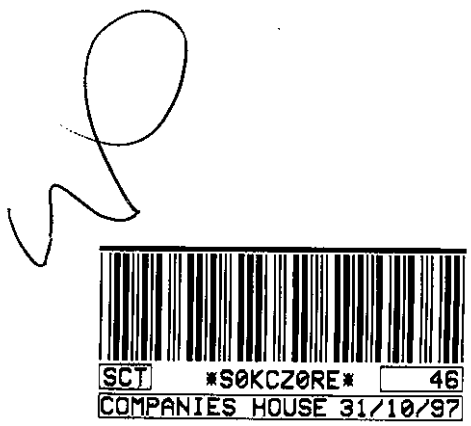
Wood Group Production Technology Limited

Annual report and financial statements

for the year ended 31 December 1996

Registered no: 106951



Wood Group Production Technology Limited

Annual report
for the year ended 31 December 1996

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Directors' report for the year ended 31 December 1996

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The profit and loss account for the year is set out on page 4.

The company's principal activity during the year was the provision and service of downhole instrumentation for use in the oil industry.

Review of business and future developments

The company increased its market share during the year and will continue to seek new opportunities during 1997 to improve financial performance.

Dividends

The profit for the financial year amounted to £446,387. The directors do not propose that any dividend be paid on the ordinary shares.

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 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

Directors' report
for the year ended 31 December 1996 (continued)

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.

Directors

The directors of the company at 31 December 1996, all of whom have been directors for the whole of the year ended on that date, are listed below:

A. G. Langlands
J. P. Jones

Directors' interests

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

The interests in the shares of John Wood Group PLC, the ultimate holding company, of those directors who are also directors of that company are disclosed in the holding company directors' report.

The interests of the remaining director in the shares of John Wood Group PLC are set out below:

	At 31 December 1996		At 31 December 1995	
Ordinary shares of £1 each	**Shares**	**Options**	**Shares**	**Options**
J. P. Jones	-	**17,500**	-	17,500

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

Company Secretary

Report of the auditors to the members of Wood Group Production Technology Limited

We have audited the financial statements on pages 4 to 13.

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 at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Aberdeen

27 March 1997

Profit and loss account
for the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover	2	**6,350,592**	4,187,991
Cost of sales		**(4,774,533)**	(3,251,094)
Gross profit		**1,576,059**	936,897
Net operating expenses	3	**(874,394)**	(794,632)
Operating profit		**701,665**	142,265
Interest payable and similar charges	6	**(43,621)**	(94,295)
Profit on ordinary activities before taxation	7	**658,044**	47,970
Tax on profit on ordinary activities	8	**(211,657)**	(19,071)
Profit for the financial year	14	**446,387**	28,899

All items dealt with in arriving at the results for 1996 and 1995 relate to continuing operations.

The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheet
at 31 December 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	9	**325,966**	462,993
Current assets			
Stocks	10	**992,948**	1,032,882
Debtors: amounts falling due after one year	11	**93,929**	80,097
Debtors: amounts falling due within one year	11	**1,420,961**	1,504,322
Cash at bank and in hand		**94,929**	287
		2,602,767	2,617,588
Creditors: amounts falling due within one year	12	**(2,264,078)**	(2,862,313)
Net current assets/(liabilities)		**338,689**	(244,725)
Net assets		**664,655**	218,268
Capital and reserves			
Called up share capital	13	**3,000,000**	3,000,000
Profit and loss account	14	**(2,335,345)**	(2,781,732)
Equity shareholders' funds	15	**664,655**	218,268

The financial statements on pages 4 to 13 were approved by the board of directors on 27 March 1997 and were signed on its behalf by:

Director : Alt G. Keogh

Notes to the financial statements for the year ended 31 December 1996

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 in accordance with the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less aggregate depreciation. Depreciation is calculated at rates estimated to write off by equal annual instalments the relevant assets over their expected useful lives, which are:

Plant and equipment	3 - 5 years
Vehicles	4 years

The company also has certain intangible assets, which have been fully amortised.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and direct labour plus attributable production overheads. Net realisable value is based on estimated selling price less anticipated costs of disposal. Provision is made for all foreseeable losses and in the case of stocks, due allowance is made for obsolete and slow-moving items.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that a liability or asset will crystallise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Notes to the financial statements for the year ended 31 December 1996 (continued)

Research and development expenditure

Research and development expenditure of a general nature is written off as incurred. Development expenditure on specific products is included in intangible assets.

Operating leases

Rentals under operating leases are charged to the profit and loss account in the period to which they relate.

Pension costs

The company participates in a group defined benefit pension scheme which is contracted out of the state scheme. The funds are valued every three years by a professionally qualified independent actuary and the rates of contribution payable are determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employee's services. The effects of variation from regular cost are spread over the expected average remaining service lives of members of the scheme. Further details relating to the scheme are set out in the financial statements of John Wood Group PLC for the year ended 31 December 1996.

Cash flows

The company is a wholly owned subsidiary of John Wood Group PLC and the cash flows of the company are included in the consolidated group cash flow statement of John Wood Group PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2 Turnover

	1996 £	1995 £
United Kingdom	**3,530,978**	2,197,922
Rest of World	**2,819,614**	1,990,069
	6,350,592	4,187,991

Notes to the financial statements for the year ended 31 December 1996 (continued)

3 Net operating expenses

	1996 £	1995 £
Distribution costs	**207,153**	129,040
Administrative expenses	**667,241**	665,592
	874,394	794,632

4 Employee information

The average number of persons (including directors) employed by the company during the year was:

	1996 Number	1995 Number
By activity		
Direct production workers	**25**	23
Management and staff	**14**	11
	39	34

	1996 £	1995 £
Staff costs (for the above persons)		
Wages and salaries	**996,470**	874,264
Social security costs	**101,614**	92,551
Other pension costs	**20,596**	11,718
	1,118,680	978,533

Notes to the financial statements for the year ended 31 December 1996 (continued)

5 Directors' emoluments

No remuneration has been paid to or waived by the directors during the year.

6 Interest receivable/(payable)

	1996 £	1995 £
Bank interest receivable	1,084	-
Bank overdraft interest payable	(44,705)	(94,295)
	(43,621)	94,295

7 Profit/(loss) on ordinary activities before taxation

	1996 £	1995 £
Profit/(loss) on ordinary activities before taxation is stated after (crediting)/charging:		
Profit on disposal of tangible fixed assets	(81,224)	(22,646)
Depreciation of tangible fixed assets	250,872	206,389
Auditors' remuneration	5,900	7,470
Hire and operating lease payments:		
Plant and equipment	22,659	12,819
Other	6,975	6,975
Development expenditure	248,508	393,870

8 Tax on profit/(loss) on ordinary activities

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995 : 33%)		
Current	225,527	1,944
Deferred	(13,832)	17,127
Adjustment in respect of prior years:		
Current	(38)	-
Deferred	-	-
	211,657	19,071

Notes to the financial statements for the year ended 31 December 1996 (continued)

9 Tangible fixed assets

	Plant & Equipment £
Cost	
At 1 January 1996	2,271,318
Additions	130,912
Disposals	(105,528)
At 31 December 1996	**2,296,702**
Depreciation	
At 1 January 1996	1,808,325
Charge for year	250,872
Disposals	(88,461)
At 31 December 1996	**1,970,736**
Net book value:	
At 31 December 1996	**325,966**
At 31 December 1995	462,993

10 Stocks

	1996 £	1995 £
Raw materials and consumables	**203,736**	298,171
Work in progress	**789,212**	734,711
	992,948	1,032,882

11 Debtors

	1996 £	1995 £
Amounts falling due after more than one year		
Deferred taxation	**93,929**	80,097
Amounts falling due within one year		
Trade debtors	**1,052,431**	1,151,354
Amounts owed by Group undertakings	**260,464**	315,226
Other debtors	**60,518**	12,062
Prepayments and accrued income	**47,548**	25,680
	1,420,961	1,504,322

Notes to the financial statements for the year ended 31 December 1996 (continued)

Deferred taxation has been fully provided in these financial statements as follows:

	1996 £	1995 £
Fixed asset timing differences	**85,679**	69,609
Other timing differences	**8,250**	10,488
	93,929	80,097

The movement in the deferred tax provision comprises:	£
Asset at 1 January 1996	80,097
Credit for year	13,832
At 31 December 1996	**93,929**

12 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdraft	**-**	1,110,523
Trade creditors	**1,384,006**	906,343
Amounts due to Group undertakings	**327,363**	452,872
Corporation tax	**225,489**	1,944
Accruals and deferred income	**327,220**	390,631
	2,264,078	2,862,313

Notes to the financial statements for the year ended 31 December 1996 (continued)

13 Called up share capital

	1996 £	1995 £
Authorised		
3,000,000 ordinary shares of £1 each	**3,000,000**	3,000,000
Allotted, called up and fully paid		
3,000,000 ordinary shares of £1 each	**3,000,000**	3,000,000

14 Profit and loss account

	£
At 1 January 1996	(2,781,732)
Profit for the year	446,387
At 31 December 1996	**(2,335,345)**

15 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Opening shareholders' funds	**218,268**	189,369
Profit for the financial year	**446,387**	28,899
Closing shareholders' funds	**664,655**	218,268

16 Leasing commitments

	Other	
	1996 £	1995 £
Payments falling due in 1997 in respect of operating leases which expire:		
Within one year	**3,919**	-
Between two and five years	**12,364**	6,975
	16,283	6,975

Notes to the financial statements for the year ended 31 December 1996 (continued)

17 Contingent liabilities

As at the balance sheet date there were contingent liabilities in respect of guarantees in the normal course of business for contract performance.

In addition, the company has a contingent liability arising from a guarantee without limit extended to the Group's principal bankers in respect of sums advanced to the company and to certain other members of the Group.

18 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose any transactions with entities that are part of the group which qualify as related parties, on the grounds that it is a subsidiary where 90% or more of its voting rights are controlled within the group, and the consolidated financial statements of John Wood Group PLC are publicly available.

19 Ultimate holding company

The directors report that John Wood Group PLC, registered in Scotland, is the company's ultimate holding company.