

Reda Industries Limited  
and subsidiary undertaking

Accounts 31 December 1996  
together with directors' and auditors' reports

Registered number: 1866033



## Directors' report

For the year ended 31 December 1996

The directors present their annual report on the affairs of the company and its subsidiary undertaking (the group), together with the accounts and auditors' report for the year ended 31 December 1996.

### Principal activity and business review

The company owns 80% of PT Reda Pump Indonesia, a joint venture arrangement with PT Imeco Inter Sarana. The joint venture commenced trading during January 1995. The joint venture provides services relating to the repair, maintenance, installation and operation of electrical submersible pumps in the natural gas and oil industries.

### Directors and their interests

The directors who served during the year are as shown below.

H S Yates

G D Nicholson

R R Randall

B F Longaker

G A Smyth (appointed 18 December 1996)

D C Canavan (appointed 18 December 1996)

M A Roberts (appointed 18 December 1996)

The directors had no interests in the share capital of the company which require to be disclosed under section 2 of Schedule 7 of the Companies Act 1985.

### 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 year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

## Directors' report (continued)

### Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

### Auditors

In accordance with section 386 of the Companies Act 1985, the company has dispensed with the obligation to appoint auditors annually. Arthur Andersen shall continue as auditors in the current year.

Yiewsley Grange  
High Street  
Yiewsley  
Middlesex

By order of the Board



D C Canavan  
Director

27 May 1998

## Auditors' report

Edinburgh

### To the Shareholders of Reda Industries Limited:

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 7 and 8.

### Respective responsibilities of directors and auditors

As described on pages 1 and 2, the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with 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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

We draw attention to the fact that the company and the group have negative net assets at 31 December 1996. In preparing the accounts on a going concern basis, the directors have relied upon the continuing financial support described in note 18. Our opinion is not qualified in this respect.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 1996 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen.*

Arthur Andersen

Chartered Accountants and Registered Auditors

18 Charlotte Square

Edinburgh EH2 4DF

27 May 1998

## Consolidated profit and loss account

For the year ended 31 December 1996

	Notes	1996 £	1995 £
<b>Turnover</b>		387,966	302,187
Cost of sales		(431,320)	(355,538)
<b>Gross loss</b>		(43,354)	(53,351)
Other operating expenses (net)	2	(142,564)	(248,040)
<b>Operating loss</b>		(185,918)	(301,391)
Investment (expense) income	3	(78,423)	(65,101)
<b>Loss on ordinary activities before taxation</b>	4	(264,341)	(366,492)
Minority interests	15	5,031	73,907
<b>Loss for the financial year</b>	14	<u>(259,310)</u>	<u>(292,585)</u>

The group's operating results for the year were wholly derived from continuing activities.

The reported loss on ordinary activities before taxation is not materially different from historical cost loss on ordinary activities before taxation.

## Consolidated statement of recognised gains and losses

For the year ended 31 December 1996

	1996 £	1995 £
<b>Loss for the financial year</b>	(259,310)	(292,585)
Exchange reserve	(6,789)	(21,203)
<b>Total recognised losses for the year</b>	<u>(266,099)</u>	<u>(313,788)</u>

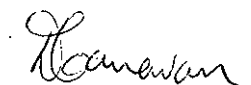
The accompanying notes are an integral part of these statements.

# Consolidated Balance Sheet

31 December 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Tangible assets	7	1,478,719	1,689,411
<b>Current assets</b>			
Stocks	9	59,190	54,275
Debtors	10	579,255	418,132
Cash at bank in hand		72,446	67,472
		<u>710,891</u>	<u>539,879</u>
<b>Creditors: Amounts falling due within one year</b>			
Creditors	11	(24,891)	(41,431)
<b>Net current assets</b>		<u>686,000</u>	<u>498,448</u>
<b>Total assets less current liabilities</b>		2,164,719	2,187,859
<b>Creditors: Amounts falling due after more than one year</b>			
Creditors	12	(2,735,976)	(2,487,986)
<b>Net (liabilities) assets</b>		<u>(571,257)</u>	<u>(300,127)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	13	40,000	40,000
Share premium		77,000	77,000
Profit and loss account	14	(688,257)	(422,158)
Minority interests	15	-	5,031
<b>Total capital (deficit) employed</b>		<u>(571,257)</u>	<u>(300,127)</u>

Signed on behalf of the Board



D C Canavan

Director

27 May 1998

The accompanying notes are an integral part of this consolidated balance sheet.

# Company Balance Sheet

31 December 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Investments	8	-	29,611
<b>Current assets</b>			
Debtors	10	249,000	249,000
<b>Net current assets</b>		249,000	249,000
<b>Total assets less current liabilities</b>		249,000	278,611
<b>Creditors: Amounts falling due after more than one year</b>			
Creditors	12	(578,738)	(578,738)
<b>Net (liabilities) assets</b>		<u>(329,738)</u>	<u>(300,127)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	13	40,000	40,000
Share premium		77,000	77,000
Profit and loss account	14	(446,738)	(417,127)
<b>Total capital (deficit) employed</b>		<u>(329,738)</u>	<u>(300,127)</u>

Signed on behalf of the Board



D C Canavan

Director

27 May 1998

The accompanying notes are an integral part of this balance sheet.

## Notes to the accounts

For the year ended 31 December 1996

### 1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year are:

#### *a) Basis of accounting*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. Reliance is placed on the continuing financial support described in Note 18 in preparing the accounts on a going concern basis.

#### *b) Basis of consolidation*

The group accounts consolidate the accounts of the company and its subsidiary undertaking drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated from or to the date when control passed.

In the company's accounts, investments in subsidiary undertaking is stated at cost less amounts written off. No profit and loss account is presented for Reda Industries Limited as provided by s230 of the Companies Act 1985. Of the consolidated loss for the financial year £29,611 (1995 - £387,695) is dealt with in the accounts of Reda Industries Limited.

#### *c) Tangible fixed assets*

Fixed assets are shown at cost. Depreciation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

Plant and machinery	15-20 years
Vehicles	5 years
Equipment	4-5 years

#### *d) Investments*

Fixed asset investments are stated at cost less amounts written off. Provisions are made for permanent reductions in value. Income is included in the consolidated accounts of the year in which it is receivable.

#### *e) Stocks*

Stocks are stated at cost determined by the first-in, first-out method.

#### *f) Foreign currency*

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss accounts.

Profit and loss accounts of overseas subsidiary undertakings are translated at the average exchange rate.



## Notes to the accounts (continued)

### 1 Accounting policies (continued)

#### g) *Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-group transactions) of goods and services in the normal course of business.

#### h) *Related parties*

The company is exempt from the requirements of FRS 8 to include details of transactions with related parties who are fellow group undertakings.

#### i) *Cash flow*

The company is exempt from producing a cash flow as the results of this company are consolidated within the results of Camco International Inc., whose accounts are publicly available.

### 2 Other operating expenses

Other operating expenses consists of the following:

	1996 £	1995 £
Administrative expenses	224,240	250,666
(Loss) gain on foreign exchange	(664)	9,695
Others	(81,012)	(12,321)
Total	<u>142,564</u>	<u>248,040</u>

### 3 Investment expense (income)

	1996 £	1995 £
Interest expense (income)	<u>78,423</u>	<u>65,101</u>

### 4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	1996 £	1995 £
Pre operating expenses	(18,943)	-
Depreciation and amounts written off tangible fixed assets	119,862	72,287
Staff costs (note 5)	<u>105,812</u>	<u>170,620</u>

## Notes to the accounts (continued)

### 5 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1996 £	1995 £
Employee costs during the year amounted to:		
Wages and salaries	<u>105,812</u>	<u>170,620</u>

The average weekly number of persons employed by the company during the year was as follows:

	Full-time employed	
	1996 No.	1995 No.
Administration	<u>2</u>	<u>1</u>

No directors of the company received any remuneration in 1995 (1993 - £nil).

### 6 Tax on loss on ordinary activities

The tax charge is based on the loss for the year and comprises:

	1996 £	1995 £
Corporation tax at 33%	-	18,129
Less - relief for overseas taxation	<u>-</u>	<u>(18,129)</u>
	<u>-</u>	<u>-</u>

## Notes to the accounts (continued)

### 7 Tangible fixed assets

#### Group

	Land £	Plant & machinery £	Office & workshop equipment £	Vehicles £	Construction in progress £	Total £
<b>Cost</b>						
At 1 January 1996	878,443	783,802	105,221	28,224	8,307	1,803,997
Additions	-	64,317	1,522	-	-	65,839
Exchange adjustment	(81,464)	(72,687)	(9,758)	(2,618)	(769)	(167,296)
At 31 December 1996	<u>796,979</u>	<u>775,432</u>	<u>96,985</u>	<u>25,606</u>	<u>7,538</u>	<u>1,702,540</u>
<b>Depreciation</b>						
At 1 January 1996	26,186	59,485	23,753	5,162	-	114,586
Charge	36,334	54,521	23,805	5,202	-	119,862
Exchange adjustment	(2,428)	(5,517)	(2,203)	(479)	-	(10,627)
At 31 December 1996	<u>60,092</u>	<u>108,489</u>	<u>45,355</u>	<u>9,885</u>	<u>-</u>	<u>223,821</u>
<b>Net book value</b>						
At 1 January 1996	<u>852,257</u>	<u>724,317</u>	<u>81,468</u>	<u>23,062</u>	<u>8,307</u>	<u>1,689,411</u>
At 31 December 1996	<u>736,887</u>	<u>666,943</u>	<u>51,630</u>	<u>15,721</u>	<u>7,538</u>	<u>1,478,719</u>

### 8 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	1996 £	1995 £
<i>Company</i>		
Subsidiary undertakings	<u>-</u>	<u>29,611</u>

## Notes to the accounts (continued)

### 8 Fixed asset investments (continued)

#### *Principal group investments*

The parent company has an investment in the following subsidiary undertakings:

	Percentage of each held class		Country of registration	Principal activity
	1996	1995		
PT Reda Pump Indonesia	80%	80%	Singapore	Electronic submersible pumps
			1996 £	1995 £
<b>Cost</b>				
Beginning and end of year			<u>578,738</u>	<u>578,738</u>
<b>Amounts written off</b>				
Beginning of year			549,127	161,432
Amounts written off			<u>29,611</u>	<u>387,695</u>
End of year			<u>578,738</u>	<u>549,127</u>
<b>Net book value</b>				
Beginning of year			<u>29,611</u>	<u>417,306</u>
End of year			<u>-</u>	<u>29,611</u>

### 9 Stocks

	Group	
	1996 £	1995 £
Spare parts	<u>59,190</u>	<u>54,275</u>

## Notes to the accounts (continued)

### 10 Debtors

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Amounts falling due within one year:				
Amounts owed by associated undertakings	552,942	400,011	249,000	249,000
Other debtors	26,313	18,121	-	-
	<u>579,255</u>	<u>418,132</u>	<u>249,000</u>	<u>249,000</u>

### 11 Creditors: Amounts falling due within one year

	Group	
	1996	1995
	£	£
Other creditors	9,783	16,107
Accruals and deferred income	15,108	25,324
	<u>24,891</u>	<u>41,431</u>

### 12 Creditors: Amounts falling due after more than one year

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Amounts owed to associated undertakings	<u>2,735,976</u>	<u>2,487,986</u>	<u>578,738</u>	<u>578,738</u>

### 13 Called-up equity share capital

	Group & Company	
	1996	1995
	£	£
<i>Authorised, allotted, called up &amp; fully paid</i>		
15000 "A" preference shares of £1 each	15,000	15,000
15000 "B" preference shares of £1 each	15,000	15,000
10000 ordinary shares of £1 each	10,000	10,000
	<u>40,000</u>	<u>40,000</u>

## Notes to the accounts (continued)

### 14 Reserves

The movement on the profit and loss account is as follows:

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Beginning of year	(422,158)	(108,370)	(417,127)	(29,432)
Retained loss for year	(259,310)	(292,585)	(29,611)	(387,695)
Exchange reserve	(6,789)	(21,203)	-	-
End of year	<u>(688,257)</u>	<u>(422,158)</u>	<u>(446,738)</u>	<u>(417,127)</u>

The company's loss for the year arises from the amounts written off the investments in the year (Note 8).

### 15 Minority interests

	Total £
Beginning of 1996	5,031
Share of loss on ordinary activities after taxation	<u>(5,031)</u>
End of 1996	<u>-</u>

### 16 Guarantees and other financial commitments

At the beginning and end of the year, there were no capital commitments or other guarantees.

### 17 Ultimate holding company

The ultimate holding company is Camco International Incorporated.

The largest group in which the results of Reda Industries Limited are consolidated is that headed by Camco International Incorporated, registered in the State of Delaware, USA.

The smallest group in which the results of Reda Industries Limited are consolidated is that headed by Camco International (UK) Limited, which is registered in Northern Ireland.

### 18 Continuing financial support

The company has received a letter from Camco International Inc. indicating that it will continue to provide financial support to the company until such time as it ceases to have negative net assets or ceases to be a subsidiary undertaking of Camco International Inc.