

Registration number 125513

Production Geoscience Limited

Abbreviated accounts

for the year ended 31 December 2002



Production Geoscience Limited

Contents

	Page
Directors' report	1 - 2
Auditors' report	3
Abbreviated profit and loss account	4
Abbreviated balance sheet	5
Cash flow statement	6
Notes to the financial statements	7 - 18

Production Geoscience Limited

Directors' report
for the year ended 31 December 2002

The directors present their report and the accounts for the year ended 31 December 2002.

Principal activity and review of the business

The principal activity of the company is that of geoscience and reservoir engineering consulting for the oil industry , and also software development and sales.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

PGL Employee Benefit Limited

PGL Employee Benefit Limited has been incorporated to enable employees of Production Geoscience Limited to be granted options to acquire ordinary shares in their employer company through the adoption of the enterprise management incentive scheme. A contribution of £50,000 has been made during the year ended 31 December 2002 in addition to the contribution of £60,000 made in the previous year. During the year ended 31 December 2002 PGL Employee Benefit Limited has purchased 5,400 ordinary £0.10 shares in Productions Geoscience Ltd at a cost of £44,172 and holds options to purchase 17,974 shares from Production Geoscience Ltd. To date employees have been granted options to acquire 23,373 ordinary £0.10 shares . Options are exercisable provided that they are held for a minimum of 3 years from the date of the grant and they must be exercised within 10 years of the date of the grant.

Future developments

The directors have confirmed a continuing long term strategy of building a robust business model which is not over-dependent on consultancy work from the cyclical UK North Sea.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

		Ordinary shares	
		31/12/02	01/01/02
			or date of
			appointment
N H Allen		37,918	45,830
KT Black		44,930	45,830
E A Allen		38,198	45,840
F C Whitehead		34,375	24,260
S D Spencer	resigned 01 January 2003	-	-
K Holdoway	appointed 01 January 2003	612	-

At 31 December SD Spencer had been granted options to acquire 1,594 ordinary £0.10 shares and K Holdoway had been granted options to acquire 92 ordinary £0.10 shares .

Production Geoscience Limited

Directors' report for the year ended 31 December 2002

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 the affairs of the company and of the profit or loss of the company for that year.

In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 to 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

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Graeme D McKay & Company Limited be reappointed as auditors of the company will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

This report was approved by the Board on 7 July 2003 and signed on its behalf by

A handwritten signature in dark ink, appearing to read 'I. S. & C', is written above the printed name of the secretary.

Iain Smith & Company
Secretary

**Independent auditors' report to Production Geoscience Limited
under Section 247B of the Companies Act 1985**

We have examined the abbreviated accounts set out on pages 5 to 20 together with the financial statements of Production Geoscience Limited for the year ended 31 December 2002 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company's shareholders, as a body, in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

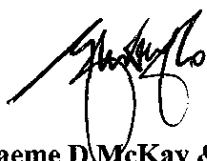
The directors are responsible for preparing abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 in respect of the year ended 31 December 2002, and the abbreviated accounts on pages 5 to 20 are properly prepared in accordance with that provision.



Graeme D McKay & Company Limited
Chartered Certified Accountants and
Registered Auditors

1 Queen's Gardens
Aberdeen

7 July 2003

Production Geoscience Limited

**Abbreviated profit and loss account
for the year ended 31 December 2002**

		Continuing operations	
		2002	2001
	Notes	£	£
Gross profit		741,809	917,973
Administrative expenses		(573,979)	(517,354)
Other operating income		12,375	11,350
Operating profit	2	<u>167,830</u>	<u>400,619</u>
Other interest receivable and similar income	3	7,160	5,649
Interest payable and similar charges	4	<u>(19,782)</u>	<u>(24,690)</u>
Profit on ordinary activities before taxation		155,208	381,578
Tax on profit on ordinary activities	7	<u>(41,400)</u>	<u>(80,989)</u>
Retained profit for the year		<u>113,808</u>	<u>300,589</u>
Retained profit brought forward		607,793	307,204
Retained profit carried forward		<u><u>721,601</u></u>	<u><u>607,793</u></u>

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 18 form an integral part of these financial statements.

Production Geoscience Limited

**Abbreviated balance sheet
as at 31 December 2002**

		2002		2001	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	8		-		12,280
Tangible assets	9		562,261		530,817
Investments	10		2,427		2,427
			<u>564,688</u>		<u>545,524</u>
Current assets					
Debtors	11	962,305		1,025,847	
Investments	12	44,172		-	
Cash at bank and in hand		226,852		265,508	
		<u>1,233,329</u>		<u>1,291,355</u>	
Creditors: amounts falling due within one year	13	(922,598)		(1,009,873)	
Net current assets			<u>310,731</u>		<u>281,482</u>
Total assets less current liabilities			875,419		827,006
Creditors: amounts falling due after more than one year	14		(126,392)		(191,787)
Net assets			<u>749,027</u>		<u>635,219</u>
Capital and reserves					
Called up share capital	15		17,188		16,176
Other reserves	16		10,238		11,250
Profit and loss account	16		721,601		607,793
Equity shareholders' funds	17		<u>749,027</u>		<u>635,219</u>

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies .

The abbreviated accounts were approved by the Board on 7 July 2003 and signed on its behalf by



N H Allen
Director

The notes on pages 7 to 18 form an integral part of these financial statements.

Production Geoscience Limited

**Cash flow statement
for the year ended 31 December 2002**

	Notes	2002 £	2001 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		167,830	400,619
Depreciation		121,894	103,575
Decrease in debtors		63,542	(168,589)
(Decrease) in creditors		(46,633)	84,376
Net cash inflow from operating activities		<u>306,633</u>	<u>419,981</u>
Cash flow statement			
Net cash inflow from operating activities		306,633	419,981
Returns on investments and servicing of finance	19	(12,622)	(19,041)
Taxation	19	(80,400)	(18,788)
Capital expenditure and financial investment	19	(141,058)	(179,119)
Acquisitions and disposals	19	-	(2,426)
		<u>72,553</u>	<u>200,607</u>
Management of liquid resources	19	(44,172)	-
Financing	19	(69,438)	17,260
Decrease in cash in the year		<u>(41,057)</u>	<u>217,867</u>
Reconciliation of net cash flow to movement in net funds (Note 20)			
Decrease in cash in the year		(41,057)	217,867
Cash outflow from increase in debts and lease financing		69,438	(14,834)
Cash outflow from increase in liquid resources		44,172	-
Change in net funds resulting from cash flows		<u>72,553</u>	<u>203,033</u>
Net debt at 1 January 2002		<u>(10,796)</u>	<u>(213,829)</u>
Net funds at 31 December 2002		<u>61,757</u>	<u>(10,796)</u>

Production Geoscience Limited
Notes to the abbreviated financial statements
for the year ended 31 December 2002

1. Accounting policies

1.1. Accounting convention

The accounts are prepared under the historical cost convention .

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same year unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period from which the company is expected to benefit.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	Straight line over fifty years
Fixtures, fittings and equipment	-	25% Straight Line
Computer equipment	-	33 % Straight Line
Software Leases	-	over the term of the lease

1.5. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

1.6. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Current asset investments are at the lower of cost and net realisable value.

1.7. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

1.8. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

1.9. Group accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts.

Production Geoscience Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

2. Operating profit	2002	2001
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	12,280	18,420
Depreciation and other amounts written off tangible assets	110,220	85,155
Research and development		
- amortised deferred expenditure (inc. above)	(12,280)	(18,420)
Loss on foreign currencies	8,866	1,526
Auditors' remuneration	3,000	3,000
and after crediting:		
Profit on disposal of tangible fixed assets	606	-
3. Interest receivable and similar income	2002	2001
	£	£
Bank interest	7,160	5,649
4. Interest payable and similar charges	2002	2001
	£	£
On bank loans and overdrafts	10,152	16,259
Hire purchase interest	9,366	8,324
On overdue tax	264	107
	19,782	24,690

Production Geoscience Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

5. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

Technical and administrative staff

2002	2001
Number	Number

40	34
----	----

Employment costs

2002	2001
£	£

Wages and salaries

1,646,362	1,361,240
-----------	-----------

Social security costs

170,992	140,388
---------	---------

Other pension costs

150,152	114,282
---------	---------

<u>1,967,506</u>	<u>1,615,910</u>
------------------	------------------

5.1. Directors' emoluments

2002	2001
£	£

Remuneration and other emoluments

353,135	333,422
---------	---------

Pension contributions

30,608	29,276
--------	--------

<u>383,743</u>	<u>362,698</u>
----------------	----------------

Number	Number
---------------	---------------

Number of directors to whom retirement benefits
are accruing under a money purchase scheme

5	5
---	---

Highest paid director

£	£
----------	----------

Amounts included above:

Emoluments and other benefits

93,684	86,686
--------	--------

Pension contributions

7,890	7,476
-------	-------

<u>101,574</u>	<u>94,162</u>
----------------	---------------

6. Pension costs

As part of its standard employment terms and conditions the company offers its employees and directors a contribution to a defined contribution pension scheme of their choice based on a percentage of their salary. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £150,152 (2001 - £114,282). At 31 December 2002 there were unpaid pension contributions amounting to £2,415 (2001 - £1,600).

Production Geoscience Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

7. Tax on profit on ordinary activities

Analysis of charge in period	2002	2001
	£	£
Current tax		
UK corporation tax at 19.00% (2001 - 30.00%)	42,000	81,000
Prior period adjustments	(600)	(11)
	<u>41,400</u>	<u>80,989</u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (19 per cent). The differences are explained below:

	2002	2001
	£	£
<i>Profit on ordinary activities before taxation</i>	<u>155,208</u>	<u>381,578</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (31 December 2001 : 30%)	29,490	114,473
Effects of:		
Expenses not deductible for tax purposes	11,537	4,173
Capital allowances for period in excess of depreciation	973	(9,216)
Adjustments to tax charge in respect of previous periods	(600)	(11)
Marginal relief	-	(28,430)
Current tax charge for period	<u>41,400</u>	<u>80,989</u>

Production Geoscience Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

8. Intangible fixed assets	Develop-	
	ment costs £	Total £
Cost		
At 1 January 2002	55,276	55,276
Disposals	(55,276)	(55,276)
At 31 December 2002	-	-
Provision for diminution in value		
At 1 January 2002	42,996	42,996
On disposals	(55,276)	(55,276)
Charge for year	12,280	12,280
At 31 December 2002	-	-
Net book values		
At 31 December 2002	-	-
At 31 December 2001	12,280	12,280

Production Geoscience Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

9. Tangible fixed assets	Land and buildings freehold £	Fixtures, fittings and equipment £	Software Leases £	Total £
Cost				
At 1 January 2002	368,485	220,084	45,422	633,991
Additions	-	143,153	-	143,153
Disposals	-	(2,552)	-	(2,552)
At 31 December 2002	<u>368,485</u>	<u>360,685</u>	<u>45,422</u>	<u>774,592</u>
Depreciation				
At 1 January 2002	21,907	66,860	14,407	103,174
On disposals	-	(1,063)	-	(1,063)
Charge for the year	6,168	88,911	15,141	110,220
At 31 December 2002	<u>28,075</u>	<u>154,708</u>	<u>29,548</u>	<u>212,331</u>
Net book values				
At 31 December 2002	<u>340,410</u>	<u>205,977</u>	<u>15,874</u>	<u>562,261</u>
At 31 December 2001	<u>346,578</u>	<u>153,224</u>	<u>31,015</u>	<u>530,817</u>

The net amount of depreciable assets included in land and buildings at 31 December 2002 was £280,633 (2000 - £286,801).

Included above are assets held under finance leases or hire purchase contracts as follows:

Asset description	2002		2001	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Equipment	<u>72,288</u>	<u>51,356</u>	<u>96,534</u>	<u>29,011</u>

Production Geoscience Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

10. Fixed asset investments	Subsidiary undertakings shares £	Other unlisted investments £	Total £
Cost			
At 1 January 2002			
At 31 December 2002	2,426	1	2,427
Net book values			
At 31 December 2002	2,426	1	2,427
At 31 December 2001	2,426	1	2,427

10.1. Holdings of 20% or more

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Proportion Nature of business	Shares held class	of shares held
Subsidiary undertaking				
Interactive Petrophysics Limited	Scotland	Provisions of petrophysics software	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves £	Profit for the year £
Interactive Petrophysics Limited	5,217	-

11. Debtors	2002 £	2001 £
Trade debtors	902,828	951,333
Other debtors	-	24,775
Prepayments and accrued income	59,477	49,739
	962,305	1,025,847

Production Geoscience Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

12. Current asset investments	2002	2001
	£	£
Own shares held by PGL Employee Limited	44,172	-
	<u> </u>	<u> </u>
13. Creditors: amounts falling due within one year	2002	2001
	£	£
Bank loan	39,600	37,200
Net obligations under finance leases and hire purchase contracts	43,274	47,316
Trade creditors	419,910	512,890
Amounts owed to connected companies	5,399	-
Corporation tax	42,000	81,000
Other taxes and social security costs	145,685	200,485
Other creditors	44,172	4,606
Accruals and deferred income	182,558	126,376
	<u>922,598</u>	<u>1,009,873</u>

Bank loans are secured. Hire purchase loans are secured over the assets to which they relate.

Production Geoscience Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

14. Creditors: amounts falling due after more than one year	2002 £	2001 £
Bank loan	102,987	143,181
Net obligations under finance leases	23,405	48,606
	<u>126,392</u>	<u>191,787</u>
 Loans	 2002 £	 2001 £
Repayable in one year or less, or on demand (Note 13)	39,600	37,200
Repayable between one and two years	40,000	39,600
Repayable between two and five years	62,987	103,581
	<u>142,587</u>	<u>180,381</u>

Bank loans are secured and interest is payable at a rate of 2.25% above the bank base rate . Hire purchase loans are secured over the assets to which they relate.

Net obligations under finance leases and hire purchase contracts	2002 £	2001 £
Repayable within one year	43,274	47,316
Repayable between one and five years	23,405	48,606
	<u>66,679</u>	<u>95,922</u>

15. Share capital	2002 £	2001 £
 Authorised equity		
250,000 Ordinary shares of 10 each	<u>25,000</u>	<u>25,000</u>
 Allotted, called up and fully paid equity		
171,880 Ordinary shares of 10 each	<u>17,188</u>	<u>16,176</u>

On 1 April 2002 an bonus issue of 10,115 ordinary £0.10 shares was made.

Production Geoscience Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

16. Equity Reserves	Profit and loss account £	Capital redemption reserve £	Total £
At 1 January 2002	607,793	11,250	619,043
Retained profit for the year	113,808		113,808
Bonus issue of shares	-	(1,012)	(1,012)
At 31 December 2002	<u>721,601</u>	<u>10,238</u>	<u>731,839</u>

17. Reconciliation of movements in shareholders' funds	2002 £	2001 £
Profit for the year	113,808	300,589
Net proceeds of equity share issue	-	2,426
Net addition to shareholders' funds	<u>113,808</u>	<u>303,015</u>
Opening shareholders' funds	635,219	332,204
Closing shareholders' funds	<u>749,027</u>	<u>635,219</u>

18. Related party transactions

These financial statements include royalties payable to F C Whitehead , a director of the company amounting to £183,290 (2001 - £73,036). At 31 December 2002 there were unpaid royalties due to F C Whitehead of £86,258 (2001 - £67,113).

Production Geoscience Limited

**Notes to the abbreviated financial statements
for the year ended 31 December 2002**

..... continued

19. Gross cash flows

	2002	2001
	£	£
Returns on investments and servicing of finance		
Interest received	7,160	5,649
Interest paid	(19,782)	(24,690)
	<u>(12,622)</u>	<u>(19,041)</u>
Taxation		
Corporation tax paid	(80,400)	(18,788)
Capital expenditure and financial investment		
Payments to acquire tangible assets	(143,153)	(179,118)
Payments to acquire investments	-	(1)
Receipts from sales of tangible assets	2,095	-
	<u>(141,058)</u>	<u>(179,119)</u>
Acquisitions and disposals		
Payments on acquisition of group interests	-	(2,426)
Management of Liquid Resources		
Purchase of own shares	(44,172)	-
Financing		
Issue of ordinary share capital	-	2,426
Bank loan repayments	(40,195)	(47,571)
Capital element of finance leases and hire purchase contracts	(29,243)	62,405
	<u>(69,438)</u>	<u>17,260</u>

Production Geoscience Limited

Notes to the abbreviated financial statements for the year ended 31 December 2002

..... continued

20. Analysis of changes in net debt

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	265,508	(38,656)		226,852
Liquid resources	<u>-</u>	<u>44,172</u>		<u>44,172</u>
Debt due within one year	(37,200)	-	(2,400)	(39,600)
Debt due after one year	(143,182)	40,195	-	(102,987)
Finance leases and hire purchase contracts	(95,922)	29,243	-	(66,679)
	<u>(276,304)</u>	<u>69,438</u>	<u>(2,400)</u>	<u>(209,266)</u>
Net debt	<u>(10,796)</u>	<u>74,954</u>	<u>(2,400)</u>	<u>61,758</u>