

INTECSEA (UK) Limited

Annual report and financial statements

30 June 2014

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COMPANIES HOUSE

INTECSEA (UK) Limited

Registered No. 2667945

Directors

R Luff
C Ashton
B Connell

Secretary

V Jibuike

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

Lansbury Estate
102 Lower Guildford Road
Knaphill
Surrey GU21 2EP

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2014.

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 has continued to develop new technology initiatives in the area of welded CRA pipe strength design and pipe soil interaction for thermal performance requirements. New Joint Industry Projects (JIP) have been developed in riser design and CRA HP/HT pipeline that are progressing through execution stages and developing further scope requirements.

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 £7,000,000 (2013: £Nil).

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.

Directors' report (continued)

Directors

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

M Daly (resigned 27 November 2014)
S Bradie (resigned 30 April 2014)
G Conlon (resigned 30 April 2014)
R Luff
F Drennan (resigned 10 November 2014)
V Jibuike (appointed 1 May 2014)
B Connell (appointed 27 November 2014)
C Ashton (appointed 1 May 2014)

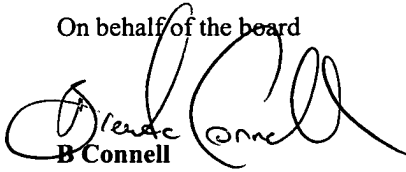
Disclosure of information to the auditors

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



B Connell
Director

29 APR 2015

Strategic report

Business review

Turnover from continuing operations has increased to £38,904,891 from £33,545,080 representing an increase of 15.98% from the previous year. Operating profit was £371,619 compared to £4,060,515 in the previous year, representing a decrease of 91%, whilst the profit on ordinary activities before taxation decreased to £371,067 from £4,057,199. The company made a profit for the year after taxation of £829,070 (2013: £3,591,179).

The company's Gross Profit Margin has decreased to 31% compared to 37% in the previous year and the earnings before interest and taxes margin has decreased from the previous year to 1% (2013: 12%). The debt ratio of 0.83 has increased from 0.20 in the previous year.

The company has delivered a significant increase in turnover in 2014. However, the mix of projects executed has resulted in an overall lower GM% when compared with the prior year. Administration costs were higher in the current year as a result of one off streamlining costs. 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. Global oil prices have been relatively stable across financial years 2014 and 2013 enabling the business to capture sufficient market share. During the financial year 2015, global oil prices have dropped significantly, which will require adjusting 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.

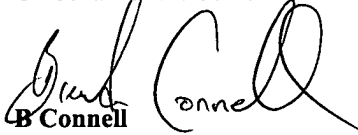
- Competition risk

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


B Connell
Director

29 APR 2015

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 2014 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 2014 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

29 APR 2015

Profit and loss account

for the year ended 30 June 2014

	Notes	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Turnover	2	38,904,891	33,545,080
Cost of sales		(26,883,744)	(21,094,226)
Gross profit		12,021,147	12,450,854
Administrative expenses		(11,649,528)	(8,390,339)
Operating profit	3	371,619	4,060,515
Interest receivable and similar income	6	201,663	-
Interest payable and similar charges	7	(202,215)	(3,316)
Profit on ordinary activities before taxation		371,067	4,057,199
Tax on profit on ordinary activities	8	458,003	(466,020)
Retained profit for the year	16	829,070	3,591,179

All of the company's operations are continuing.

Statement of total recognised gains and losses

for the year ended 30 June 2014

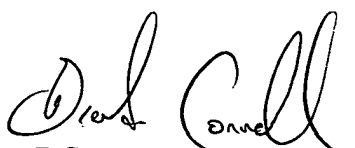
The company has no recognised gains or losses other than those shown in the Profit and Loss Account.

Balance Sheet

at 30 June 2014

	Notes	30 June 2014 £	30 June 2014 £	30 June 2013 £	30 June 2013 £
Fixed assets					
Tangible assets	9		534,621		2,421,142
Current assets					
Debtors	10	12,985,322		8,087,458	
Cash at bank and in hand		160,092		99,207	
		<u>13,145,414</u>		<u>8,186,665</u>	
Creditors: amounts falling due within one year	12	<u>(11,370,099)</u>		<u>(2,126,941)</u>	
Net current assets			<u>1,775,315</u>		<u>6,059,724</u>
Net assets			<u><u>2,309,936</u></u>		<u><u>8,480,866</u></u>
Capital and reserves					
Called up share capital	13		693,000		693,000
Profit and loss account	14		1,616,936		7,787,866
Shareholder's funds	16		<u><u>2,309,936</u></u>		<u><u>8,480,866</u></u>

These financial statements were approved by the board of directors on 29 April 2015 and were signed on its behalf by:


B Connell
 Director

Notes to the financial statements (continued)

at 30 June 2014

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 2014, 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 2014

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 2014

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 2014 £	Year ended 30 June 2013 £
<i>By geographical market</i>		
Europe	14,433,616	5,833,412
Africa	22,827,379	26,123,807
Asia	1,091,381	981,315
Other	552,515	606,546
	<u>38,904,891</u>	<u>33,545,080</u>

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

3 Operating profit

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
<i>Operating profit is stated after charging:</i>		
Auditor's remuneration:		
Audit of the financial statements	19,700	19,000
Depreciation of tangible fixed assets – owned	2,085,129	1,274,945
Hire of other assets - operating leases	477,807	495,394
	<u>2,582,636</u>	<u>1,789,339</u>

4 Remuneration of directors

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Directors' remuneration	480,928	400,030
Company contributions to money purchase pension schemes	40,071	18,623
	<u>520,999</u>	<u>418,653</u>

The highest paid director received remuneration of £258,187 (2013: £205,030) and company contributions to money purchase pension schemes of £20,980 (2013: £8,873). Retirement benefits are accruing to two directors (2013: two) under money purchase schemes.

Notes to the financial statements (continued)

at 30 June 2014

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 2014	Year ended 30 June 2013
Engineering	92	78
Administration	23	31
	<u>115</u>	<u>109</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Wages and salaries	8,073,544	6,883,917
Social security costs	1,010,378	811,231
Other pension costs	582,351	503,994
	<u>9,666,283</u>	<u>8,199,142</u>

6 Interest receivable and similar income

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Bank interest	201,663	-
	<u>201,663</u>	<u>-</u>

7 Interest payable and similar charges

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Interest to group undertakings	202,215	3,316
	<u>202,215</u>	<u>3,316</u>

Notes to the financial statements (continued)

at 30 June 2014

8 Taxation

(a) Tax on profit on ordinary activities

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

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
<i>UK corporation tax</i>		
Current tax on income for the year	97,774	1,091,700
Adjustments in respect of prior periods	(349,032)	(567,174)
<i>Foreign tax</i>		
Current tax on income for the year	-	57,830
Total current tax (note 8(b))	(251,258)	582,356
Deferred tax	(206,745)	(116,336)
Tax on profit on ordinary activities	(458,003)	466,020

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

The current tax charge for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%). The differences are explained below.

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	371,067	4,057,199
Current tax at 22.5% (2013: 23.75%)	83,490	963,585
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10,492	19,047
Depreciation for year greater than capital allowances	351,389	163,961
Adjustments to tax charge in respect of previous periods	(349,032)	(567,174)
Other short term timing differences	-	2,937
Research and development tax credit	(347,597)	-
Total current tax (credit)/charge (note 8(a))	(251,258)	582,356

The company has submitted claims for research and development tax credits to HMRC for the years up to 30 June 2013 and intends to submit a further claim for the year 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 2014. All submitted claims up to 30 June 2012 have been formally agreed by HMRC.

Notes to the financial statements (continued)

at 30 June 2014

8 Taxation (continued)

(c) Factors that may affect future tax charges:

The UK corporation tax rate reduced to 23% from April 2013 and to 21% from April 2014. The rate will reduce to 20% from April 2015. As at the balance sheet date, this future tax reduction had been enacted and hence in accordance with accounting standards, it has been reflected in the company's financial statements as at 30 June 2014. The rate change will impact the amount of future tax payments to be made by the company.

9 Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At beginning of year	2,512,217	2,779,509	380,679	5,672,405
Additions	167,833	25,028	5,747	198,608
Disposals	(1,267,500)	(2,597,905)	(231,072)	(4,096,477)
At end of year	1,412,550	206,632	155,354	1,774,536
Depreciation				
At beginning of year	1,707,378	1,397,965	145,920	3,251,263
Charge for the year	617,906	1,342,086	125,137	2,085,129
Disposals	(1,267,501)	(2,597,904)	(231,072)	(4,096,477)
At end of year	1,057,783	142,147	39,985	1,239,915
Net book value				
At 30 June 2014	354,767	64,485	115,369	534,621
At 30 June 2013	804,839	1,381,544	234,759	2,421,142

10 Debtors

	30 June 2014 £	30 June 2013 £
Trade debtors	5,862,253	1,485,925
Amounts recoverable on contracts	3,849,478	1,849,651
Amounts owed by group undertakings	378,658	3,246,571
Other debtors	697,413	630,068
Corporation tax	1,356,149	301,891
Prepayments and accrued income	471,422	410,148
Deferred tax asset (note 11)	369,949	163,204
	12,985,322	8,087,458

Notes to the financial statements (continued)

at 30 June 2014

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 2013	163,204
Credit to profit and loss	206,745
	<hr/>
At 30 June 2014	369,949
	<hr/>

12 Creditors: amounts falling due within one year

	30 June 2014 £	30 June 2013 £
Trade creditors	563,527	789,746
Amounts owed to group undertakings	7,712,812	144,533
Taxation and social security	319,111	250,770
Accruals and deferred income	2,774,649	941,892
	<hr/>	<hr/>
	11,370,099	2,126,941
	<hr/>	<hr/>

13 Issued share capital

	30 June 2014 £	30 June 2013 £
<i>Allotted called up and fully paid</i>		
693,000 Ordinary shares of £1 each	693,000	693,000
	<hr/>	<hr/>

14 Profit and loss account

	30 June 2014 £	30 June 2013 £
Balance at beginning of the year	7,787,866	4,196,687
Profit for the year	829,070	3,591,179
Dividends	(7,000,000)	-
	<hr/>	<hr/>
Balance at end of the year	1,616,936	7,787,866
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Notes to the financial statements (continued)

at 30 June 2014

15 Dividends

The aggregate amount of dividends comprises:

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
Interim dividends paid in respect of the current year	7,000,000	-

16 Reconciliation of shareholder's funds

	30 June 2014 £	30 June 2013 £
Profit for the year	829,070	3,591,179
Dividend paid	(7,000,000)	-
Net (decrease)/increase in shareholder's funds	(6,170,930)	3,591,179
Opening shareholder's funds	8,480,866	4,889,687
Closing shareholder's funds	2,309,936	8,480,866

17 Commitments

- a) There are no capital commitments at the end of the financial year for which provision has been made (2013: £nil).
- b) Annual commitments under non-cancellable operating leases are as follows:

	30 June 2014 Land and buildings £	30 June 2013 Land and buildings £
Operating leases which expire:		
Within one year	98,627	-
Within 2 to 5 years	548,713	394,509

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 £582,351 (2013: £503,994).

Contributions amounting to £49,016 (2013: £68,999) 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 2014

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.