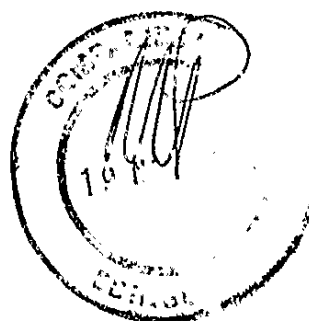


Reg No SCO 109033

**ELECTRO-FLOW CONTROLS
LIMITED**

REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 1991



*J Duncan Davidson
Chartered Accountant
19 Hillcroft Road
Banchory
Kincardineshire*

REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 1991

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ELECTRO-FLOW CONTROLS LIMITED

DIRECTORS' REPORT

The directors submit the third annual report and audited accounts of Electro-Flow Controls Limited for the year ended 31 March 1991.

1. Profits and dividends

The profit for the year, after providing for corporation tax of £11848, amounted to £28871 (1990 £7244). After paying dividends of £19500, the remainder has been transferred to reserves, resulting in cumulative reserves of £10298.

2. Review of activities

The principal activity of the company is the manufacturing of drilling instrumentation products for rental or sale to the international oil and gas industry. The company is now firmly established and experienced a year of rapid expansion with turnover increasing by 116% to £930747 (1990 £431093),

3. Fixed assets

Tangible fixed asset additions in the period totalled £49247 (1990 £8592) and consisted primarily of motor cars, computer equipment and office furniture and fittings required following the move to larger premises.

4. Directors and their interests

The directors of the company during the whole year and their respective shareholdings at the year end were as follows:-

	Shareholding	
	1991	1990
Mr J C A Wheeler	16999	16999
Mr G E Smith	Nil	Nil

5. Close company

The company is a close company as defined by the Income and Corporation Taxes Act 1970.

DIRECTORS' REPORT (Continued)

6. Auditor

J Duncan Davidson has expressed his willingness to continue as auditor and in accordance with Section 384 of the Companies Act 1985 a resolution proposing his re-appointment will be submitted at the annual general meeting.

By order of the board

M G L Wheeler

M G L Wheeler

Secretary

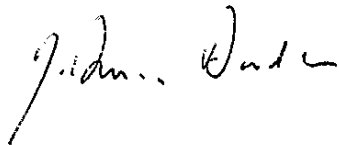
15 November 1991

ELECTRO-FLOW CONTROLS LIMITED

REPORT OF THE AUDITOR

TO THE MEMBERS OF ELECTRO-FLOW CONTROLS LIMITED

I have audited the accounts on pages 6 to 13 in accordance with approved Auditing Standards. In my opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company at 31 March 1991 and of the profit and sources and applications of funds for the year then ended and comply with the Companies Act 1985.



J Duncan Davidson

Chartered Accountant

15 November 1991

ELECTRO-FLOW CONTROLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1991

	Note	1991 £	1990 £
TURNOVER	2	930747	431093
Cost of sales		(673269)	(277792)
GROSS PROFIT		257478	153301
Distribution costs		(12324)	(7692)
Administrative expenses		(202104)	(134379)
		(214428)	(142071)
OPERATING PROFIT		43050	11230
Interest received		1242	
Interest payable	3	(3573)	(2966)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	40719	8264
Taxation	6	(11848)	(1020)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		28871	7244
Dividends		(19500)	
RETAINED PROFIT		£9371	£7244

ELECTRO-FLOW CONTROLS LIMITED

BALANCE SHEET
AT 31 MARCH 1991

	Note	1991 £	1990 £
FIXED ASSETS			
Tangible assets	7	56118	15155
Investment		100	100
		-----	-----
		56218	15555
		-----	-----
CURRENT ASSETS			
Stock	8	345506	52807
Debtors	9	338992	92381
Cash at bank		1572	26482
		-----	-----
		686070	171670
CREDITORS - amounts falling due within one year			
	10	(696683)	(165579)
NET CURRENT (LIABILITIES) ASSETS			
		(10613)	6091
		-----	-----
TOTAL ASSETS, LESS CURRENT LIABILITIES			
		45605	21646
CREDITORS - amounts falling due after more than one year			
	10	(16378)	(3719)
PROVISIONS FOR LIABILITIES & CHARGES			
	11	(1929)	
EXCESS OF ASSETS OVER LIABILITIES			
		£27298	£17927
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	12	17000	17000
Reserves	13	10298	927
		-----	-----
		£27298	£17927
		=====	=====

Approved by the Board:

J C A Wheeler

John Wheeler

Directors

G E Smith

G E Smith

15 November 1991

SOURCES AND APPLICATIONS OF FUNDS STATEMENT
FOR THE YEAR ENDED 31 MARCH 1991

	1991 £	1990 £
SOURCES OF FUNDS		
FROM OPERATIONS		
Profit for the period before taxation	40719	8264
Items not involving the movement of funds:-		
Depreciation	8584	3564
Development expenditure written off		15000
	-----	-----
	49303	26828
OTHER SOURCES		
Issue of ordinary £1 shares	0	16000
	-----	-----
	£49303	£42828
	=====	=====
APPLICATION OF FUNDS		
Purchase of fixed assets	19247	8592
Investment	0	100
Dividends paid	19500	
Corporation tax paid	1020	
	-----	-----
	69767	8692
	-----	-----
Increase (decrease) in working capital:		
Stock	292699	50407
Debtors	246611	92381
Creditors	(534864)	(123925)
	-----	-----
	4446	18863
	-----	-----
TOTAL APPLICATIONS	74213	27555
Liquid funds	(24910)	15273
	-----	-----
	£49303	£42828
	=====	=====

NOTES TO THE ACCOUNTS - 31 MARCH 1991

1. ACCOUNTING POLICIES

a. Accounting convention

The accounts are prepared under the historical cost convention and comply with the United Kingdom accounting standards.

b. Tangible fixed assets and depreciation

Depreciation is provided by the company to write off the cost of fixed tangible assets over their estimated useful lives by equal instalments over the following periods:

Motor vehicles	4 years
Computer hardware	3 years
Test equipment and other fixed assets	4 years

c. Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

d. Taxation.

The charge for taxation is based on the profit for the year and takes into account, where material, taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

e. Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end.

f. Leased assets and hire purchase agreements

Assets purchased under finance leases or hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the lease or hire purchase obligations is charged to the profit and loss account over the period of the obligation and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

2. TURNOVER

Turnover consists of the rental and sale of a range of drilling and instrumentation products and systems to the international oil and gas industry.

NOTES TO THE ACCOUNTS - 31 MARCH 1991 (Continued)

3. INTEREST PAYABLE

	1991 £	1990 £
Interest payable on bank overdraft	2312	2026
Interest payable on hire purchase	1261	940
	-----	-----
	£3573	£2966
	=====	=====

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging the following:

	1991 £	1990 £
Staff costs (Note 5)		
Depreciation on fixed tangible assets	8584	3564
Auditor's remuneration	2480	2000
Hire of plant	3173	145

5. STAFF COSTS

- a. The average number of employees during the year, including one director, falls into the following categories, but sub-contract labour was used as and when required.

	1991	1990
Administration	4	1
Production	3	0

- b. Aggregate cost of the above employees:-

	£	£
Wages & salaries (including benefits)	117089	37829
Social security costs	11656	3547
	-----	-----
	£128745	£41376
	=====	=====

NOTES TO THE ACCOUNTS - 31 MARCH 1991 (Continued)

5. STAFF COSTS (continued)

a. Directors' remuneration

	1991 £	1990 £
Total emoluments of the only paid director	32899 =====	32725 =====

6. TAXATION

	1991 £	1990 £
UK corporation tax at 25% on the profits of the year	9919	1020
Provision for deferred taxation	1929 -----	-----
	£11848 =====	£1020 =====

7. FIXED TANGIBLE ASSETS

	Motor cars £	Plant £	Office Equipment £	Total £
COST				
At 1 April 1990	12396	6233	3619	22248
Additions	24700	3772	20775	49247
	-----	-----	-----	-----
At 31 March 1991	37096	10005	24394	71495
	-----	-----	-----	-----
DEPRECIATION				
At 1 April 1990	6193	226	374	6793
Charge for the year	3099	1809	3676	8584
	-----	-----	-----	-----
At 31 March 1991	9292	2035	4050	15377
	-----	-----	-----	-----
Net book amounts				
At 31 March 1991	£27804 =====	£7970 =====	£20344 =====	£56118 =====
At 31 March 1990	£6263 =====	£6007 =====	£3245 =====	£15455 =====

ELECTRO-FLOW CONTROLS LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1991 (Continued)

8. STOCKS

	1991 £	1990 £
Components for drilling instrumentation	26102	11807
Work in progress at cost	319404	41000
	-----	-----
	£345506	£52807
	=====	=====

9. DEBTORS (all due within one year)

	1991 £	1990 £
Trade debtors	283242	80531
Prepayments	867	867
Value added tax	54883	10983
	-----	-----
	£338992	£92381
	=====	=====

10. CREDITORS

	Due within one year		Due after one year	
	1991 £	1990 £	1991 £	1990 £
Bank overdraft	93833	2479		
Trade creditors & accruals	541584	115274		
Deposits received	19744	41875		
Corporation tax	9919	1020		
Tax and social security	7375	1028		
Hire purchase	8593	2066	16378	3719
Loans from directors	10167	782		
Other creditors	5468	1055		
	-----	-----	-----	-----
	£696683	£165579	£16378	£3719
	=====	=====	=====	=====

At 31 March 1991, the bank overdraft was secured by a bond and floating charge, in favour of The Bank of Scotland, over all the assets of the company.

ELECTRO-FLOW CONTROLS LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1991 (Continued)

11. PROVISION FOR LIABILITIES & CHARGES

	1991	1990
	£	£
Amount provided in respect of accelerated capital allowances	1920	0
	=====	=====

12. CALLED UP SHARE CAPITAL

	Authorised		Allotted & fully paid	
	1991	1990	1991	1990
	£	£	£	£
Ordinary shares of £1 each	50000	50000	17000	17000
	=====	=====	=====	=====

13. RESERVES

	£
Balance at 1 April 1990	927
Profit transferred from profit and loss account	9371

Balance at 31 March 1991	£10298
	=====