Intec Engineering (UK) Limited

Directors' report and financial statements

Registered number 2667945

31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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

In 2003 Intec engineering (UK) Limited consolidated its presence as one of the main choices of consultant engineers for EAME related clients. This was confirmed by the award of the prestigious Medgaz front end engineering project, a gas pipeline from Algeria to Europe (via Spain).

We also successfully continue our relationship with long standing clients such as BP and BG Group (via Burullus).

The London Office is established on a Business Unit basis, with the major revenue contributors being the Engineering Projects Business Unit (ENBU) and the Hardware Business Unit (HBU). The ENBU performs core INTEC activity in provision of consultant technical advice and engineering design to Oil & Gas Industry clients. HBU undertakes the design and the management of the procurement and installation of diverless subsea connectors, primarily for the Northern Business Unit of BP. The current trend on the mix of work between the business units is to keep current levels for HBU and organic increase for ENBU.

The coming year will feature further consolidation of our reputation in the market and acquisition of technically challenging projects establishing our aim to provide solutions to our clients.

Proposed dividend

The directors do not recommend the payment of a dividend *(2002: £nil)*.

Directors

The directors who served during the year were:

PM Roberts

WJ Timmermans

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

PM Roberts

PM Roberts
Secretary

Oswald House
24-26 Queens Road
Reading
Berkshire
RG1 4AU

Statement of directors' responsibilities

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

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

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

KPMG LLP

Arlington Business Park
Theale
Reading RG7 4SD
United Kingdom

Report of the independent auditors to the members of Intec Engineering (UK) Limited

We have audited the financial statements on pages 4 to 15

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit 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 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 of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

3 May 2004

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Turnover					
Continuing operations	2	**9,384,597**		2,386,921	
Acquisitions		-		6,663,902	
			9,384,597		9,050,823
Cost of sales					
Continuing operations		**(6,201,449)**		(1,575,319)	
Acquisitions		-		(4,956,542)	
			(6,201,449)		(6,531,861)
Gross profit			**3,183,148**		2,518,962
Administrative expenses			**(3,060,059)**		(2,688,920)
Operating profit/(loss)					
Continuing operations		**123,089**		(1,533,270)	
Acquisitions		-		1,363,312	
			123,089		(169,958)
Other interest receivable and similar income	6		**139,084**		3,883
Interest payable and similar charges	7		**(212,848)**		(121,833)
Profit/(loss) on ordinary activities before taxation	3-5		**49,325**		(287,908)
Tax on profit/(loss) on ordinary activities	8		**(6,021)**		40,656
Retained profit /(loss) for the year			**43,304**		(247,252)
Retained (loss)/profit brought forward			**(161,965)**		85,287
Retained loss carried forward			**(118,661)**		(161,965)

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

Balance sheet
at 31 December 2003

	Notes	**2003**	**2003**	2002	2002
		£	**£**	£	£
Fixed assets					
Intangible assets	*9*		**749,320**		842,985
Tangible assets	*10*		**202,614**		201,891
Investments	*11*		**32,396**		32,396
			984,330		1,077,272
Current assets					
Stock	*12*	**35,300**		5,000	
Debtors	*13*	**3,170,852**		4,540,220	
Cash at bank and in hand		**172,794**		45,994	
		3,378,946		4,591,214	
Creditors: amounts falling due within one year	*14*	**(1,852,700)**		(2,163,556)	
Net current assets			**1,526,246**		2,427,658
Total assets less current liabilities			**2,510,576**		3,504,930
Creditors: amounts falling due after more than one year	*15*		**(1,936,237)**		(2,973,895)
Net assets			**574,339**		531,035
Capital and reserves					
Called up share capital	*17*		**693,000**		693,000
Profit and loss account	*18*		**(118,661)**		(161,965)
Equity shareholders' funds	*19*		**574,339**		531,035

These financial statements were approved by the board of directors on 21/4/04 and were signed on its behalf by:

PM Roberts

PM Roberts
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 except as noted below.

Basis of preparation

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

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 21.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Intangible fixed assets and amortisation

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. Intangible assets are amortised to nil by equal annual instalments over their estimated useful lives.

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 permanent diminution in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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 denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

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.

Notes *(continued)*

2 Turnover

	2003	2002
	£	£
By geographical market		
Europe	**6,011,361**	6,786,801
Africa	**3,210,334**	-
Asia	**147,236**	-
US	-	1,311,095
Egypt	-	738,801
Switzerland	-	169,529
Netherlands	-	44,597
Other	**15,666**	-
	9,384,597	9,050,823

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

3 Profit/(loss) on ordinary activities before taxation

	2003	2002
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	**16,000**	14,000
Depreciation of tangible fixed assets – owned	**120,659**	94,058
Amortisation of intangible fixed assets	**34,000**	34,000
Amortisation of goodwill	**59,665**	59,665
Hire of other assets - operating leases	**295,000**	210,039
Research and development expenditure	**40,605**	52,208
Foreign currency exchange loss	-	27,084

4 Remuneration of directors

	2003	2002
	£	£
Directors' emoluments	**149,547**	190,601
Company contributions to money purchase pension schemes	**27,555**	28,698
	177,102	219,299

Retirement benefits are accruing to one director *(2002: one)* 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	
	2003	2002
Engineering	**40**	27
Administration	**9**	4
	49	31

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	**2,458,464**	2,062,882
Social security costs	**281,413**	202,336
Other pension costs	**109,486**	76,891
	2,849,363	2,342,109

6 Other interest receivable and similar income

	2003	2002
	£	£
Bank interest receivable	**5,185**	3,883
Foreign exchange gains	**133,899**	-
	139,084	3,883

7 Interest payable and similar charges

	2003	2002
	£	£
On bank overdraft	**3,039**	17
Payable to group undertakings	**209,809**	118,629
Foreign exchange losses	**-**	3,187
	212,848	121,833

Notes *(continued)*

8 Taxation

Analysis of charge in period

	2003	2002
	£	£
UK corporation tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	(34,635)
Total current tax	-	(34,635)
Deferred tax (see note 16)	**6,021**	(6,021)
Tax on profit/(loss) on ordinary activities	**6,021**	(40,656)

Factors affecting the tax charge for the current period

The current tax charge/(credit) for the period is lower *(2002: lower)* than the standard rate of corporation tax in the UK (30%, *2002: 30%*). The differences are explained below.

	2003	2002
	£	£
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**49,325**	(287,908)
Current tax at 30% (*2002: 30 %*)	**14,797**	(86,372)
Effects of:		
Expenses not deductible for tax purposes	**22,344**	25,601
Depreciation for period in excess of capital allowances	**827**	6,021
Net losses available for future use	-	54,750
Utilisation of losses	**(37,968)**	-
Adjustments to tax charge in respect of previous periods	-	(34,635)
Total current tax charge (see above)	-	(34,635)

Notes *(continued)*

9 Intangible fixed assets

	Intellectual property rights £	Goodwill £	Total £
Cost			
At beginning and end of year	340,000	596,650	936,650
Amortisation			
At beginning of year	34,000	59,665	93,665
Charged in year	34,000	59,665	93,665
At end of year	68,000	119,330	187,330
Net book value			
At 31 December 2003	**272,000**	**477,320**	**749,320**
At 31 December 2002	306,000	536,985	842,985

Goodwill and intellectual property rights are amortised over 10 years.

10 Tangible fixed assets

	Computer equipment £	Fixtures and fittings £	Total £
Cost			
At beginning of year	279,168	16,781	295,949
Additions	113,118	8,264	121,382
At end of year	392,286	25,045	417,331
Depreciation			
At beginning of year	93,057	1,001	94,058
Charge for year	118,515	2,144	120,659
At end of year	211,572	3,145	214,717
Net book value			
At 31 December 2003	**180,714**	**21,900**	**202,614**
At 31 December 2002	186,111	15,780	201,891

11 Fixed asset investments

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

Notes *(continued)*

12 Stocks

	2003	2002
	£	£
Raw materials and consumables	**35,300**	5,000

13 Debtors

	2003	2002
	£	£
Trade debtors	**1,596,865**	1,143,944
Amounts recoverable on contracts	**1,206,516**	1,471,860
Amounts owed by group undertakings	**224,450**	1,500,605
Other debtors	**2,278**	21,454
Net deferred tax assets (see note 16)	**-**	6,021
Prepayments and accrued income	**140,743**	396,336
	3,170,852	4,540,220

14 Creditors: amount due within one year

	2003	2002
	£	£
Bank overdraft	**77,676**	-
Payments received on account	**-**	24,718
Trade creditors	**1,076,027**	1,267,661
Amounts owed to group undertakings	**479,287**	413,863
Taxation and social security	**126,958**	69,938
Accruals and deferred income	**92,752**	387,376
	1,852,700	2,163,556

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Amounts owed to group undertakings	**1,936,237**	2,973,895

Analysis of debt:

	2003	2002
	£	£
Loans from group undertakings		
Debt can be analysed as falling due:		
In one year or less, or on demand	**1,546,043**	-
Between one and two years	**-**	2,281,895
In five years or more	**390,194**	692,000
	1,936,237	2,973,895

Interest on the loan of £1,546,043 is payable at 8%. The loan is repayable on demand on or after 1 January 2005. Interest on the loan of £390,194 is payable at LIBOR + 1%. The loan is repayable on 28 May 2022.

16 Deferred taxation

Difference between accumulated depreciation and capital allowances:

	£
Deferred tax asset at beginning of the year	6,021
Transfer to the profit and loss account	(6,021)
Deferred tax asset at end of the year	-

17 Share Capital

	2003	2002
	£	£
Authorised		
1,000 Ordinary shares of £1 each	***693,000***	*693,000*
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	**693,000**	693,000

Notes *(continued)*

18 Reserves

	Profit and loss account £
At beginning of year	(161,965)
Profit for the year	43,304
At end of year	**(118,661)**

19 *Reconciliation of movements in shareholders' funds*

	2003 £	2002 £
Profit/(loss) for the year	**43,304**	(247,252)
Share capital issued	**-**	692,000
Net increase in shareholders' funds	**43,304**	444,748
Opening shareholders' funds	**531,035**	86,287
Closing shareholders' funds	**574,339**	531,035

20 Commitments

a) There are no capital commitments at the end of the financial year for which no provision has been made *(2002: £nil)*.

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

	2003		2002	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire:				
In the second to fifth years inclusive	**322,818**	**8,332**	147,800	8,332
Over five years	**169,457**	**-**	169,458	-
	492,275	**8,332**	317,258	8,332

Notes *(continued)*

21 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.