

Company Number 48947

RGC OFFSHORE PLC

REPORT AND ACCOUNTS

YEAR ENDED 30th SEPTEMBER 1994



RGC OFFSHORE PLC

DIRECTORS' REPORT

FOR YEAR ENDED 30TH SEPTEMBER 1994

The Directors have pleasure in submitting their Report and Statement of Accounts for the year ended 30th September 1994.

PRINCIPAL ACTIVITIES

The Company's principal activities are the construction of offshore structures for UK and overseas oil and gas projects.

BUSINESS REVIEW

The result for the year ended 30th September 1994, was a profit of £21,000.

RESULTS

The results for the year are set out in the Profit and Loss Account on Page 6. Retained profits of £21,000 have been transferred to reserves.

DIVIDENDS

The directors do not propose to recommend the payment of any dividend on the issued ordinary share capital of the Company in respect of the year ended 30th September 1994.

FIXED ASSETS

Details of the movements in fixed assets during the year are given in note 13 to the Accounts.

DIRECTORS

The following persons were Directors of the Company during the year:-

S R Fudge - Chairman
C J Moore
J G Scheffers
W J Henry - (resigned 31st October 1994)
J E Weedon
J M Lindsay
P D Foreman
A Dawson

During the period the ultimate holding company, Trafalgar House Public Limited Company, maintained insurance for directors and officers against liabilities in relation to its subsidiary companies.

RGC OFFSHORE PLC

DIRECTORS' REPORT

(continued)

DIRECTORS' INTERESTS

Given below are the interests in the shares and debentures of the ultimate holding company, Trafalgar House Public Limited Company, of those directors who at 30th September 1994 were not also directors of that company. No director had any interest in the shares of the company.

Trafalgar House Public Limited Company Ordinary 20p shares

	<u>At 30th September 1994</u>			<u>At 30th September 1993</u>	
	<u>Ordinary Shares</u>	<u>Convertible Cumulative Preference Shares</u>	<u>Share Options</u>	<u>Ordinary Shares</u>	<u>Share Options</u>
S R Fudge	2,473	808	105,705	2,425	104,900
C J Moore	1,774	579	71,821	1,740	70,995
J G Scheffers	763	-	44,395	749	44,073
J M Lindsay	1,659	542	35,705	1,628	34,900
W J Henry	1,024	-	50,865	1,024	50,059
J E Weedon	505	-	44,853	505	44,531
P D Foreman	1,260	411	64,676	1,236	63,903
A Dawson	409	133	32,564	402	31,920

The above figures include interests acquired under the terms of the Trafalgar House Public Limited Company profit sharing and share option schemes.

RGC OFFSHORE PLC

DIRECTORS' REPORT

(continued)

AUDITORS

During the year Touche Ross & Co resigned as auditors of the Company and, in their place, KPMG Peat Marwick were appointed as auditors by the directors. A resolution to appoint KPMG Peat Marwick as auditors of the Company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'P C Shanks', written in a cursive style.

P C Shanks
SECRETARY

Registered Office: Port Clarence
Middlesbrough
Cleveland.

RGC OFFSHORE PLC

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 as at the end of the financial year 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 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.

Auditors' report to the members of RGC Offshore Plc.

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 4 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 September 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

*Chartered Accountants
Registered Auditors*

12 December 1994

RGC OFFSHORE PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 1994

Continuing Operations

	<u>Note</u>	Year ended 30th Sept. 1994 <u>£000</u>	Year ended 30th Sept 1993 <u>£000</u>
Turnover	1	13,328	58,705
Cost of Sales		<u>(13,099)</u>	<u>(63,453)</u>
Operating Profit/(Loss)		229	(4,748)
Interest Receivable		16	132
Interest Payable		<u>(224)</u>	<u>(595)</u>
Profit/(Loss) on ordinary activities before taxation	2	21	(5,211)
Taxation on profit/(loss) on ordinary activities	5	-	1,184
Profit/(Loss) for the financial year		<u>21</u>	<u>(4,027)</u>
Dividends	6	-	5,519
Retained profit for the financial year		<u><u>21</u></u>	<u><u>1,492</u></u>

STATEMENT OF RETAINED PROFITS

Retained profit at beginning of the year	2,959	1,467
Retained profit for the year	21	1,492
Balance at end of year	<u><u>2,980</u></u>	<u><u>2,959</u></u>

The notes on pages 8 to 16 form part of these accounts.

The company has no recognised gains or losses other than the profit for the financial year. Accordingly a statement of total recognised gains and losses has not been prepared.


The Company made no acquisitions during the year and had no discontinued operations.

RGC OFFSHORE PLC
BALANCE SHEET
AS AT 30TH SEPTEMBER 1994

	<u>Note</u>	<u>30th Sept. 1994</u>		<u>30th Sept. 1993</u>	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible Assets	13		6,057		8,690
CURRENT ASSETS					
Raw materials and consumables		-		482	
Debtors	10	3,150		7,368	
Due from Group Companies		-		6,350	
Cash at Bank and in Hand		-		13	
		<u>3,150</u>		<u>14,213</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Creditors	11	338		4,310	
Due to Group Companies		889		3,692	
Bank Overdraft	12	-		6,916	
		<u>1,227</u>		<u>14,918</u>	
NET CURRENT ASSETS/(LIABILITIES)			1,923		(705)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>7,980</u>		<u>7,985</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Creditors	11		-		(26)
NET ASSETS			<u>7,980</u>		<u>7,959</u>
CAPITAL AND RESERVES					
CALLED UP SHARE CAPITAL	7		4,300		4,300
OTHER RESERVES	8		700		700
PROFIT AND LOSS ACCOUNT			2,980		2,959
SHAREHOLDERS FUNDS: EQUITY	9		<u>7,980</u>		<u>7,959</u>

The notes on pages 8 to 16 form part of these accounts.

These accounts were approved by the Board of Directors on 12th December 1994,
and signed on its behalf by:

 DIRECTOR

RGC OFFSHORE PLC

NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES

YEAR ENDED 30TH SEPTEMBER 1994

The financial statements have been prepared in accordance with applicable accounting standards. The particular policies adopted are described below.

I Basis of Preparation of Accounts

The accounts are prepared under the historical cost convention and include the results of activities described in the directors' report, all of which are continuing.

II Land, Buildings and Plant

Fixed assets are recorded at original cost less accumulated depreciation. Cost comprises the direct expenditure incurred after deducting regional development grants, and in the case of assets constructed by the Company, includes related overheads.

Commissioning costs and interest attributable to expenditure on assets in the course of construction are written off to revenue as incurred.

Expenditure on new installations and schemes, which have not been commissioned by the accounting date, is classified as buildings and plant in the course of construction and is transferred to the appropriate fixed asset account on completion of commissioning.

III Depreciation

Depreciation is calculated on a straight line basis at rates appropriate to the class of asset concerned. No depreciation is charged on assets in the course of construction, nor is any further charge made in respect of assets fully written off but still in use.

The annual depreciation rates used for the main categories of fixed assets are:-

Short leasehold buildings which house plant and other works buildings	According to the period of the lease
Plant and machinery with an estimated minimum life 10 years	10%
Plant and machinery with an estimated life of less than 10 years	According to the life

IV Regional Development and Other Grants

The amounts received in respect of capital based grants have been credited to the cost of the related assets and are currently being amortised over their anticipated useful lives by a reduction in the depreciation charge.

All other grants are credited to the profit and loss account.

RGC OFFSHORE PLC

NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES (Continued)

YEAR ENDING 30TH SEPTEMBER 1994

V Stock

Stocks of raw materials, partly processed materials, finished products, spares and stores are valued at the lower of cost and net realisable value.

Cost of raw materials, spares and stores is determined at purchase price including delivery charges. Partly processed products are stated at cost of production, including works overheads.

Net realisable value is the price at which the stock can be realised in the normal course of business, after allowing for the cost of conversion from its existing state to a finished condition, and cost of disposal. Provisions are made, where necessary, to cover slow moving and obsolete items.

VI Amounts recoverable on contracts

Amounts recoverable on contracts are valued at cost plus a proportion of the anticipated final profit which has been earned, prudently reflecting the amount of work performed, less foreseeable losses. Cost comprises direct costs and related works overheads.

No profit is included until a contract is sufficiently advanced for the outcome to be reasonably assessed and not before 25% of the work to be done has been completed. Provision is made for all losses likely to be incurred in completing contracts as soon as that likelihood is recognised. A prudent view is taken of claims against the company but no account is taken of any possible claim income until entitlement has been established.

Progress payments invoiced to date are deducted from the value of amounts receivable under contracts up to the amount of that value. Any excess, together with loss provisions in excess of the value of the amount receivable under the contract, is included in creditors.

VII Insurance

Legal liabilities to employees and to third parties, including professional indemnity, are protected by insurance in excess of any statutory limits. Building risks, including maritime ventures, are insured as required. All buildings and contents of offices are insured against fire and associated perils but constructional plant is insured on a comprehensive basis. Where appropriate, export credit risks are covered by the Export Credits Guarantee Department. Otherwise, losses are not insured. In these cases, likely losses are charged in the accounts as the likelihood is recognised.

VIII Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at the balance sheet date.

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NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES (Continued)

YEAR ENDED 30TH SEPTEMBER 1994

IX Turnover

Turnover represents the sales value of work done based on monthly measurements of incomplete contracts or invoice value of completed contracts but does not include VAT.

X Leases

Assets acquired under finance leases that give rights approximating to ownership are treated as if they had been purchased and an amount equivalent to their cost is included under tangible fixed assets. Depreciation is provided in accordance with the company's normal depreciation policy. Leasing payments are treated as consisting of capital and finance charge elements and the finance charge is charged to the Profit and Loss Account. All other leases are operating leases and the annual rentals are charged wholly to the Profit and Loss Account.

XI Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability will crystallise in the future.

XII Pensions

The expected cost to the Company of pensions in respect of defined benefit and defined contribution pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes.

RGC OFFSHORE PLC

NOTES TO THE ACCOUNTS

PERIOD ENDED 30th SEPTEMBER 1994

	<u>1994</u> Continuing £000	<u>1993</u> Continuing £000
1. <u>Analysis of Turnover</u>		
By geographical area:		
United Kingdom	13,328	58,568
Asia	-	137
	<u>13,328</u>	<u>58,705</u>
2. <u>Profit/(Loss) on ordinary activities before taxation</u>		
Turnover	13,328	58,705
Cost of Sales	(13,099)	(63,453)
Operating Profit/(Loss)	229	(4,748)
Interest Receivable	16	132
Interest Payable	(224)	(595)
Profit/(Loss) for the year	<u>21</u>	<u>(5,211)</u>
Included under cost of sales are:		
Exceptional redundancy and rationalisation costs	-	2,741
Hire of plant and machinery, including leasing costs	204	2,696
Auditors' remuneration including expenses - audit	-	22
Depreciation	2,625	1,416

3. Emoluments of Directors

The total emoluments, including pension scheme contributions of Directors of the company were £NIL (Year to 30th Sept. 1993: £235,821).

Directors emoluments disclosed in accordance with Schedule 6 of the Companies Act 1985 and excluding pension contributions, are as follows:

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NOTES TO THE ACCOUNTS

PERIOD ENDED 30th SEPTEMBER 1994

	<u>1994</u> £000	<u>1993</u> £000
Emoluments of the Chairman	Nil	Nil
Emoluments of highest paid director	Nil	69

	Numbers	Numbers
The remuneration excluding pension contributions of the directors (including the Chairman and highest paid director) were within the following ranges		
Nil to £5,000	8	5
£5,001 to £10,000	-	1
£10,001 to £15,000	-	1
£15,001 to £20,000	-	1
£45,001 to £50,000	-	1
£55,001 to £60,000	-	1
£65,001 to £70,000	-	1

4. Employee Information

The average weekly number of employees on the company's payroll including executive directors during the period is analysed below:

Senior Executives	2	11
Production	134	635
Administration	30	107
	<u>166</u>	<u>753</u>

The total employment costs of all employees in the company including executive directors were:

	£000	£000
Wages and Salaries	3,769	18,145
Social security costs	359	1,734
Other pension costs	156	603
	<u>4,284</u>	<u>20,482</u>

RGC OFFSHORE PLC

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH SEPTEMBER 1994

	<u>1994</u> £000	<u>1993</u> £000
5. <u>Taxation</u>		
Group relief receipt - prior year	-	1,184
	<u>-</u>	<u>1,184</u>
<p>There is no charge for corporation tax on the profit for the year as it has been eliminated by accelerated depreciation and other timing differences. The resulting loss will be surrendered to other Companies in the Group for no consideration.</p> <p>There is no potential liability to deferred taxation.</p>		
6. <u>Dividends</u>		
Prior Year dividends cancelled	-	5,519
	<u>-</u>	<u>5,519</u>
7. <u>Share Capital</u>		
Authorised Ordinary Shares of £1 each	<u>7,000</u>	<u>7,000</u>
Allotted and Fully Paid Ordinary Shares of £1 each	<u>4,300</u>	<u>4,300</u>
8. <u>Other Reserves</u>		
Capital Redemption Reserve	<u>700</u>	<u>700</u>
9. <u>Reconciliation of Movements in Shareholders' Funds</u>		
Profit for the financial year	21	(4,027)
Dividends cancelled	-	5,519
Net Increase to Shareholders' Funds	<u>21</u>	<u>1,492</u>
Opening Shareholders' Funds	7,959	6,467
Closing Shareholders' Funds	<u>7,980</u>	<u>7,959</u>

RGC OFFSHORE PLC
NOTES TO THE ACCOUNTS
YEAR ENDED 30TH SEPTEMBER 1994

	<u>1994</u>	<u>1993</u>
	£000	£000
10. <u>Debtors</u>		
Trade Debtors	3,150	6,384
Prepayments and accrued income	-	541
Other Debtors	-	392
Amounts recoverable on contracts	-	51
	<u>3,150</u>	<u>7,368</u>
11. <u>Creditors</u>		
Amounts falling due within one year:		
	<u>1994</u>	<u>1993</u>
	£000	£000
Trade creditors	338	2,138
Taxation and Social Security	-	269
Accruals and deferred income	-	1,903
	<u>338</u>	<u>4,310</u>
Amounts falling due after more than one year:		
Trade Creditors	<u>-</u>	<u>26</u>
12. <u>Bank Overdraft</u>		
Unsecured	<u>-</u>	<u>6,916</u>

RGC OFFSHORE PLC
NOTES TO THE ACCOUNTS
YEAR ENDED 30TH SEPTEMBER 1994

13. Tangible Fixed Assets

	<u>Land and Buildings</u> <u>Short Leasehold</u>	<u>Plant, Machinery</u> <u>Equipment &</u> <u>Vehicles</u>	<u>Total</u>
	£000	£000	£000
<u>Cost</u>			
At 30th September 1993	13,346	17,225	30,571
Disposals	-	(743)	(743)
At 30th September 1994	<u>13,346</u>	<u>16,482</u>	<u>29,828</u>
<u>Depreciation</u>			
At 30th September 1993	7,819	14,062	21,881
Charge for the year	1,936	689	2,625
Disposals	-	(735)	(735)
At 30th September 1994	<u>9,755</u>	<u>14,016</u>	<u>23,771</u>
Net Book Value at 30th September 1994	<u>3,591</u>	<u>2,466</u>	<u>6,057</u>
Net Book Value at 30th September 1993	<u>5,527</u>	<u>3,163</u>	<u>8,690</u>
Owned Assets	3,591	2,456	6,047
Leased Assets	-	10	10
	<u> </u>	<u> </u>	<u> </u>

RGC OFFSHORE PLC

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH SEPTEMBER 1994

14. Pension Arrangements

During the period covered by these accounts pension arrangements were as follows:

- (a) The Company's employees are members of defined benefit and defined contribution pension schemes operated by the Trafalgar House Group under which contributions are paid by the Company and by employees.

The assets of the schemes are held in trustee administered funds separate from the finances of the Group.

The Company's contributions are based on the expected cost of pensions across the Trafalgar House Group as a whole and are charged to the profit and loss account so as to spread the cost of pensions over the services lives of employees within Group schemes.

Details of the actuarial valuation of the group schemes are contained in the report and accounts of Trafalgar House Public Limited Company.

- (b) Separate pension plans exist for manual grade employees. Participation in the plans is on a voluntary basis and the level of contribution is also at the discretion of each employee. The company will match the contributions made by each employee who was a member of the British Steel Corporation Pension scheme, up to a maximum of £10.50 per week.

Until 30th April 1989 when all manual grade employees were contracted in for NI purposes, all contributions were invested individually for each employee either in an insurance policy or a building society account.

Following the recent changes in pension legislation contracted out money purchase schemes have been established. From April 1989 employees may continue to participate in the contracted in schemes or opt to join the contracted out schemes.

15. Ultimate Parent Company

The parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Trafalgar House Public Limited Company, which is registered in England. The parent undertaking of the smallest such group is John Brown Public Limited Company, which is registered in England. Copies of the group financial statements of Trafalgar House Public Limited Company are available from the Registered Office, 1 Berkeley Street, London, W1A 1BY. Copies of the group financial statements of John Brown Public Limited Company are available from the Registered Office, 20 Eastbourne Terrace, London, W2 6LE.

16. Contingent Liabilities

There are contingent liabilities in respect of performance bonds and other undertakings entered into in the ordinary course of business.