Wood Group Production Technology Limited

Annual report and financial statements

For the year ended 31 December 1998

Registered no: 106951



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Directors' report
For the year ended 31 December 1998

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

Principal activities

The profit and loss account for the year is set out on page 5.

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 1999 to improve financial performance.

Dividends

The profit for the financial year amounted to £140,000. 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 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 also 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' report
For the year ended 31 December 1998 (continued)

Directors

The directors of the company at 31 December 1998, 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 (appointed 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 1998		At 31 December 1997	
Ordinary shares of £1 each	**Shares**	**Options**	Shares	Options
J P Jones	-	20,000	-	17,500
G Good	-	5,000	-	-

Year 2000

The key risks associated with Year 2000 are the immovable nature of the deadline and the reliance on suppliers to provide effective solutions to identified problems. The Group may also be affected by failures in supplier or customer systems. In order to address these risks the Group has in place a carefully planned programme to identify, quantify and correct systems, products, services and sources of supply which may be adversely affected by the millennium computer bug. Where appropriate, we have used this opportunity to standardise and replace ageing systems.

Education and investigation began in late 1997 and, during the course of 1998, a dedicated Year 2000 Project Team, together with nominated individuals at company level have completed a wide ranging inventory, quantified compliance and risk, and have estimated replacement or corrective cost. All the main replacement financial, operating and information systems are now either implemented or are in the process of installation. The Year 2000 plans are designed to have all business critical elements compliant by the third quarter of 1999, with the additional objective of minimising the impact on current business operations.

Directors' report
For the year ended 31 December 1998 (continued)

Year 2000 (continued)

We expect that the current schedules will allow adequate time for testing and we are constantly auditing and monitoring progress at all sites, reporting on a monthly basis at company and divisional level and providing the Board with regular updates.

To address the business risk from third parties, we have contacted all suppliers and customers, and are maintaining a database of their plans and intentions. Those who pose any major risk to our business are being visited and a full evaluation completed.

Naturally, we cannot be certain of avoiding a business disruption; for example a non-compliance in our suppliers' supply chain may ultimately affect our business. Contingency plans are therefore also being developed to minimise the risk and ensure business continuity.

The Group expenditure associated with Year 2000 compliance amounted to approximately £2 million in 1998 and it is envisaged that total expenditure is not expected to exceed £6 million through to 2000. This projection includes investment in capital expenditure for new systems which are deemed necessary and which eliminate the need to test and modify existing systems. The appropriate share of this Group expenditure will be recharged to the subsidiary companies.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers. A resolution to reappoint PricewaterhouseCoopers 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 5 to 13, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Aberdeen,

8 April 1999

Profit and loss acount
For the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover	2	**9,025**	9,520
Cost of sales		**(6,528)**	(7,023)
Gross profit		**2,497**	2,497
Net operating expenses	3	**(1,645)**	(1,341)
Operating profit		**852**	1,156
Provision for loss on disposal of fixed assets		**(422)**	-
Profit on ordinary activities before interest	7	**430**	1,156
Net interest payable	6	**(25)**	(14)
Profit on ordinary activities before taxation	7	**405**	1,142
Tax on profit on ordinary activities	8	**(265)**	(383)
Profit for the financial year	14	**140**	759

All items dealt with in arriving at the results for 1998 and 1997 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 1998

	Notes	1998	1997
		£000	£000
Fixed assets			
Tangible assets	9	**1,079**	787
Current assets			
Stocks	10	**1,186**	1,034
Debtors: amounts falling due after one year	11	**66**	69
Debtors: amounts falling due within one year	11	**3,039**	2,662
Cash at bank and in hand		**-**	197
		4,291	3,962
Creditors amounts falling due within one year	12	**(3,806)**	(3,325)
Net current assets		**485**	637
Net assets		**1,564**	1,424
Capital and reserves			
Called up share capital	13	**3,000**	3,000
Profit and loss account	14	**(1,436)**	(1,576)
Equity shareholders' funds	15	**1,564**	1,424

The financial statements on pages 5 to 13 were approved by the board of directors on 8 April 1999 and were signed on its behalf by:

Director:

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 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	2 – 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 disposals. 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.

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.

Notes to the financial statements For the year ended 31 December 1998 (continued)

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 1998.

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

	1998 **£000**	1997 £000
United Kingdom	**7,398**	7,158
Rest of World	**1,627**	2,362
	9,025	9,520

3 Net operating expenses

	1998 **£000**	1997 £000
Distribution costs	**389**	246
Administrative expenses	**1,256**	1,095
	1,645	1,341

Notes to the financial statements For the year ended 31 December 1998 (continued)

4 Employee information

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

	1998 Number	1997 Number
By activity		
Direct production workers	**39**	32
Management and staff	**19**	15
	58	47

	1998 £000	1997 £000
Staff costs (for the above persons)		
Wages and salaries	**1,675**	1,315
Social security costs	**168**	134
Other pension costs	**66**	58
	1,909	1,507

5 Directors' emoluments

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

6 Net interest payable

	1998 £000	1997 £000
Bank interest receivable	**9**	5
Bank overdraft interest payable	**(34)**	(19)
	(25)	(14)

7 Profit on ordinary activities before taxation

	1998 £000	1997 £000
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Profit on disposal of tangible fixed assets – operating	**(3)**	(9)
Depreciation of tangible fixed assets	**509**	258
Provision for loss on disposal of tangible fixed assets	**422**	-
Auditors' remuneration	**10**	8
Hire and operating lease payments:		
Plant and equipment	**25**	38
Other	**20**	21
Development expenditure	**320**	304

Notes to the financial statements
For the year ended 31 December 1998 (continued)

8 Tax on profit on ordinary activities

	1998 £000	1997 £000
United Kingdom corporation tax at 31% (1997 : 33%)		
Current	**262**	355
Deferred	**3**	22
Adjustment in respect of prior years:		
Current	**-**	3
Deferred	**-**	3
	265	383

9 Tangible fixed assets

	Plant & Equipment £000
Cost	
At 1 January 1998	2,977
Additions	1,333
Disposals	(138)
At 31 December 1998	**4,172**
Depreciation	
At 1 January 1998	2,190
Charge for year	509
Provision for loss on disposal	422
Disposals	(28)
At 31 December 1998	**3,093**
Net book value:	
At 31 December 1998	**1,079**
At 31 December 1997	787

10 Stocks

	1998 £000	1997 £000
Raw materials and consumables	**481**	265
Work in progress	**705**	769
	1,186	1,034

Notes to the financial statements
For the year ended 31 December 1998 (continued)

11 Debtors

	1998 £000	1997 £000
Amounts falling due after more than one year		
Deferred taxation	**66**	69
Amounts falling due within one year		
Trade debtors	**1,859**	2,409
Amounts owed by Group undertakings	**1,157**	238
Prepayments and accrued income	**23**	15
	3,039	2,662

Deferred taxation asset comprises:

	1998 £000	1997 £000
Fixed asset timing difference	**47**	56
Other timing differences	**19**	13
	60	69

The movement in the deferred tax asset comprises:

	1998 £000
At 1 January 1998	**69**
Charge for year	**(3)**
At 31 December 1998	**66**

12 Creditors

	1998 £000	1997 £000
Bank overdraft	**1,035**	-
Trade creditors	**1,153**	1,939
Amounts due to Group undertakings	**450**	335
Other taxation and social security payable	**45**	196
Corporation tax	**249**	354
Accruals and deferred income	**874**	501
	3,806	3,325

Notes to the financial statements
For the year ended 31 December 1998 (continued)

13 Called up share capital

	1998 £000	1997 £000
Authorised		
3,000,000 ordinary shares of £1 each	**3,000**	3,000
Allotted, called up and fully paid		
3,000,000 ordinary shares of £1 each	**3,000**	3,000

14 Profit and loss account

	£000
At January 1998	(1,576)
Retained profit for the year	140
At 31 December 1998	(1,436)

15 Reconciliation of movements in shareholders' funds

	1998 £000	1997 £000
Opening shareholders' funds	**1,424**	665
Profit for the financial year	**140**	759
Closing shareholders' funds	***1,564***	*1,424*

16 Leasing commitments

	Other	
	1998 £000	1997 £000
Payments falling due in 1998 in respect of operating leases which expire:		
Within one year	**1**	-
Between two and five years	**44**	26
	45	26

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.

Notes to the financial statements
For the year ended 31 December 1998 (continued)

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 1998.