

Wood Group Fuel Systems Limited
(formerly Gas Turbine Fuel Systems Limited)

Annual report and financial statements
for the year ended 31 December 1996

Registered no: 119415

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Wood Group Fuel Systems Limited
(formerly Gas Turbine Fuel Systems Limited)

Annual report
for the year ended 31 December 1996

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Wood Group Fuel Systems Limited **(formerly Gas Turbine Fuel Systems Limited)**

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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 and review of business

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

The company's principal activity during the year continued to focus on the fuel nozzle and accessory markets for industrial, marine and aero engines.

The directors consider the results and the year end position to be satisfactory.

On 1 January 1997 the company changed its name to Wood Group Fuel Systems Limited.

Dividends and transfers to reserves

The profit for the financial year amounted to £589,218. An interim dividend of £350,000 was paid during the year. The directors do not propose that any final dividend be paid.

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:

J. Angus
T. Motherwell
G. Gaudette

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 directors in the shares of John Wood Group PLC are set out below:

Ordinary shares of £1 each	At 31 December 1996		At 31 December 1995	
	Shares	Options	Shares	Options
J. Angus	10,000	10,000	10,000	10,000
G. Gaudette	-	12,500	-	5,000

Wood Group Fuel Systems Limited **(formerly Gas Turbine Fuel Systems Limited)**

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Directors' report **for the year ended 31 December 1996**

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.

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.

Auditors

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

By order of the board



A handwritten signature in dark ink, consisting of a large, stylized 'S' shape with a long horizontal stroke extending to the right.

Company Secretary

Wood Group Fuel Systems Limited (formerly Gas Turbine Fuel Systems Limited)

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Report of the auditors to the members of Wood group Fuel Systems Limited

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

As described on page 2 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.

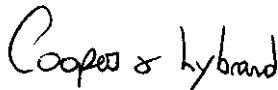
Basis of opinion

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

Chartered Accountants and Registered Auditors
Aberdeen,

27 March 1997

Wood Group Fuel Systems Limited (formerly Gas Turbine Fuel Systems Limited)

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Profit and loss account for the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover	2	4,557,181	2,810,755
Cost of sales		(3,035,333)	(1,743,925)
Gross profit		1,521,848	1,066,830
Net operating expenses	3	(630,454)	(431,300)
Operating profit		891,394	635,530
Net interest (payable)/receivable	6	(5,376)	3,152
Profit on ordinary activities before taxation	7	886,018	638,682
Tax on profit on ordinary activities	8	(296,800)	(214,568)
Profit on ordinary activities after taxation		589,218	424,114
Dividends	9	(350,000)	(250,000)
Retained profit for the financial year	16	239,218	174,114

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

The company has no recognised gains and losses other than the profits 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.

Wood Group Fuel Systems Limited (formerly Gas Turbine Fuel Systems Limited)

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Balance sheet at 31 December 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	10	303,821	315,633
Current assets			
Stocks	11	1,211,642	974,376
Debtors	12	1,393,006	758,998
Cash at bank and in hand		55,188	75,904
Creditors: amounts falling due within one year	13	2,659,836 (1,464,449)	1,809,278 (859,850)
Net current assets		1,195,387	949,428
Total assets less current liabilities		1,499,208	1,265,061
Provisions for liabilities and charges	14	(28,827)	(33,898)
Net assets		1,470,381	1,231,163
Capital and reserves			
Called up share capital	15	10,000	10,000
Profit and loss account	16	1,460,381	1,221,163
Equity shareholders' funds	17	1,470,381	1,231,163

The financial statements on pages 4 to 15 were approved by the board of directors on
27 March 1997 and were signed on its behalf by:

Director :



Wood Group Fuel Systems Limited (formerly Gas Turbine Fuel Systems Limited)

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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:

Leasehold buildings	10 years
Plant and equipment	5 - 10 years
Vehicles	3 - 4 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and direct labour plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs of disposals. Due allowance is made for obsolete and slow-moving items.

Deferred taxation

Provision is made on the liability method to recognise the deferment of taxation due to timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes 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.

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

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date and differences on exchange arising thereon are dealt with through operating profit.

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	1,454,953	1,147,267
Rest of World	3,102,228	1,663,488
	<u>4,557,181</u>	<u>2,810,755</u>

Wood Group Fuel Systems Limited (formerly Gas Turbine Fuel Systems Limited)

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

3 Net operating expenses

	1996 £	1995 £
Distribution costs	222,101	120,383
Administrative expenses	408,353	310,917
	<u>630,454</u>	<u>431,300</u>

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	29	25
Management and staff	13	11
	<u>42</u>	<u>36</u>

	1996 £	1995 £
Staff costs (for the above persons)		
Wages and salaries	1,246,405	713,732
Social security costs	126,568	67,730
Other pension costs	25,331	19,090
	<u>1,398,304</u>	<u>800,552</u>

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

5 Directors' emoluments

	1996 £	1995 £
Staff costs include amounts payable to directors as follows:		
Other emoluments (including pension contributions and benefits in kind)	75,785	70,137

Emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The chairman	-	-
The highest paid director	70,559	65,431

The number of directors (including the chairman and the highest paid director) who received emoluments (excluding pension contributions) within the following ranges was:

	1996 Number	1995 Number
Nil to £5,000	2	2
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-

6 Net interest (payable)/receivable

	1996 £	1995 £
Interest receivable	22,910	5,953
Bank overdraft interest payable	(28,286)	(2,801)
	(5,376)	3,152

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

7 Profit on ordinary activities before taxation

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Depreciation of tangible fixed assets	80,454	70,324
Auditors' remuneration	3,250	2,200
Hire and operating lease payments:		
Plant and equipment	3,920	2,337
Other	63,351	65,805
	<u> </u>	<u> </u>

8 Tax on profit on ordinary activities

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995 : 33%)		
Current	301,871	216,975
Deferred	(5,071)	(2,407)
	<u> </u>	<u> </u>
	296,800	214,568
	<u> </u>	<u> </u>

9 Dividends

	1996 £	1995 £
Ordinary interim paid of £35 per share (1995 : £25 per share)	350,000	250,000
	<u> </u>	<u> </u>

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

10 Tangible fixed assets

	Short Leasehold Buildings £	Plant & equipment £	Total £
Cost			
At 1 January 1996	36,246	578,991	615,237
Additions	-	68,642	68,642
At 31 December 1996	36,246	647,633	683,879
Depreciation			
At 1 January 1996	21,034	278,570	299,604
Charge for year	3,624	76,830	80,454
At 31 December 1996	24,658	355,400	380,058
Net book value:			
At 31 December 1996	11,588	292,233	303,821
At 31 December 1995	15,212	300,421	315,633

11 Stocks

	1996 £	1995 £
Raw materials and consumables	1,078,321	919,071
Work in progress	133,321	55,305
	1,211,642	974,376

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

12 Debtors

	1996 £	1995 £
Trade debtors	502,525	436,734
Amounts owed by Group undertakings	837,715	287,378
Other debtors	13,825	12,386
Prepayments and accrued income	38,941	22,500
	<u>1,393,006</u>	<u>758,998</u>

13 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdraft	698,182	205,126
Trade creditors	257,596	266,329
Amounts due to Group undertakings	110,144	47,588
Corporation tax	301,871	216,975
Other taxation and social security	58,370	29,287
Accruals and deferred income	38,286	94,545
	<u>1,464,449</u>	<u>859,850</u>

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

14 Provisions for liabilities and charges

Deferred taxation provided in these financial statements, which represents the full potential liability, comprises corporation tax deferred by:

	1996 £	1995 £
Fixed asset timing differences	<u>28,827</u>	<u>33,898</u>
The movement in the deferred tax provision comprises:		£
Provision at 1 January 1996	33,898	36,305
Credit for year	<u>(5,071)</u>	<u>(2,407)</u>
At 31 December 1996	<u>28,827</u>	<u>33,898</u>

15 Called up share capital

	1996 £	1995 £
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

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

16 Profit and loss account

	£
At 1 January 1996	1,221,163
Profit for the year	239,218
	<hr/>
At 31 December 1996	<u>1,460,381</u>

17 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Opening shareholders' funds	1,231,163	1,057,049
Profit for the financial year	589,218	424,114
Dividends	(350,000)	(250,000)
	<hr/>	<hr/>
Closing shareholders' funds	<u>1,470,381</u>	<u>1,231,163</u>

18 Leasing commitments

	1996		1995	
	Land & buildings £	Other £	Land & buildings £	Other £
Payments falling due in 1997 in respect of operating lease which expire:-				
Within one year	-	1,514	-	1,281
Within two to five years	-	-	-	-
Later than five years	58,253	-	59,463	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>58,253</u>	<u>1,514</u>	<u>59,463</u>	<u>1,281</u>

Wood Group Fuel Systems Limited **(formerly Gas Turbine Fuel Systems Limited)**

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

19 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.

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.

20 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.

During the year the company made purchases of £38,072 from, and sales of £591,941 to, Rolls Wood Group (Repairs and Overhauls) Limited, an associated company.

At 31 December 1996 the balance owed by Rolls Wood Group (Repairs and Overhauls) Limited to the company was £78,930.

21 Ultimate holding company

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