Wood Group Production Technology Limited

Annual report and financial statements

for the year ended 31 December 1997

Registered no: 106951





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	Pages
Directors' report	1 - 2
Report of the auditors	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 13

Directors' report for the year ended 31 December 1997

The directors present their report and the audited financial statements for the year ended 31 December 1997.

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 1998 to improve financial performance.

Dividends

The profit for the financial year amounted to £759,276. 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 1997. 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 1997 (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 1997, 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

G. Good was appointed a director on 23 March 1998.

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 1997		At 31 December 1996	
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 1997 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,

13 April 1998

Profit and loss account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	**9,520,258**	6,350,592
Cost of sales		**(7,023,620)**	(4,774,533)
Gross profit		**2,496,638**	1,576,059
Net operating expenses	3	**(1,340,719)**	(874,394)
Operating profit		**1,155,919**	701,665
Net interest payable and similar charges	6	**(13,484)**	(43,621)
Profit on ordinary activities before taxation	7	**1,142,435**	658,044
Tax on profit on ordinary activities	8	**(383,159)**	(211,657)
Profit for the financial year	14	**759,276**	446,387

All items dealt with in arriving at the results for 1997 and 1996 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 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	9	**787,193**	325,966
Current assets			
Stocks	10	**1,034,205**	992,948
Debtors: amounts falling due after one year	11	**68,890**	93,929
Debtors: amounts falling due within one year	11	**2,661,750**	1,420,961
Cash at bank and in hand		**197,137**	94,929
		3,961,982	2,602,767
Creditors: amounts falling due within one year	12	**(3,325,244)**	(2,264,078)
Net current assets		**636,738**	338,689
Net assets		**1,423,931**	664,655
Capital and reserves			
Called up share capital	13	**3,000,000**	3,000,000
Profit and loss account	14	**(1,576,069)**	(2,335,345)
Equity shareholders' funds	15	**1,423,931**	664,655

The financial statements on pages 4 to 13 were approved by the board of directors on 13 April 1998 and were signed on its behalf by:

Director :

Director :

Notes to the financial statements for the year ended 31 December 1997

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 1997 (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 1997.

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

	1997 £	1996 £
United Kingdom	**7,158,246**	3,530,978
Rest of World	**2,362,012**	2,819,614
	9,520,258	6,350,592

Notes to the financial statements for the year ended 31 December 1997 (continued)

3 Net operating expenses

	1997 £	1996 £
Distribution costs	**246,192**	207,153
Administrative expenses	**1,094,527**	667,241
	1,340,719	874,394

4 Employee information

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

	1997 Number	1996 Number
By activity		
Direct production workers	**32**	25
Management and staff	**15**	14
	47	39

	1997 £	1996 £
Staff costs (for the above persons)		
Wages and salaries	**1,314,542**	996,470
Social security costs	**133,781**	101,614
Other pension costs	**58,396**	20,596
	1,506,719	1,118,680

Notes to the financial statements for the year ended 31 December 1997 (continued)

5 Directors' emoluments

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

6 Net interest payable and similar charges

	1997 £	1996 £
Bank interest receivable	**4,545**	1,084
Bank overdraft interest payable	**(18,029)**	(44,705)
	(13,484)	(43,621)

7 Profit on ordinary activities before taxation

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Profit on disposal of tangible fixed assets	**(9,451)**	(81,224)
Depreciation of tangible fixed assets	**258,424**	250,872
Auditors' remuneration	**7,500**	5,900
Hire and operating lease payments:		
Plant and equipment	**37,670**	22,659
Other	**20,506**	6,975
Development expenditure	**304,053**	248,508

8 Tax on profit on ordinary activities

	1997 £	1996 £
United Kingdom corporation tax at 31% (1996 : 33%)		
Current	**355,496**	225,527
Deferred	**21,624**	(13,832)
Adjustment in respect of prior years:		
Current	**2,624**	(38)
Deferred	**3,415**	-
	383,159	211,657

Notes to the financial statements for the year ended 31 December 1997 (continued)

9 Tangible fixed assets

	Plant & Equipment £
Cost	
At 1 January 1997	2,296,702
Additions	719,651
Disposals	(38,955)
At 31 December 1997	**2,977,398**
Depreciation	
At 1 January 1997	1,970,736
Charge for year	258,424
Disposals	(38,955)
At 31 December 1997	**2,190,205**
Net book value:	
At 31 December 1997	**787,193**
At 31 December 1996	325,966

10 Stocks

	1997 £	1996 £
Raw materials and consumables	**265,504**	203,736
Work in progress	**768,701**	789,212
	1,034,205	992,948

11 Debtors

	1997 £	1996 £
Amounts falling due after more than one year		
Deferred taxation	**68,890**	93,929
Amounts falling due within one year		
Trade debtors	**2,408,267**	1,052,431
Amounts owed by Group undertakings	**238,340**	260,464
Other debtors	**-**	60,518
Prepayments and accrued income	**15,143**	47,548
	2,661,750	1,420,961

Notes to the financial statements for the year ended 31 December 1997 (continued)

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

	1997 £	1996 £
Fixed asset timing differences	**56,180**	85,679
Other timing differences	**12,710**	8,250
	68,890	93,929

The movement in the deferred tax provision comprises:	£
Asset at 1 January 1997	93,929
Movement for the year	(25,039)
At 31 December 1997	**68,890**

12 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	**1,938,884**	1,384,006
Amounts due to Group undertakings	**334,885**	327,363
Other taxation and social security payable	**196,247**	-
Corporation tax	**353,795**	225,489
Accruals and deferred income	**501,433**	327,220
	3,325,244	2,264,078

Notes to the financial statements for the year ended 31 December 1997 (continued)

13 Called up share capital

	1997 £	1996 £
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 1997	(2,335,345)
Profit for the year	759,276
At 31 December 1997	**(1,576,069)**

15 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Opening shareholders' funds	**664,655**	218,268
Profit for the financial year	**759,276**	446,387
Closing shareholders' funds	**1,423,931**	664,655

16 Leasing commitments

	Other	
	1997 £	1996 £
Payments falling due in 1998 in respect of operating leases which expire:		
Within one year	**404**	3,919
Between two and five years	**25,916**	12,364
	26,320	16,283

Notes to the financial statements for the year ended 31 December 1997 (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 is a wholly owned subsidiary of John Wood Group PLC which prepares consolidated financial statements, therefore the company is exempt from the requirement to disclose further information with regard to related party transactions which are eliminated on consolidation.

19 Ultimate holding company

Wood Group Production Technology Limited is a wholly owned subsidiary of John Wood Group PLC. The directors regard John Wood Group PLC, a company registered in Scotland, as the ultimate parent company at 31 December 1997.