

Intec Engineering (UK) Limited

**Directors' report and financial
statements**

Registered number 2667945

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

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

Business review

On 17 January 2002, Intec Engineering (UK) Limited completed its acquisition of the assets of Fuel Subsea Engineering, previously a division of Smit Land and Marine Engineering Limited, effective as of 1 January 2002.

In early 2002, the organisation of the London Office was 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.

During 2002, two further Business Units were established in London as nuclei for future growth. The first of these associates with "EPCM" projects (Engineering, Procurement and Construction Management) and will pursue new project management business for traditional INTEC clients. The second will seek design and project management work from both traditional and new independent clients through design and build projects contracted into more than one of the four Heerema Group Companies, initially for Marginal Field Developments in the North Sea. This latter Business Unit was named TASCforce, where TASC stands for Total Asset Commercialisation.

The coming year will feature focus on the three key Business Unit areas of Engineering Projects, EPCM projects, including hardware supply, and on TASCforce.

Proposed dividend

The directors do not recommend the payment of a dividend (2001: £nil).

Directors

The directors who served during the year were:

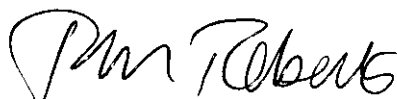
PM Roberts

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
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 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 16.

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

11 June 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £	2002 £	2001 £
Turnover				
Continuing operations	2	2,386,921		
Acquisitions		6,663,902		
			9,050,823	452,487
Cost of sales				
Continuing operations		(1,575,319)		
Acquisitions		(4,956,542)		
			(6,531,861)	(266,677)
Gross profit			2,518,962	185,810
Administrative expenses			(2,692,107)	(60,690)
Other operating charges			-	(7,960)
Operating (loss)/profit				
Continuing operations		(1,536,457)		
Acquisitions		1,363,312		
			(173,145)	117,160
Other interest receivable and similar income	6		3,883	182
Interest payable and similar charges	7		(118,646)	(2,009)
(Loss)/profit on ordinary activities before taxation			(287,908)	115,333
Tax on (loss)/profit on ordinary activities	3-5 8		40,656	(34,690)
Retained (loss)/profit for the year			(247,252)	80,643
Retained profit brought forward			85,287	4,644
Retained (loss)/profit carried forward			(161,965)	85,287

There are no recognised gains or losses other than the results for the current or prior financial year. Accordingly, no statement of recognised gains or losses is given.

Balance sheet
at 31 December 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Intangible assets	9		842,985	-	-
Tangible assets	10		201,891	-	-
Investments	11		57,216	-	-
			<hr/>		<hr/>
			1,102,092		-
Current assets					
Stock	12	5,000		-	-
Debtors	13	4,515,400		199,411	-
Cash at bank and in hand		45,994		1,442,229	-
			<hr/>	<hr/>	
Current assets			4,566,394		1,641,640
Creditors: amounts falling due within one year	14		(2,163,556)		(1,555,353)
			<hr/>		<hr/>
Net current assets			2,402,838		86,287
			<hr/>		<hr/>
Total assets less current liabilities			3,504,930		86,287
Creditors: amounts falling due after more than one year	15		(2,973,895)		-
			<hr/>		<hr/>
Net assets			531,035		86,287
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		693,000		1,000
Profit and loss account	18		(161,965)		85,287
			<hr/>		<hr/>
Equity shareholders' funds	19		531,035		86,287
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 6 June 2003 and were signed on its behalf by:



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. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. The adoption of these standards has no impact on previously reported figures.

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

	2002 £	2001 £
<i>By geographical market</i>		
UK	6,786,801	452,487
US	1,311,095	-
Egypt	738,801	-
Switzerland	169,529	-
Netherlands	44,597	-
	<u>9,050,823</u>	<u>452,487</u>

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

3 (Loss)/profit on ordinary activities before taxation

	2002 £	2001 £
<i>(Loss)/profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	14,000	5,000
Depreciation of tangible fixed assets — owned	94,058	-
Amortisation of intangible fixed assets	34,000	-
Amortisation of goodwill	59,665	-
Hire of other assets - operating leases	210,039	-
Research and development expenditure	52,208	-
Foreign currency exchange loss	27,084	300
	<u></u>	<u></u>

4 Remuneration of directors

	2002 £	2001 £
Directors' emoluments	190,601	20,472
Company contributions to money purchase pension schemes	28,698	-
	<u>219,299</u>	<u>20,472</u>

Retirement benefits are accruing to one director (2001: nil) 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	
	2002	2001
Engineering	27	1
Administration	4	3
	<u>31</u>	<u>4</u>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	2,062,882	219,356
Social security costs	202,336	24,912
Other pension costs	76,891	-
	<u>2,342,109</u>	<u>244,268</u>

6 Other interest receivable and similar income

	2002	2001
	£	£
Other	<u>3,883</u>	<u>182</u>

7 Interest payable and similar charges

	2002	2001
	£	£
On bank overdraft	17	2,009
Payable to group undertakings	<u>118,629</u>	<u>-</u>
	<u>118,646</u>	<u>2,009</u>

Notes (continued)

8 Taxation

Analysis of charge in period

	2002 £	2001 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	34,690
Adjustments in respect of prior periods	(34,635)	-
	<hr/>	<hr/>
Total current tax	(34,635)	34,690
Deferred tax (see note 16)	(6,021)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	(40,656)	34,690
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax (credit)/charge for the period is lower (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002 £	2001 £
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(287,908)	115,333
	<hr/>	<hr/>
Current tax at 30% (2001: 30 %)	(86,372)	34,600
<i>Effects of:</i>		
Expenses not deductible for tax purposes	25,601	90
Depreciation for period in excess of capital allowances	6,021	-
Net losses available for future use	54,750	-
Adjustments to tax charge in respect of previous periods	(34,635)	-
	<hr/>	<hr/>
Total current tax charge (see above)	(34,635)	34,690
	<hr/>	<hr/>

Notes (continued)

9 Intangible fixed assets

	Intellectual property rights £	Goodwill £	Total £
Cost			
At beginning of year	-	-	-
Additions	340,000	596,650	936,650
	<hr/>	<hr/>	<hr/>
At end of year	340,000	596,650	936,650
	<hr/>	<hr/>	<hr/>
Amortisation			
At beginning of year	-	-	-
Charged in year	34,000	59,665	93,665
	<hr/>	<hr/>	<hr/>
At end of year	34,000	59,665	93,665
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2002	306,000	536,985	842,985
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	-	-
	<hr/>	<hr/>	<hr/>

The fair values of intangible assets acquired as part of a business are determined by discounting the development costs of the DMAC (Diverless Maintained Connector) product incurred by Smit Land and Marine Engineering Limited. Intellectual property rights are amortised over 10 years, being that there is a healthy income stream from the DMAC product to which they relate. The oil field which the main client operates still has a 10 to 15 year field life. The product and ancillary parts and services which will be required to support this client and new business will last for at least 10 years.

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The period over which purchased goodwill is amortised is 10 years, being for the same reason as for the intellectual property rights.

Notes (continued)

10 Tangible fixed assets

	Computer equipment £	Fixtures and fittings £	Total £
Cost			
At beginning of year	-	-	-
Additions	279,168	16,781	295,949
	<hr/>	<hr/>	<hr/>
At end of year	279,168	16,781	295,949
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	-	-	-
Charge for year	93,057	1,001	94,058
	<hr/>	<hr/>	<hr/>
At end of year	93,057	1,001	94,058
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2002	186,111	15,780	201,891
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	-	-
	<hr/>	<hr/>	<hr/>

11 Fixed asset investments

During the year a 5% holding in Heerema Group Services EESV, a European Economic Interest Grouping registered in the Netherlands was acquired for a cost of £57,216.

12 Stocks

	2002 £	2001 £
Raw materials and consumables	5,000	-
	<hr/>	<hr/>

Notes (continued)

13 Debtors

	2002 £	2001 £
Trade debtors	1,143,944	-
Amounts recoverable on contracts	1,471,860	-
Amounts owed by group undertakings	1,475,785	193,342
Other debtors	21,454	3,777
Net deferred tax assets (see note 16)	6,021	-
Prepayments and accrued income	396,336	2,292
	<u>4,515,400</u>	<u>199,411</u>

14 Creditors: amount due within one year

	2002 £	2001 £
Payments received on account	24,718	-
Trade creditors	1,267,661	14,080
Amounts owed to group undertakings	413,863	1,425,687
Taxation and social security	69,938	52,354
Accruals and deferred income	387,376	63,232
	<u>2,163,556</u>	<u>1,555,353</u>

15 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Amounts owed to group undertakings	<u>2,973,895</u>	<u>-</u>

Analysis of debt:

	2002 £	2001 £
<i>Loans from group undertakings</i>		
Debt can be analysed as falling due:		
In one year or less, or on demand	-	1,425,687
Between one and two years	2,281,895	-
Between two and five years	-	-
In five years or more	692,000	-
	<u>2,973,895</u>	<u>1,425,687</u>

Interest on the loan of £2,281,895 is payable at 8%. The loan is repayable on demand on or after 1 January 2004. Interest on the loan of £692,000 is payable at LIBOR + 1%. The loan is repayable on 28 May 2022.

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Amounts repayable in more than five years:

	2002 £	2001 £
Amounts owed to group undertakings	692,000	-

16 Deferred taxation

The elements of deferred taxation are as follows:

	2002 £	2001 £
Difference between accumulated depreciation and amortisation and capital allowances	6,021	-
Deferred tax asset (see note 8)	6,021	-

The deferred tax asset which arises on tax losses available for use against future taxable profits has not been recognised. The amount not recognised is £75,213 (2001: £6,908) which will become recoverable when the company makes a taxable profit.

17 Share Capital

	2002 £	2001 £
Authorised		
1,000 Ordinary shares of £1 each	693,000	1,000
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	693,000	1,000

On 24 May 2002 the authorised share capital of the company was increased to 693,000 ordinary shares of £1 each. On 28 May 2002 the company issued 692,000 ordinary shares of £1 each to Intec Engineering Holding BV as repayment of a loan of £692,000.

Notes (continued)

18 Reserves

	Profit and loss account £
At beginning of year	85,287
Loss for the year	(247,252)
At end of year	<u>(161,965)</u>

19 Reconciliation of shareholders' funds

	2002 £	2001 £
At beginning of year	86,287	5,644
Share capital issued	692,000	-
(Loss)/profit for the year	<u>(247,252)</u>	<u>80,643</u>
At end of year	<u>531,035</u>	<u>86,287</u>

20 Commitments

- a) There are no capital commitments at the end of the financial year for which no provision has been made (2001: £nil).
- b) Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
In the second to fifth years inclusive	147,800	8,332	-	-
Over five years	169,458	-	-	-
	<u>317,258</u>	<u>8,332</u>	<u>-</u>	<u>-</u>

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.