	11,370,099

13 Issued share capital

	30 June 2015 £	30 June 2014 £
Allotted called up and fully paid		
693,000 Ordinary shares of £1 each	**693,000**	693,000

14 Profit and loss account

	30 June 2015 £	30 June 2014 £
Balance at beginning of the year	**1,616,936**	7,787,866
Profit for the year	**3,483,795**	829,070
Dividends	**(1,500,000)**	(7,000,000)
Balance at end of the year	**3,600,731**	1,616,936

Notes to the financial statements (continued)

at 30 June 2015

15 Dividends

The aggregate amount of dividends comprises:

	Year ended 30 June 2015	Year ended 30 June 2014
	£	£
Interim dividends paid in respect of the current year	**1,500,000**	7,000,000

16 Reconciliation of shareholder's funds

	30 June 2015	30 June 2014
	£	£
Profit for the year	**3,483,795**	829,070
Dividend paid	**(1,500,000)**	(7,000,000)
Net increase/(decrease) in shareholder's funds	**1,983,795**	(6,170,930)
Opening shareholder's funds	**2,309,936**	8,480,866
Closing shareholder's funds	**4,293,731**	2,309,936

17 Commitments

a) There are no capital commitments at the end of the financial year for which provision has been made (2014: £nil).

b) Annual commitments under non-cancellable operating leases are as follows:

	30 June 2015 Land and buildings	30 June 2014 Land and buildings
	£	£
Operating leases which expire:		
Within one year	**-**	98,627
Within 2 to 5 years	**548,713**	548,713

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £775,086 (2014: £582,351).

Contributions amounting to £53,772 (2014: £49,016) were payable to the scheme and are included in creditors.

19 Related parties

The company has taken advantage of the exemption in FRS 8, paragraph 3c, not to disclose transactions within other group companies which meet the criteria that all subsidiary undertakings which are party to transactions are wholly owned by the ultimate controlling parent.

Notes to the financial statements (continued)

at 30 June 2015

20 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is WorleyParsons Europe Limited, a company incorporated in the United Kingdom, and in the opinion of the directors, the company's ultimate parent undertaking and controlling party is WorleyParsons Limited, a company incorporated in Australia and listed on the Australian Stock Exchange.

WorleyParsons Limited is the parent undertaking of the only group of which the company is a member and for which group financial statements are prepared. The consolidated financial statements of this company are available from Investor Relations Department, WorleyParsons Limited, Level 12, 141 Walker Street, North Sydney, NSW 2060, Australia.