Wood Group Production Technology Limited

Annual report and financial statements

for the year ended 31 December 2004

Registered Number: 106951



Wood Group Production Technology Limited

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for the year ended 31 December 2004

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Wood Group Production Technology Limited

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements for the year ended 31 December 2004.

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's main activities relate to the provision and service of permanent downhole instrumentation.

Results and dividends
The profit for the financial year amounted to £331,000 (2003: £148,000). The directors do not propose that any dividend be paid on the ordinary shares (2003: nil) and the profit for the financial year has been transferred to reserves.

Directors
The directors of the company at 31 December 2004, both of whom have been directors for the whole of the year ended on that date, are listed below:

A G Langlands
I Johnson

Directors' interests
No director had an interest in the shares of the company during the year or as at 31 December 2004.

The interests in the shares of John Wood Group PLC, the ultimate parent company, of those directors who are also directors of that company are disclosed in the ultimate parent company's directors' report.

The interests of the remaining director in the shares of John Wood Group PLC are set out below: -

Ordinary shares of 3⅓p each

	Options at 1.1.04	Granted during year	Exercised during year	**Options at 31.12.04**	**Shares at 31.12.04**	Shares at 31.12.03
I Johnson	91,545	75,000	-	**166,545**	-	-

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 2004 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 LLP continue in office as auditors, having expressed their willingness to do so.

By order of the board



I Johnson
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 which comprise the profit and loss account, the balance sheet and the related notes.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
25 July 2005

Wood Group Production Technology Limited

Profit and loss account for the year ended 31 December 2004

	Note	2004	2003
		£'000	£'000
Turnover	2	**4,689**	2,047
Cost of sales		**(3,756)**	(1,375)
Gross profit		**933**	672
Net operating expenses	3	**(634)**	(495)
Profit on ordinary activities before interest		**299**	177
Interest receivable and similar income		**32**	26
Interest payable and similar charges	6	**(5)**	-
Profit on ordinary activities before taxation	7	**326**	203
Tax on profit on ordinary activities	8	**5**	(55)
Retained profit for the financial year	16	**331**	148

All items dealt with in arriving at the profit for the years stated above relate to continuing operations.

The company has no recognised gains and losses other than the profit 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 financial year stated above and their historical cost equivalents.

Wood Group Production Technology Limited

Balance sheet as at 31 December 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Fixed assets					
Tangible assets	9		**27**		15
Current assets					
Stock	10	**1,042**		329	
Debtors	11	**1,182**		617	
Cash at bank and in hand		**985**		1,039	
			3,209		1,985
Creditors: amounts falling due within one year	12		**(1,430)**		(445)
Net current assets			**1,779**		1,540
Total assets less current liabilities			**1,806**		1,555
Creditors: amounts due outwith one year	13		**(72)**		(56)
Provisions for liabilities and charges	14		**-**		(98)
Net Assets			**1,734**		1,401
Capital and reserves					
Called up share capital	15		**3,000**		3,000
Profit and loss account deficit	16		**(1,266)**		(1,599)
Equity shareholder's funds	17		**1,734**		1,401

The financial statements on pages 4 to 15 were approved by the board of directors on 26 July 2005 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 2004

1 Principal accounting policies

These financial statements are prepared under the historical cost convention and in accordance the Companies Act 1985 and 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

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. 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.

1 Principal accounting policies (continued)

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 operates defined contribution money purchase schemes and the levels of contributions to these schemes are established at the commencement of each scheme year. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund. Contributions to the schemes are charged to the profit and loss account as they fall due.

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 £17.6m (2003: £15.4m) 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.

Employee share schemes
John Wood Group PLC has a number of share option schemes. Share options granted by John Wood Group PLC are granted at the current market value and as a result there is no charge arising on the grant of these options. John Wood Group PLC also has a Long Term Retention Plan ('LTRP'). For options granted under the LTRP a charge is made to the profit and loss account for the difference between the market value of the options and the exercise price at the grant date, in accordance with the requirements of UITF17 (revised 2003) 'Employee Share Schemes'. The charge is accrued over the vesting period of the options.

Employers' National Insurance Contributions are payable on the exercise of unapproved share options issued after 5 April 1999 on the difference between the market value of the ordinary shares at the date of exercise and the exercise price of the underlying options. Provision for this liability is made based upon the market value of options at the balance sheet date and spread over the vesting period of the options.

2 Turnover

	2004	2003
	£'000	£'000
Analysis of turnover by geographical destination is as follows:		
United Kingdom	**1,188**	1,292
Rest of World	**3,501**	755
	4,689	2,047

The directors consider that in all material aspects, turnover originates exclusively in the United Kingdom.

3 Net operating expenses

	2004	2003
	£'000	£'000
Distribution costs	**458**	220
Administrative expenses	**176**	275
	634	495

4 Employee information

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

By activity	2004	2003
Direct production workers	**10**	7
Management and staff	**5**	2
	15	9

Staff costs (for the above persons)	2004	2003
	£'000	£'000
Wages and salaries	**468**	336
Social security costs	**49**	34
Other pensions costs	**45**	26
Staff costs	**562**	396

5 Directors' emoluments

No remuneration has been paid to or waived by the directors during the year in respect of the services they provided to the company.

6 Net interest payable

	2004	2003
	£'000	£'000
Bank overdraft interest payable	5	-

7 Profit on ordinary activities before taxation

	2004	2003
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	34	54
Auditors' remuneration	9	10
Foreign exchange loss	67	65
Hire and operating lease payments:		
Plant and equipment	76	16
Other	4	84

8 Tax on profit on ordinary activities

	2004	2003
	£'000	£'000
Current tax		
UK corporation tax at 30% (2003: 30%)	**68**	26
Foreign taxation	**20**	25
Over provision in respect of prior years	**1**	4
Total current tax	**89**	55
Deferred tax		
Origination and reversal of timing differences	**(94)**	-
Total tax (credit)/charge	**(5)**	55

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:

	2004	2003
	£'000	£'000
Profit on ordinary activities before taxation:	**326**	203
UK corporation tax at standard rate 30% (2003: 30%)	**98**	61
Deferred tax	**94**	-
Permanent differences	**2**	10
Adjustments to current tax charge for prior periods	**1**	4
Effect of reversal of fixed asset timing difference on which deferred tax asset has not been provided	**(106)**	(20)
	89	55

9 Tangible assets

	Leasehold improvements	Plant & equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2004	58	431	489
Additions	8	50	58
Disposals	-	(13)	(13)
At 31 December 2004	**66**	**468**	**534**
Depreciation			
At 1 January 2004	54	420	474
Disposals	-	(1)	(1)
Charge for the financial year	6	28	34
At 31 December 2004	**60**	**447**	**507**
Net book amount			
At 31 December 2004	**6**	**21**	**27**
At 31 December 2003	*4*	*11*	*15*

10 Stocks

	2004	2003
	£'000	£'000
Work in progress	**824**	232
Finished goods	**218**	97
	1,042	329

11 Debtors

	2004 £'000	2003 £'000
Trade debtors	**787**	241
Amounts owed by group undertakings	**129**	320
Prepayments and accrued income	**136**	56
Deferred tax	**94**	-
Other debtors	**36**	-
	1,182	617

An unrecognised deferred tax asset of £105,000 at 31 December 2003 arose in respect of fixed asset and other timing differences. This was not recognised at that time on the grounds that there was insufficient evidence that there would be suitable taxable profits from which the future reversal of these underlying timing differences could be deducted. It is now considered that sufficient evidence of suitable future taxable profits exists so that the deferred tax asset has been recognised in full in 2004 at the statutory rate of 30% (2003 : 30%).

12 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	**649**	57
Amounts due to group undertakings	**560**	137
UK corporation tax payable	**18**	9
Group relief payable	**2**	3
Other tax and social security	**-**	4
Accruals and deferred income	**201**	235
	1,430	445

13 Creditors: amounts falling due outwith one year

	2004 £'000	2003 £'000
Other creditors	**72**	56

14 Provision for liabilities and charges

	Warranty provision
	£'000
At 1 January 2004	98
Credit to the profit and loss account for the year	(98)
At 31 December 2004	**-**

The warranty provision relates to warranties provided in the normal course of business relating to contract performance. Based on the lack of history of such warranty claims, the directors have reassessed their estimate of the required provision to zero in the current year.

15 Called up share capital

	2004	2003
	£'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

16 Profit and loss account deficit

	£'000
At 1 January 2004	(1,599)
Retained profit for the financial year	331
Credit in respect of employee share awards	2
At 31 December 2004	**(1,266)**

17 Reconciliation of movements in shareholder's funds

	2004 £'000	2003 £'000
Opening shareholder's funds	**1,401**	1,253
Profit for the financial year	**331**	148
Credit in respect of employee share awards	**2**	-
Closing shareholder's funds	**1,734**	1,401

18 Leasing commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 Land and buildings £'000	2004 Other £'000	2003 Land and buildings £'000	2003 Other £'000
Payments falling due in 2005 in respect of operating leases which expire:				
Within one year	**22**	-	13	13
Between one and two years	-	**14**	104	-
	22	**14**	117	13

19 Pensions

The company participates in the group defined benefit pension scheme, details of which are given in Note 1. The pension cost of the company for the year was £35,000 (2003: £22,000) for the defined benefit scheme and £10,000 (2003: £4,000) for the defined contribution plan.

20 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.

21 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.

22 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 2004.

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.