

Intec Engineering (UK) Limited

**Directors' report and financial
statements**

Registered number 2667945

31 December 2006

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

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

Business review and future developments

Turnover from continuing operations has increased to £6,262,544 from £5,529,459 the increase in revenue is due to the growth in the work force

Operating profit was £661,175 compared to £469,254 in the previous year, whilst the profit on ordinary activities before taxation increased to £732,845 from £79,850

The performance in 2006 is in line with the expectations of the directors and reflects the ongoing trading performance of the company

The company made a profit for the year after taxation of £732,845 (2005 £78,250)

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. The economic environment in which Intec is trading has improved and the directors believe future trends in the oil and gas industry will enable the company to grow and that the current risks are low

Proposed dividend

The directors do not recommend the payment of a dividend (2005 £nil)

Directors

The directors who served during the year were

G Taylor

M Rieke – resigned 1 December 2006

JB Reed – resigned 1 December 2006

M Mellema – appointed 1 December 2006

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. According to the registrar of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year


Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



G Taylor
Secretary

Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

Arlington Business Park
Theale
Reading RG7 4SD
United Kingdom

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

We have audited the financial statements of Intec Engineering (UK) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 whether in our opinion the information given in the Directors' Report is 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 other transactions 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 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 UK Generally Accepted Accounting Practice, of the state of the company'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.

KPMG LLP 16/8/07

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £	2006 £	2005 £	2005 £
Turnover	2				
Continuing operations		6,262,544		5,529,459	
Discontinued operations		-		1,071,681	
			6,262,544		6,601,140
Cost of sales					
Continuing operations		(3,576,722)		(2,211,107)	
Discontinued operations		-		(1,162,521)	
			(3,576,722)		(3,373,628)
Gross profit			2,685,822		3,227,512
Administrative expenses			(2,019,647)		(2,758,258)
Operating profit/ (loss)					
Continuing operations		666,175		1,007,892	
Discontinued operations		-		(538,638)	
			666,175		469,254
Interest receivable and similar income	6		262,877		11
Interest payable and similar charges	7		(196,207)		(389,415)
Profit on ordinary activities before taxation	3-5		732,845		79,850
Tax on profit on ordinary activities	8		-		(1,600)
Profit on ordinary activities after taxation	14/15		732,845		78,250

There are no recognised gains or losses other than the results for the current and prior financial year

Balance sheet
at 31 December 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	9		94,377		73,948
Investments	10		2,679		3,270
			<u>97,056</u>		<u>77,218</u>
Current assets					
Debtors	11	2,299,477		3,495,378	
Cash at bank and in hand		1,043,786		291,858	
		<u>3,343,263</u>		<u>3,787,236</u>	
Creditors: amounts falling due within one year	12	(4,204,097)		(5,361,077)	
Net current liabilities			<u>(860,834)</u>		<u>(1,573,841)</u>
Net liabilities			<u>(763,778)</u>		<u>(1,496,623)</u>
Capital and reserves					
Called up share capital	13		693,000		693,000
Profit and loss account - deficit	14		(1,456,778)		(2,189,623)
Equity shareholders' deficit	15		<u>(763,778)</u>		<u>(1,496,623)</u>

These financial statements were approved by the board of directors on 8th August 2007 and were signed on its behalf by



G Taylor
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

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

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £860,834 and net liabilities of £763,778, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on Intec Engineering Group BV its immediate holding company and Heerema Engineering and Project Management Services Denmark Aps its ultimate holding company. The company has received an undertaking from Intec Engineering Group BV that, for at least 12 months from the date of approval of these financial statements Intec Engineering Group BV will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available amounting to £1,758,582 as at 31 December 2006. This should enable the company to continue to trade for the foreseeable future by meeting its liabilities as and when they become due. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, the directors have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if such funds were not available.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Intec Engineering Group BV, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Intec Engineering Group BV, within which this company is included, can be obtained from the address given in note 18.

Fixed assets and depreciation

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

Computer equipment	-	3 years
Fixtures and fittings	-	10 years

Investments

Investments are stated at cost less any provisions for impairment.

Notes (continued)

1 Accounting policies (continued)

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Sales comprise the net value of work completed, services rendered or deliveries made during the year. Turnover is recognised when title passes or in accordance with work performed and the invoiced value of sales under the terms of the contract.

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

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. 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 (continued)

2 Turnover

	2006 £	2005 £
<i>By geographical market</i>		
Europe	841,699	2,513,762
Africa	43,583	4,087,378
Asia	14,592	-
Other	5,362,670	-
	<u>6,262,544</u>	<u>6,601,140</u>

3 Profit on ordinary activities before taxation

	2006 £	2005 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
Audit of these financial statements	19,500	17,600
Other services	5,000	-
Depreciation of tangible fixed assets	43,504	59,877
Loss on foreign exchange	17,255	40,805
Hire of assets – operating leases	337,259	322,817
	<u>394,518</u>	<u>440,099</u>

4 Remuneration of directors

	2006 £	2005 £
Directors' emoluments	131,388	131,708
Company contributions to money purchase pension schemes	3,122	19,498
	<u>134,510</u>	<u>151,206</u>

Retirement benefits are accruing to one director (2005 two) under money purchase schemes

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2006	2005
Engineering	33	31
Administration	5	5
	<u>38</u>	<u>36</u>

The aggregate payroll costs of these persons were as follows

	2006 £	2005 £
Wages and salaries	2,034,533	1,994,680
Social security costs	236,518	239,864
Other pension costs – note 17	35,051	64,651
	<u>2,036,102</u>	<u>2,299,195</u>

6 Interest receivable and similar income

	2006 £	2005 £
Bank interest receivable	2,285	11
Profit on exchange	260,593	-
	<u>262,878</u>	<u>11</u>

7 Interest payable and similar charges

	2006 £	2005 £
Bank interest	69,530	28,411
Payable to group undertakings	126,677	155,605
Loss on foreign exchange	-	205,399
	<u>196,207</u>	<u>389,415</u>

Notes (continued)

8 Taxation

Analysis of charge in period

	2006 £	2005 £
<i>UK corporation tax</i>		
Adjustments in respect of prior periods	-	1,600
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	1,600
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2005 lower) than the standard rate of corporation tax in the UK (30%, 2005 30%) The differences are explained below

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	732,844	79,851
	<hr/>	<hr/>
Current tax at 30% (2005 30 %)	219,853	23,955
<i>Effects of</i>		
Expenses not deductible for tax purposes	6,000	6,000
Depreciation for period in excess of capital allowances	13,051	17,963
Utilisation of losses	(238,904)	(47,918)
Adjustments to tax charge in respect of previous periods	-	1,600
	<hr/>	<hr/>
Total current tax charge (see above)	-	1,600
	<hr/>	<hr/>

No tax charge arises on the results for the year due to the availability of corporation tax losses

As at 31 December 2006 there was a deferred tax asset made up of losses carried forward of £35,000 and accelerated capital allowances of 119,000 In accordance with FRS 19 deferred tax assets can only be recognised on the basis that the recoverability of the deferred tax asset is more probable than not The directors do not believe that to be prudent at this time

Notes (continued)

9 Tangible fixed assets

	Computer equipment £	Fixtures and Fittings £	Total £
Cost			
At beginning of year	463,970	25,045	489,015
Additions	43,599	20,334	63,933
	<hr/>	<hr/>	<hr/>
At end of year	507,569	45,379	552,948
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	407,379	7,688	415,067
Charge for the year	40,447	3,057	43,504
	<hr/>	<hr/>	<hr/>
At end of year	447,826	10,745	458,571
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2006	59,743	34,634	94,377
	<hr/>	<hr/>	<hr/>
At 31 December 2005	56,591	17,357	73,948
	<hr/>	<hr/>	<hr/>

10 Fixed asset investments

This represents a 5% holding in Heerema Group Services EESV, a European Economic Interest Grouping registered in the Netherlands

11 Debtors

	2006 £	2005 £
Trade debtors	1,250,763	1,098,011
Amounts recoverable on contracts	592,658	576,066
Amounts owed by group undertakings	133,679	995,266
Other debtors	231,738	675,881
Prepayments and accrued income	90,639	150,194
	<hr/>	<hr/>
	2,299,477	3,495,378
	<hr/>	<hr/>

Notes (continued)

12 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	293,549	210,415
Amounts owed to group undertakings	1,450,548	1,979,594
Loans from group undertakings	1,758,582	2,872,182
Taxation and social security	74,031	58,793
Accruals and deferred income	627,387	240,093
	<u>4,204,097</u>	<u>5,361,077</u>

Interest on loans from the group undertaking of £1,871,835 is payable at 8% per annum and is payable on demand

13 Share Capital

	2006 £	2005 £
<i>Authorised</i>		
693,000 Ordinary shares of £1 each	<u>693,000</u>	<u>693,000</u>
<i>Allotted, called up and fully paid</i>		
693,000 Ordinary shares of £1 each	<u>693,000</u>	<u>693,000</u>

14 Profit and loss account

	2006 £	2005 £
Balance at beginning of year	(2,189,623)	(2,267,873)
Profit for the year	<u>732,845</u>	<u>78,250</u>
Balance at end of year	<u>(1,456,778)</u>	<u>(2,189,623)</u>

15 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the year	<u>732,845</u>	<u>78,250</u>
Net decrease in shareholders deficit	<u>732,845</u>	<u>78,250</u>
Opening shareholders' deficit	<u>(1,496,623)</u>	<u>(1,574,873)</u>
Closing shareholders' deficit	<u>(763,778)</u>	<u>(1,496,623)</u>

Notes (continued)

16 Commitments

- a) There are no capital commitments at the end of the financial year for which no provision has been made (2005 £nil)
- b) Annual commitments under non-cancellable operating leases are as follows

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
In the second to fifth years inclusive	271,557	-	322,818	-
Over five years	70,376	-	169,457	-
	<hr/>	<hr/>	<hr/>	<hr/>
	341,933	-	492,275	-
	<hr/>	<hr/>	<hr/>	<hr/>

17 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £35,051 (2005 £64,651).

Contributions amounting to £8,954 (2005 £5,594) were payable to the scheme and are included in creditors.

18 Ultimate parent company

The company is a subsidiary undertaking of Intec Engineering Group BV, a company incorporated in the Netherlands.

The largest group in which the results of the Company are consolidated is that headed by Heerema Engineering and Project Management Services Denmark Aps. The consolidated accounts of this company are available from Holbergsgade 14, 1057 Copenhagen, Denmark. The smallest group in which they are consolidated is that headed by Intec Engineering Group BV, a company registered and incorporated in the Netherlands. The consolidated accounts of this company can be obtained from Poortweg 14, 2612 PA Delft, Netherlands.