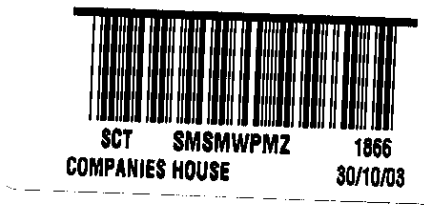
Wood Group Production Technology Limited

Annual report and financial statements

for the year ended 31 December 2002

Registered Number : 106951



Wood Group Production Technology Limited

Annual report and financial statements

for the year ended 31 December 2002

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Wood Group Production Technology Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements for the year ended 31 December 2002.

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 £496,000 (2001 : loss £176,000). The directors do not propose that any dividend be paid on the ordinary shares (2001 : nil). The loss for the year will be added to the deficit on reserves.

Directors
The directors of the company at 31 December 2002, 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 the remaining director in the shares of John Wood Group PLC are set out below:-

	At 31 December 2002		At 31 December 2001	
	Shares	**Options**	Shares	Options
Ordinary shares of 3⅓p each				
C E M Watson	**1,386**	**390,000**	-	360,000

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 2002 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as 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 LLP 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 14.

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

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. The other information comprises only the directors' report.

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen

7 March 2003

Wood Group Production Technology Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002	2001
		£'000	£'000
Turnover	2	**1,849**	3,586
Cost of sales		**(1,513)**	(2,707)
Gross profit		**336**	879
Net operating expenses	3	**(880)**	(1,183)
Loss on ordinary activities before interest		**(544)**	(304)
Net interest receivable	6	**30**	39
Loss on ordinary activities before taxation	7	**(514)**	(265)
Tax on loss on ordinary activities	8	**18**	89
Retained loss for the financial year	15	**(496)**	(176)

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.

Wood Group Production Technology Limited

Balance sheet as at 31 December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed assets					
Tangible assets	9		**69**		95
Current assets					
Stock	10	**747**		841	
Debtors	11	**918**		1,629	
Cash at bank and in hand		**127**		139	
			1,792		2,609
Creditors: amounts falling due within one year	12		**(547)**		(790)
Net current assets			**1,245**		1,819
Total assets less current liabilities			**1,314**		1,914
Provisions for liabilities and charges	13		**(61)**		(165)
Net Assets			**1,253**		1,749
Capital and reserves					
Called up share capital	14		**3,000**		3,000
Profit and loss account deficiency	15		**(1,747)**		(1,251)
Equity shareholder's funds	16		**1,253**		1,749

The financial statements on pages 4 to 14 were approved by the board of directors on 7 March 2003 and were signed on its behalf by:

Director :

Director :

Wood Group Production Technology Limited

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

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 have been applied consistently, is set out below.

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
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.

- 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 £14.5m (2001: deficit £5.1m) 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

	2002	2001
	£'000	£'000
Analysis of turnover by geographical destination is as follows:		
United Kingdom	**1,189**	1,431
Rest of World	**660**	2,155
	1,849	3,586

3 Net operating expenses

	2002	2001
	£'000	£'000
Distribution costs	**206**	441
Administrative expenses	**674**	742
	880	1,183

4 Employee information

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

By activity	2002	2001
Direct production workers	**12**	19
Management and staff	**9**	12
	21	31

Staff costs (for the above persons)	2002	2001
	£'000	£'000
Wages and salaries	**658**	1,042
Social security costs	**58**	94
Other pensions costs	**37**	70
Staff costs	**753**	1,206

5 Directors' emoluments

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

6 Net interest receivable

	2002	2001
	£'000	£'000
Interest receivable from group undertakings	**34**	20
Bank interest receivable	**5**	23
Bank overdraft interest payable	**(9)**	(4)
Net interest receivable	**30**	39

7 Loss on ordinary activities before taxation

	2002	2001
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**54**	44
Auditors' remuneration	**12**	12
Hire and operating lease payments:		
Plant and equipment	**19**	30
Other	**100**	105
Development expenditure	**9**	172

8 Tax on loss on ordinary activities

	2002	2001
	£'000	£'000
Current tax		
UK corporation tax at 30% (2001 : 30%)	**(181)**	(114)
Foreign taxation	**6**	-
Over provision in respect of prior years	**-**	(15)
	(175)	(129)
Deferred tax		
Origination and reversal of timing differences	**-**	40
Over provision in respect of prior years	**157**	-
	157	40
Total tax charge	**(18)**	(89)

8 Tax on loss on ordinary activities (continued)

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:

	2002	2001
	£'000	£'000
UK corporation tax at standard rate 30% (2001 : 30%)	**(154)**	(79)
Effect of tax rate in different countries	**6**	-
Permanent differences	**7**	5
Effect of deferred tax	**-**	(40)
Adjustments to current tax charge for prior periods	**-**	(15)
Effect of reversal of fixed asset timing difference on which deferred tax asset has not been provided	**(34)**	-
	(175)	(129)

9 Tangible assets

	Leasehold & improvements	**Plant & equipment**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2002	30	431	461
Additions	28	-	28
At 31 December 2002	**58**	**431**	**489**
Depreciation			
At 1 January 2002	-	366	366
Charge for the financial year	25	29	54
At 31 December 2002	**25**	**395**	**420**
Net book amount			
At 31 December 2002	**33**	**36**	**69**
At 31 December 2001	30	65	95

10 Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	**446**	311
Work in progress	**301**	530
	747	841

11 Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year		
Trade debtors	**319**	660
Amounts owed by group undertakings	**458**	678
Prepayments and accrued income	**19**	26
Deferred taxation asset	**-**	157
Group relief receivable	**122**	108
	918	1,629

Deferred taxation asset comprises:

	2002 £'000	2001 £'000
Accelerated capital allowances	**120**	149
Other timing difference	**6**	8
Undiscounted provision for deferred tax	**126**	157
Deferred tax asset not recognised	**(126)**	-
Discounted provision for deferred tax	**-**	157

The movement in the deferred tax asset comprises:

		2002 £'000	2001 £'000
At 1 January		**157**	197
Credit to profit and loss account	- current year	**-**	(40)
	- prior year	**(157)**	-
At 31 December		**-**	157

12 Creditors

	2002	2001
	£'000	£'000
Trade creditors	52	143
Amounts due to group undertakings	36	218
UK corporation tax payable	-	20
Accruals and deferred income	459	409
	547	790

13 Provision for liabilities and charges

	Warranty provision
	£'000
At 1 January 2002	165
Credit to the profit and loss account for the year	(104)
At 31 December 2002	61

The warranty provision of £61,000 at 31 December 2002 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

	2002	2001
	£'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 2002	(1,251)
Retained loss for the financial year	*(496)*
At 31 December 2002	**(1,747)**

16 Reconciliation of movements in shareholder's funds

	2002	2001
	£'000	£'000
Opening shareholder's funds	**1,749**	1,925
Loss for the financial year	**(496)**	(176)
Closing shareholder's funds	**1,253**	1,749

17 Leasing commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002 Land and buildings £'000	2002 Other £'000	2001 Land and buildings £'000	2001 Other £'000
Payments falling due in 2003 in respect of operating leases which expire:				
Within one year	-	1	-	2
Between one and two years	80	13	80	10
Between two and five years	-	-	-	-
	80	14	80	12

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 £37,000 (2001 : £70,000).

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 2002.

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.