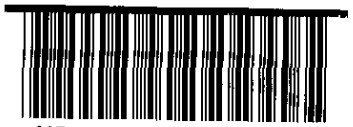
Wood Group Production Technology Limited

Annual report and financial statements

for the year ended 31 December 2001

Registered Number : 106951



Wood Group Production Technology Limited

Annual report and financial statements

for the year ended 31 December 2001

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Wood Group Production Technology Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements for the year ended 31 December 2001.

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

The company has focused its activities on the provision and service of permanent downhole instrumentation.

Results and dividends
The loss for the financial year amounted to £176,000 (2000 : loss £232,000). The directors do not propose that any dividend be paid on the ordinary shares (2000 : nil). The loss for the year will be added to the deficit on reserves.

Directors
The directors of the company at 31 December 2001, both of whom have been directors for the whole of the year ended on that date, are listed below:

A G Langlands
C E M Watson

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 parent company, of A G Langlands who is also a director of that company are disclosed in the ultimate parent company directors' report.

The interests of C E M Watson in the shares of John Wood Group PLC are set out below:-

	At 31 December 2001		At 31 December 2000	
	Shares	**Options**	Shares	Options
Ordinary shares of 10p each				
C E M Watson	-	**120,000**	-	100,000

Wood Group Production Technology Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

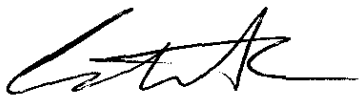
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually has been passed. Accordingly, PricewaterhouseCoopers continue in office as auditors, having expressed their willingness to do so.

By order of the board



C E M Watson
Company Secretary

Wood Group Production Technology Limited

Independent auditors' report to the members of Wood Group Production Technology Limited

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

Respective responsibilities of directors and auditors
The directors` responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Aberdeen
15 April 2002

Wood Group Production Technology Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001	2000
		£'000	£'000
Turnover	2	**3,586**	4,563
Cost of sales		**(2,707)**	(3,401)
Gross profit		**879**	1,162
Net operating expenses	3	**(1,183)**	(1,486)
Loss on ordinary activities before interest		**(304)**	(324)
Net interest receivable	6	**39**	18
Loss on ordinary activities before taxation	7	**(265)**	(306)
Tax on loss on ordinary activities	8	**89**	74
Retained loss for the financial year	15	**(176)**	(232)

All items dealt with in arriving at the loss for the years stated above 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 loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Wood Group Production Technology Limited

Balance sheet as at 31 December 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Fixed assets					
Tangible assets	9		**95**		108
Current assets					
Stock	10	**841**		557	
Debtors : amounts falling due within one year	11	**1,472**		1,460	
Debtors : amounts falling due after one year	11	**157**		197	
Cash at bank and in hand		**139**		703	
			2,609		2,917
Creditors: amounts falling due within one year	12		**(790)**		(935)
Net current assets			**1,819**		1,982
Total assets less current liabilities			**1,914**		2,090
Provisions for liabilities and charges	13		**(165)**		(165)
Net Assets			**1,749**		1,925
Capital and reserves					
Called up share capital	14		**3,000**		3,000
Profit and loss account deficiency	15		**(1,251)**		(1,075)
Equity shareholder's funds	16		**1,749**		1,925

The financial statements on pages 4 to 15 were approved by the board of directors on 15 April 2002 and were signed on its behalf by:

Director :

Director :

Notes to the financial statements for the year ended 31 December 2001

1 Principal accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the accounting policies which, except as explained, have been applied consistently, is set out below.

Changes in accounting policies
The company has adopted FRS 17 "Retirement Benefits" and FRS 19 "Deferred Tax" in these financial statements. Although the adoption of these standards represents a change in accounting policy they have not resulted in a change to previously reported results. FRS 17 and FRS 19 have been adopted early.

FRS 18 "Accounting Policies" has been adopted in the current year, but this did not require any change in accounting policy.

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 as follows:-

Leasehold improvements	length of lease
Plant and equipment	2 – 5 years
Vehicles	4 years

Impairment of long-lived assets
The company performs impairment reviews in respect of tangible fixed assets whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount.

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
In 2001 the company adopted FRS 19. The adoption of this accounting standard has no impact on the financial statements for either of the years presented.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.

- Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been declared or there is a binding commitment.

- On the basis of all available evidence deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

Operating leases
Rentals under operating leases are charged to the profit and loss account in the period to which they relate.

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 date ruling at the balance sheet date, and differences on exchange arising thereon are dealt with through operating profit.

Pension costs
The company has taken advantage of the exemption available under FRS 17 to treat pension contributions made to the defined benefit scheme operated by John Wood Group PLC as if they were contributions to a defined contribution scheme where contributions to the scheme are charged to the profit and loss account as they fall due. The company has taken advantage of the exemption because it is not possible to accurately attribute the assets and liabilities of the scheme operated by John Wood Group PLC to the individual entities which contribute to it. As at the balance sheet date there was a deficit of £5.1m (2000: surplus £1.8m) in this scheme. It is anticipated that the deficit will result in increased pension costs in future years.

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 FRS 1 (Revised 1996) "Cash Flow Statements" from publishing a cash flow statement.

2 Turnover

	2001	2000
	£'000	£'000
Analysis of turnover by geographical destination is as follows:		
United Kingdom	**1,431**	2,222
Rest of World	**2,155**	2,341
	3,586	4,563

3 Net operating expenses

	2001	2000
	£'000	£'000
Distribution costs	**441**	718
Administrative expenses	**742**	768
	1,183	1,486

4 Employee information

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

By activity	**2001**	2000
Direct production workers	**19**	23
Management and staff	**12**	14
	31	37

Staff costs (for the above persons)	**2001**	2000
	£'000	£'000
Wages and salaries	**1,042**	1,020
Social security costs	**94**	97
Other pensions costs	**70**	80
Staff costs	**1,206**	1,197

5 Directors' emoluments

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

6 Net interest receivable

	2001 £'000	2000 £'000
Interest receivable from group undertakings	**20**	40
Bank interest receivable	**23**	39
Repayment supplement re 1998 corporation tax	**-**	7
Bank overdraft interest payable	**(4)**	(68)
Net interest receivable	**39**	18

7 Loss on ordinary activities before taxation

	2001 £'000	2000 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Profit on disposal of tangible fixed assets	**-**	(52)
Depreciation of tangible fixed assets	**44**	281
Auditors' remuneration	**12**	12
Hire and operating lease payments:		
Plant and equipment	**30**	72
Other	**105**	80
Development expenditure	**172**	275

8 Tax on loss on ordinary activities

	2001	2000
	£'000	£'000
Current tax		
UK corporation tax at 30% (2000 : 30%)	**(114)**	(71)
Foreign taxation	**-**	21
(Over)/under provision in respect of prior years	**(15)**	17
	(129)	(33)
Deferred tax		
Origination and reversal of timing differences	**40**	(21)
Over provision in respect of prior years	**-**	(20)
	40	(41)
Total tax charge	**(89)**	(74)

The current tax charge on profit on ordinary activities varied from the standard rate of corporation tax in the UK due to the following factors:

UK corporation tax at standard rate 30% (2000 : 30%)	**(79)**	(91)
Permanent differences	**5**	20
Effect of deferred tax	**(40)**	21
Adjustments to current tax charge for prior periods	**(15)**	17
	(129)	(33)

9 Tangible assets

	Leasehold & improvements	Plant & equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2001	-	901	901
Additions	30	42	72
Disposals	-	(512)	(512)
At 31 December 2001	***30***	**431**	**461**
Depreciation			
At 1 January 2001	-	793	793
Charge for the financial year	-	44	44
Disposals	-	(471)	(471)
At 31 December 2001	**-**	**366**	**366**
Net book amount			
At 31 December 2001	**30**	**65**	**95**
At 31 December 2000	-	108	108

10 Stocks

	2001	2000
	£'000	£'000
Raw materials and consumables	**311**	287
Work in progress	**530**	270
	841	557

11 Debtors

	2001	2000
	£'000	£'000
Amounts falling due within one year		
Trade debtors	**660**	575
Amounts owed by group undertakings	**678**	753
Prepayments and accrued income	**26**	31
Corporation tax	**-**	30
Group relief	**108**	71
	1,472	1,460
Amounts falling due after more than one year		
Deferred taxation asset	**157**	197

Deferred taxation asset comprises:

	2001	2000
	£'000	£'000
Fixed asset timing difference	**149**	189
Other timing difference	**8**	8
	157	197

The movement in the deferred tax asset comprises:

	2001	2000
	£'000	£'000
At 1 January	**197**	156
(Credit)/charge to profit and loss account – current year	**(40)**	41
At 31 December	**157**	197

The deferred tax asset is based on a corporation tax rate of 30% (2000 : 30%).

12 Creditors

	2001	2000
	£'000	£'000
Trade creditors	**143**	393
Amounts due to group undertakings	**218**	202
Overseas taxation	**-**	21
UK corporation tax payable	**20**	20
Accruals and deferred income	**409**	299
	790	935

13 Provision for liabilities and charges

	Warranty provision £'000
At 1 January 2001 and 31 December 2001	165

The warranty provision of £165,000 at 31 December 2001 arose in the normal course of business. The balance provided represents the directors' estimate of future expenditure based on the historical costs of such claims received by the company.

14 Called up share capital

	2001	2000
	£'000	£'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

15 Profit and loss account deficiency

	£'000
At 1 January 2001	(1,075)
Retained loss for the financial year	(176)
At 31 December 2001	**(1,251)**

16 Reconciliation of movements in shareholder's funds

	2001	2000
	£'000	£'000
Opening shareholder's funds	**1,925**	2,157
Loss for the financial year	**(176)**	(232)
Closing shareholder's funds	**1,749**	1,925

17 Leasing commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001 Land and buildings £'000	**2001 Other £'000**	2000 Land and buildings £'000	2000 Other £'000
Payments falling due in 2002 in respect of operating leases which expire:				
Within one year	**-**	**2**	80	7
Between one and two years	**80**	**10**	-	13
Between two and five years	**-**	**-**	-	14
	80	**12**	80	34

18 Pensions

The company participates in the group defined benefit pension scheme, details of which are given in Note 1. The total pension cost of the company for the year was £70,000 (2000 : £80,000).

19 Contingent liabilities

The company has a contingent liability arising from a guarantee without limit extended to John Wood Group PLC's principal bankers in respect of sums advanced to the company and to certain other members of the John Wood Group PLC group.

20 Related party transactions

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" 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 the voting rights are controlled within the group, and the consolidated financial statements of John Wood Group PLC, its ultimate parent company, are publicly available.

21 Ultimate parent company

Wood Group Production Technology Limited is a wholly owned subsidiary of WLS Holdings Limited. The directors regard John Wood Group PLC, a company registered in Scotland, as the ultimate parent company and controlling party at 31 December 2001.

John Wood Group PLC is the only undertaking for which consolidated financial statements, which include the financial statements of Wood Group Production Technology Limited, are prepared. Copies of John Wood Group PLC financial statements can be obtained from The Company Secretary, John Wood House, Greenwell Road, Aberdeen, AB12 3AX, Scotland.