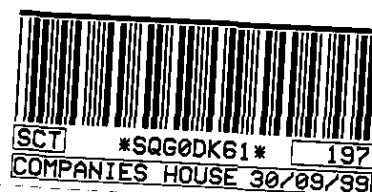


Altra Holdings Limited

Annual report and financial statements For the year ended 31 December 1998

Registered number : 167498



Altra Holdings Limited

Annual report and financial statements For the year ended 31 December 1998

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Directors' report
For the year ended 31 December 1998

The directors present their annual report and audited financial statements for the year ended 31 December 1998.

Principal activity

The principal activity of Altra Holdings Limited is to act as the parent company for its subsidiary undertaking which provides engineering and related technical consultancy services.

Year 2000

The company recognises that there are potential exposures arising from Year 2000 issues and has taken steps to combat this. Personnel have been assigned to address the problem and a Year 2000 Compliance Assurance Plan has been prepared.

This plan has identified all the systems potentially impacted by the Year 2000 problem and has evaluated the risk associated with each. Testing requirements, acceptance criteria, timing and status have then been identified.

The plan is constantly monitored and updated, with regular reporting to management.

The testing of equipment is now virtually complete and the costs of rectification are not expected to be significant. The company therefore expects to have dealt with all of the key risks relating to the Year 2000 problem by the end of 1999.

Directors and directors' interests

The directors who held office during the year were as follows:

J M Bergeland	(resigned 18 November 1998)
K Lenning	(resigned 18 November 1998)
P Alexander	(resigned 18 November 1998)
T Kennedy	(resigned 5 January 1998)
R Valand	(resigned 5 January 1998)
G M McLellan	(resigned 5 January 1998)
W B Wilmes	(appointed 18 November 1998, resigned 8 March 1999)
K Schneider	(appointed 18 November 1998, resigned 8 March 1999)
K M Ferber	(appointed 8 March 1999)
H J Mainitz	(appointed 8 March 1999)

The directors who held office at the end of the financial period had no interests in the shares of the company or other group companies.

Directors' report (continued)

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit for that period.

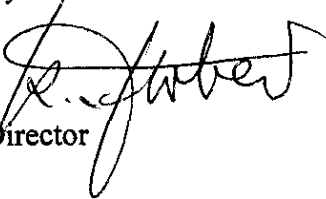
The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the annual general meeting.

By order of the Board


Director

**Report of the auditors to the members of
Altra Holdings Limited**

We have audited the financial statements on pages 4 to 7, which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2 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 at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



8/9/99

**PricewaterhouseCoopers
Chartered Accountants and Registered Auditors**

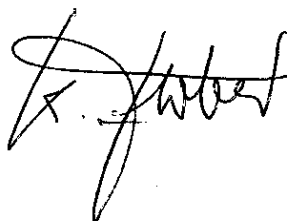
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Balance sheet

As at 31 December 1998

	Note	1998 £'000	1997 £000
Fixed assets			
Investments	4	20	20
Capital and reserves			
Called up share capital	5	20	20

The financial statements on pages 4 to 7 were approved by the board of directors on 7 SEPTEMBER 1999 and were signed on its behalf by:

 : Director

Notes to the financial statements
For the year ended 31 December 1998**1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Consolidated financial statements have not been prepared as the company is entitled to exemptions conferred by section 228 of the Companies Act 1985.

Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Hareness Limited, its immediate parent, and the cash flows of the company are included in the consolidated group cash flow statement of Hareness Limited, which is publicly available. Consequently the company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Hareness Limited Group or investees of the Hareness Limited Group.

2 Profit and loss account

During the year the company recorded neither income nor expenditure. Consequently during the year the company made neither a profit nor a loss.

3 Directors' emoluments

The directors received no emoluments from the company during the year.

Notes to the financial statements

For the year ended 31 December 1998 (continued)

4 Fixed asset investments

	Shares in group undertakings	
	1998	1997
	£000	£000
Cost and net book value		
At 1 January 1998 and at 31 December 1998	20	20

The subsidiary undertaking of the company is as follows:

	Country of registration	Principal activity	Interest in ordinary shares
Altra Consultants Limited	Scotland	Consultant engineering provider for oil and gas operations	100%

5 Called up share capital

	1998	1997
	£000	£000
Authorised		
Equity : 339,000 ordinary shares of 25p each	85	85
Non-equity : 60,000 redeemable preference shares of 25p each	15	15
Non-equity: 1,000 'A' ordinary shares of 25p each	-	-
	100	100
Allotted, called up and fully paid		
Equity : 20,000 ordinary shares of 25p each	5	5
Non-equity : 60,000 redeemable preference shares of 25p each	15	15
Non-equity: 1,000 'A' ordinary shares of 25p each	-	-
	20	20

The redeemable preference shares and 'A' ordinary shares carry no voting rights. Dividends in respect of all three types of shares shall be determined at the discretion of the ordinary shareholders.

The redeemable preference shares can be redeemed at any time at par provided six months notice is given.

Notes to the financial statements

For the year ended 31 December 1998 (continued)

6 Ultimate parent company

The Company's ultimate holding company is Preussag AG, which is incorporated in Germany.

The largest group in which the results of the company are consolidated is that headed by Preussag AG. The consolidated accounts of Preussag AG may be obtained from Karl-Wiechert – Allee 4, D-30625, Hannover, Germany.

The smallest group in which the results of the company are consolidated is that headed by Hareness Limited (formerly Smedvig Holdings Limited) which is incorporated in England. The consolidated accounts of Hareness Limited are available to the public and may be obtained from the Registrar of Companies.