

**SPECIALISED PETROLEUM SERVICES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 NOVEMBER 1999**



# SPECIALISED PETROLEUM SERVICES LIMITED

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## Contents

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	Page
Directors' Report	1 - 2
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Cash Flow Statement	6 - 7
Notes to the Financial Statements	8 - 13
<i>The following pages do not form part of the statutory accounts:</i>	
Trading and profit and loss account and summaries	14 - 15

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**DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 1999**

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The directors present their report and the financial statements for the year ended 30 November 1999.

**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 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 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 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.

**Results and dividends**

The profit for the year after taxation, amounted to £2,218,273 (1998 - £1,269,458) .

Dividends of £1,000,000 (1998 - £1,200,000) were paid during the year.

**Principal activity and review of business**

The company's principal activity continues to be that of the supply of service equipment to the oilfield and allied industries

**Directors**

The directors who served during the year and their beneficial interests in the company's issued share capital were :

	<u>Ordinary shares of £1 each</u>	
	<u>1999</u>	<u>1998</u>
M Carmichael	220	220
P D Howlett	-	-
G Kimber-Smith (appointed 1 February 1999)	-	-

**Year 2000 compliance**

The company has so far not encountered any problems relating to the year 2000 issue. As part of the company's year 2000 action plan which included reviewing the company's business operations and it's relationship with customers, suppliers and other relevant bodies, all key dates were considered and the board believes that it is unlikely that the company will encounter any problems. However due to the complexity of the problem it is not possible for any organisation to guarantee that no problems will occur. The total costs of the year 2000 compliance work undertaken by the company are not deemed to be material, and no further costs are anticipated.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 1999

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**Auditors**

The auditors, Morgan Brown & Spofforth, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 16 May 2000 and signed on its behalf.



G Kimber-Smith  
Director

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**AUDITORS' REPORT TO THE SHAREHOLDERS OF SPECIALISED PETROLEUM SERVICES LIMITED**

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We have audited the financial statements on pages 4 to 13 which have been prepared in accordance with the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 1 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 the company's affairs as at 30 November 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Morgan Brown & Spofforth**

Chartered Accountants & Registered Auditors  
London



18 May 2000

**SPECIALISED PETROLEUM SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**  
For the year ended 30 November 1999

	Note	1999 £	1998 £
<b>TURNOVER</b>	1,2	<b>6,006,915</b>	<b>4,245,167</b>
Cost of sales		<u>(1,269,851)</u>	<u>(1,526,519)</u>
<b>GROSS PROFIT</b>		<b>4,737,064</b>	<b>2,718,648</b>
Administrative expenses		<u>(1,572,874)</u>	<u>(905,131)</u>
<b>OPERATING PROFIT</b>	3	<b>3,164,190</b>	<b>1,813,517</b>
Interest receivable	6	31,193	29,165
Interest payable	7	<u>(3,725)</u>	<u>(761)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>3,191,658</b>	<b>1,841,921</b>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	8	<u>(973,385)</u>	<u>(572,463)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>2,218,273</b>	<b>1,269,458</b>
<b>DIVIDENDS</b>	9	<u>(1,000,000)</u>	<u>(1,200,000)</u>
<b>RETAINED PROFIT FOR THE YEAR</b>		<b>1,218,273</b>	<b>69,458</b>
<b>RETAINED PROFIT BROUGHT FORWARD</b>		<u><b>229,832</b></u>	<u><b>160,374</b></u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u><b>£ 1,448,105</b></u>	<u><b>£ 229,832</b></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 1999 or 1998 other than those included in the profit and loss account.

The notes on pages 8 to 13 form part of these financial statements.

**SPECIALISED PETROLEUM SERVICES LIMITED**

**BALANCE SHEET**  
**As at 30 November 1999**

	Note	£	1999 £	£	1998 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		1,150,810		288,952
<b>CURRENT ASSETS</b>					
Stocks	11	348,333		221,846	
Debtors	12	1,818,598		1,038,697	
Cash at bank and in hand		109,870		125,065	
			<u>2,276,801</u>	<u>1,385,608</u>	
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(1,912,070)</u>		<u>(1,444,328)</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u>364,731</u>		<u>(58,720)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,515,541</u>		<u>230,232</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14		<u>(67,036)</u>		<u>-</u>
<b>NET ASSETS</b>			<u>£ 1,448,505</u>		<u>£ 230,232</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		400		400
Profit and loss account			<u>1,448,105</u>		<u>229,832</u>
<b>SHAREHOLDERS' FUNDS - All equity</b>	16		<u>£ 1,448,505</u>		<u>£ 230,232</u>

The financial statements were approved by the board on 16 May 2000 and signed on its behalf.

G Kimber-Smith

Director

The notes on pages 8 to 13 form part of these financial statements.

**CASH FLOW STATEMENT**  
For the year ended 30 November 1999

	Note	1999 £	1998 £
Net cash inflow from operating activities (Page 7)		2,912,695	2,157,612
Returns on investments and servicing of finance	17	27,468	28,404
Taxation		(713,198)	(500,016)
Capital expenditure and financial investment	17	(1,242,160)	(109,341)
Equity dividends paid		(1,000,000)	(1,200,000)
Cash (outflow)/inflow before use of liquid resources and financing		(15,195)	376,659
Financing: Increase in debt	17	-	-
(Decrease)/increase in cash in the period		£ (15,195)	£ 376,659

The notes on pages 8 to 13 form part of these financial statements.



**CASH FLOW STATEMENT INFORMATION**  
For the year ended 30 November 1999

	Note	£	1999 £	£	1998 £
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>					
Operating profit			3,164,190		1,813,517
Depreciation of tangible fixed assets			445,044		143,785
Profit on disposal of tangible fixed assets			(64,743)		(4,347)
Increase in debtors			(779,901)		(177,443)
Increase in stocks			(126,487)		(46,865)
Increase in creditors			274,592		428,965
<b>Net cash inflow from operating activities</b>			<b>£ 2,912,695</b>		<b>£ 2,157,612</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>					
	18				
<b>(Decrease)/increase in cash in the period</b>			<b>(15,195)</b>		<b>376,659</b>
Change in net debt resulting from cash flows			(15,195)		376,659
<b>Net funds/(debt) at 1 December 1998</b>			<b>125,065</b>		<b>(251,594)</b>
<b>Net funds at 30 November 1999</b>			<b>£ 109,870</b>		<b>£ 125,065</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 November 1999**

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**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

**1.2 Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

**1.3 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and equipment	-	10/25% straight line
Motor vehicles	-	25% straight line

**1.4 Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**1.5 Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**1.6 Deferred taxation**

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

**1.7 Pensions**

The company contributes to a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

**2. TURNOVER**

The whole of the turnover is attributable to the one principal activity of the company being the supply of service equipment to the oilfield and allied industries

No geographical analysis of turnover has been provided on the basis that the directors consider that such disclosure would be seriously prejudicial to the interests of the company.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 November 1999

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	1999 £	1998 £
Depreciation of tangible fixed assets		
- owned by the company	445,044	143,785
Audit fees	6,500	4,000
Operating lease rentals		
- other	35,095	23,962
Profit on sale of tangible fixed assets	(64,743)	(4,347)
	<u>          </u>	<u>          </u>

**4. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows:

	1999 £	1998 £
Wages and salaries	766,333	453,520
Other pension costs	36,526	34,846
	<u>          </u>	<u>          </u>
	£ 802,859	£ 488,366
	<u>          </u>	<u>          </u>

The average monthly number of employees, including directors, during the year was as follows:

	1999	1998
Administration	6	3
Operations	13	7
	<u>          </u>	<u>          </u>
	19	10
	<u>          </u>	<u>          </u>

**5. DIRECTORS' REMUNERATION**

	1999 £	1998 £
Aggregate emoluments	316,381	290,000
	<u>          </u>	<u>          </u>
	£ 316,381	£ 290,000
	<u>          </u>	<u>          </u>

None of the directors exercised share options or received benefits under long term incentive schemes.

Included in the above are emoluments, excluding pension contributions, paid to:

Highest paid director	£ 236,381	£ 200,000
	<u>          </u>	<u>          </u>

**6. INTEREST RECEIVABLE**

	1999 £	1998 £
Other interest receivable	£ 31,193	£ 29,165
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 November 1999

**7. INTEREST PAYABLE**

	1999 £	1998 £
On bank loans and overdrafts	£ 3,725	£ 761

**8. TAXATION**

	1999 £	1998 £
<b>Current year taxation</b>		
Charge for the year at 31% (1998 - 31%)	909,226	572,463
Transfer to deferred taxation	67,036	-
	<u>976,262</u>	<u>572,463</u>
<b>Prior years</b>		
UK corporation tax	(2,877)	-
	<u>£ 973,385</u>	<u>£ 572,463</u>

**9. DIVIDENDS**

	1999 £	1998 £
Ordinary - interim paid	<u>1,000,000</u>	<u>1,200,000</u>

**10. TANGIBLE FIXED ASSETS**

	Plant & Equipment £	Motor Vehicles £	Total £
<b>Cost or valuation</b>			
At 1 December 1998	497,192	34,995	532,187
Additions	1,382,898	-	1,382,898
Disposals	(180,000)	(11,995)	(191,995)
At 30 November 1999	<u>1,700,090</u>	<u>23,000</u>	<u>1,723,090</u>
<b>Depreciation</b>			
At 1 December 1998	233,986	9,249	243,235
Charge for year	439,294	5,750	445,044
On disposals	(112,500)	(3,499)	(115,999)
At 30 November 1999	<u>560,780</u>	<u>11,500</u>	<u>572,280</u>
<b>Net Book Value</b>			
At 30 November 1999	<u>£ 1,139,310</u>	<u>£ 11,500</u>	<u>£ 1,150,810</u>
At 30 November 1998	<u>£ 263,206</u>	<u>£ 25,746</u>	<u>£ 288,952</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 November 1999**

**11. STOCKS**

	1999 £	1998 £
Stocks for resale and consumables	£ 348,333	£ 221,846

**12. DEBTORS**

	1999 £	1998 £
<b>Due within one year</b>		
Trade debtors	1,763,146	1,038,697
Prepayments and accrued income	55,452	-
	£ 1,818,598	£ 1,038,697

**13. CREDITORS:****Amounts falling due within one year**

	1999 £	1998 £
Trade creditors	515,324	502,915
Corporation tax	471,331	278,180
Social security and other taxes	88,544	92,213
Other creditors	801,446	565,020
Accruals and deferred income	35,425	6,000
	£ 1,912,070	£ 1,444,328

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	Total £
Deferred taxation:	
At 1 December 1998	-
Provision for the year	67,036
At 30 November 1999	£ 67,036

The provision for deferred taxation relates to timing differences arising as a result of accelerated capital allowances.

**15. CALLED UP SHARE CAPITAL**

	1999 £	1998 £
<b>Authorised</b>		
5,000 ordinary shares of £1 each	£ 5,000	£ 5,000
<b>Allotted, called up and fully paid</b>		
400 ordinary shares of £1 each	£ 400	£ 400

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 November 1999

**16. SHAREHOLDERS' FUNDS****Reconciliation of movements on shareholders' funds**

	1999 £	1998 £
Profit for the year	2,218,273	1,269,458
Dividends	(1,000,000)	(1,200,000)
	<u>1,218,273</u>	<u>69,458</u>
Opening shareholders' funds	230,232	160,774
Closing shareholders' funds	<u>£ 1,448,505</u>	<u>£ 230,232</u>

**17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	1999 £	1998 £
<b>Returns on investments and servicing of finance</b>		
Interest received	31,193	29,165
Interest paid	(3,725)	(761)
<b>Net cash inflow for returns on investments and servicing of finance</b>	<u>£ 27,468</u>	<u>£ 28,404</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,382,898)	(153,841)
Sale of tangible fixed assets	140,738	44,500
<b>Net cash outflow for capital expenditure</b>	<u>£ (1,242,160)</u>	<u>£ (109,341)</u>

**18. ANALYSIS OF NET FUNDS**

	At 1 Dec 1998 £	Cash flow £	Other changes £	At 30 Nov 1999 £
<b>Net cash:</b>				
Cash at bank and in hand	125,065	(15,195)		109,870
<b>Net funds</b>	<u>£ 125,065</u>	<u>£ (15,195)</u>	<u>£ -</u>	<u>£ 109,870</u>

**19. OTHER COMMITMENTS**

At 30 November 1999 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	1999 £	1998 £
<b>Expiry date:</b>		
Between 2 and 5 years	17,500	17,500

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 November 1999**

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**20. TRANSACTIONS WITH DIRECTORS**

During the year, £1,213,902 (1998 - £124,228) was paid to Lion Engineering and £52,076 (1998 - £15,740) to Kimber Smith & Co. G Kimber-Smith has an interest in both of these businesses. The amounts due to these businesses as at 30 November 1999 were £304,863 (1998 - £52,766) and £10,953 (1998 - £3,112) respectively.

**21. POST BALANCE SHEET EVENT**

Since 30 November 1999, the company has relocated to new premises accomodating the administrative and operational activities. The annual commitment under the new agreements for premises and plant amounts to £145,000.

**22. CAPITAL COMMITMENTS**

At 30 November 1999, the company had contracted for the purchase of plant and equipment with an aggregate value of £81,425. No amounts have been included in these financial statements with respect to these assets.

**23. CONTROLLING PARTY**

The company is controlled by its director, M Carmichael, who holds a 55 per cent interest in the company.