Wood Group Production Technology Limited

Annual report and financial statements

for the year ended 31 December 2006

Registered Number. 106951



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for the year ended 31 December 2006

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Wood Group Production Technology Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

Business review and principal activities
The company's principal activity was the provision and service of downhole instrumentation for use in the oil industry

The results for the company show a pre tax profit of £103,000 (2005 profit £1,202,000) for the year and turnover of £nil (2005 £9,173,000) The company has cash of £156,000 at 31 December 2006 (2005 £198,000)

Future outlook
On 8 December 2005, the trade and assets of the company were sold

Principal risks and uncertainties
The principal risks and uncertainties relating to the company are managed at a Group level and are discussed in the Group's Annual Report and Accounts

Key performance indicators ("KPI's")
The directors of John Wood Group PLC manage the Group's operations on a divisional basis For this reason the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development or position of the business The development and position of John Wood Group PLC, which includes the company, is discussed in the Group's Annual Report and Accounts

Results, dividends and transfers to reserves
The profit for the financial year amounted to £147,000 (2005 profit £762,000) The directors do not recommend payment of a dividend The retained profit for the year will be added to reserves

Directors
The directors of the company during the year are listed below

A G Langlands (resigned 1 January 2006)
G G Park (appointed 1 January 2006 and resigned 22 November 2006)
I Johnson
M Dear (appointed 22 November 2006)

Directors' interests in shares of the company
No director had an interest in the shares of the company during the year or as at 31 December 2006 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 directors in the shares of John Wood Group PLC are set out below

Wood Group Production Technology Limited

Directors' interests – continued

Ordinary shares of 3⅓p each

	Options at 1 1 06	Granted during year	Exercised during year	**Options at 31.12.06**	**Shares at 31.12.06**	Shares at 31 12 05
I Johnson	166,545			**166,545**	**38,502**	
M Dear	20,000	9,694		**29,694**		

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 2006 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

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware Relevant information is defined as "information needed by the company's auditors in connection with preparing their report"

Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

On behalf of the board



Director

Wood Group Production Technology Limited

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

We have audited the financial statements of Wood Group Production Technology Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland) 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Wood Group Production Technology Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
26 October 2007

Wood Group Production Technology Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006	2005
		£'000	£'000
Turnover	2		9,173
Cost of sales			(6,597)
Gross profit			2,576
Operating expenses	3		(1,012)
Operating profit			1,564
Loss on disposal of business	6		(352)
Profit on ordinary activities before interest			1,212
Interest receivable and similar income		**107**	17
Interest payable and similar charges	7	**(4)**	(27)
Profit on ordinary activities before taxation	8	**103**	1,202
Tax on profit on ordinary activities	9	**44**	(440)
Retained profit for the financial year	15	**147**	762

All items dealt with in arriving at the profit for the year above relate to discontinued operations due to the sale of the trade and assets of the company on 8 December 2005

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 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Current assets					
Debtors	10	**2,711**		4,267	
Cash at bank and in hand		**156**		198	
			2,867		4,465
Creditors: amounts falling due within one year	11		**(110)**		(1,862)
Net current assets			**2,757**		2,603
Total assets less current liabilities			**2,757**		2,603
Creditors: amounts due outwith one year	12		**(112)**		(105)
Net assets			**2,645**		2,498
Capital and reserves					
Called up share capital	13		**3,000**		3,000
Profit and loss account deficit	14		**(355)**		(502)
Equity shareholders' funds	15		**2,645**		2,498

The financial statements on pages 5 to 14 were approved by the board of directors on 26 October 2007 and were signed on its behalf by

Director : 

Wood Group Production Technology Limited

Notes to the financial statements for the year ended 31 December 2006

1 Principal accounting policies

Basis of preparation
These financial statements are prepared under the historical cost convention and in accordance with 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
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

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

1 Principal accounting policies (continued)

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 £12 7m (2005 £19 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 2004) '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

	2006 £'000	2005 £'000
Analysis of turnover by geographical destination is as follows:		
United Kingdom		1,955
Rest of World		7,218
		9,173

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

3 Operating expenses

	2006 £'000	2005 £'000
Distribution costs		353
Administrative expenses		659
		1,012

4 Employee information

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

By activity	2006	2005
Production		18
Selling, distribution and administration		8
		26

Staff costs	2006 £'000	2005 £'000
Wages and salaries		869
Social security costs		81
Other pensions costs		78
Staff costs		1,028

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 Loss on disposal of business

	2006	2005
	£'000	£'000
Loss on disposal of business		352

On 8 December 2005, the company sold the trade and assets of the business

7 Interest payable and similar charges

	2006	2005
	£'000	£'000
Bank overdraft interest payable	4	27

8 Profit on ordinary activities before taxation

	2006	2005
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets		31
Auditors' remuneration		10
Foreign exchange loss		13
Hire and operating lease payments		
Plant and equipment		122

9 Tax on profit on ordinary activities

	2006	2005
	£'000	£'000
Current tax		
UK corporation tax at 30% (2005 30%)	**31**	348
Overprovision in respect of prior years	**(75)**	(2)
Total current tax	**(44)**	346
Deferred tax		
Origination and reversal of timing differences		92
Under provision in respect of prior years		2
Total deferred tax		94
Total tax (credit)/charge	**(44)**	440

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

	2006	2005
	£'000	£'000
Profit on ordinary activities before taxation	**103**	1,202
UK corporation tax at standard rate 30% (2005 30%)	**31**	361
Deferred tax		(94)
Permanent differences		81
Adjustments to current tax charge for prior periods	**(75)**	(2)
Total current tax (credit)/charge	**(44)**	346

10 Debtors

	2006 £'000	2005 £'000
Trade debtors		97
Amounts owed by group undertakings	**2,635**	2,854
Prepayments and accrued income		9
Tax receivable	**68**	9
Other debtors	**8**	1,298
	2,711	4,267

The amounts owed by group undertakings are unsecured and have no fixed dates of repayment Interest is receivable based on the Bank of England base rate

11 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank overdraft	**3**	956
Trade creditors		51
Amounts due to group undertakings	**8**	584
UK corporation tax payable		15
Group relief payable	**99**	148
Accruals and deferred income		108
	110	1,862

The amounts owed to group undertakings are unsecured, interest free and have no fixed dates of repayment

12 Creditors: amounts falling due outwith one year

	2006	2005
	£'000	£'000
Other creditors	**112**	105

13 Called up share capital

	2006	2005
	£'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

14 Profit and loss account deficit

	£'000
At 1 January 2006	(502)
Retained profit for the financial year	147
At 31 December 2006	**(355)**

15 Reconciliation of movements in shareholders' funds

	2006	2005
	£'000	£'000
Opening shareholders' funds	**2,498**	1,734
Profit for the financial year	**147**	762
Credit in respect of employee share awards		2
Closing shareholders' funds	**2,645**	2,498

16 Leasing commitments

At 31 December 2006 the company had no annual commitments under non cancellable operating leases

17 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 £nil (2005 £68,000) for the defined benefit scheme and £nil (2005 £10,000) for the defined contribution plan

18 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

19 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 (note 20)

20 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 2006

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