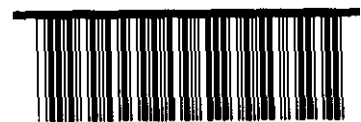


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Focused teamwork + increasing activity = renewed growth



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COMPANIES HOUSE

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25/06/01

corporate information

Registered Office

3 Colmore Circus, Birmingham B4 6BH Registered Number: 623285

Head Office

Minto Drive, Altners, Aberdeen AB12 3LW Telephone: 01224 299600 Facsimile: 01224 230400

Principal Bankers

Bank of Scotland, 38 Albyn Place, Aberdeen AB10 1ZS

Registrars

Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA

Auditors

Arthur Andersen, 1 Surrey Street, London WC2R 2PS

Joint Stockbrokers

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN

Old Mutual Securities (formerly Albert E Sharp Securities)

Temple Court, 35 Bull Street, Birmingham B4 6ES

Financial Advisers

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Solicitors

Pinsent Curtis Biddle

Dashwood House, 69 Old Broad Street, London EC2M 1NR

Paull & Williamsons

6 Union Row, Aberdeen AB10 1DQ

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Operating profit, before goodwill amortisation, up 20% to £13.5 million. Drilling division increased activity levels in the UK and internationally. Inspection division saw a strong recovery with improving margins. Drillings fluids division saw activity improvements through the latter half of the year. Wind power division substantially increased its generating capacity, with significant further capacity underway for 2001.

ABBOT AT A GLANCE

KCA

are leading providers of drilling, well intervention and engineering services primarily in the international oil and gas industry. It is the leading UK platform drilling contractor, operating 22 rigs on 20 platforms in the UK, representing approximately a 40% market share.

Internationally KCA operates in Libya, both offshore, on the Agip Bourri field, and onshore with 3 workover rigs, and in Tunisia.

With the dramatic changes over the last 10 years in the international oil industry, KCA has responded pro-actively and established the new "skillsets" required to manage integrated drilling projects and invested heavily in facilities engineering, well engineering and operation expertise, combining traditional drilling contractors skills with oil company expertise and insight.

CLIENTS INCLUDE

Shell
ExxonMobil
TotalFinaElf
Kerr McGee
Britannia Operator Ltd
Chevron
AIOC
Agip

OIS

operates throughout the UK with a branch network of 14 offices and headquarters in Aberdeen. It has established offices in the Middle East and Far East and a major presence in South Africa through a network of offices.

The company's range of services include non destructive testing, inspection management, structural surveys, pipeline inspection, rail/linear asset inspection, pressure testing, rope access, engineering, heat treatment and mechanical testing, using the latest technology available.

Industry in general now requires ever higher standards of safety and integrity in order to satisfy stringent statutory and environmental obligations. OIS has responded with innovative engineering solutions which coupled with increasing investment in equipment information technology and training enables the company to provide customers with value added service.

CLIENTS INCLUDE

BP
Talisman
TotalFinaElf
Conoco
PowerGen
British Energy
Halliburton
Esso

BW

is a provider of integrated fluids management services and associated technical and engineering services to the upstream oil and gas industry. The success of the company is based on innovative products and technical solutions developed through focused research and reliable, responsive service.

BW offers proven consistent quality performance and long term technical support. BW has developed and pioneered the use of many technically and environmentally successful systems from ultra low oilwater ratio invert emulsion fluids to the first modern silicate fluids with enhanced lubricant technology. BW operates in the UK and Irish sectors, in North and West Africa.

CLIENTS INCLUDE

BP
Talisman
ExxonMobil
Enterprise
BHP

POWERGEN RENEWABLES

PowerGen Renewables Holdings Limited (a 50/50 joint venture between PowerGen Investments Ltd and Abbot Group plc), operating through its subsidiaries, are leading owners and developers of wind farms in the UK and Eire. It currently operates 14 wind farms, one of which is offshore and a further 3 are under construction, giving total capacity of over 130 MW by the end of 2001.

Advances in technology, increases in experience, and a gradual decrease in cost have combined to create new opportunities for offshore wind farm development and an anticipated growth in this area.

Since the UK has possibly the best offshore wind resource in Europe a sizeable resource is being directed towards new off shore developments.

OPERATIONAL SITES

Cumbria
Northumberland
Yorkshire
Wales
Norfolk
Cornwall
Northern Ireland
Eire

The commercial successes that we have achieved during 1999 & 2000 have begun to translate into operating activity

2000 demonstrated a solid increase in results compared to 1999. The commercial successes that we have achieved during 1999 and 2000 have begun to translate into operating activity, as major oil company customers operating in the North Sea and overseas resume their spending programmes, although we anticipate that the major impact is yet to come. We believe that we will continue to see improvements in results in 2001 and in subsequent years.

RESULTS

Turnover for the year was £168 million (1999 : £158 million) with operating profit, before goodwill amortisation, up 20% to £13.5 million (1999 : £11.3 million).

Excluding goodwill amortisation, the drilling division contributed operating profits of £12.9 million (1999 : £11.3 million), an increase of 14%, the inspection division produced significantly better results with an operating profit of £2.0 million (1999 : £0.5 million) whereas the drilling fluids division lost £0.9 million (1999 : nil). The wind power division generated £0.6 million (1999 : £0.6 million).

Profits before tax, excluding goodwill amortisation, were £12.2 million (1999 : £11.6 million). The net tax charge amounted

to £3.4 million (1999 : £1.2 million, net of release of a £2.0 million provision). Profit for the year excluding goodwill amortisation was £9.0 million (1999 : £10.5 million). Adjusted basic earnings per share, excluding goodwill amortisation, were 6.1p (1999 : 7.2p).

DIVIDEND

The directors are recommending a final dividend of 2.2 pence per share, which together with the interim dividend already paid, will make a total dividend of 3.3 pence per ordinary share, unchanged from 1999. If approved, the final dividend will be paid on 8 June 2001 to eligible shareholders on the register at 11 May 2001.

STRATEGIC DEVELOPMENT

Whilst maintaining our strong domestic market position, we have made significant progress in developing our international business activities and penetrating new markets.

We have been awarded our first contract in Iran and we anticipate capturing further contracts during the year such that we will have established a significant revenue stream from Iranian operations in the medium term. We are now establishing a permanent presence in Iran, which compliments our existing

CHAIRMAN'S STATEMENT

continued

offices in Libya and Azerbaijan where our existing operations have continued to make satisfactory progress.

We are also opening an office in Houston to address the major international drilling engineering projects that are managed there.

Our inspection division has made substantial progress in almost all areas of activity, achieving greater market penetration and significantly improved margins. Our rail survey division, established in 1999, accounted for some 10% of divisional turnover in the period and is poised for further growth.

Although our drilling fluids division's results were unsatisfactory, we have continued to invest in new product development and we can look forward to a somewhat better outlook in the coming years.

We have almost doubled the generating capacity of our wind power division (in joint venture with PowerGen) in 2000, and anticipate increasing capacity by almost 70% in the current year. We are hopeful that after a long period of stalled development, particularly offshore, largely due to political inertia, the necessary framework to allow the industry to move forward will be put in place during the current year, which will result in sustained and substantial growth for this division over the coming years. This will lead to the wind power division becoming a major part of our

group in the medium term.

SUMMARY AND CONCLUSION

The first weeks of the the current year have started promisingly with continuing evidence of the growing commitment of oil companies to increase their spending programmes. It is anticipated that our operating companies will experience an increasing workload in an environment of improving margins.

I am further encouraged, not only by the exciting opportunities available to us in wind power generation, but also by the improving outlook for our international operations, particularly in Iran, Africa and Azerbaijan.

I look forward to the current year with a high degree of optimism.

Alasdair J.D. Locke

Executive Chairman

12 March 2001

KCA are successful in securing first contract in Iran

DRILLING DIVISION

KCA's activity levels in 2000 continued the improving trend indicated in the latter half of 1999 with an overall increase in drilling activity on rigs in the North Sea. Shell, in particular, did not as predicted reduce manning on their platforms but continued operations on seven out of the nine platforms contracted. Kerr McGee, following a reduction in 1999 increased activity during 2000 to three crews, allowing once again the benefit of the incentive mechanisms negotiated in 1998 to deliver anticipated results. Britannia and Alba continued operations throughout the year, and KCA commenced drilling activities associated with the new contract with Total (now TotalFinaElf) on their Alwyn platform. Following an initial workover programme this contract entered the full drilling phase during April 2000, and delivered some significant incentive based results on both of the wells completed during the year.

These levels of continuing and improving activities which were not reflected by our principal competition, is a clear reflection of the strength of KCA's client portfolio in the North Sea.

Internationally, operations in Libya progressed with two of the three land rigs in full operation and continuous operations also being performed on the Bouri field offshore platform. These operations were augmented by a contract award by Repsol, for an upgrading and

drilling programme for the rig on their Casablanca field platform offshore in the Mediterranean sea. This operation commenced early in the year with engineering work, with drilling operations starting in June and being successfully completed by year end.

KCA were particularly pleased with this contract as it opened a relationship with Repsol, an increasingly internationally focussed oil company with ambitions in many of KCA's target markets in Iran, Libya and other areas of North Africa.

The potential for operations to commence in Azerbaijan under the AIOC contract (now operated by BP) increased as several steps were made during 2000 towards full project sanction which is anticipated around mid 2001. Engineering work is now becoming more intense on the project, which it is now expected may run in parallel with or indeed be overtaken by BP's Shah Deniz project also in Azerbaijan. KCA, following a contract to provide preliminary engineering work, is currently tendering for a FEED contract for Shah Deniz, which if successful will provide a good critical mass for Baku based operations from 2003/4.

In Iran some frustration has been experienced with recurring delays to a field development project for a major western client. The reasons for the delay which are complex and outwith the control of KCA, are now significantly resolved, and good progress

OPERATING REVIEW

continued

is being made towards commencement in this multi well onshore development drilling programme.

In the meantime, KCA has announced a significant contract with Petroiran Development Company (PEDCO), a subsidiary of the National Iranian Oil Company (NIOC), for the supply and management of two jack up drilling units for work in the Iranian sector of the Persian Gulf. This 3 year contract involves the provision of the drilling units "Fortura" and "Drizant" which are owned and operated by Petrom, the Romanian state oil company. This contract will provide what we believe will be the first of a

confidence as 2000 progressed with almost 100% utilisation of equipment at year end, with increased activity on all contracts with Marathon in Ireland, Phillips in the North Sea, and for Shell via a subcontract with Expro.

KCA continued to perform in a highly satisfactory manner with its contracts in the North Sea, with some progress now being made internationally. We are confident that the steps taken over the past few years in the Caspian Sea, North Africa and the Middle East will, with the increasing spend by the major international oil companies result in increased activity in the international arena.

The North Sea saw significant increases in inspection service levels

significant revenue stream from Iran reflecting our earlier decision to focus on this market.

The Company's engineering activities have seen an increasing level of rig upgrades reflecting increased oil company investment in the North Sea, and to major expenditure elsewhere in the world.

KCA is continuing to focus on the international market place, and as previously indicated, it is now opening its Houston office to provide engineering work associated with world wide deep water production drilling opportunities.

The well services department also reflected the increased

INSPECTION DIVISION

OIS had a significantly better year in 2000 with increased activity in a number of significant areas, improved margins in core businesses, and significant development in new business areas. This was partially offset by continuing poor performance in the Far East which led to a reorganisation in that area in the final quarter.

The power and nuclear business in England was somewhat slower than historically, however the company continued with inspection contracts for PowerGen, AES, National Power, and also

We enter 2001 with a high degree of optimism for the drilling fluids division

British Energy's nuclear power stations at Sizewell "B" and Torness.

The North Sea saw significant increases in service levels reflecting not only the recovery in activities affected by the oil price, but particularly the activities associated with the contracts gained during 1999. These led to a much higher level of activity not only in the inspection and integrity management fields, but also the wider service provision associated with these contracts with BP, Talisman and TotalFinaElf.

The latter part of 2000 saw OIS being awarded a partnering contract with Halliburton/Brown & Root, which includes the provision of a broad band of services to Shell and Chevron, HRL in Morecambe Bay, and Conoco's operations in the southern sector of the North Sea.

The downstream oil and petrochemical sector saw some uplift relative to 1999 as deferments were released with technical inspection work being carried out at Conoco's Humber refinery, Esso's refinery at Fawley and the facility at Mossmorran, and on Teesside for Huntsman, Dupont and Union Carbide.

OIS Surveys, the division set up during 1999 to meet a new market, continued survey work on the West Coast Main Line, with a major increase to scope of work. The division also carried out in 2000 in innovative aerial survey for Railtrack Scotland.

This was a ground breaking contract which demonstrated the advantages of airborne surveys in gathering a large amount of data very quickly with the added advantages of enabling management to pinpoint the areas which will require on the ground detailed review, without exposing teams to the exposure of working on an operating railway.

The pipeline division had a very difficult year, with a very high level of tendering activity but with no project starts. Activity levels have picked up significantly in early 2001, with the division anticipating profitable operations in the year to come.

The Far East was problematic, with little activity to support a relatively high cost base. Following some management changes the overhead structure in Malaysia has now been reduced, which when coupled to profitable operations in Indonesia, the area is also anticipated to provide a profitable contribution in 2001.

South Africa had an excellent year with major clients Sasol, Mossgas, Engen etc. providing high levels of activity. South Africa continues to be a ready market for the new and higher technology services, and is increasingly becoming a regional centre for activities in other areas of Southern Africa.

The Middle East has seen a gradual and improving trend in both activity and in profitability. The company has made itself

OPERATING REVIEW

continued

distinct by providing technical solutions which are gaining an increasingly ready market in an area where "basic" services were the norm.

The Acet software has been a major help in developing new clients and new relationships. We are confident that the progress made by OIS in 2000 is the initial stages of a recovery in both activity levels and margins, which with OIS's strategy of continuing investment in technology will enable the company to resume its goal of an 8 to 10% overall margin, in the medium term.

achieved without reducing the ability of the company to address an upturn when it inevitably arrived.

As the year progressed activity in the UK began to slowly improve, with not only an improvement in volume but also in some cases in the latter part of the year improved margins. UK operations following the re-organisation, broke even in the second half with activities in profit in the final part of the year. The joint venture in North Africa with its very late recovery diluted the improvement in the UK until the very end of the year when it too turned the corner in terms of activity and contribution.

Our joint venture company has made considerable progress

DRILLING FLUIDS DIVISION

BW was the most seriously affected of the group companies by the low oil prices in 1999, being affected by the consequences of continuing downturn in all of their clients activity levels, and a failure of the BP contract awarded in 1999 to deliver activity until well into 2000. This was further exacerbated by a complete lack of activity in the North African joint venture in Tunisia.

The Company was significantly reorganised, with the new management team implementing a re-structuring programme which will save an annualised £1.0 million in costs. This was

The final quarter of 2000 showed a clear trend towards overall profitability, such that we enter 2001 with a high degree of optimism for the division which is particularly well placed to contribute positively for the coming year.

WIND POWER DIVISION

The Group's joint venture with PowerGen continued to make progress throughout the period with three wind farms being brought on line during the year. Lowca in Cumbria at 15 MW, Tursillagh in the Republic of Ireland at 20 MW and Blyth offshore

OPERATING REVIEW

continued

in Northumberland at 4MW brought the total installed capacity for the joint venture to 79 MW.

The wind farm at Blyth, although small in relation to the most recent developments, was highly significant as it was the first offshore wind farm in the UK. It sits in approximately 6 metres of water 2 kilometres offshore from Blyth Harbour, however the environmental conditions, tides and wave heights provide an excellent testing ground to further development. It was brought on line and inaugurated by Helen Liddel, the then Minister of Energy in early December.

PowerGen Renewables has a significant development funnel in excess of 500 MW under consideration, at least 300 MW being onshore and 200 MW+ offshore. There is a high level of confidence that the offshore projects will be able to get underway in the medium term following the publication of the detailed licence arrangements by the Crown Estate for offshore projects, and the anticipated details of the Government's Renewables Obligation due to be released in April 2001.

Of immediate interest was the granting of planning permission and other clearances for a total of some 54 MW of onshore projects in Scotland and England, all of which are now scheduled for bringing on line in 2001.

The partners have so far invested some £21 million between them in new developments, somewhat behind target due to the constraints of onshore planning difficulties, and other determinations, however with greater clarity indicated by Government with regard to future support, particularly for offshore projects, there is a very high degree of confidence for the future development of the joint venture as the UK moves towards an estimated target in excess of 5,000 MW of wind energy by 2010, a major step forward from the 2000 year end capacity of 350 MW.

Michael J.L. Salter

Chief Operating Officer

12 March 2001

FINANCIAL REVIEW

for the year ended 31 December 2000

RESULTS

Group turnover for the year at £168 million was 7% up from the 1999 level of £158 million. The drilling division increased its turnover by 9% to £111 million (1999: £102 million), the inspection division recorded an increase of 18% to £48 million (1999: £41 million) whilst the drilling fluids division recorded a fall of 42% in turnover to £8 million (1999: £13 million).

The drilling division recorded its highest ever level of activity in 2000. Operating profit margins, before goodwill amortisation, were improved to 11.6% from 11.0% in 1999, resulting in an increase in operating profit, before goodwill amortisation, of £1.6 million to £12.9 million in 2000. Overseas turnover accounted for 7% of the total.

The inspection division recorded the biggest increase in activity across the Group with turnover up by 18%, and a significant improvement in operating profit margin, before goodwill amortisation, from 1.2% in 1999 to 4.2% in 2000, resulting in an increase in operating profit, before goodwill amortisation, of £1.5 million to £2.0 million in 2000. Overseas turnover accounted for 28% of the total.

The drilling fluids division was hit by a significant reduction in activity with turnover down by nearly £6 million to £8 million in 2000, resulting in an operating loss, before goodwill amortisation, of £0.9 million, compared to a break even situation in 1999. Significant cost cutting measures were implemented in 2000 due to the downturn in activity which assisted in keeping the level of losses incurred to that reported.

The wind power joint venture reported an operating profit of £0.6 million (1999: £0.6 million) for the year. Although a total of nearly £8.1 million was invested by the joint venture and its undertakings during the year in increasing generating capacity, most of the production did not commence until very late in the

year. Net development expenditure regarding potential new onshore and offshore wind farm projects increased to £0.5 million in the year (1999: £0.3 million). 75% of the joint venture's funding is financed by a non recourse bank facility.

The net interest charge for the Group rose by £0.5 million to £1.9 million. Nearly £0.3 million of the increase was attributable to the Group's share of the wind power joint venture increased interest costs as a result of the investment in new wind farms.

The overall tax rate for the year, based on pre-tax profits excluding goodwill amortisation, was 28%, some 2% below the standard UK corporation tax rate. (The 1999 tax charge was reduced by a £2.0 million release of provisions, resulting in a tax rate of 10% for that year.)

The directors are recommending a final dividend of 2.2p per ordinary share, giving a total dividend of 3.3p for the year, the same as for 1999.

INVESTING FOR THE FUTURE

The Group completed a major consolidation of its property portfolio in Aberdeen during the year. After completion of major building works the inspection division relocated during the summer to its new headquarters in Altens, Aberdeen thereby giving it substantially increased space, quality of accommodation and efficiency of operation. The drilling fluids division relocated its operations to the Abbot / KCA headquarters in August 2000. The two vacated properties were sold during the year at approximately book value.

Separate premises in Aberdeen occupied by the inspection management division of OIS, which had previously been leased, were purchased at a cost of £0.9 million and the inspection division's Stockton facilities, again previously leased, were purchased at a cost of £0.7 million. In total a net £2.3 million was

FINANCIAL REVIEW

continued

invested in property during the year.

In respect of capital expenditure on plant and machinery etc. totalling £3.5 million, £3.2 million was expended by the inspection division, including £0.6 million for the rail survey division.

CASH FLOW AND FINANCING

Excluding the external financing arrangement within the PowerGen joint venture, the Group is financed by floating rate bank loans of £13,893,000, maturing over 2 to 9 years, convertible fixed interest preference shares totalling £1,020,000 and bank overdraft facilities for working capital requirements.

Term loan repayments totalling £3.7 million were made during the year. An additional facility of US\$5,250,000 (£3,523,000) was drawn down to acquire the loan notes issued by Spear Technologies Inc.

An interest charge of base rate plus 1% is being incurred on all the £ sterling bank term loans and overdraft facilities.

The Group's net cash / overdraft position at 31 December 2000 is made up of a net £ sterling overdraft of £5.0 million, US dollar balances of £0.6 million, Libyan dinar balances of £0.9 million and other foreign currency balances of £0.9 million.

The investment in the PowerGen joint venture has principally been financed from the Group's cashflow and overdraft facility. During 2001 the Group will continue to assess the most appropriate funding structure.

The most significant treasury exposures facing the Group are interest rate risk and foreign currency risk. The Group's policy is typically not to enter into complex derivatives transactions, such as interest rate swaps and forward foreign currency contracts, to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Any such transactions that are undertaken are minimal and are only entered into if they relate to underlying exposures and are not viewed as speculative.

Senior management regularly review the net exposure to interest rate and currency risk and actively consider whether the adoption of appropriate financial derivatives to address these risks is required.

Peter J. Milne

Finance Director

12 March 2001

PRINCIPAL OVERSEAS OPERATIONS

1 CASPIAN AREA

KCA and OIS share a combined facility in Baku, Azerbaijan to address this growing market. KCA has a contract with AIOC for the design, engineering, construction and operation of 2 platform rigs, with OIS carrying out inspection services for a number of customers.

2 IRAN

KCA has had a presence in Iran for approximately 2 years working closely with the National Iranian Drilling Co. It has recently won an offshore drilling contract for the management of 2 jack up rigs and holds a letter of intent for a 2/3 land rig operation for a western oil company.

3 LIBYA

KCA has operated in Libya for over 40 years and is headquartered in Tripoli. It operates 3 land rigs for Waha and offshore on the Agip Bouri Field.

4 SOUTH AFRICA

OIS operates in South Africa, through its subsidiary Unit Inspection Co., with headquarters in Johannesburg and branches in Cape Town, Durban, Mossel Bay and three other locations. From South Africa it serves other Southern African countries such as Mozambique as well as Angola.

5 MIDDLE EAST

OIS serves the Middle East inspection market from Abu Dhabi with representation in Saudi Arabia, Qatar, Oman and Yemen.

6 FAR EAST

OIS headquarters its Far East operations out of Kuala Lumpur with branches in Miri, Malaysia, Jakarta and Baton in Indonesia and Brunei, serving both local and international upstream and downstream customers.

7 TUNISIA

KCA has a land rig based in Sfax, Tunisia, while BW through its joint venture BW Naftafluids, serves the drilling fluids market in Tunisia, Algeria and Libya.

8 USA

KCA has recently set up an office in Houston, Texas to address engineering and drilling opportunities for worldwide deep sea production drilling projects which are managed by the major oil companies out of Houston.

THE BOARD OF DIRECTORS
for the year ended 31 December 2000

TOP FROM LEFT TO RIGHT:

Alasdair J. D. Locke	Executive Chairman
Michael J. L. Salter	Chief Operating Officer
Peter J. Milne	Finance Director
Michael A. McDowell	Non-Executive Director
Geoffrey M Phillipps	Non-Executive Director
Guy D. Lafferty	Non-Executive Director
John W. Hollis	Non-Executive Director
Alec W. J. Banyard	Company Secretary

DIRECTORS' REPORT

for the year ended 31 December 2000

The directors present their annual report on the affairs of Abbot Group plc ("the Company") and its subsidiary undertakings (together "the Group"), together with the consolidated accounts and auditors' report, for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The Group's principal activities are the provision of drilling and related well and facilities engineering services, drilling fluids, and the provision of non-destructive testing and inspection services, on a world-wide basis, principally to the energy industry. Other business activities, by way of joint venture, include the generation of electricity from renewable energy sources.

The subsidiary and joint venture undertakings principally affecting the results or net assets of the Group in the year are set out in note 14 to the accounts.

BUSINESS REVIEW

A review of the Group's performance and comments on the financial results and outlook for the future are contained in the Chairman's Statement and the Operating and Financial Reviews.

RESULTS AND DIVIDENDS

The Group made a profit on ordinary activities before taxation of £10,119,000 (1999 : £9,367,000). The audited accounts for the year ended 31 December 2000 are set out on pages 26 to 57.

The directors recommend a final dividend of 2.2p (1999 : 2.2p) per ordinary share to be paid on 8 June 2001 to ordinary shareholders on the register at the close of business on 11 May 2001, which, together with the interim dividend of 1.1p (1999 : 1.1p) paid on 3 November 2000, makes a total of 3.3p per ordinary share for the year (1999 : 3.3p). Dividends of 7.25 p (1999 : 7.25p) per preference share were also paid in the year.

SHARE CAPITAL

During the year options were exercised in respect of 833,050 ordinary shares, and 234,925 preference shares were converted into 187,516 ordinary shares.

Full details of the movements on share capital are given in note 22 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

A.J.D. Locke	(executive chairman)
M.J.L. Salter	(chief operating officer)
P.J. Milne	(finance director)
J.W. Hollis	
G.D. Lafferty	
M.A. McDowell	
G.M. Philipps	

The interests of the directors in the ordinary shares and options of the Company, except as disclosed below, are disclosed in note 7.

SUBSTANTIAL SHAREHOLDINGS

At 12 March 2001 the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests of 3% or more in the ordinary share capital of the Company:

	Number of ordinary shares	Percentage held %
Mr A.J.D. Locke	40,000,000	27.42
Iskut Investment Holdings Limited *	7,600,701	5.21
Iskut Investment Company Limited *	533,412	0.36
Legal & General Investment Management	4,399,425	3.01
Standard Life Investments	4,379,810	3.00

* These companies are beneficially owned by Mr Leif O. Hoegh.

DIRECTORS' REPORT

continued

SUPPLIER PAYMENT POLICY

The Group policy is to agree terms of payment with suppliers prior to entering into contractual relationships and to abide by those terms of payment. As the Company is principally a holding company it has no trade creditors and accordingly no disclosure is made of the year end creditor days.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant. If employees become disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

HEALTH AND SAFETY AT WORK

The well-being of the employees is given the highest priority throughout the Group and it is the Group's policy not only to comply with health and safety measures, as required by law, but to act positively to prevent injury and ill health, and damage to the environment arising from its operations.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL GENERAL MEETING

The notice convening the annual general meeting to be held on 15 May 2001, which can be found on page 58, contains details of a special resolution empowering the directors to allot relevant securities for cash up to a maximum nominal amount of £1,093,973.

PURCHASE OF OWN SHARES

The Company is taking this opportunity to seek authority to purchase its own ordinary shares.

The directors now propose that the Company be authorised to purchase a maximum of 14,586,313 ordinary shares (representing just under 10% of such shares in the share capital of the Company in issue as at 12 March 2001) within the limits described in Resolution 8 contained in the notice of the Annual General Meeting. It is intended that purchases will only be made on the

DIRECTORS' REPORT

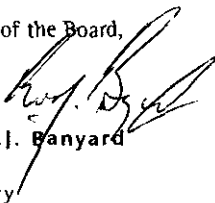
continued

London Stock Exchange. This should not be taken to imply that shares will be purchased. The directors believe that it is in the best interests of all shareholders that the Company should have the flexibility to make market purchases of its own shares. The effect of such purchases would be to reduce the number of shares in issue and the directors would accordingly only make such purchases after considering the effect on earnings per share and the benefit for longer-term shareholders.

AUDITORS

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



Alec W.J. Banyard

Secretary

3 Colmore Circus, Birmingham B4 6BH

12 March 2001

ENVIRONMENTAL REPORT

for the year ended 31 December 2000

The Abbot Group is supportive of environmental matters and is heavily involved in renewable energy, through wind farms, with its 50% shareholding in PowerGen Renewables Holdings Ltd.

The subsidiaries of Abbot Group plc by the nature of their businesses have potential to affect the environment and therefore undertake to carry out such operations in an environmentally responsible manner. Protection of the environment is considered an integral part of the business activities of each subsidiary whose aims can be summarised as follows:-

- Comply fully with all applicable environmental laws and regulations and achieve higher standards where reasonably practicable;
- Comply with the environmental policy requirements of its clients;
- Prevent accidental releases of oils, chemicals or other materials and maintain contingency plans to deal with such eventualities;
- Make efficient use of the materials and energy sources used in operations;
- Carry out operations with minimum practicable disturbance to the environment;
- Minimise the generation of waste and use environmentally acceptable means of disposing of wastes;
- Ensure an awareness of environmental responsibilities amongst its workforce;
- Ensure that sub-contractors are operating to standards which are consistent with those of Group companies;
- Continually audit the environmental management systems and review the performance achieved in order to maintain a process of continuous improvement;
- Maintain contact with industry associations, government organisations and other outside bodies, in order to ensure the communication and development of realistic environmental standards.

DRILLING DIVISION

The environmental management systems KCA follows are those of its clients. At present all environmental management issues fall under its clients' environmental management systems and duty of care arrangements. KCA is a platform drilling contractor and not a duty holder in its own right. With the potential impact on corporate reputation that goes with environmental issues in business today it is only natural that clients want to fully control environmental management.

Nevertheless, in conjunction with Aberdeen University's Cordah environmental consultancy KCA are undertaking an extensive programme of development of its Environmental Management Systems.

INSPECTION DIVISION

In the 3rd quarter of 1999, OIS participated in an initiative supported by Grampian Enterprise with regards to developing and certifying its Environmental Management System.

OIS have further developed and refined its environmental manual and procedures in line with the international standard BS EN ISO 14001 "Environmental Management Systems".

OIS are not only committed to achieving the certification requirements of ISO 14001, but to the continual improvement of its set objectives and targets.

Independent pre-certification audits have been conducted at the beginning of March this year, and OIS expect to gain its certification by the end of April 2001.

OIS now have several environmental initiatives in place ranging from recycling and minimisation of its waste, to the control and segregation of its special wastes. These have been done in order to demonstrate sound environmental performance by controlling the impact of OIS's activities, products and services on the environment.

ENVIRONMENTAL REPORT

continued

DRILLING FLUIDS DIVISION

BW is committed to protecting the environment in its provision of drilling fluids products and services. Changes in the discharge legislation for the North Sea at the start of 2001 mean that the discharge of oily drilled cuttings to the North Sea is no longer allowed, a change in legislation welcomed by the company. BW has become increasingly involved in the effective project management of cuttings containment operations for several major operators and has also successfully developed techniques for the cost-effective treatment of oily water at the rig site. Treating water in this way greatly reduces the volume of water that must be returned for disposal saving operators significant money in both transport and disposal costs. The process also indirectly

benefits the environment by reducing the amount of carbon dioxide produced.

Moving forward the company is continuing to develop its product towards even more environmentally friendly drillings fluids additives. It remains committed to educating and motivating its staff in environmental responsibility and for encouraging its suppliers in the protection of the environment. The company's customers have their own environmental targets and BW consistently works with them to ensure that their drilling related environmental goals can be achieved in a cost effective manner.

12 March 2001

C O R P O R A T E I N F O R M A T I O N

for the year ended 31 December 2000

Alasdair J.D. Locke (47) Executive Chairman. Alasdair has been involved in the oil and shipping industries since 1974, and held senior executive positions within the banking industry. His involvement with the Group is his only significant investment in the oil and gas industry.

Michael J.L. Salter (53) Chief Operating Officer. Mike graduated in mechanical engineering at the University of Glasgow. He joined Bawden Drilling in 1980, and became Vice President/General Manager in charge of all European activities in 1987. He moved in early 1990 to be Chief Executive of Smedvig Limited in the UK. He joined the Group as Director of Business Development during 1995 and was appointed Chief Operating Officer in 1997.

Peter J. Milne (46) Finance Director. Following qualification as a chartered accountant with Deloitte in 1977, Peter held a post with KPMG in Hong Kong until 1980. He first joined KCA Drilling Limited in 1981 and after spending four years in Saudi Arabia as General Accounting Supervisor in a Mobil/Petromin joint venture refinery project, from 1984 to 1987, he rejoined KCA Drilling Limited and was appointed Finance Director in 1995.

John W. Hollis (59) Non-Executive Director. Appointed in 1999, John has worked for the Iraq Petroleum Company, Shell, Mobil, Britoil and BP during his 36 year career in exploration and production. His most recent appointments were Senior Vice President (Azerbaijan) and General Manager (Norway) with BP.

Guy D. Lafferty (46) Non-Executive Director. Guy is managing director of Höegh Capital Partners Advisors Ltd, which is a London based advisor on investment strategy, asset allocation, macro economic conditions and portfolio performance measurement. He is also the managing partner of Lafferty & Partners, a specialist oil and gas industry corporate finance advisor which was established in 1990. He had previously spent 16 years with National Westminster Bank and the Royal Bank of Canada Group where his banking experience related principally to the oil and gas industries.

Michael A. McDowell (55) Non-Executive Director. Mike has an extensive background in the oil and gas industry. He spent five years with BP and seven years with P&O Oil Field Services prior to joining KCA Drilling Limited in 1980 where he became a director in 1981 upon the public flotation of the company and was appointed managing director in 1983. He relinquished his executive responsibilities in 1996 and remains on the board as a Non-Executive Director.

Geoffrey M. Philipps (52) Non-Executive Director. Geoffrey is an independent consultant to the shipping and oil industry working on his own account since 1988. Prior to that he was a director of Henry Ansbacher & Co Ltd, Seascope Offshore Limited, and H Clarkson & Co.

Alec W.J. Banyard (59) Company Secretary. Alec, a qualified accountant, has been involved in the oil services industry for the past twenty-five years. He has been involved with the Group for a number of years and was appointed Company Secretary in 1996.

CORPORATE GOVERNANCE

for the year ended 31 December 2000

In June 1998 the Hampel Committee and the London Stock Exchange published The Combined Code (the "Code") on corporate governance. This combines the Cadbury Code on corporate governance, the Greenbury Code on directors' remuneration and new requirements arising from the findings of the Hampel Committee. The Code is annexed to the Listing Rules published by The Financial Services Authority.

STATEMENT OF PRINCIPLES OF
GOOD GOVERNANCE

The Company has applied the Principles of Good Governance set out in section 1 of the Code by complying with the Code of Best Practice as reported below. Further explanation of how the Principles have been applied is set out below and, in connection with directors' remuneration, in the Remuneration Report.

STATEMENT OF COMPLIANCE
WITH THE CODE OF BEST
PRACTICE

The Company has complied throughout the year with the provisions of the Code of Best Practice set out in section 1 of the Code. As Executive Chairman, Mr Alasdair Locke has certain strategic responsibilities often associated with a Chief Executive Officer (CEO). The Board believes this to be appropriate since due to his significant shareholding, Mr Locke's interests are closely aligned with those of most other shareholders. Responsibility for operational matters rests with Michael Salter, Chief Operating Officer; the Board has nominated Guy Lafferty as senior non-executive, who together with Geoffrey Philipps and John Hollis provide strong independent advice.

The Board consider these three non-executive directors to be independent as they hold only minimal shareholdings and, other than remuneration for their services as non-executives, have no

other related interests in the Group.

DIALOGUE WITH SHAREHOLDERS

The Company has a well established programme of meeting with substantial investors and brokers, including presentations in respect of both the interim and annual reports and holding discussions in respect of future growth and strategy.

BOARD OF DIRECTORS

The Board of directors at 12 March 2001 comprises seven directors: three executive directors and four non-executive directors. A schedule of items reserved for the full Board's approval is in place, which includes, inter alia, the approval of annual and interim results, significant transactions, major capital expenditures and the yearly business plan and budget. Matters are delegated to the audit and remuneration committees, as appropriate, including those detailed below. Being a small Board, the nomination and appointment of new directors is a matter for the Board as a whole.

AUDIT COMMITTEE

Non-executive members: Guy D. Lafferty (Chairman), John W. Hollis, Michael A. McDowell.

The committee's terms of reference are principally concerned with accounting matters, financial reporting and internal controls. The committee meets not less than three times a year to review all significant judgements made in the preparation of the half-yearly and annual accounts, before they are submitted to the Board. It agrees with the auditors the nature and scope of their work and discusses with them the results thereof. The committee has the power to seek external advice as and when required.

REMUNERATION COMMITTEE

Non-executive members: Geoffrey M. Philipps (Chairman),

John W Hollis, Guy D. Lafferty.

The committee's terms of reference are principally concerned with the remuneration (in all its forms) of main board directors and other senior executives of the Group.

The committee meets not less than once a year and with the assistance of information provided from external sources and from sources within the Company ensures that the salary, benefits and pension arrangements of the executive directors, together with awards under any share incentive plan, share option or other similar schemes are appropriate.

I N T E R N A L C O N T R O L

The Board confirm that the Group, as required by the Financial Services Authority, has complied with the Combined Code provisions on internal control and implemented "Internal Control : Guidance for directors on the Combined Code" (the Turnbull Guidance) published in September 1999, for the year under review and up to the date of approval of the 2000 Annual Report and Accounts.

The Board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The principal aim of the system of internal controls is the management of risks that are significant to the business. The system of internal control can only provide reasonable, and not absolute, assurance with respect to the safeguarding of assets against financial misstatement or loss.

A Risk Management Committee was set up in 1999, comprising John W. Hollis (Chairman), Peter J. Milne and Alec W. J. Banyard. It's role, on behalf of the Board, and in conjunction with the audit committee, is to regularly review and challenge the effectiveness of the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. The Risk Management Committee also collates the results of these risk management procedures and

reports on this at a Group level to the Board, including a specific assessment for the purposes of this annual report.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Group and its divisions. Line management are responsible for the process of identification and evaluation of significant risks, assessing the design and operation of suitable internal controls, and the integration of this process into the day to day operation of the Group.

The processes used to review the effectiveness of the system of internal control include the following:-

1. At regular divisional board meetings, on which the Company's executive directors sit, each division presents a risk management report which identifies their key risks, the probability of these risks occurring, their impact if they do occur, the strategy for handling the risk, an assessment of the controls and procedures in place and actions being taken to manage the risks. The Risk Management Committee then report to the Group Board on risk management, the risks at Group level and updates on progress made.
2. Consideration by the Audit Committee of external audit reports on the system of internal controls and any identified material control weaknesses.
3. The full Board receives the minutes of all Audit Committee meetings.

The Group regularly reviews the need for an internal audit function and the Audit Committee review the operation and effectiveness of this framework on a regular basis.

G O I N G C O N C E R N

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

REMUNERATION REPORT

for the year ended 31 December 2000

As well as complying with the provisions of the Code of Best Practice as disclosed in the Company's corporate governance statements, the Board has applied the Principles of Good Governance relating to directors' remuneration as described below.

The membership and terms of reference of the Remuneration Committee are disclosed in the section on Corporate Governance on page 21.

REMUNERATION POLICY

The Company has complied throughout the year with Section 1B of the Code of Best Practice in respect of the directors' remuneration.

The policy of the Remuneration Committee is to ensure that the total remuneration packages of executive directors and senior executives reflect the size, performance and complexity of the Group's business and the contribution of the individual job-holders. The Remuneration Committee receives advice from external sources to help them in this process.

The directors believe that an important element of remuneration at the executive level is participation in an incentive plan, so as to:

- provide an additional incentive to management;
- attract and retain management of the quality required; and
- reward management on a basis consistent with the Group's performance.

THE ABBOT GROUP

SHARE INCENTIVE PLAN

The Abbot Group Share Incentive Plan was approved by shareholders in 1996. Subsequent to the achievement of various performance related targets for the three year period ending 31 December 1998, full details of which were set out in the 1998 Annual Report and Accounts, options over 833,050 shares at nil

cost were exercised during the year, and options over a total of 12,150 shares at nil cost, exercisable immediately, remained outstanding at 31 December 2000. No further awards are to be made under this plan.

THE ABBOT GROUP 1999

EXECUTIVE INCENTIVE PLAN

The Abbot Group 1999 Executive Incentive Plan ("the Plan") was approved by Shareholders in 1999.

The principal terms of the Plan are as follows:

1. Under the Plan, executive directors and other selected senior executives may, after the announcement of results of a "bonus year", be awarded a bonus of up to 75 per cent of the amount of basic annual salary paid for that bonus year. The amount of such bonus will be at the discretion of the Remuneration Committee but will be determined by reference to the attainment of individual and financial targets set at the beginning of that bonus year.
 2. The executive may elect to take the whole or any part of such bonus in the form of shares in the Company ("Annual Award Shares") which, if the Awardholder continues to be employed by the Group and hold the shares for a period of three years ("the Holding Period"), will be matched up to 1 for 1 by a "gift" of additional shares at the end of the Holding Period ("a Matching Share Award").
 3. The market value of shares taken under an Annual Share Award (as at the time they are appropriated) will be equal to the net amount of cash bonus foregone (after deduction of income tax and any employees' national insurance contributions). The value of shares over which a Matching Share Award is made ("Matching Shares") is determined by reference to the gross amount of cash bonus foregone.
- In respect of the financial year 2000, cash bonuses totalling

REMUNERATION REPORT

continued

£135,000 (1999: £nil) have been awarded to a number of senior executives at subsidiary level. These bonuses will be paid at the end of March 2001 at which time the executives will elect whether to take any part of such bonus in the form of Annual Award Shares.

Financial performance targets have been set for the financial year 2001 which, if achieved, would result in bonuses of no more than 50% of basic salary being paid to certain executive directors and a number of senior executives across the Group.

DIRECTORS' REMUNERATION (INCLUDING INTERESTS IN SHARES)

Full details of the remuneration packages of individual directors and information on options held under the Abbot Group Share Incentive Plan are set out in note 7 to the accounts.

The remuneration of non-executive directors is determined by the executive directors, based on a review of current practice in the market place.

DIRECTORS' CONTRACTS

There have been no changes to any of the directors' service agreements. Executive director's contracts include notice periods of twelve months, and non-executive director's contracts include notice periods of three months.

RE-ELECTION OF DIRECTORS

In accordance with the Articles, Messrs. Locke and Philipps retire by rotation and offer themselves for re-election. Mr. Locke's service agreement is subject to twelve months' notice by the Company. Mr. Philipps's appointment is subject to three months' notice.

Peter J. Milne

Finance Director

12 March 2001

AUDITORS' REPORT

for the year ended 31 December 2000

TO THE SHAREHOLDERS OF ABBOT GROUP PLC

We have audited the accounts on pages 26 to 57 which have been prepared under the historical cost convention and the accounting policies set out on pages 30 to 31.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report including, as described on page 30, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and the Group is not disclosed.

We review whether the corporate governance statement on page 21 to 22 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report

including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, 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 accounts 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 accounts.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street, London WC2R 2PS

12 March 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

	Notes	Results before goodwill amortisation 2000 £'000	Goodwill amortisation 2000 £'000	Total results 2000 £'000	1999 £'000
Turnover: Group and share of joint venture turnover		170,829	-	170,829	159,596
Less share of joint venture turnover		(2,428)	-	(2,428)	(1,936)
Group turnover	2	168,401	-	168,401	157,660
Cost of sales		(138,653)	-	(138,653)	(130,392)
Gross profit		29,748	-	29,748	27,268
Operating expenses	3	(16,260)	(1,866)	(18,126)	(18,027)
Operating profit	2	13,488	(1,866)	11,622	9,241
Share of operating profit in - joint venture		550	(200)	350	355
- associates		-	-	-	199
Profit on sale of interest in associate	4	-	-	-	920
Profit on ordinary activities before interest and taxation		14,038	(2,066)	11,972	10,715
Net interest payable	5	(1,853)	-	(1,853)	(1,348)
Profit on ordinary activities before taxation	8	12,185	(2,066)	10,119	9,367
Taxation on profit on ordinary activities	9	(3,403)	-	(3,403)	(1,213)
Profit on ordinary activities after taxation		8,782	(2,066)	6,716	8,154
Minority interest	25	202	-	202	77
Profit for the year		8,984	(2,066)	6,918	8,231
Dividends, including non-equity	10			(4,893)	(4,886)
Retained profit for the year	23			2,025	3,345
Earnings per ordinary share					
Basic	11			4.7p	5.7p
Diluted	11			4.7p	5.6p
Adjusted, basic - excluding goodwill amortisation	11			6.1p	7.2p

The movement on reserves is shown in note 23.

The accompanying notes are an integral part of this consolidated profit and loss account.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the year	6,918	8,231
Exchange losses on investment in overseas subsidiaries, net	(138)	(15)
Total recognised gains for the year	6,780	8,216

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

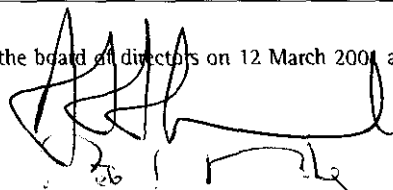
CONSOLIDATED BALANCE SHEET

31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Goodwill	12	14,226	16,580
Tangible assets	13	23,095	20,701
Investments - joint venture	14		
share of gross assets		16,274	14,632
share of gross liabilities		(12,338)	(11,045)
goodwill		2,176	2,376
		6,112	5,963
Investments - others	14	3,697	-
		47,130	43,244
Current assets			
Stocks	15	8,006	6,819
Debtors	16	37,234	36,602
Cash at bank and in hand		1,983	2,307
		47,223	45,728
Creditors: Amounts falling due within one year	17	(37,354)	(33,533)
Net current assets		9,869	12,195
Total assets less current liabilities		56,999	55,439
Creditors: Amounts falling due after more than one year	18	(10,605)	(10,681)
Provisions for liabilities and charges	20	(1,154)	(1,210)
Net assets		45,240	43,548
Capital and reserves			
Called-up share capital	22	22,899	22,981
Share premium account	23	49,274	48,344
Profit and loss account	23	(26,746)	(27,784)
Total shareholders' funds	24	45,427	43,541
Equity minority interests	25	(187)	7
		45,240	43,548
Equity shareholders' funds		44,407	42,286
Non-equity shareholders' funds		1,020	1,255
		45,427	43,541

The accounts were approved by the board of directors on 12 March 2001 and signed on its behalf by:

A.J.D. Locke Director
P.J. Milne Director



The accompanying notes are an integral part of this consolidated balance sheet.

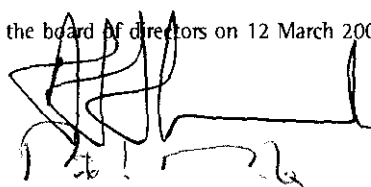
COMPANY BALANCE SHEET

31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	13	10,315	8,328
Investments - joint venture		6,351	6,163
Investments - others	14	96,806	96,471
		113,472	110,962
Current assets			
Debtors	16	4,440	7,666
Creditors: Amounts falling due within one year	17	(20,393)	(27,213)
Net current (liabilities)		(15,953)	(19,547)
Total assets less current liabilities		97,519	91,415
Creditors: Amounts falling due after more than one year	18	(10,213)	(10,370)
Provisions for liabilities and charges	20	(236)	(157)
Net assets		87,070	80,888
Capital and reserves			
Called-up share capital	22	22,899	22,981
Share premium account	23	49,274	48,344
Profit and loss account	23	14,897	9,563
Total shareholders' funds		87,070	80,888
Equity shareholders' funds		86,050	79,633
Non-equity shareholders' funds		1,020	1,255
		87,070	80,888

The accounts were approved by the board of directors on 12 March 2001 and signed on its behalf by:

A.J.D. Locke Director
P.J. Milne Director



The accompanying notes are an integral part of this balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2000

Reconciliation of operating profit to operating cash flows

	Notes	2000 £'000	1999 £'000
Operating profit		11,622	9,241
Goodwill amortisation		1,866	2,045
Depreciation charge		3,320	3,235
Profit on sale of tangible fixed assets		(95)	(106)
(Increase) in stocks		(1,187)	(328)
(Increase) decrease in debtors		(491)	14,231
(Decrease) in creditors		(252)	(11,987)
Share incentive plan - (credit) in the year		-	(47)
Net cash inflow from operating activities		14,783	16,284

Cash flow statement

	Notes	2000 £'000	1999 £'000
Net cash inflow from operating activities		14,783	16,284
Dividends received from joint venture and associates		-	312
Returns on investments and servicing of finance	26a)	(1,263)	(1,128)
Taxation	26b)	(3,737)	(5,472)
Capital expenditure and financial investments	26c)	(10,031)	(3,361)
Acquisitions and disposals	26d)	822	663
Equity dividends paid		(4,797)	(4,472)
Net cash (outflow) inflow before financing		(4,223)	2,826
Financing			
(Decrease) in debt	26e)	(195)	(1,857)
Net cash (outflow) from financing	26e)	(195)	(1,857)
(Decrease) increase in cash	27	(4,418)	969

The accompanying notes are an integral part of this consolidated cash flow statement.

NOTES TO ACCOUNTS

31 December 2000

1 ACCOUNTING POLICIES

A summary of the principal Group accounting policies, all of which, where relevant, have been applied consistently throughout the year and the preceding year is set out below.

a) Basis of accounting

The Group accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting and financial reporting standards.

b) Basis of consolidation

The Group accounts incorporate the accounts of the Company and all of its subsidiary and joint venture undertakings up to the end of the financial year. The results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and written off on a straight line basis over its useful economic life on a case by case basis, ranging between five and a maximum of twenty years. The directors consider impairment when there are indications this might have occurred and otherwise as required by FRS11.

The Group took advantage of the transitional arrangements within FRS10 not to reinstate goodwill that has previously been written off to reserves prior to 1998. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

The Company has taken advantage of the exemption in section 230 of the Companies Act 1985 not to present its own profit and loss account. The Company's profit for the year

determined in accordance with the Act (including dividends from subsidiaries) was £10,511,000 (1999: £3,794,000).

c) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. All finance costs that are directly attributable to the construction of tangible fixed assets are capitalised gross (i.e. before tax relief) as part of those assets. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over their estimated useful lives. The estimated useful working lives for different categories of fixed assets, including assets held under finance leases, are as follows:

Freehold buildings	50 years
Leasehold land and buildings	50 years
(or over the unexpired lease period, if shorter)	
Plant, machinery and vehicles	2-10 years
Drilling rigs and equipment	3-10 years
Drilling rigs and equipment which are temporarily not operational are not depreciated.	

d) Investments

Investments held as fixed assets are shown at cost less appropriate provision where the directors consider that impairment in value has occurred.

In the Group's accounts, investments in the joint venture are accounted for using the gross equity method, and investments in associated undertakings are accounted for using the equity method.

e) Stocks and work in progress

Stocks of spare parts which are held for use in the Group's

NOTES TO ACCOUNTS

continued

1 ACCOUNTING POLICIES

(continued)

drilling operations are stated at cost less a provision in respect of those spares attached to the older rigs and equipment. Other stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of attributable overheads. Drilling fluids are repurchased based on the current cost of its constituent parts.

f) Taxation

Corporation tax payable is provided on taxable profits at current rates in the respective taxation jurisdictions.

Deferred taxation, which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities has been calculated on the liability method. Deferred tax is provided on timing differences which are expected to reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

g) Pension costs

Contributions to various Group defined benefit pension schemes are charged to the profit and loss account so as to spread the expected cost of providing benefits, calculated in accordance with actuarial advice, on a systematic basis over employees' working lives. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

h) Foreign currency

Transactions denominated in foreign currencies are translated and recorded at the rate of exchange ruling at the date of the transaction

or contracted rates where appropriate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Translation gains or losses are included in the profit and loss account for the year.

The accounts of overseas subsidiaries are translated into sterling at exchange rates ruling at the balance sheet date and translation gains or losses on the opening net investment are included as a movement in reserves.

i) Turnover

Group turnover is all derived from continuing operations and comprises the invoiced value of goods and services (excluding VAT) provided, including the value of services subcontracted by the Group.

j) Leases

Assets held under finance leases are capitalised, and classified under tangible fixed assets. Depreciation is provided on a straight-line basis so as to write off the capitalised cost, less estimated residual value where appropriate, over the shorter of the lease term, including secondary periods where appropriate, and the estimated useful working life of the asset. Corresponding obligations under finance leases are classified as lease obligations under creditors and the related finance cost charged to the profit and loss account using the sum of the digits method. Operating lease rentals are charged to the profit and loss account on a straight line accruals basis.

NOTES TO ACCOUNTS

continued

2 SEGMENTAL ANALYSIS

Group turnover, operating profit and net assets are analysed as follows:

a) By class of business

	Operating profit before goodwill amortisation		Operating profit	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Drilling	12,907	11,295	12,907	11,295
Inspection	2,030	509	1,674	154
Drilling fluids	(938)	(33)	(2,448)	(1,723)
Corporate and other	(511)	(485)	(511)	(485)
Total	13,488	11,286	11,622	9,241

	Turnover		Net operating assets	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Drilling	111,473	102,364	13,686	14,393
Inspection	48,228	41,029	17,807	14,941
Drilling fluids	7,789	13,447	14,502	16,874
Corporate and other	911	820	17,631	11,129
Total	168,401	157,660	63,626	57,337
Net interest bearing (liabilities)			(18,386)	(13,789)
Total net assets			45,240	43,548

There is no material inter-segment turnover. There are no discontinued activities in 2000 or 1999.

Analysis of the wind power division (the PowerGen Renewables joint venture) is disclosed within note 14.

NOTES TO ACCOUNTS

continued

2 SEGMENTAL ANALYSIS (continued)

b) By geographical market

	Operating profit before goodwill amortisation		Operating profit	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
United Kingdom	12,202	9,861	10,336	7,816
Africa	1,027	1,565	1,027	1,565
Middle and Far East	(66)	(33)	(66)	(33)
Rest of World	325	(107)	325	(107)
Total	13,488	11,286	11,622	9,241

	Turnover		Net assets	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
United Kingdom	141,339	136,160	39,365	37,913
Africa	14,243	12,180	5,155	5,406
Middle and Far East	5,112	5,830	(322)	192
Rest of World	7,707	3,490	1,042	37
Total	168,401	157,660	45,240	43,548

There is no material difference between sales by destination and origin.

3 OPERATING EXPENSES

	2000	1999
	£'000	£'000
Goodwill amortisation	1,866	2,045
Other administration expenses	16,260	15,982
	18,126	18,027

4 PROFIT ON SALE OF INTEREST IN ASSOCIATE

In December 1999 the Group sold its 49% interest in OIS-Fisher Inc.

NOTES TO ACCOUNTS

continued

5 NET INTEREST PAYABLE

	2000	1999
	£'000	£'000
On bank loans and overdrafts	1,464	1,143
On other loans	99	141
Finance charges payable under finance leases	-	2
Share of joint venture interest payable	750	384
Interest capitalised during year	(136)	-
Interest payable	2,177	1,670
Bank interest receivable	(130)	(283)
Loan notes interest receivable	(56)	-
Share of joint venture interest receivable	(138)	(39)
Interest receivable	(324)	(322)
	1,853	1,348

6 EMPLOYEE COSTS

The aggregate remuneration of all employees (including executive directors) of the Group comprised:

	2000	1999
	£'000	£'000
Wages and salaries	64,233	55,880
Social security costs	6,393	5,549
Other pension costs	2,127	1,610
Costs associated with employee share schemes	140	(178)
	72,893	62,861

The average monthly number of persons, including directors, employed by the Group was as follows:

	2000	1999
	Number	Number
Drilling	1,101	961
Inspection	937	819
Drilling fluids	44	53
Administration and support	281	237
	2,363	2,070

NOTES TO ACCOUNTS

continued

7 DIRECTORS' REMUNERATION

Aggregate remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	2000	1999
	£'000	£'000
Emoluments	485	443
Gains on exercise of share options	283	77
Money purchase contributions	18	-
	786	520

The gains on exercise of share options were made in respect of the exercise of options vested under The Abbot Group Share Incentive Plan in respect of the Group's performance for the three year period ending 31 December 1998.

The directors received the following remuneration in respect of their services as directors of the Company:

	Fees/Basic	Taxable	Total	Total
	Salary	Benefits	2000	1999
	£'000	£'000	£'000	£'000
A.J.D. Locke	150	3	153	152
M.J.L. Salter	141	13	154	139
P.J. Milne	120	10	130	117
J.W. Hollis	12	-	12	5
G.D. Lafferty	12	-	12	10
M.A. McDowell	12	-	12	10
G.M. Philipps	12	-	12	10
	459	26	485	443

Fees under agreements to provide the Company with services of J.W. Hollis, G.D. Lafferty, M.A. McDowell and G.M. Philipps are paid to Hollis Consultancy Services Limited, Delemere Limited, Ocean Energy Services Limited and Opencroft Limited respectively.

NOTES TO ACCOUNTS

continued

7 DIRECTORS' REMUNERATION (continued)

Details of options held by the directors under the Abbot Group Share Incentive Plan, to acquire ordinary shares in the Company are as follows:

Name of director	1 January 2000	Exercised	31 December 2000	Exercise price	Market price on exercise	Gains on exercise 2000	Gains on exercise 1999
					P	£'000	£'000
M.J.L. Salter	190,000	(190,000)	-	nil	96	182	-
P.J. Milne	72,500	(72,500)	-	nil	140	101	77

Market price at date of grant, 25 June 1996 : £0.76. Market price at 31 December 2000 : £1.295 (31 December 1999 : £1.085) and range during the year was £0.905 to £1.425. No options lapsed or were granted to the directors during the year.

The interest of A.J.D. Locke in the ordinary share capital of the Company is disclosed in the directors' report on page 15. The interests of the other directors who held office at 31 December 2000 were as follows:

	Number of ordinary shares	
	31 December 2000	31 December 1999
M.J.L. Salter	163,124	43,124
P.J. Milne	100,000	69,500
J.W. Hollis	6,000	6,000
G.D. Lafferty	6,000	6,000
M.A. McDowell	-	-
G.M. Philipps	5,000	5,000

None of the directors had any interest in the 7.25% cumulative convertible redeemable preference shares of £1 each.

NOTES TO ACCOUNTS

continued

7 DIRECTORS' REMUNERATION (continued)

Directors' pension entitlements

At 31 December 2000 there were 2 directors (1999: 2) to whom benefits were accruing under defined benefit pension schemes, as follows:

Name of director	Age at year end	Increase in accrued pension excluding inflation	Accrued pension 31 December 2000	Accrued pension 31 December 1999
		£'000	£'000	£'000
M.J.L. Salter	53	3	17	13
P.J. Milne	46	3	41	37

The pension entitlements shown in respect of Messrs Salter and Milne are those which would be paid annually from normal retirement age based on service at the end of the year. Basic salary only is pensionable.

M.A. McDowell was paid a pension of £55,000 during the year (1999: £54,000).

A premium of £18,120 (1999: £nil) was paid to a personal pension plan for A. J. D. Locke.

The following is additional information relating to directors' pensions:

- (a) Normal retirement age: 60
- (b) Dependants' rights: Dependants' pension payable at 60% of full rate
- (c) Early retirement rights: Retirement after age 50, with pension calculated on actual years service completed, with reduction in annual amount to take account of longer payment period
- (d) Pension increase: 3% per annum
- (e) Other discretionary benefits: None
- (f) Director contribution rate: 5% of pensionable salary

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following amounts:

	2000	1999
	£'000	£'000
Depreciation and amounts provided against tangible fixed assets	3,320	3,235
Goodwill amortisation	2,066	2,245
Payments under operating leases		
- leasehold properties	1,009	1,029
- plant and machinery	389	251
Remuneration in respect of audit services		
- Arthur Andersen	244	233
- Other group company auditors	13	5

Amounts paid to Arthur Andersen for non-audit services, including amounts not charged to profit on ordinary activities before taxation, were £43,000 (1999 : £49,000).

NOTES TO ACCOUNTS

continued

9 TAXATION

The net tax charge for the year comprises:

	2000	1999
	£'000	£'000
In respect of the current year		
- UK corporation tax	3,817	2,723
- double taxation relief	(180)	(159)
- overseas taxation	668	726
- deferred taxation	(33)	111
	4,272	3,401
- share of joint venture and associates tax	(274)	(26)
	3,998	3,375
Adjustments relating to prior years		
- current taxation	(581)	(2,282)
- deferred taxation	(14)	120
	3,403	1,213

10 DIVIDENDS

	2000	1999
	£'000	£'000
Dividends on ordinary shares:		
Adjustment in respect of shares issued during the year and ranking for prior year final dividend	6	15
Interim dividend 1.10p (1999 : 1.10p)	1,604	1,593
Proposed final dividend 2.20p (1999 : 2.20p)	3,209	3,187
Dividends on preference shares	74	91
	4,893	4,886

The preference dividend is paid in two equal installments on 2 January and 2 July each year.

NOTES TO ACCOUNTS

continued

11 EARNINGS PER ORDINARY SHARE

The calculations of earnings per share are based on the following profits and numbers of shares.

	Basic		Diluted	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Profit for the financial year	6,918	8,231	6,918	8,231
Preference dividends	(74)	(91)	-	-
	6,844	8,140	6,918	8,231
			2000	1999
			Number	Number
			of shares	of shares
Weighted average number of shares				
- For basic earnings per share			145,368,857	144,064,489
- Conversion of preference shares			816,334	1,003,850
- Exercise of share options			12,150	845,200
For diluted earnings per share			146,197,341	145,913,539

Adjusted, basic earnings per share, which excludes goodwill amortisation of £2,066,000 in the current year (1999 : £2,245,000), is provided for comparative purposes.

12 GOODWILL

	£'000
Cost	
At 1 January 2000	19,710
Reduction	(488)
At 31 December 2000	19,222
Amortisation	
At 1 January 2000	3,130
Charge for the year	1,866
At 31 December 2000	4,996
Net book value	
At 31 December 2000	14,226
At 31 December 1999	16,580

The reduction of £488,000 in the cost of goodwill represents a payment made to the Company in 2000 by certain vendors of BW Group plc as a result of a warranty claim made under the acquisition agreement.

NOTES TO ACCOUNTS

continued

13 TANGIBLE FIXED ASSETS

Group	Land and buildings £'000	Drilling rigs and equipment £'000	Plant, machinery and vehicles £'000	Total £'000
Cost				
At 1 January 2000	11,043	11,472	23,260	45,775
Additions	3,871	45	3,514	7,430
Disposals	(2,201)	(209)	(460)	(2,870)
Exchange adjustment	-	-	(37)	(37)
At 31 December 2000	12,713	11,308	26,277	50,298
Depreciation				
At 1 January 2000	1,430	6,600	17,044	25,074
Charge for year	209	783	2,328	3,320
Disposals	(623)	(171)	(423)	(1,217)
Exchange adjustment	-	-	26	26
At 31 December 2000	1,016	7,212	18,975	27,203
Net book value				
At 31 December 2000	11,697	4,096	7,302	23,095
At 31 December 1999	9,613	4,872	6,216	20,701

As at 31 December 2000 included in plant, machinery and vehicles are leased assets with a cost of £520,000 (1999 : £586,000) and a net book value of £79,000 (1999 : £28,000). Depreciation of £1,000 (1999 : £32,000) has been charged during the year in respect of these assets.

Land and buildings (net book value) comprise:

	2000 £'000	1999 £'000
Freehold	10,492	9,201
Long leaseholds	1,018	237
Short leaseholds	187	175
	11,697	9,613

Freehold land, amounting to £300,000 (1999: £95,000) has not been depreciated.

As at 31 December 2000 capitalised interest of £135,000 (1999 : £nil) is included in the carrying value for land and buildings in Company and Group. For the year ended 31 December 2000 interest was capitalised at the rate of base rate plus 1%.

continued

	Land and buildings	Plant, machinery and vehicles	Total
Company	£'000	£'000	£'000
Cost			
At 1 January 2000	8,781	36	8,817
Additions	2,950	-	2,950
Disposals	(870)	-	(870)
At 31 December 2000	10,861	36	10,897
Depreciation			
At 1 January 2000	486	3	489
Charge for year	164	12	176
Disposals	(83)	-	(83)
At 31 December 2000	567	15	582
Net book value			
At 31 December 2000	10,294	21	10,315
At 31 December 1999	8,295	33	8,328
		2000	1999
		£'000	£'000
Land and buildings (net book value) comprise:			
Freehold		9,401	8,295
Long leasehold		893	-
		10,294	8,295

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NOTES TO ACCOUNTS

continued

14 FIXED ASSET INVESTMENTS

Group	Shares in Joint Ventures			Other	
	Fair value / cost	Share of post acquisition		Net book value	Cost
		reserves	Goodwill		
	£'000	£'000	£'000	£'000	£'000
At 1 January 2000	3,587	-	2,376	5,963	-
Investment in PowerGen Renewables Holdings Limited	188	-	-	188	-
Loan notes issued by Spear Technologies Inc	-	-	-	-	3,523
Other investments	-	-	-	-	174
Share of profit for the year of joint ventures and associates	-	161	(200)	(39)	-
At 31 December 2000	3,775	161	2,176	6,112	3,697

Loan notes issued by Spear Technologies Inc:

On 10 April 2000, an agreement was signed with Spear Technologies Inc. ("Spear"), a Californian based software development company which specialises in providing asset management solutions to the transportation industry, for the Group to invest in up to US\$6 million of convertible unsecured loan notes in Spear, with an interest rate of 4%. These loan notes are convertible at the option of the Group at any time in the period to April 2003. On a fully diluted basis, full conversion would result in the Group holding approximately 28% of the common stock of Spear. As at 31 December 2000, the Group has invested in \$5,250,000 (£3,523,000) of Spear loan notes, with the balance of \$750,000 being issued in early 2001. The Group has certain investment protection rights, principally related to mergers, acquisitions and the issue of further share capital. The Group has no general shareholder voting rights.

The Group additionally has a call option, which expires in April 2003, to acquire all of the share capital of Spear.

NOTES TO ACCOUNTS

continued

14 FIXED ASSET INVESTMENTS (continued)

Interest in joint ventures:

The following information is given in respect of the Group's share of the PowerGen Renewables Holdings Limited joint venture:

	2000	1999
	£'000	£'000
Share of assets		
Share of fixed assets	13,085	12,411
Share of current assets	3,189	2,221
	16,274	14,632
Share of liabilities		
Liabilities due within one year or less	(1,038)	(1,357)
Liabilities due after more than one year	(11,300)	(9,688)
	(12,338)	(11,045)
Share of net assets	3,936	3,587
	2000	1999
	£'000	£'000
Company		
Shares in group undertakings	57,507	61,382
Loans to group undertakings	39,129	35,089
Other	170	-
	96,806	96,471

NOTES TO ACCOUNTS

continued

14 FIXED ASSET INVESTMENTS (continued)

	Shares in group undertakings		Loans to group undertakings		Other	
	2000	1999	2000	1999	2000	1999
Company	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January	61,382	63,300	35,089	36,195	-	-
Acquisition of BW Group plc (note 12)	(488)	-	-	-	-	-
Liquidation of dormant subsidiaries	-	(1,918)	-	-	-	-
Loans to subsidiaries	-	-	4,040	73	-	-
Loans repaid by subsidiaries	-	-	-	(1,179)	-	-
Other	-	-	-	-	170	-
At 31 December	60,894	61,382	39,129	35,089	170	-
Amounts provided						
At 1 January	-	-	-	-	-	-
Provided during the year	(3,387)	-	-	-	-	-
At 31 December	(3,387)	-	-	-	-	-
Net book value	57,507	61,382	39,129	35,089	170	-

Loans to group undertakings comprise non-interest bearing loans of £39,129,000 (1999: £27,649,000), and interest bearing loans of £nil (1999 : £660,000) and £nil (1999 : £6,780,000) at LIBOR and LIBOR plus 1% respectively.

The investments of the Company and the Group which principally affect the consolidated results and net assets of the Group are as follows:

NOTES TO ACCOUNTS

continued

Principal subsidiary and joint venture undertakings	Country of incorporation* and of operation	Principal activity	% of ordinary shares or equity interest held by:	
			Company %	Subsidiaries %
Subsidiary undertakings:				
KCA Drilling Limited	Great Britain	Drilling contracting	-	100
BW Group plc	Great Britain	Drilling fluids	100	-
BW Naftafluids Sarl	Tunisia	Drilling fluids	-	60
OIS plc	Great Britain	Non-destructive testing and inspection services	-	100
Atkins Inspection Services (M) Sdn Bhd	Malaysia	Inspection services	-	10**
Oilfield Inspection Services (M) Sdn Bhd	Malaysia	Non-destructive testing	-	10**
The Unit Inspection Company of South Africa (Proprietary) Limited	South Africa	Non-destructive testing and inspection services	-	100
Oilfield Inspection Services (Middle East) LLC	Abu Dhabi	Non-destructive testing	-	49**
Joint venture undertaking:				
PowerGen Renewables Holdings Limited	Great Britain	Wind power generation	50	-

* All subsidiaries incorporated in Great Britain are registered in England and Wales, with the exceptions of KCA Drilling Limited and BW Group plc which are incorporated in Scotland.

** Abbot Group exercises dominant influence over these companies by virtue of shareholder agreements.

NOTES TO ACCOUNTS

continued

15 STOCKS

	Group	
	2000	1999
	£'000	£'000
Raw materials and finished product	2,762	2,841
Spare parts and consumables	4,006	3,457
Work in progress	1,238	521
	8,006	6,819

There is no material difference between the balance sheet value of stocks and their replacement cost.

16 DEBTORS

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Trade debtors	28,933	28,845	-	-
Amounts owed by joint venture and associated undertakings	659	225	659	225
Amounts owed by subsidiary undertakings	-	-	3,205	6,892
ACT recoverable	-	20	-	20
Other debtors	3,159	3,137	544	515
Prepayments and accrued income	4,483	4,375	32	14
	37,234	36,602	4,440	7,666

Included in amounts owed by joint venture and associated undertakings is a loan balance owed at 31 December 2000 by the PowerGen Renewables Holdings Limited joint venture of £787,500 (1999: £225,000) which is due after more than 1 year and bears interest at base rate plus 1%.

NOTES TO ACCOUNTS

continued

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts (note 19)	15	9	-	-
Bank loans and overdrafts (note 19)	8,286	4,141	8,516	5,404
Other loans (note 19)	1,799	1,799	-	-
Trade creditors	9,021	11,015	-	-
Amounts owed to subsidiary undertakings	-	-	8,317	18,473
Other creditors				
- United Kingdom corporation tax payable	1,842	1,599	26	-
- other taxation and social security	3,017	4,139	-	-
- other creditors	2,720	1,308	-	-
Accruals and deferred income	7,408	6,290	288	103
Accrued preference dividend	37	46	37	46
Proposed ordinary dividend	3,209	3,187	3,209	3,187
	37,354	33,533	20,393	27,213

18 CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Obligations under finance leases (note 19)	56	2	-	-
Bank loans (note 19)	10,213	10,370	10,213	10,370
Other creditors and accruals	336	309	-	-
	10,605	10,681	10,213	10,370

NOTES TO ACCOUNTS

continued

19 BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Borrowings are repayable as follows:				
Within 1 year				
- bank overdraft	4,606	461	4,836	1,724
- bank loans	3,680	3,680	3,680	3,680
- other loan	1,799	1,799	-	-
- finance leases	15	9	-	-
Included in note 17	10,100	5,949	8,516	5,404
Within 1-2 years				
- bank loans	7,203	3,680	7,203	3,680
- finance leases	15	2	-	-
Within 2-5 years				
- bank loans	2,290	5,790	2,290	5,790
- finance leases	41	-	-	-
Outwith 5 years				
- bank loan	720	900	720	900
Included in note 18	10,269	10,372	10,213	10,370
Total borrowings	20,369	16,321	18,729	15,774

The bank loans totalling £13,893,000 and bank overdraft with the Bank of Scotland are secured by a first bond and floating charges or debentures over all the property, assets and undertakings from time to time of Abbot Group plc and the principal UK operating subsidiary companies. The principal loan is repayable over 10 quarterly instalments of £875,000, with a second loan being repayable by 9 annual instalments of £180,000. The bank overdraft is part of a multi-option facility available for up to £13,000,000 and is reviewed annually by the Bank of Scotland. A further loan of US\$5,250,000 (£3,523,000) is repayable on 30 June 2002. Interest on the loans and overdraft is charged at base rate plus 1%. The other loan of £1,799,000, which is repayable on 28 days notice with interest charged at base rate minus 0.75%, is secured by a bank guarantee.

NOTES TO ACCOUNTS

continued

20 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
This comprises deferred taxation:				
Excess of tax allowances over book depreciation of fixed assets	1,107	1,157	236	157
Other timing differences	47	53	-	-
	1,154	1,210	236	157

There is no material unprovided deferred taxation.

21 MOVEMENT ON PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
At 1 January	1,210	347	157	84
(Credit) charge for year	(47)	231	79	73
Movement in ACT recoverable	-	632	-	-
Exchange adjustment	(9)	-	-	-
At 31 December	1,154	1,210	236	157

22 CALLED-UP SHARE CAPITAL

	Group and Company	
	2000	1999
	£'000	£'000
Authorised		
185,000,000 ordinary equity shares of 15p each	27,750	27,750
3,750,000 7.25% cumulative convertible redeemable preference shares of £1 each	3,750	3,750
	31,500	31,500
Allotted, called-up and fully paid		
145,863,131 (1999 : 144,842,565) ordinary equity shares of 15p each	21,879	21,726
1,020,417 (1999 : 1,254,812) 7.25% cumulative convertible redeemable preference shares of £1 each	1,020	1,255
	22,899	22,981

The conversion rights attaching to the 7.25% cumulative convertible redeemable preference shares of £1 each can be exercised by shareholders each financial year to 2000. The preference shares may be converted during the period of 30 days following the date of despatch of the accounts. The rate for conversion is four ordinary shares for every £5 nominal value of preference shares.

NOTES TO ACCOUNTS

continued

22 CALLED-UP SHARE CAPITAL (continued)

The Company may redeem the preference shares at par at any time immediately after the 30 days conversion period following the despatch of the 2000 accounts, but no later than 31 December 2005.

A total of 1,020,566 ordinary shares of 15p each were allotted during the year in respect of the following transactions:

	Number of ordinary shares	Nominal Value £'000	Cash consideration £'000
Conversion of 234,395 preference shares	187,516	28	-
Options exercised	833,050	125	-
	1,020,566	153	-

The company has also granted options under the provisions of The Abbot Group Share Incentive Plan at an exercise price of £nil in respect of 12,150 ordinary shares of 15p each, which are currently exercisable, with a latest exercise date of June 2003.

No options lapsed in 2000 (1999: 83,917).

23 RESERVES

	Share premium account		Profit and loss account	
	2000	1999	2000	1999
Group	£'000	£'000	£'000	£'000
At 1 January	48,344	46,463	(27,784)	(29,990)
Issue of ordinary shares				
- conversion of preference shares	206	852	-	-
- options exercised	724	1,029	-	-
Exchange movement on investment in overseas subsidiaries	-	-	(138)	(15)
Goodwill written back on disposal of associate	-	-	-	88
Awards under share incentive plan				
- reduction in accrual re options granted	-	-	-	(47)
- options exercised	-	-	(849)	(1,165)
Retained profit for the year	-	-	2,025	3,345
At 31 December	49,274	48,344	(26,746)	(27,784)

NOTES TO ACCOUNTS

continued

23 RESERVES (continued)

Total cumulative goodwill of £55,980,000 (1999 : £53,914,000) has been written off to date, of which £50,496,000 (1999 : £50,496,000) has been written off directly to reserves.

	Share premium account		Profit and loss account	
	2000	1999	2000	1999
Company	£'000	£'000	£'000	£'000
At 1 January	48,344	46,463	9,563	10,969
Issue of ordinary shares				
- conversion of preference shares	206	852	-	-
- options exercised	724	1,029	-	-
Awards under share incentive plan				
- reduction in accrual	-	-	-	(237)
- options exercised	-	-	(284)	(77)
Retained profit (loss) for the year	-	-	5,618	(1,092)
At 31 December	49,274	48,344	14,897	9,563

Included within the profit and loss account of the Company at 31 December 2000 are non distributable reserves of £nil (1999 : £284,000) with respect to the share incentive plan.

24 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000	1999
	£'000	£'000
Total recognised gains for the year	6,780	8,216
Preference dividends for the year	(74)	(91)
Ordinary dividends for the year	(4,819)	(4,795)
Issue of ordinary shares		
- nominal value	153	252
- share premium	930	1,881
- conversion of preference shares	(235)	(968)
Goodwill written back on disposal of associate	-	88
Awards under employee share schemes (see note 23)	(849)	(1,212)
Net increase in shareholders' funds	1,886	3,371
Opening shareholders' funds	43,541	40,170
Closing shareholders' funds	45,427	43,541

NOTES TO ACCOUNTS

continued

25 MINORITY INTERESTS

	2000	1999
	£'000	£'000
At 1 January	7	194
Share of loss for the year	(202)	(77)
Interests purchased by minorities in the year	-	14
Interests disposed by minorities in the year	-	(101)
Exchange movement	8	(23)
At 31 December	(187)	7

26 ANALYSIS OF CASH FLOWS

	2000	1999
	£'000	£'000
a) Returns on investments and servicing of finance		
Interest received	130	283
Interest paid	(1,310)	(1,286)
Preference dividends paid	(83)	(125)
Net cash (outflow)	(1,263)	(1,128)
b) Taxation		
UK corporation tax paid	(2,998)	(5,135)
Overseas tax paid	(739)	(337)
Net cash (outflow)	(3,737)	(5,472)

NOTES TO ACCOUNTS

continued

26 ANALYSIS OF CASH FLOWS (continued)

	2000	1999
	£'000	£'000
c) Capital expenditure and financial investments		
Purchase of tangible fixed assets	(7,430)	(6,143)
Sale of tangible fixed assets	1,748	3,610
Investment in 50% interest in PowerGen Renewables Holdings Ltd	(750)	(828)
Loan notes issued by Spear Technologies Inc	(3,425)	-
Other investments	(174)	-
Net cash (outflow)	(10,031)	(3,361)
d) Acquisitions and disposals		
Proceeds of warranty claim re purchase of BW Group plc	488	-
Purchase of minority interest in subsidiary undertaking - ICON	-	(17)
Sale of interest to minorities	-	14
Sale of interest in associate	334	666
Net cash inflow	822	663
e) Financing		
Debt due beyond one year - new loan and finance leases	3,481	1,620
Debt due within one year - new finance leases	13	180
Repayment of loans	(3,680)	(3,600)
Capital element of finance lease rental payments	(9)	(57)
Net cash (outflow)	(195)	(1,857)

NOTES TO ACCOUNTS

continued

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000	1999
	£'000	£'000
(Decrease) increase in net cash in the year	(4,418)	969
Decrease in loans and finance leases	195	1,857
Change in net debt resulting from cash flows	(4,223)	2,826
Exchange movements	(149)	(45)
Movement in net debt in the year	(4,372)	2,781
Net debt at 1 January	(14,014)	(16,795)
Net debt at 31 December	(18,386)	(14,014)

28 ANALYSIS OF NET DEBT

	At 1 January 2000 £'000	Cash flows £'000	Other non cash changes £'000	Exchange movements £'000	At 31 December 2000 £'000
Cash in hand and at bank	2,307	(273)	-	(51)	1,983
Overdrafts	(461)	(4,145)	-	-	(4,606)
	1,846	(4,418)	-	(51)	(2,623)
Debt due after 1 year	(10,370)	(3,425)	3,680	(98)	(10,213)
Debt due within 1 year	(5,479)	3,680	(3,680)	-	(5,479)
Finance leases	(11)	(60)	-	-	(71)
	(14,014)	(4,223)	-	(149)	(18,386)

NOTES TO ACCOUNTS

continued

29 GUARANTEE AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

At 31 December 2000 Group undertakings had contracted capital commitments of £1,379,000 (1999 : £2,078,000).

b) Lease commitments

At 31 December 2000 the Group's annual obligations under operating lease rentals were as follows:

	Land and buildings		Other		Total	
	2000	1999	2000	1999	2000	1999
	£'000	£'000	£'000	£'000	£'000	£'000
Lease expiry date:						
Within one year	383	271	32	67	415	338
Between one and five years	330	465	333	383	663	848
More than five years	202	221	-	-	202	221
	915	957	365	450	1,280	1,407

c) Contingent liabilities

The Group issued in December 2000 a performance bond in the amount of US\$3,900,000 to a major customer of Spear Technologies Inc.

30 DERIVATIVES AND FINANCIAL INSTRUMENTS

a) Interest rate risk profile of financial liabilities

The Group has the following interest rate risk profile on financial instruments, excluding short term working capital balances, held as at 31 December 2000:

	Interest basis: fixed		Interest basis: floating	
	2000	1999	2000	1999
Book value asset (liability)	£'000	£'000	£'000	£'000
Preference shares issued (see note 22)	(1,020)	(1,255)	-	-
Bank loans (see note 19)				
- £ denominated	-	-	(10,370)	(14,050)
- US\$ denominated	-	-	(3,523)	-
Loan notes receivable - US\$ denominated	-	-	3,523	-
	1,020	(1,255)	(10,370)	(14,050)

NOTES TO ACCOUNTS

continued

30 DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

b) Currency exposures

The Group is primarily exposed to currency risk in US \$ throughout the world as the principal currency for oil and gas operations and to £ sterling denominated trading and loan balances within overseas Group companies.

The table below shows the Group's transactional currency exposures as at 31 December 2000. Transactional exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved.

Net foreign currency monetary assets (liabilities) : 2000					
	UK £	US \$	Libyan dinar	Other	Total
	£'000	£'000	£'000	£'000	£'000
Functional currency of Group operation:					
UK £	n/a	4,782	469	95	5,346
US \$	(241)	n/a	-	(551)	(792)
Other	(2,278)	(1,433)	-	(390)	(4,101)
Total	(2,519)	3,349	469	(846)	453

The exposures at 31 December 1999 for comparison purposes were as follows:

Net foreign currency monetary assets (liabilities) : 1999					
	UK £	US \$	Libyan dinar	Other	Total
	£'000	£'000	£'000	£'000	£'000
Functional currency of Group operation:					
UK £	n/a	3,709	434	121	4,264
US \$	-	n/a	-	(506)	(506)
Other	(1,814)	(861)	-	(296)	(2,971)
Total	(1,814)	2,848	434	(681)	787

Other functional currencies comprise principally the Malaysian ringgit, South African rand and Tunisian dinar.

c) Fair values of financial instruments

The book value of financial instruments held as at the end of 2000 is not materially different to the fair value of these items.

NOTES TO ACCOUNTS

continued

3.1 SUBSEQUENT EVENTS

In February 2001 the Group issued a standby letter of credit in the amount of US\$3,000,000 to the Silicon Valley Bank in support of credit facilities advanced to Spear Technologies Inc.

3.2 PENSION SCHEMES

During the year, the Group operated a number of different pension schemes and arrangements, details of which are shown below.

a) KCA Drilling Limited defined benefit scheme

A charge of £348,000 (1999 : £382,000) has been made in the year for regular pension costs of which £348,000 (1999 : £382,000) was paid to the scheme, based upon the 1 January 1999 full actuarial valuation.

A full valuation was carried out at 1 January 1999 by the actuaries and using an assumed rate of return on investments of 9% per annum, an annual increase in salaries of 6.5% per annum and dividend growth of 4.5% per annum, the market value of the scheme's assets was £7,697,000 and the actuarial value of the assets, taking account of the expected future increase in earnings, is sufficient to cover 96% of the benefits that have accrued to members.

For funding purposes the deficit on the scheme will be eliminated by an increased rate of contribution by the employer over the average service life of the members.

b) KCA Drilling Limited group personal pension plan

The company contributes to individual employee's pension plans. A charge of £1,062,000 (1999 : £550,000) has been made in the year.

c) OIS pension scheme

OIS operates two pension schemes. During the year contributions ceased due to be made to the previous UK scheme, a contracted in money purchase type, the assets being held by an insurance company invested in various funds. A group personal pension plan was established in its place in which the company contributes to individual employee's pension plans. The overseas scheme is a defined contributions scheme. The total pension cost for OIS in the year to 31 December 2000 was £819,000 (1999 : £521,000) of which £118,000 (1999 : £91,000) relates to the overseas scheme.

d) BW pension scheme

BW contributes to individual employee's pension plans. A charge of £107,000 (1999 : £128,000) has been made in the year.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at Minto Drive, Altens, Aberdeen AB12 3LW on Tuesday 15 May 2001 at 11.00am for the following purposes:

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2000.
2. To declare a final dividend of 2.20p per ordinary share for the year ended 31 December 2000 payable to eligible ordinary shareholders on its register of members at the close of business on 11 May 2001.
3. To re-appoint as Directors Alasdair J. D. Locke and Geoffrey M. Philipps who, retiring in accordance with Article 95 of the Articles of Association of the Company, offer themselves for re-appointment in accordance with Article 97 of the Articles of Association of the Company.
4. To re-appoint Arthur Andersen as Auditors of the Company to hold office from the conclusion of the Meeting until the conclusion of the next General Meeting of the Company at which accounts are laid.
5. To authorise the Directors to determine the remuneration of the Auditors.

As Special Business, to consider and if thought fit, pass the following resolutions :

Ordinary Resolution

6. That, in substitution for any previous authority, the directors be hereby generally and unconditionally authorised, in

accordance with section 80 Companies Act 1985, to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of relevant securities of £5,746,257 to expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date fifteen months after the passing of this resolution, but the Company may before this authority expires make an offer or agreement which would or might require relevant securities to be allotted after this authority expires, and the Company may allot relevant securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Special Resolutions

7. That, subject to resolution 6 above being passed, the Directors be and they are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company for cash pursuant to the authority conferred by that resolution as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited:
 - (i) to allotments of equity securities where such securities have been offered (whether by way of a rights issue open offer or otherwise) to holders of ordinary shares and, if in accordance with their rights as the Directors so determine, holders of other equity securities of any class made in proportion (as nearly as may be) to their existing holdings of ordinary shares (as the case may be) other equity securities of the class concerned (so that any offer to holders of other equity securities of any class shall be on a basis of their rights to receive such offer and, failing which, shall be on the basis that their holdings had been converted into or that they had

NOTICE OF ANNUAL GENERAL MEETING

continued

subscribed for ordinary shares on the basis then applicable) but subject to the Directors having a right to make such exclusions or other arrangements in connection with such offering as they deem necessary or expedient;

(a) to sell, for the benefit of those shareholders who are citizens of or resident in any overseas territory where in the opinion of the Directors it would at the time of the offer be illegal (by relevant law) or unduly costly or burdensome for the Company to make or for those shareholders to accept an offer of equity securities of the Company, the equity securities to which they would otherwise be entitled, save that the proceeds (net of expenses) of £3 or less due to any such shareholders may be retained for the benefit of the Company; and

(b) to aggregate and sell for the benefit of the Company all fractions of a share which may arise in apportioning the equity securities among the original shareholders.

(ii) to allotments of equity securities pursuant to the Company's Share Option Scheme; and

(iii) to allotments (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities having in the case of relevant shares (as defined in Section 94 of the Act) a nominal amount, or in the case of other securities, giving the right to subscribe for or convert into relevant shares having a nominal amount not exceeding in aggregate £1,093,973.

and this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date fifteen months after the passing of this Resolution save that the Company

may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

8. That, in accordance with Article 50 of the Articles of Association of the Company and Chapter VII of Part V of the Act and subject to the following provisions of this Resolution, the Company be and is hereby generally authorised (pursuant to Section 166 of the Act) to make market purchases (within the meaning of section 163(3) of the Act) of its own shares on such terms and in such manner as the Directors of the Company may from time to time determine provided that:

(i) the maximum number of ordinary shares of 15p each authorised to be acquired is 14,586,313;

(ii) the minimum price which may be paid for each ordinary share is 15p (exclusive of expenses);

(iii) the maximum price (exclusive of expenses) which may be paid for each ordinary share is, in respect of a share contracted to be purchased on any day, an amount equal to 105 per cent of the average of the middle market quotations of ordinary shares taken from the Daily Official List of London Stock Exchange Limited for the ten business days immediately preceding the day on which the contract of purchase is made.

The company may make a contract of purchase of ordinary shares under this authority before this authority expires which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

NOTICE OF ANNUAL GENERAL MEETING

continued

This authority will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, 12 months from the date of passing of this resolution.

By order of the Board



Alec W.J. Banyard

Secretary

Registered Office:

3 Colmore Circus

Birmingham B4 6BH

30 March 2001

Note: A holder of ordinary shares may appoint one or more proxies to attend, and on a poll, vote in his/her stead. A proxy need not be a member of the Company. Completed forms of proxy must be lodged at the address shown on the form of proxy not later than 48 hours before the meeting. Ordinary shareholders who have lodged proxy forms are not thereby prevented from attending the meeting and voting in person if so desired. Holders of convertible preference shares may not attend and vote at the meeting.

ABBOT GROUP PLC

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