

Company No: 2097198

PELL FRISCHMANN ENGINEERING LIMITED

FINANCIAL STATEMENTS

- for the year ended -

31 MARCH 1996

BERG KAPROW LEWIS
Chartered Accountants
35 Ballards Lane
London N3 1XW

Reference AKA/P165/BJW



PELL FRISCHMANN ENGINEERING LIMITED

DIRECTORS

W W Frischmann CBE (Chairman)
S S Prabhu
J W Pendered
M Ringner

SECRETARY

N W Carmichael

REGISTERED OFFICE

5 Manchester Square
London
W1A 1AU

AUDITORS

Berg Kaprow Lewis
Chartered Accountants
35 Ballards Lane
London
N3 1XW

PRINCIPAL BANKERS

Barclays Bank plc
Fleet Street Business Centre
80 Fleet Street
London
EC4Y 1ET

PELL FRISCHMANN ENGINEERING LIMITED

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PELL FRISCHMANN ENGINEERING LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was to act as consultants for the design, construction and marketing of oil and gas platforms and of subsea floating production systems.

Despite the continued downturn in opportunities for new work in the offshore design and engineering sector, particularly in respect of North Sea projects, the company has maintained a level of activity and resourcing which has achieved a trading profit in the year. This is an improvement over the performance in the previous year, and it is anticipated that this position will further improve in the coming years.

The company has continued to provide specialist consulting services in respect of the design and engineering of offshore facilities, including work in its principal areas of expertise in accommodation modules and subsea and floating production systems. This work has been undertaken in-house, and in addition, several personnel have also continued to provide specialist services directly with Oil Company Clients.

The company has also continued its involvement and the development of further opportunities in other sectors of industry. In particular, the Project Management on behalf of the Ministry of Defence of the new Fire Fighting Training Units for the the Royal Navy has continued to provide a major activity for key personnel within the Company (and for personnel assigned from other Pell Frischmann Group of Companies) over the year.

The company has continued to aggressively pursue marketing and business opportunities both within the UK and in several overseas markets, and has been particularly active in respect of oil and gas developments in the Middle East.

The company is a wholly-owned subsidiary undertaking of Pell Frischmann Group Ltd which files group financial statements. The group profit before taxation for the year ended 31 March 1996, including the group's share of the profit of the associated undertakings is expected to exceed £5 million.

The number of staff employed during the year by the group as a whole, including those of its associated undertakings, was in excess of 2,250. The staff were available to any company within the group dependent upon the demand or resources of the constituent company.

DIVIDEND AND TRANSFER TO RESERVES

The trading profit for the year before and after taxation was £102,452 and £91,722 respectively (1995 : £137,239 and £137,239). The directors do not recommend payment of a dividend.

It is proposed that the retained profit of £91,722 is transferred to reserves.

PELL FRISCHMANN ENGINEERING LIMITED

REPORT OF THE DIRECTORS (Continued)

FIXED ASSETS

Full disclosure of all matters relating to fixed assets is set out in the notes to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date and their interests in the company (including those of their families) at that date and at the beginning of the year were as follows:

	<u>Class of share</u>	<u>Number of shares</u>	
		<u>1996</u>	<u>1995</u>
W W Frischmann CBE	Ordinary shares	-	-
S S Prabhu	Ordinary shares	-	-
J W Pendered	Ordinary shares	-	-
M Ringner	Ordinary shares	-	-

Directors interests in ultimate parent undertaking are given in note 21 to the financial statements.

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 the 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;
- 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 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.

DIRECTORS AND OFFICERS INSURANCE


Directors' and officers' liability insurance has been maintained by the company during the year.

AUDITORS

The auditors, Berg Kaprow Lewis, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

Date: ..24 April 1997

By Order of the Board


N W Carmichael
Secretary

PELL FRISCHMANN ENGINEERING LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF PELL FRISCHMANN ENGINEERING LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As described in the Directors' Report the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 affairs of the company as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Berg Kaprow Lewis

BERG KAPROW LEWIS
Chartered Accountants
Registered Auditors

35 Ballards Lane
London
N3 1XW

Date: *25 - 4 - 97*

PELL FRISCHMANN ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1996

	Notes	1996 £	1995 £
TURNOVER		601,240	520,189
Cost of sales		(325,213)	(485,642)
GROSS PROFIT		276,027	34,547
Administrative expenses		(174,519)	(184,037)
Other operating income		-	12,000
OPERATING PROFIT/(LOSS)	2	101,508	(137,490)
Interest receivable	3	1,117	251
Interest payable	4	(173)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		102,452	(137,239)
Tax on profit/(loss) on ordinary activities	7	(10,730)	-
PROFIT/(LOSS) FOR THE YEAR	17	91,722	(137,239)

None of the company's activities were acquired or discontinued during the above two financial years.

The statement of total recognised gains and losses appears on page 5.

The notes on pages 7 to 14 form part of these financial statements.

PELL FRISCHMANN ENGINEERING LIMITED

OTHER PRIMARY STATEMENT FOR THE YEAR ENDED 31 MARCH 1996

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

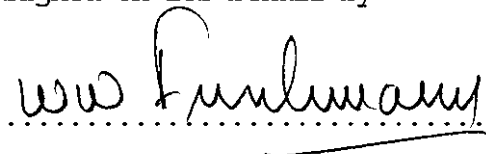
	Notes	1996 £	1995 £
PROFIT/(LOSS) FOR THE YEAR	17	91,722	(137,239)
Amortisation of intangibles	16	(10,000)	(10,000)
TOTAL RECOGNISED NET GAINS AND LOSSES RELATING TO THE YEAR		<hr/> 81,722	<hr/> (147,239)
Prior year adjustment		<hr/> -	<hr/> (20,000)
TOTAL NET GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<hr/> <hr/> 81,722	<hr/> <hr/> (167,239)

PELL FRISCHMANN ENGINEERING LIMITED

BALANCE SHEET AT 31 MARCH 1996

	Notes	£	1996 £	£	1995 £
FIXED ASSETS					
Intangible assets	8		210,000		220,000
Tangible assets	9		7,613		9,973
			<u>217,613</u>		<u>229,973</u>
CURRENT ASSETS					
Stocks	10	-		29,851	
Debtors	11	380,842		470,499	
Cash at bank and in hand		183,594		15,666	
			<u>564,436</u>	<u>516,016</u>	
CREDITORS: Amounts falling due within one year	12	(109,215)		(154,877)	
NET CURRENT ASSETS			<u>455,221</u>		<u>361,139</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>672,834</u>		<u>591,112</u>
CAPITAL AND RESERVES					
Called up share capital	14		10,000		10,000
Share premium account	15		237,599		237,599
Capital reserves	16		210,000		220,000
Profit and loss account	17		215,235		123,513
			<u>672,834</u>		<u>591,112</u>

The financial statements were approved by the board on 24 April 1997 and signed on its behalf by


.....

W W Frischmann
Director

The notes on pages 7 to 14 form part of these financial statements.

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

1.2 TURNOVER

Turnover represents fees receivable and reimbursables for services rendered exclusive of Value Added Tax.

1.3 INTANGIBLE FIXED ASSETS AND AMORTISATION

Know-how is amortised over 25 years on a straight line basis.

1.4 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

Computer equipment	25%	Straight line
Fixtures and equipment	25%	Reducing balance
Motor vehicles	25%	Reducing balance

1.5 STOCKS

Work in progress is valued at the cost of direct labour and recoverable charges plus attributable overheads based on normal level of activity, or net realisable value if lower.

Net realisable value is based on estimated selling price less further costs to completion, marketing, selling and distribution.

1.6 DEFERRED TAXATION

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

1.7 LEASING AND HIRE PURCHASE

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

1.8 PENSIONS

The company operates a defined contribution scheme. Pension contributions are charged to the profit and loss account as incurred.

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996

2. OPERATING PROFIT/ (LOSS)	1996	1995
	£	£
The operating profit/(loss) is stated after charging:-		
Depreciation	3,110	3,869
Auditors' remuneration	6,500	6,000
Operating lease rentals:-		
Land and buildings	79,750	81,079
Office equipment	-	16
and after crediting:-		
Rents receivable	-	(12,000)
	<hr/> <hr/>	<hr/> <hr/>
3. INTEREST RECEIVABLE	1996	1995
	£	£
Bank interest receivable	139	251
Other interest receivable	978	-
	<hr/>	<hr/>
	1,117	251
	<hr/> <hr/>	<hr/> <hr/>
4. INTEREST PAYABLE	1996	1995
	£	£
On bank loans and overdrafts and on loans repayable in full within five years	173	-
	<hr/>	<hr/>
	173	-
	<hr/> <hr/>	<hr/> <hr/>

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996

5. DIRECTORS AND EMPLOYEES	1996 £	1995 £
Staff costs:-		
Wages and salaries	128,981	132,169
Social security costs	11,851	15,602
Other pension costs	17,333	23,473
	<u>158,165</u>	<u>171,244</u>

The average weekly number of employees during the year was as follows:

	Number	Number
Design	4	4
Selling and distribution	1	1
Administration	1	3
	<u>6</u>	<u>8</u>

Directors' emoluments:-

Remuneration for management services (including pension contributions)	<u>55,590</u>	<u>52,217</u>
--	---------------	---------------

The division of directors' emoluments, excluding pension contributions, is as follows:-

Chairman	<u>-</u>	<u>-</u>
Highest paid director	<u>45,354</u>	<u>45,917</u>

Other directors' remuneration fell within the following ranges:

	Number	Number
£Nil - £5,000	<u>2</u>	<u>2</u>

The number of staff employed during the year by the group as a whole, including those of its associated undertakings, was in excess of 2,250. The staff were available to any company within the group dependent upon the demand or resources of the constituent company.

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996

6. PENSION COSTS

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 pension contributions payable by the company for the year ended 31 March 1996 were £17,333 (1995 : £23,473). All contributions were paid within the year.

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1996 £	1995 £
The taxation charge based on the profit/(loss) before tax comprises:-		
U.K. corporation tax at 29% (1995 - 25%)	10,730	-
	<u>10,730</u>	<u>-</u>

8. INTANGIBLE ASSETS

	Know-how £
<u>Cost</u>	
At 1 April 1995 and At 31 March 1996	<u>250,000</u>
<u>Amortisation</u>	
At 1 April 1995	30,000
Charge for year	10,000
At 31 March 1996	<u>40,000</u>
<u>Net book value at 31 March 1996</u>	<u>210,000</u>
<u>Net book value at 31 March 1995</u>	<u>220,000</u>

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996

9. TANGIBLE ASSETS

	Computer equipment £	Fixtures & equipment £	Motor vehicles £	Total £
<u>Cost</u>				
At 1 April 1995	41,439	41,477	19,631	102,547
Additions	-	750	-	750
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1996	41,439	42,227	19,631	103,297
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>				
At 1 April 1995	40,614	35,705	16,255	92,574
Charge for year	825	1,442	843	3,110
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1996	41,439	37,147	17,098	95,684
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net book value at 31 March 1996</u>	-	5,080	2,533	7,613
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net book value at 31 March 1995</u>	825	5,772	3,376	9,973
	<hr/>	<hr/>	<hr/>	<hr/>

10. STOCKS

	1996 £	1995 £
Work in progress	-	29,851
	<hr/>	<hr/>
	-	29,851
	<hr/>	<hr/>

11. DEBTORS

	1996 £	1995 £
Trade debtors	19,085	15,120
Amounts owed by group undertakings	120,094	374,184
Amounts owed by participating interest	49,595	-
Other debtors	-	31,762
Prepayments and accrued income	192,068	49,433
	<hr/>	<hr/>
	380,842	470,499
	<hr/>	<hr/>

Amounts owed by group undertakings are in respect of parent undertaking and fellow subsidiary undertakings.

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1996 £	1995 £
Trade creditors	29,691	128,957
Corporation tax	10,730	-
Other taxes and social security costs	48,339	7,765
Accruals and deferred income	20,455	18,155
	<u>109,215</u>	<u>154,877</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax is calculated at 25% (1995 - 25%) analysed over the following timing differences:-

	Not provided		Provided	
	1996	1995	1996	1995
	£	£	£	£
On the excess of capital allowances over depreciation	(50,200)	(52,400)	-	-
	<u>(50,200)</u>	<u>(52,400)</u>	<u>-</u>	<u>-</u>

14. SHARE CAPITAL	1996 £	1995 £
<u>Authorised</u>		
Equity interests:		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<u>Allotted, called up and fully paid</u>		
Equity interests:		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996

15. SHARE PREMIUM ACCOUNT

	1996	1995
	£	£
Equity interests:		
Balance brought forward at 1 April 1995	237,599	237,599
Balance carried forward at 31 March 1996	<u>237,599</u>	<u>237,599</u>

There were no movements during the year.

16. CAPITAL RESERVE

	1996	1995
	£	£
Balance at 1 April 1995	220,000	230,000
Amortisation of intangibles	(10,000)	(10,000)
Balance at 31 March 1996	<u>210,000</u>	<u>220,000</u>

17. PROFIT AND LOSS ACCOUNT

	1996	1995
	£	£
Retained profits at 1 April 1995	123,513	260,752
Profit for the financial year	91,722	(137,239)
Retained profits at 31 March 1996	<u>215,235</u>	<u>123,513</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit for the financial year	91,722	(137,239)
Other recognised gains and losses relating to the year (net)	(10,000)	(10,000)
Net addition to shareholders' funds	<u>81,722</u>	<u>(147,239)</u>
Shareholders' funds at 1 April 1995	591,112	738,351
Shareholders' funds at 31 March 1996	<u>672,834</u>	<u>591,112</u>
Represented by:-		
Equity interests	<u>672,834</u>	<u>591,112</u>
	<u>672,834</u>	<u>591,112</u>

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996

19. REVENUE COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	1996 £	1995 £
Expiry date:		
Land and buildings:		
After five years	79,750	79,750
	<u>79,750</u>	<u>79,750</u>

20. CONTINGENT LIABILITIES

- (a) The company's bankers have the right to set off cash at bank against the borrowings of certain group undertakings.
- (b) There are unquantified contingent liabilities in the normal course of business arising under engineering contracts.

21. DIRECTORS' INTERESTS IN ULTIMATE PARENT UNDERTAKING

W W Frischmann and S S Prabhu were directors of Pell Frischmann Group Ltd, and details of their interests in shares of that company are disclosed in its report and financial statements. No other directors of this company had any interests in the shares of any of the Pell Frischmann group of companies.

22. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Pell Frischmann Group Ltd, a company incorporated in England and Wales, which is the only company within the group which prepares group financial statements.

Copies of the group financial statements of Pell Frischmann Group Ltd may be obtained from Mr N W Carmichael, the company secretary, at the following address:

5 Manchester Square
London W1A 1AU
Tel: 0171-486-3661