

KCA Europe Limited

Accounts 31 December 1998

together with Directors' and Auditors' reports

Registered number: 1189464



Directors' report

For the period ended 31 December 1998

The Directors present their report on the affairs of the Company, together with the accounts and auditors' report, for the year ended 31 December 1998.

Principal activities

KCA Europe Limited is a holding company whose principal subsidiary undertaking provides drilling and related well and facilities engineering services, both offshore and onshore, to the oil industry.

The principal subsidiary undertakings and investments are set out in note 3 to the accounts.

Results and dividends

The company did not trade during the year or the preceding period. Consequently no profit and loss account has been presented.

The Directors do not recommend the payment of a dividend for the year (1997 - £nil).

Directors

The Directors who served during the period are as shown below:

P.J. Milne
M.J.L. Salter

Directors' interests

The Directors who held office at the end of the year had no interests in the ordinary shares of the Company. Messrs Milne and Salter are Directors of Abbot Group plc and their interests in the share capital of that company are disclosed in its accounts.

Directors' responsibilities

Company law requires the Directors to prepare accounts 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 for that year. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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' report (continued)

Year 2000

The Year 2000 issue is being addressed by the ultimate parent company on a group wide basis, and reference should be made to the Abbot Group plc financial statements.

Auditors

The Directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



A.W.J Banyard
Secretary

3 Colmore Circus
Birmingham
B4 6BH

9 March 1999

Auditors' report

To the Shareholders of KCA Europe Limited:

We have audited the accounts on pages 4 to 6 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 1 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company 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.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

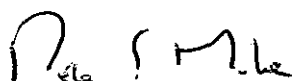
9 March 1999

Balance sheet

31 December 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Investments	3	<u>4,217</u>	<u>4,217</u>
Creditors: Amounts falling due within one year	4	<u>(4,217)</u>	<u>(4,217)</u>
Net current liabilities		<u>(4,217)</u>	<u>(4,217)</u>
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called-up equity share capital	5	-	-
Profit and loss account		<u>-</u>	<u>-</u>
Shareholders' funds		<u>-</u>	<u>-</u>

Approved by the Board



P.J. Milne
Director

9 March 1999

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1998

1 Accounting policies

A summary of the principal accounting policies, all of which, where relevant, have been applied consistently throughout the period and in the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting and financial reporting standards.

b) Investments

Investments in subsidiary undertakings comprise shares (at cost) and loans, net of provisions for any permanent diminution in value. Dividends are recognised when declared but no account is taken of undistributed profits of subsidiary undertakings. Group accounts are not presented as the Company is a subsidiary undertaking of another body corporate, incorporated in England, as permitted by Section 230 of the Companies Act 1989.

c) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

d) Cash flow statement

In accordance with FRS1 (Revised), the Company is not required to prepare a cash flow statement, being a wholly owned subsidiary of Abbot Group plc. The cash flows of the Company are included in the consolidated cash flow statement for that group.

2 Directors and employees

None of the Directors who served during the year received any emoluments in respect of services to the Company (1997 - £nil).

The Company had no employees at any time during the year (1997 - none).

3 Investments

Investments comprise the cost of shares in KCA Drilling UK Limited, the Company's subsidiary undertaking.

£'000

At 31 December 1997 and 31 December 1998

4,217

Notes to accounts (continued)

3 Investments (continued)

The Company has investments in the following subsidiary undertakings:

	Country of operation and incorporation	Principal activity
KCA Drilling UK Limited	Scotland	Dormant
Thistle Well Services Limited*	Scotland	Dormant

All of the above companies are wholly owned. An asterisk denotes an investment held indirectly.

4 Creditors: Amounts falling due within one year

	1998 £'000	1997 £'000
Amounts due to group undertakings	4,217	4,217

The Directors have received confirmation from the Directors of Abbot Group plc that repayment of amounts due to other Group undertakings which are non-interest bearing and repayable on demand, will not be demanded except to the extent that the Company has surplus funds available whilst it continues to settle liabilities to third parties as they fall due.

5 Called-up share capital

	1998 £	1997 £
<i>Authorised</i>		
200 ordinary shares of £1 each	200	200
200 8% redeemable convertible preference shares of £1 each	200	200
	<u>400</u>	<u>400</u>
<i>Allotted, called-up and fully paid</i>		
102 ordinary shares of £1 each, fully paid	<u>102</u>	<u>102</u>

6 Bank security

Bank loan, overdraft and guarantee facilities of £25,000,000 to Abbot Group plc are secured *inter alia* by a guarantee from the Company and by first bond and floating charges or debentures over all the property and assets of the Company.

7 Ultimate parent undertaking

The Company is a subsidiary undertaking of KCA Drilling Group Limited which is incorporated in England. The Company's ultimate parent undertaking is Abbot Group plc, which is incorporated in England. The only accounts in which the results of the Company are consolidated is that headed by Abbot Group plc. Copies of the accounts of Abbot Group plc are available from Minto Drive, Altens, Aberdeen, AB12 3LW.