


SC109608

Petrofac Facilities Management Group Limited

(formerly PGS Production Group Limited)

Report and Financial Statements

31 December 2002

 **ERNST & YOUNG**



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COMPANIES HOUSE 05/08/03

Petrofac Facilities Management Group Limited

Registered No: SC109608

Directors

J Caven-Atack
L J Howarth
A Asfari
R H Pinchbeck
A Reid
S P Bullock
K Roberts
J M Stacey

Secretary

L J Howarth

Auditors

Ernst & Young LLP
50 Huntly Street
Aberdeen
AB10 1ZN

Bankers

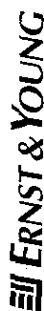
HSBC
2 Queens Road
Aberdeen
AB15 4ZT

Solicitors

Paull & Williamsons
Investment House
6 Union Row
Aberdeen
AB10 1DQ

Registered Office

Bridge View
1 North Esplanade West
Aberdeen
AB11 5QF

 ERNST & YOUNG

Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 December 2002.

Results and dividends

Group turnover for the year amounted to £128,086,000 (2001 - £133,199,000) and the profit for the year after taxation amounted to £1,281,000 (2001 - £1,469,000 as restated).

The directors do not propose to pay a dividend for the year ended 31 December 2002 (2001 - £Nil).

Principal activity and review of the business

The principal activity of the group during the year was the supply of engineering services to the oil and gas industry.

The group companies and their principal activities are listed in note 10 to the financial statements. On 27 May 2002 the company acquired the remaining 40% minority shareholding in Atlantic Resourcing Limited, resulting in 100% ownership by the group.

On 11 December 2002 the company, and its subsidiaries and joint ventures, was acquired by Petrofac UK Holdings Limited. As a result of this transaction the company became a wholly owned subsidiary of the Petrofac group of companies. Immediately following the sale, the company changed its name from PGS Production Group Limited to Petrofac Facilities Management Group Limited.

Future developments

The directors remain committed to a strategy of providing a broad range of engineering and support services to the oil and gas industry.

There is now evidence the major oil companies are looking to divest ageing oil and gas facilities in the North Sea, one of the group's core markets, to new independent oil companies. The directors consider the group is well placed to offer the services required by these independent oil companies.

The directors also consider the acquisition of the group by Petrofac, a well established international oil and gas facilities solutions provider, will offer the group access to greater international business opportunities.

Directors and their interests

The directors at 31 December 2002 and who served during the year were as follows:

J Caven-Atack	
L J Howarth	
A Asfari	(appointed 11 December 2002)
R H Pinchbeck	(appointed 11 December 2002)
A Reid	(appointed 11 December 2002)
S P Bullock	(appointed 11 December 2002)
K Roberts	(appointed 11 December 2002)
K Gisvold	(resigned 11 December 2002)

In addition J M Stacey was appointed on 22 January 2003.

No director had an interest in the shares of the company.

Under Section 2 of Schedule 7 of the Companies Act 1985, the interest of directors in the shares of Petrofac Limited are not required to be notified to the company and, accordingly, are not disclosed in these financial statements.

Directors' report

Employees

The group's policy is to consult and discuss with employees matters likely to affect employees' interests. During the year the group has maintained its obligation to develop and improve arrangements aimed at involving employees in all of its affairs in so far as they affect employees.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment policy

The group's current policy concerning the payment of the majority of its trade creditors is to:-

- (a) agree the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment where possible; and
- (c) pay in accordance with its contractual and other legal obligations where possible.

At the balance sheet date, the company's trade creditors were paid after an average of 39 days (2001 - 46 days).

Auditors

Arthur Andersen resigned as auditors on 31 July 2002 and Ernst & Young LLP were appointed in their place. The directors will place a resolution before the annual general meeting to re-appoint Ernst & Young LLP as the company's auditor for the ensuing year.

On behalf of the Board



L J Howarth

Secretary

7 July 2003

Statement of directors' responsibilities in respect of the financial statements

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 group and of the profit or loss of the group 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; and
- 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Petrofac Facilities Management Group Limited

We have audited the group's financial statements for the year ended 31 December 2002 which comprise Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 group's circumstances, consistently applied and adequately disclosed.

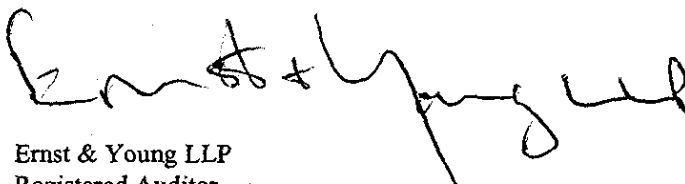
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Petrofac Facilities Management Group Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Aberdeen

7 July 2003

Consolidated profit and loss account

for the year ended 31 December 2002

		2002	Restated 2001
	Notes	£000	£000
Turnover			
Group and share of joint ventures		142,210	145,596
Less: share of joint ventures' turnover		(14,124)	(12,397)
Group turnover	2	128,086	133,199
Cost of sales		112,860	120,628
Gross profit		15,226	12,571
Net operating expenses		13,532	11,903
Group operating profit	3	1,694	668
Share of operating profit from interest in joint ventures	10	21	294
Total operating profit: group and share of joint ventures		1,715	962
Profit on ordinary activities before interest and taxation		1,715	962
Interest receivable and similar income	6	88	119
Interest payable		(86)	-
Profit on ordinary activities before taxation		1,717	1,081
Tax (charge)/credit on profit on ordinary activities	7	(436)	388
Profit on ordinary activities after taxation		1,281	1,469
Minority interest	17	205	426
Retained profit for the financial year	16	1,076	1,043

Statement of total recognised gains and losses

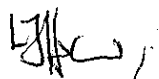
for the year ended 31 December 2002

	2002	<i>Restated</i>
	£000	2001 £000
<i>Total recognised gains and losses relating to the year</i>	1,076	1,043
Prior year adjustment (as explained in notes 1 and 18)	967	<u><u> </u></u>
<i>Total gains and losses recognised since last annual report</i>	<u><u>2,043</u></u>	

Consolidated balance sheet

at 31 December 2002

		2002	Restated 2001
	Notes	£000	£000
Fixed assets			
Goodwill	8	4,620	2,811
Tangible assets	9	128	461
Investment in joint venture			
- share of gross assets	10	2,701	2,686
- share of gross liabilities	10	(2,295)	(2,232)
		<u>5,154</u>	<u>3,726</u>
Current assets			
Stocks	11	193	295
Debtors	12	19,319	19,795
Cash at bank and in hand		4,775	3,556
		<u>24,287</u>	<u>23,646</u>
Creditors: amounts falling due within one year	13	14,788	15,378
		<u>9,499</u>	<u>8,268</u>
Net current assets			
		<u>14,653</u>	<u>11,994</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	14	7,630	5,225
		<u>7,023</u>	<u>6,769</u>
Net assets			
Capital and reserves			
Called-up share capital	15	73	73
Share premium account	16	690	690
Capital redemption reserve	16	224	224
Merger reserve	16	2,037	2,037
Profit and loss account	16	3,999	2,923
		<u>7,023</u>	<u>5,947</u>
Equity shareholders' funds	16		
Minority interest – equity	17	-	822
		<u>7,023</u>	<u>6,769</u>
Total capital and reserves			



L J Howarth

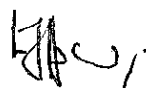
Director

7 July 2003

Company balance sheet

at 31 December 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Investments	10	3,524	257
Current assets			
Debtors	12	1,506	1,416
Creditors: amounts falling due within one year	13	1,945	442
Net current (liabilities)/assets		(439)	974
Total assets less current liabilities		3,085	1,231
Creditors: amounts falling due after more than one year	13	1,616	-
Net assets		1,469	1,231
Capital and reserves			
Called-up share capital	15	73	73
Share premium account	16	690	690
Capital redemption reserve	16	224	224
Profit and loss account	16	482	244
Equity shareholders' funds	16	1,469	1,231



L J Howarth

Director

7 July 2003

Notes to the financial statements

at 31 December 2002

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

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

The adoption of FRS 19 has resulted in a change of accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. This change in accounting policy has resulted in a prior year adjustment. See note 18 for the impact on the prior year results of the group. Profit for the group for the current year has decreased by £255,000 as a result of the change in accounting policy. The adoption of FRS 19 did not result in prior year adjustments in respect of the company's own accounts.

Cash flow statements

No cash flow statement has been prepared for the group or company as they are exempt from the requirement of FRS 1 (Revised) to include a cash flow statement in the financial statements, on the basis of being a wholly owned subsidiary of Petrofac Limited, whose group financial statements include a consolidated cash flow statement and are publically available.

Basis of consolidation

The consolidated financial statements include the company and its subsidiaries. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes.

The directors of Petrofac Facilities Management Group Limited have taken advantage of the Section 230 of the Companies Act 1985 allowing it not to publish a separate profit and loss account. The company's profit for the financial year, determined in accordance with the Act, was £238,000 (2001 – loss of £1,900,000).

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given on the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful life, which is ten years. Provision is made for any impairment.

Goodwill of £80,000 previously eliminated directly against reserves has not been reinstated. Goodwill had been eliminated as a matter of accounting policy and will be charged to the profit and loss account on subsequent disposal of the business to which it related.

Joint ventures

A joint venture is a long-term interest in an entity which is jointly controlled by the group and other ventures.

Joint ventures are included in the consolidated financial statements using the gross equity method. The group's share of turnover and profit from the joint venture's is included in the consolidated profit and loss account and the group's share of joint venture's gross assets and liabilities is included in the consolidated balance sheet.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and equipment	10-33 $\frac{1}{3}$ %
Motor vehicles	20-33 $\frac{1}{3}$ %

Finance and operating leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, whilst the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly except that assets are depreciated over their useful lives.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Balances are measured on a non-discounted 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.

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.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

2. Turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation were derived principally from the operations of the group in the United Kingdom.

3. Profit on ordinary activities before taxation

	2002 £000	2001 £000
Depreciation of tangible fixed assets	317	388
Auditors' remuneration	34	32
Operating leases		
- plant and machinery	48	142
- other	762	724
Loss/(profit) on sale of fixed assets	65	(18)
	<u> </u>	<u> </u>

Remuneration of the company's auditors for provision of non-audit services to the company and its UK subsidiary undertakings, was £Nil (2001 - £Nil).

Notes to the financial statements

at 31 December 2002

4. Directors' emoluments

	2002 £000	2001 £000
Aggregate emoluments including benefits in kind	643	305
Company contributions to money purchase pension scheme	33	33
	<u>676</u>	<u>338</u>

Following the sale of the company and its subsidiaries and joint ventures on 11 December 2002, under the terms of a management incentive scheme deferred future payments are due to be made to certain directors. The full cost of this arrangement has been included in the current year.

Emoluments payable to the highest paid director are as follows:

	2002 £000	2001 £000
Aggregate emoluments including benefits in kind	395	191
Company contributions to money purchase pension scheme	21	21
	<u>416</u>	<u>212</u>

Retirement benefits are accruing to 2 directors (2001 – 2 directors) under the group's money purchase pension scheme.

5. Staff costs

	2002 £000	2001 £000
Wages and salaries	78,415	75,459
Social security costs	6,912	6,833
Other pension costs	2,722	2,788
	<u>88,049</u>	<u>85,080</u>

The average monthly number of persons employed by the group (including executive directors) during the year is analysed below:

	2002 No.	2001 No.
Administration	206	215
Operations	1,698	1,702
	<u>1,904</u>	<u>1,917</u>

Notes to the financial statements

at 31 December 2002

6. Interest receivable and similar income

	2002 £000	2001 £000
Bank interest receivable	81	119
Exchange gain	7	-
	<u>88</u>	<u>119</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge/(credit) is comprised as follows:

	2002 £000	Restated 2001 £000
<i>Current tax:</i>		
UK corporation tax	142	448
Adjustments in respect of previous years	27	(34)
Double taxation relief	(50)	-
	<u>119</u>	<u>414</u>
Foreign tax	72	15
Adjustments in respect of previous years	(10)	-
	<u>62</u>	<u>15</u>
Total current tax (note 8(b))	<u>181</u>	<u>429</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences	255	(817)
Tax on profit on ordinary activities	<u>436</u>	<u>(388)</u>

Notes to the financial statements

at 31 December 2002

7. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2001 – higher) than the standard rate of corporation in the UK of 30% (2001 – 30%). The differences are reconciled below:

	2002	Restated 2001
	£000	£000
Profit on ordinary activities before tax	1,717	1,081
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 – 30%)	515	324
Disallowed expenses and non-taxable income	112	58
Capital allowances in excess of depreciation	(27)	(42)
Other timing differences	182	(27)
Adjustments in respect of previous periods	17	(34)
Group relief received for no consideration	(435)	16
Utilisation of tax losses	(175)	-
Other	(8)	134
	181	429

(c) Deferred tax

The deferred tax included in the group balance sheet is as follows:

	2002	Restated 2001
	£000	£000
Included in debtors (note 12)	712	967
Accelerated capital allowances	358	517
Other timing differences	354	450
Deferred tax asset	712	967
		£000
At 1 January 2002		967
Charge for the year		(255)
At 31 December 2002		712

(d) Factors that may affect future tax charges

Owing to the change in group ownership, and based upon forecast future profit returns, it is anticipated that the level of tax will increase as access to the level of group relief reduces.

Notes to the financial statements

at 31 December 2002

8. Goodwill

	£000
Cost:	
At 1 January 2002	3,521
Additions (note 10)	2,293
	<hr/>
At 31 December 2002	5,814
	<hr/>
Amortisation:	
At 1 January 2002	710
Charge for the year	484
	<hr/>
At 31 December 2002	1,194
	<hr/>
Net book value:	
At 31 December 2002	4,620
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At 31 December 2001	2,811
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Notes to the financial statements

at 31 December 2002

9. Tangible fixed assets

	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2002	2,259	177	2,436
Additions	117	-	117
Disposals	(643)	(145)	(788)
At 31 December 2002	1,733	32	1,765
Depreciation:			
At 1 January 2002	1,840	135	1,975
Charge for year	308	9	317
Disposals	(523)	(132)	(655)
At 31 December 2002	1,625	12	1,637
Net book value:			
At 31 December 2002	108	20	128
At 31 December 2001	419	42	461

10. Investments

(a) Subsidiary undertakings

The company has investments in subsidiary undertakings as follows:

	<i>Total</i>
	<i>£000</i>
Cost:	
At 1 January 2002	282
Additions	3,267
At 31 December 2002	3,549
Provision:	
At 1 January 2002 and 31 December 2001	25
Net book value	
At 31 December 2002	3,524
At 31 December 2001	257

Notes to the financial statements

at 31 December 2002

10. Investments (continued)

On 27 May 2002, the company acquired the remaining 40% minority interest stake in Atlantic Resourcing Limited for a consideration of £3,262,000 including acquisition costs. Loan notes issued in respect of the consideration are repayable in January 2003 (£1,616,000) and January 2004 (£1,616,000).

The following table sets out the book value of the identifiable assets and liabilities acquired by the company at the date of acquisition. There was no difference between the book value and the fair value of the assets and liabilities acquired.

	<i>Book value and fair value to group £000</i>
Tangible fixed assets	-
Investments	5
Current assets	1,635
Total assets	<u>1,640</u>
Creditors: amounts falling due within one year	671
Creditors: amounts falling due after one year	-
Net assets	<u>969</u>

Goodwill on consolidation is calculated as the difference between the consideration and the value of the 40% of the shares in Atlantic Resourcing Limited at the date of the acquisition, after accounting for any fair value adjustments. The consideration, including acquisition costs, of £3,262,000 is described above. The fair value of the remaining 40% interest in Atlantic Resourcing Limited at the date of the acquisition was £969,000. Accordingly, the excess of the fair value of the assets acquired over consideration was £2,293,000.

On 11 December 2002 the company acquired the entire share capital of PGS Production Pty Limited for a consideration of £4,000. Following acquisition the name of the company was changed to Petrofac Facilities Management Pty Limited.

On 13 November 2002 the company acquired 510 new issue shares of £1 each in Plant Asset Management Limited.

Notes to the financial statements

at 31 December 2002

10. Investments (continued)

(b) Principal group investments in subsidiary undertaking

The group has investments in the following subsidiary undertakings:

Name of Company	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Petrofac Facilities Management Limited*	Great Britain	Ordinary £1 shares	100%	Engineering Services
		Deferred £1 shares	100%	
Petrofac Facilities Management (Jersey) Limited	Jersey, Channel Islands	Ordinary £1 shares	100%	Engineering services
Atlantic Resourcing Limited*	Great Britain	Ordinary £1 shares	100%	Supply of skilled personnel to the oil and gas industry
Monsoon Shipmanagement Limited	Cyprus	Ordinary C£1 shares	100%	International drilling services
Plant Asset Management Limited*	Great Britain	Ordinary £1 shares	51%	Maintenance management services
Atlantic Power International Limited	Great Britain	Ordinary £1 shares	100%	International parent company
Atlantic Power & Gas Engineering Limited*	Great Britain	Ordinary £1 shares	100%	Dormant
Joint Venture International Limited	Great Britain	Ordinary £1 shares	100%	Dormant
Atlantic Floating Production Limited	Great Britain	Ordinary £1 shares	100%	Dormant
International Maintenance Management Limited	Great Britain	Ordinary £1 shares	100%	Dormant
Petrofac Facilities Management Pty Limited*	Australia	Ordinary AU \$1 shares	100%	Dormant

* held directly by Petrofac Facilities Management Group Limited

Notes to the financial statements

at 31 December 2002

10. Investments (continued)

(c) Joint ventures

The group has interests in the following joint ventures:

	£000
At 1 January 2002	454
Share of retained profit for the year	21
Foreign exchange movements	(69)
At 31 December 2002	406

Details of the joint ventures are as follows:

Name of Company	Holding	Proportion of nominal value of issued shares held by group	Principal activity
MJVI Sendirian Berhad	A ordinary BND \$1 shares	50%	Engineering services

MJVI Sendirian Berhad is a company incorporated in Brunei.

The group's share of the joint ventures result, in aggregate, is set out as below.

	2002 £000	2001 £000
Profit before tax	21	294
Taxation	-	-
Profit after tax	21	294
Current assets	2,701	2,686
Creditors: amounts falling due within one year	(2,295)	(2,232)
	406	454

11. Stocks

Group

	2002 £000	2001 £000
Raw materials and consumables	193	295

Notes to the financial statements

at 31 December 2002

12. Debtors

	<i>Group restated</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	14,760	9,393	-	-
Amounts owed by group undertakings	46	4,784	1,500	1,416
Amounts owed by joint ventures	622	-	-	-
Deferred taxation (see note 7)	712	967	6	-
Prepayments and accrued income	3,179	4,651	-	-
	<u>19,319</u>	<u>19,795</u>	<u>1,506</u>	<u>1,416</u>

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Current instalment due on loan notes	1,616	-	1,616	-
Trade creditors	2,596	3,860	4	-
Amounts owed to group undertakings	53	1,756	-	-
Corporation tax payable	129	374	-	-
Other taxes and social security costs	1,950	1,852	-	-
Other creditors	5,595	1,881	325	-
Obligations under finance leases and hire purchase contracts	-	2	-	-
Accruals and deferred income	2,549	5,153	-	442
Deferred consideration	300	500	-	-
	<u>14,788</u>	<u>15,378</u>	<u>1,945</u>	<u>442</u>

On 3 May 2001, the company acquired the remaining 40% minority interest stake in Joint Venture International Limited for a potential consideration of £2,628,000, including acquisition costs. £600,000 was dependent on the future performance of a joint venture of Joint Venture International Limited, which is now payable in two equal sums of £300,000 in January 2003 and 2004.

On 27 May 2002, the company acquired the remaining 40% minority interests stake in Atlantic Resourcing Limited for a consideration of £3,262,000 including acquisition costs. The consideration is payable via loan notes of £1,616,000, maturing equally in January 2003 and January 2004. Interest accrues on the outstanding balance at the current prevailing LIBOR rate.

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14. Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Non-current instalment due on loan notes (note 13)	1,616	-	1,616	-
Amounts owed to group undertakings	5,055	4,625	-	-
Deferred consideration (Note 13)	300	600	-	-
Deferred incentive payments	659	-	-	-
	<u>7,630</u>	<u>5,225</u>	<u>1,616</u>	<u>-</u>

Amounts owed to group undertakings are non interest bearing and there is no fixed repayment date, although confirmation has been received that repayment will not be sought for at least one year.

15. Called-up share capital

	2002	2001
	£000	£000
<i>Authorised</i>		
58,145 A ordinary shares of £1 each	58	58
32,754 B ordinary shares of £1 each	33	33
10,000 C ordinary shares of £1 each	10	10
9,101 D ordinary shares of £1 each	9	9
	<u>110</u>	<u>110</u>
<i>Allotted, called-up and fully-paid</i>		
54,145 A ordinary shares of £1 each	54	54
10,000 C ordinary shares of £1 each	10	10
9,101 D ordinary shares of £1 each	9	9
	<u>73</u>	<u>73</u>

The rights attached to the different classes of shares are as follows:

(a) As to dividends:

- (i) a fixed dividend of £28.84 per 'D' ordinary share per annum on a cumulative basis;
- (ii) a participating dividend amongst the 'D' ordinary share which when added to the aggregate fixed dividend amounts to 6.5% of net profit (as defined in the Articles of Association) on a cumulative basis;
- (iii) a compensatory dividend amongst the 'D' ordinary shares if directors' emoluments exceed a certain amount on a cumulative basis;
- (iv) an aggregate dividend amongst the 'A' and 'C' ordinary shares of up to 29% of net profit;
- (v) any remaining profits may be distributed equally amongst the 'A', 'C' and 'D' ordinary shares

Notes to the financial statements

at 31 December 2002

15. Called up share capital (continued)

(b) On a winding up:

Net assets on a winding up will be distributed in the following order:

- (i) £303.55 per 'D' ordinary share, together with arrears of dividend on such shares;
- (ii) £303.55 per 'A' and 'C' ordinary shares together with arrears of dividend on such shares;
- (iii) any remaining assets to be distributed equally to 'A', 'C' and 'D' ordinary shares

(c) The 'D' ordinary shares may be converted to 'A' ordinary shares at any time.

The company's parent company, Petrofac UK Holdings Limited, determined that no dividends would be paid on the company's profit for the year.

16. Reconciliation of shareholders' funds and movement on reserves

Group

	Share capital £000	Share premium £000	Capital redemption £000	Merger reserve £000	Profit and loss account £000	Total £000
At 1 January 2001	73	690	224	2,037	1,880	4,904
Profit for the year*	-	-	-	-	1,043	1,043
At 31 December 2001*	73	690	224	2,037	2,923	5,947
Profit for the year	-	-	-	-	1,076	1,076
At 31 December 2002	73	690	224	2,037	3,999	7,023

* As restated – see note 17

The group merger reserve arose from the buy-out of minority shareholders of Atlantic Floating Production Limited, a group subsidiary in August 1998.

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at 31 December 2002

16. Reconciliation of shareholders' funds and movement on reserves (continued)

Company

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 1 January 2001	73	690	224	2,144	3,131
Loss for the year	-	-	-	(1,900)	(1,900)
At 31 December 2001	73	690	224	244	1,231
Profit for the year	-	-	-	238	238
At 31 December 2002	73	690	224	482	1,469

17. Minority interest

Group

	2002 £000	2001 £000
Opening equity minority interest	822	584
Dividends paid to minority shareholders	(50)	(188)
Profit and loss account	205	426
Acquisition of minority interest	(969)	-
Payment to minority interest on liquidation	(8)	-
Closing equity minority interest	-	822

18. Prior year adjustments

The restatement refers to the adoption of FRS19 "Deferred Tax".

	Note	2001 as previously stated £000	FRS19 adjustment £000	2001 as restated £000
Profit and loss account				
Tax charge/(credit) on profit on ordinary activities	7	429	(817)	(388)
Balance sheet				
Debtors – deferred tax asset	12	-	967	967
Shareholders funds at 1 January 2001	16	4,754	150	4,904
Shareholders funds at 31 December 2001	16	4,980	967	5,947

Notes to the financial statements

at 31 December 2002

19. Capital commitments

The group and the company has no capital commitments as at 31 December 2002 (2001 - £Nil).

20. Contingent liabilities

The company has extended guarantees in the normal course of business amounting to £Nil (2001 - Nil).

21. Other financial commitments

The group has financial commitments in respect of non-cancellable operating leases of plant and machinery. The annual commitments under these leases are as follows:

	2002 £000	2001 £000
Expiry date:		
- within one year	3	17
- between two and five years	45	65
	<u>48</u>	<u>82</u>

In addition the group leases certain land and buildings on short and long term leases. The annual commitments under these leases, which are subject to renegotiation at various intervals specified in the leases and in respect of which the company pays all insurance, maintenance and repairs of the properties are as follows:

	2002 £000	2001 £000
Expiry date:		
- within one year	140	17
- after five years	622	605
	<u>762</u>	<u>622</u>

22. Pension commitments

The pension cost charge of £2,722,000 (2001 - £2,788,000) represents contributions payable by the group to the fund and employees' personal pension arrangements. Contributions totalling £47,000 (2001 - Nil) were payable to the fund at the year end.

Notes to the financial statements

at 31 December 2002

23. Related party transactions

As a subsidiary the group has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by Petrofac Limited.

Included in the profit and loss account are sales, costs and expenses which arise from transactions with associated companies for which the group controls less than 90% of the voting rights, and joint ventures. Such transactions mainly compromise sales and purchase of goods and services in the ordinary course of business and in total amounted to:

	2002 £000	2001 £000
Charges to joint ventures	2,111	878
Charges from joint ventures	-	2,276

Details of amounts due by and to joint ventures are set out in notes 12 and 13 of the accounts.

24. Ultimate parent company

The company is an immediate subsidiary undertaking of Petrofac UK Holdings Limited, a company incorporated in England.

Petrofac Limited, the ultimate parent company and controlling party, is a company incorporated in Jersey, and heads the largest group in which the results of the company are consolidated.

Copies of Petrofac Limited financial statements can be obtained from the Petrofac Limited Registered Office in at Whiteley Chambers, Don Street, St Helier, Jersey.