ENERGY SUPPORTING ENERGY

John Wood Group PLC

port and Financial Statements 1992

Contents

Our Vision

To be the UK's leading international contracting and service company in energy related markets and Scotland's outstanding growth company of the 1990s.

Our Mission

- *to understand and exceed our customers' needs for high quality, value for money products and services;*
- *to develop innovative servicing techniques and proprietary products;*
- *to attain the highest achievable standards of occupational health and safety;*
- *to develop the knowledge, skills, creativity and potential of all our people and generate involvement, teamwork and pride in their work;*
- *to care for the local communities in which we operate and ensure the highest level of performance in protecting the environment;*
- *to achieve profitable growth and an attractive return on capital for our shareholders.*

Above all, we will out-perform our competition by ensuring that quality is at the forefront of everything we do.

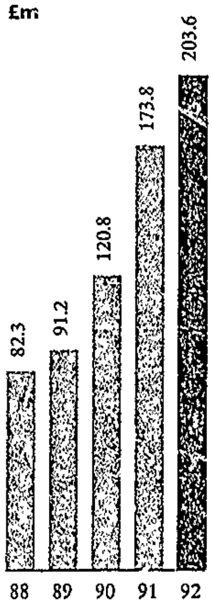
36219

	1992 £m	1991 £m	% change
TURNOVER	**203.6**	173.8	+17%
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**18.5**	16.9	+10%
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND MINORITY INTERESTS	**10.7**	9.6	+11%
SHAREHOLDERS' FUNDS	**49.8**	40.9	+22%
INVESTMENT IN ACQUISITIONS AND FIXED ASSETS	**17.3**	11.5	+50%

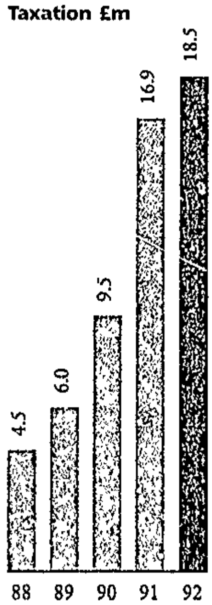
In 1992 the Group had record sales of £204 million (up 17%) and profit on ordinary activities before taxation of £18.5 million (up 10%). After taking account of taxation and minority interests the profit attributable to shareholders has increased to £10.7 million (up 11%).

During 1992 the Group completed a number of acquisitions and invested further on additions to tangible fixed assets. The total investment in acquisitions and additions to fixed assets was £17.3 million (up 50%). Even with these significant investments the Group has no net borrowing and finished 1992 with £3.6 million of net cash balances. During 1992 shareholders' funds increased to £49.8 million (up 22%). The Group continues to have a strong balance sheet and is ideally placed to exploit market opportunities in 1993 and beyond.

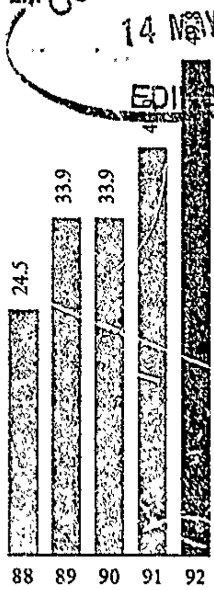
Turnover £m



Profit Before Taxation £m



Shareholders' Funds £m



Summary

I am pleased to report that, despite more difficult trading conditions in 1992, we achieved good increases in both turnover and profit. Group sales were £204 million (1991 – £174 million) and profits on ordinary activities before tax were £18.5 million (1991 – £16.9 million). Shareholders' funds were almost £50 million at the year end (1991 – £41 million).

A detailed report on our divisional activities is contained in the Review of Operations and I will therefore concentrate on a general review of some of the more important developments and issues affecting both the Group and industry.

North Sea Oil & Gas

As predicted last year, 1992 has been a year of change in the North Sea. We are now clearly in a mature market and the challenge is to both optimise recovery from existing fields and maximise the development of new marginal fields. There has been considerable progress during the year on a number of aspects related to the cost competitiveness of the UK's oil industry, progress in which the Wood Group has played a leading role in national discussions and, more importantly, in a wide range of initiatives and developments directly with our customers.

Our expertise in Engineering Contracting and Design has given us a strong position in long term partnering contracts. We continue to work closely with Shell Expro towards achieving the partnering objectives for their Brent Charlie and Delta platforms. We were also very pleased to be awarded, at the end of last year, a long term contract from BP Exploration for the provision of integrated engineering services on their Magnus, Thistle and Miller platforms. Onshore, our Logistics division has a number of partnering contracts both in Great Yarmouth and Aberdeen, whilst our Gas Turbines division is pioneering the concept of total maintenance (health care) contracts for critical power pack units, both offshore and onshore.

The concepts of 'one-stop-shop' and 'lead contractor' have benefited our Fire Protection and Engineering Services companies. Our commitment towards meeting the exciting professional challenge of these new business relationships, together with our experience in project management and cost effective engineering and maintenance, has enabled us to increase our market share in most of our North Sea related businesses.

In terms of activity, North Sea exploration slowed down in 1992 and unless we see some adjustment to the Petroleum Revenue Tax changes announced by the Chancellor in the March 1993 Budget, exploration will inevitably decrease further this year. Marginal field development will not be helped by the withdrawal of Cross Field Allowances. However, reducing Petroleum Revenue Tax on existing fields will encourage investment in platform refurbishment and secondary recovery projects which provide the most significant part of our North Sea business.

On balance, I believe we will see somewhat reduced North Sea activity levels over the next few years. On the positive side, BP's announced major oil discovery West of Shetland is certainly encouraging and the transfer of the Department of Trade

& Industry oil and gas jobs to Aberdeen is also an important step in establishing a significant critical mass of oil related activity and technology in the North East of Scotland, which will enhance the industry's potential for international development.

We have continued to extend our range of specialist services. The acquisition of Aberdeen-based Marioff Engineering Services (renamed Wood-Way Hydraulic Services) provides us with significant hydraulics capability and the acquisition of 65% of Thistle Engineering, also in Aberdeen, gives us important dimensional control technology which will help to reduce the amount of welding work which is currently carried out offshore.

International Oil & Gas

The past year has seen a significant increase in our successful penetration of overseas oil and gas markets.

In the Middle East, we are working with our local partner on two major contracts for the refurbishment of Kuwait Oil Company's facilities. We have also invested £1.5 million in two new high quality mechanical engineering workshops – one in the Jebel Ali Free Zone in Dubai and the other in Abu Dhabi. These facilities now enable us to provide a comprehensive oil support service throughout the region.

In the United States, Wood Group ESP acquired Trico Submersible Systems (renamed ESP Products) and are now embarked on an ambitious programme of growth to develop the products and services of our electric submersible pump business worldwide. We also acquired 47% of ERC Industries which remanufactures and services valves and wellhead equipment in the United States. It is our intention to help ERC develop this business internationally.

During the year, we have worked in almost all major offshore oil provinces worldwide. We continue to devote resources and incur costs in developing our international presence, as we believe this is essential for the realisation of our medium term business potential.

Non-Oil Activities

Our Gas Turbines division has now firmly established a world centre of excellence in the repair and overhaul of gas generators in Aberdeen. We invested £3 million during the year to provide a 32,000 square foot gas turbine component repair facility for Rolls Wood Group and a 15,000 square foot workshop for Lincoln Turbine Service to further develop their expertise in GEC, Ruston and Solar turbines. We have also extended our gas turbine testing facilities in Aberdeen and our two specialist companies, Turbine Engineering Services and Gas Turbine Fuel Systems, have both significantly increased their market penetration. Two of our most challenging contracts during the year were a five year contract won by Lincoln Turbine Service to maintain National Power's fleet of gas turbine driven alternators throughout England and Wales and a contract for Turbine Engine Services to provide a power pack generating station in Malaysia.

Our Fire Protection and Engineering Services companies have also made good progress in increasing their sales in non-oil related markets.

General

Prospects for the current year are difficult to predict at this early stage. We believe we will continue to gain market share in the North Sea, but the overall level of activity there will probably decrease. Sustaining the improvement in our performance will therefore depend on expanding our international and non-oil markets, although the profits of the former will be affected by start-up losses as we move into new territories. Our balance sheet is strong and we are looking carefully at further acquistions in both the oil and non-oil sectors.

I am pleased to welcome Jim Cooper, who is leading our development work in the non-oil sector, to the Main Board. Another Board colleague, Ramsay Spence, has taken full time responsibility for quality, safety, health and the environment. Our Total Quality Management programmes are now beginning to show considerable benefits and the Group's Vision and Mission Statement was presented to all our employees at a series of meetings held in early 1993. Their positive response and interest underlines the fact that our real strength lies in the expertise, skills, commitment and enthusiasm of all our personnel. The strong customer focus of the Total Quality Management programmes, allied to the relevance of our quality, training and safety programmes, provides the foundation for our continued growth and success.

Can I therefore finish by thanking all our employees, worldwide, most sincerely for helping us write a further chapter in what continues to be a major UK success story.

Ian C. Wood
Chairman
5 April 1993

Ian C. Wood CBE BSc LLD
Chairman (1982) and Managing Director (1967).

Pioneered the Group's development into oil industry related markets in the 1970s. Also Chairman of J W Holdings, Chairman of Grampian Enterprise, director of the Royal Bank of Scotland Group plc, member of both the Scottish Higher Educational Funding Council and the Scottish Economic Council. Age 50.

Edwin C. Garrett FCIS FCT
Vice Chairman, (1982).

Joined the Group in 1968. A Chartered Secretary and a Fellow of the Association of Corporate Treasurers. Previously Group finance director and company secretary. Managing director of J W Holdings Limited. Age 60.

Ewan Brown MA LLB CA
Non-executive director.

An executive director of Noble Grossart Limited and also a non-executive director of Amicable Smaller Enterprises Trust PLC, Stagecoach Holdings PLC, Pict Petroleum plc and a number of other companies. Age 50.

William H. Carr

Group director responsible for Engineering Contracting, Engineering Design and Fire Protection. Joined the Group in 1975 and played a major role in developing the Group's significant offshore engineering activities. Age 59.

Tom Motherwell BSc MBA

Joined the Group in 1985 and played a major role in developing the Group's gas turbine division. Group director responsible for the Gas Turbine and Engineering Services Divisions. A chartered engineer with an MBA from the London Business School. Age 48.

Hugh D. Duncan BSc

Group director. Joined the Group in 1965. Responsible for the Oilfield Logistics and Supplies Division since its inception in 1973 which includes property and oil distribution interests. Age 55.

Secretary & Registered Office

C. Nicholas Brown FCIS
John Wood House
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Tel: (0224) 875464
Fax: (0224) 871997

Auditors

Coopers & Lybrand
Chartered Accountants
32 Albyn Place
Aberdeen AB1 1YL

Principal Banker

Clydesdale Bank PLC

Company Registration Number

36219

J. Derek Prichard-Jones BSc

Associated with Wood Group's US development since 1985 and joined the Group as a director in 1986. Group director responsible for Drilling and Production Services. A petroleum engineer with 35 years of international experience. Age 57.

J. Ramsay Spence OBE BSc

A mechanical engineer with many years experience in design, production and general management. Joined the Group in 1982 and is now Group director responsible for Safety, Health and Environmental matters. Age 60.

Allister G. Langlands MA CA

Group financial director. Joined the Group in 1991. Previously a partner with Coopers & Lybrand Deloitte and prior to that worked with Deloitte Haskins & Sells in London and Edinburgh, specialising in corporate finance. Age 35.

Jim Cooper

Joined the Group in 1992. Group director responsible for Business Development. Has extensive general management and business development experience in Europe and North America. Age 49.

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John Wood Group PLC is recognised as the UK's largest indigenous oil service company. With over 20 years' experience in servicing the oil and gas sector, we employ approximately 2,800 personnel worldwide providing engineering and high technology services and products to offshore oil, power generation and general industrial markets.

The Group's competitive strengths in oilfield markets in the North Sea, Europe, North America and the Middle East are complemented by our fast growing reputation as one of the world's foremost gas turbine overhaul and repair companies, giving the Group a strong non-oil activity base.

Oilfield Logistics and Supplies

One of the UK's leading offshore base support companies providing services, equipment, marine chartering and storage for offshore operators. Other services include general cargo handling, marine fuel product storage and wholesale electrical supplies.

Engineering Contracting

A leading North Sea contractor with expertise in the planning and execution of construction, modification, maintenance and inspection contracts for offshore and onshore installations.

Engineering Design

One of the largest engineering design contractors in Aberdeen providing a wide range of North Sea engineering services, particularly related to modifying existing offshore platforms.

Fire and Safety

Provides fire protection and safety equipment and systems to offshore and industrial customers. Manufactures fire protection products for public utilities and industrial markets both in the UK and overseas.

Gas Turbines

A world market leader in the repair and overhaul of industrial gas turbines, specialising in Rolls-Royce, GEC, Pratt & Whitney, Ruston and Solar engines, together with the repair and calibration of flight fuel nozzles.

Engineering Services

Covers general engineering services, including repair and overhaul of high speed pumps, valves, compressors, subsea and hydraulic equipment, with fabrication workshop facilities and manufacture of electronic control units.

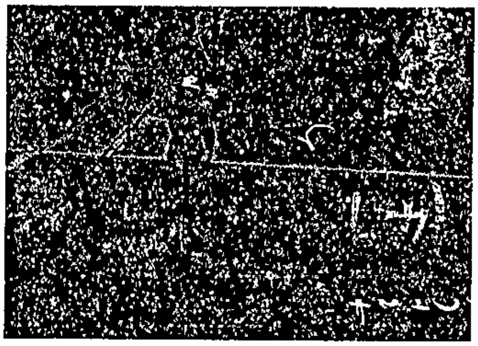
Drilling and Production Services

New unit manufacture, repair and proprietary services for electro-submersible pumps; products and services for downhole data acquisition; remanufacture and repair of valves and wellheads; and manufacture of tubular inspection equipment.

Oilfield Logistics and Supplies

"Wood Group is now the UK's leading offshore support company with extensive shore base facilities in Aberdeen and Great Yarmouth."

Our supply base activities continue to evolve as offshore operators increasingly contract out non-core activities and delegate more responsibility to service companies.



Pictured right:
The division's storage capabilities have been significantly extended during the year.

Pictured opposite:
Wood Group Offshore's Maitland Quay in Aberdeen offers a comprehensive range of quayside facilities for offshore customers.

Despite a downturn in exploration drilling levels, even lower than those experienced in 1987 and particularly affecting Great Yarmouth operations, Wood Group Offshore continued to trade successfully. A substantial investment programme to increase its capabilities, together with disposal of surplus property, focussed the deployment of capital on quayside assets.

This development programme included the acquisition of the former Texaco fuel terminal in Aberdeen. This is being upgraded to provide a drive-through road loading gantry facility to cater for marine and inland products, and a pipeline network to supply marine fuel to three Wood Group and two Shell Expro quays. Premises at East Tullos in Aberdeen are being extended and upgraded at a cost of £0.5 million in support of a long term logistics partnering contract awarded by Enterprise Oil during the year. A further £1.2 million was committed to 15,000 square feet of offices and 12,000 square feet of warehousing accommodation at the Wood Marine Base in Aberdeen, a third of which has been let prior to completion to Deminex.

The company continues to look for expansion opportunities, especially in Great Yarmouth, where the scale of production support operations enhances the benefits of resource sharing, an area in which the company has a proven record.

Finaserve continued to enjoy good levels of product volume in a competitive market and our two joint venture cargo handling companies also made good progress, particularly in Aberdeen where a good level of general cargo business was secured.

As a result of reduced exploration activity, Moray Firth Service Company achieved a disappointing 173 rig days during the year. The level of other support activities to the oil industry, however, was maintained and sales of gas oil reached their highest levels since the formation of the company in 1984.

Woodacon Oils continued to be a steady performer, increasing its product storage capacity. The company is a major supplier of marine fuels in the port of Aberdeen.

Wholesale suppliers of electrical equipment, Alexander McKay, had another successful year providing speciality products to both traditional and offshore markets.

Principal Companies:
Wood Group Offshore (100%)
Moray Firth Service Company (60%)
Woodacon Oils (100%)
Alexander McKay (100%)
Finaserve (100%)
Great Yarmouth Cargo Handling Services (50%)
Aberdeen Cargo Handling Services (50%)

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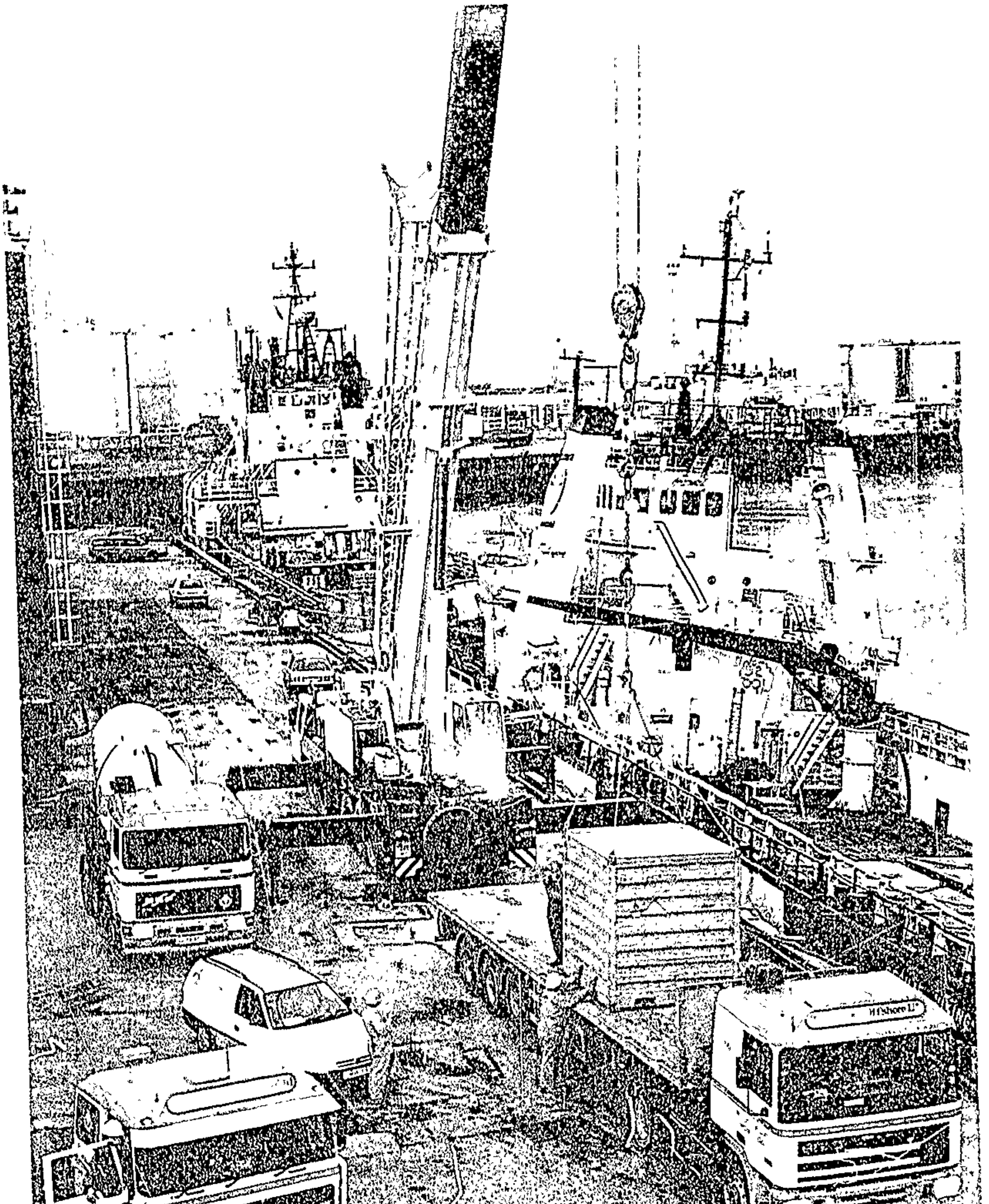

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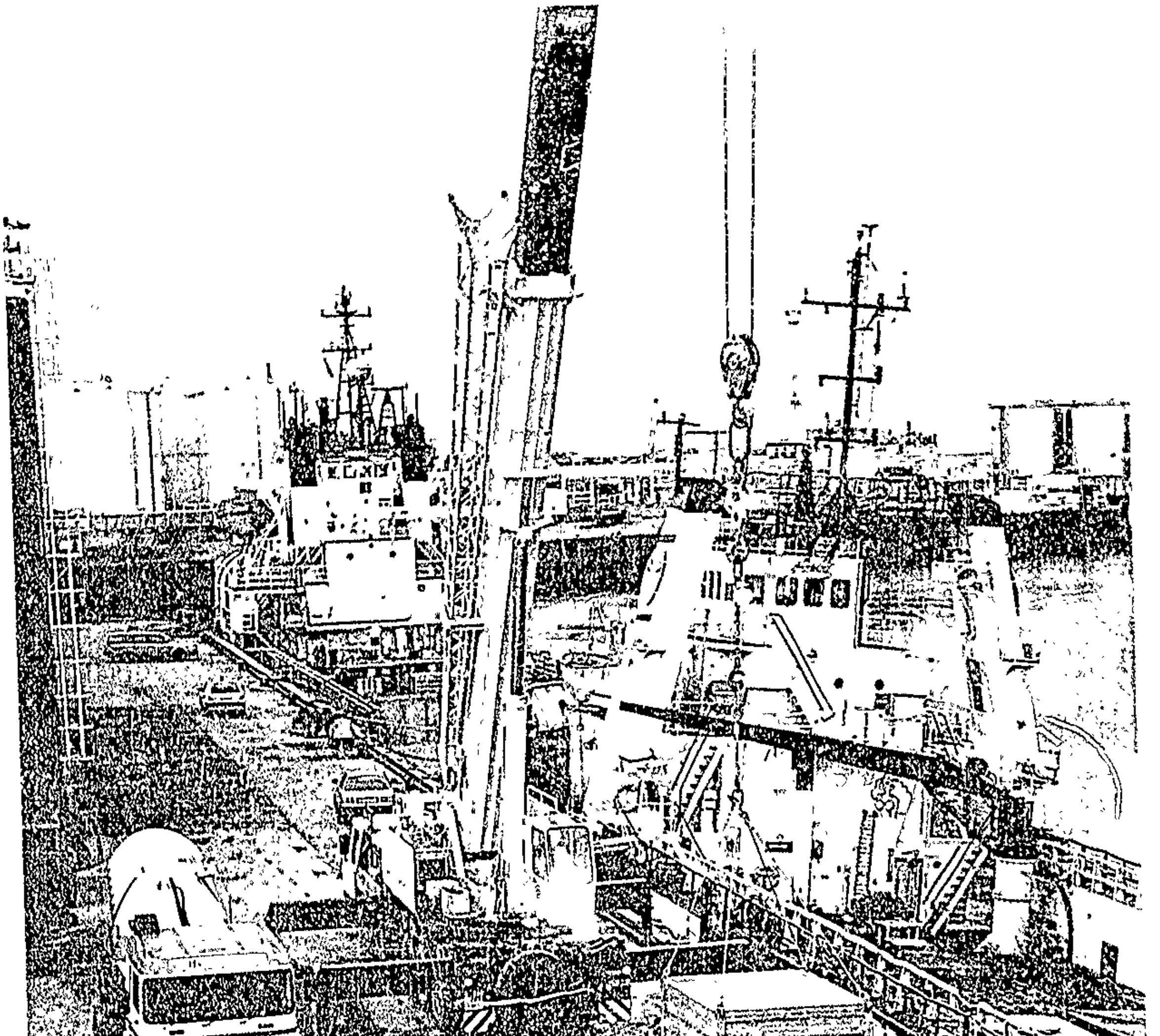


Engineering Contracting

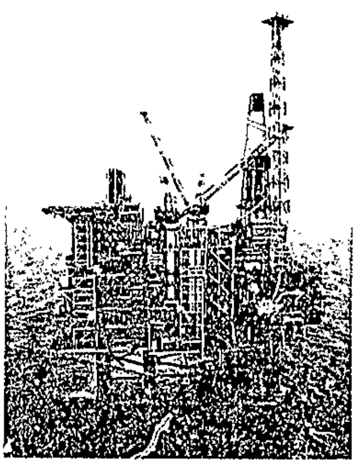
"Our expertise and innovative approach to engineering contracting has given us a strong position in long term partnering contracts."

Wood Group Engineering Contractors had a good year, maintaining its previous year's levels of sales and profit.

The maintenance, modifications and services contract (MMSC) for Shell UK Exploration and Production continued to make good progress in driving down costs and a strategy is in place to accelerate this process in 1993 and beyond. A major redevelopment programme is planned to extend the life of the Brent field and the company has targeted to participate significantly in this programme.

Pictured right:
BP's Miller platform; one of three included in a long term contract awarded to the division during 1992.

Pictured opposite:
Engineering services extend to onshore sites, such as the Shell PCE contract at St. Fergus.



We were pleased to be awarded a long term contract from BP for integrated engineering services on their Magnus, Thistle and Miller platforms. The contract covers design and construction services, utilising the combined resources of Wood Group Engineering Contractors and Foster Wheeler Wood Group.

Major contracts for Total, Amoco, Marathon and other operators were also undertaken during the year.

Onshore, the company's plant change engineering (PCE) contract for Shell Northern Plants at St. Fergus continued to make good progress and the company was successful in extending this contract to Shell's gas terminal at Mossmorran.

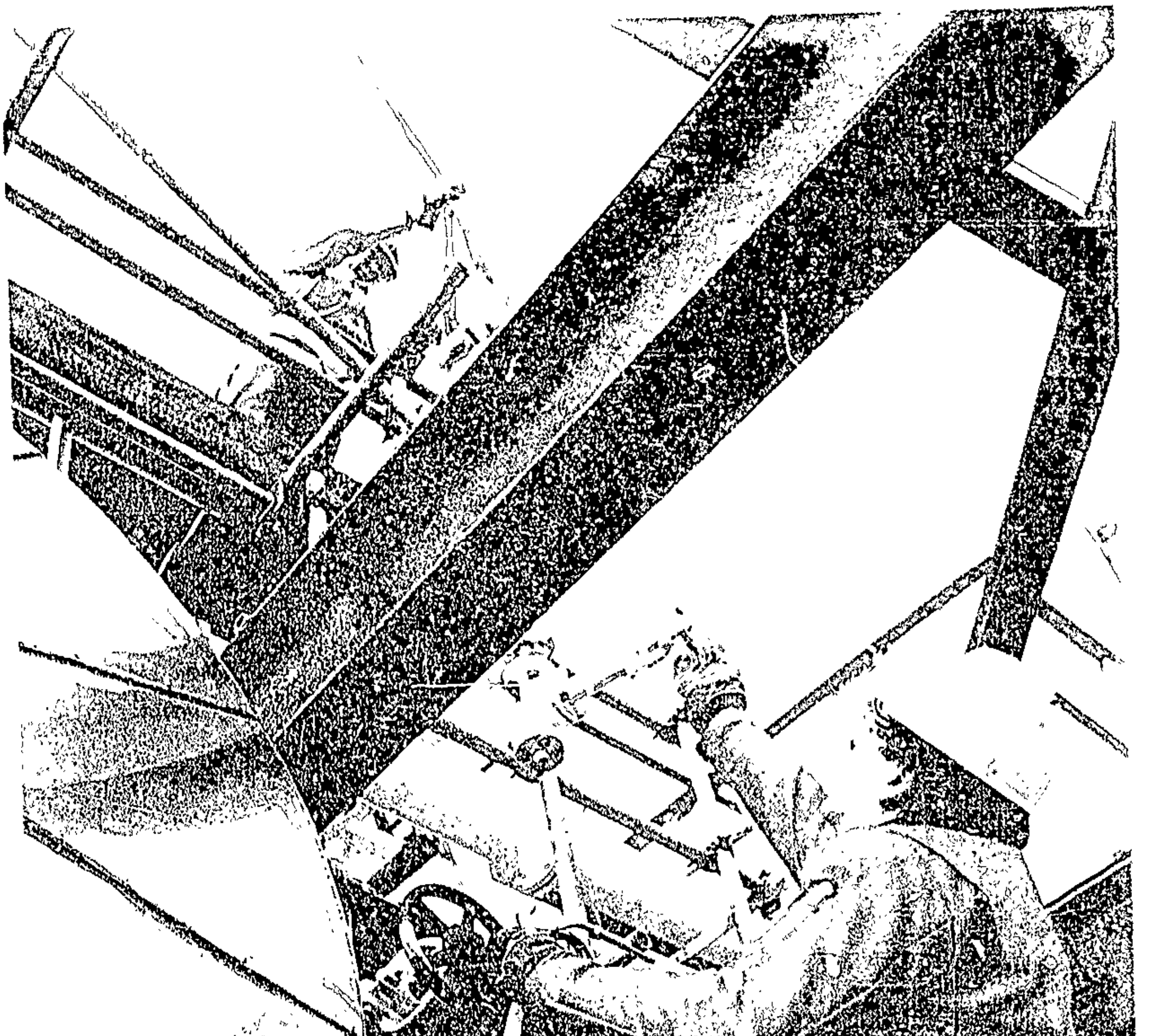
Our success in securing long term contracts during 1992 allowed the company to increase staff training programmes and a new training centre was opened to facilitate these initiatives. The company's safety policy, procedures and programmes are well advanced in line with HSE guidelines and overall safety performance improved significantly during the year. The company was also selected to undertake the Group's Total Quality Management initiative and good progress has been recorded both in improved cost efficiency and service to customers.

Overseas, the Kuwait operation has made significant progress in managing its contract commitments, whilst seeking new business and extensions to its existing contracts.

Scottish Rig Repairers had a difficult year due to the low level of rig conversion and modification activities.

AHT Surveys had a satisfactory year with the Aberdeen operation moving into new premises and the Great Yarmouth operation extending its facilities. Towards the end of 1992, the company was successful in securing a four year inspection services contract for the Shell Southern North Sea MMSC representing a major break through for the company in this area.

Principal Companies:
Wood Group Engineering (100%)
Wood Group Engineering Contactors (100%)
AHT Surveys (100%)
Wood Group Haven Engineering (100%)
Sella Ness Service Company (100%)
Wood Group Engineering (Kuwait) (100%)
Scottish Rig Repairers (45%)



Engineering Design

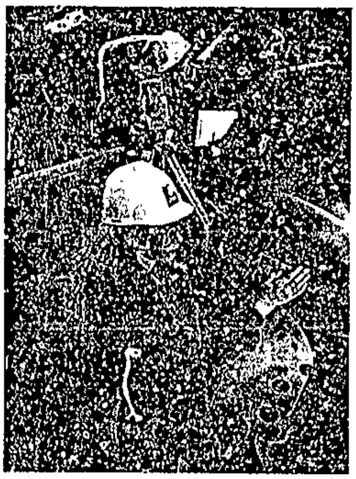
"The Group's engineering design expertise is playing a vital role in securing the long term profitability and safety of the North Sea."

1992 was Foster Wheeler Wood Group's most successful year since its formation six years ago. Specialising in engineering design relating to existing offshore installations, the company's manpower levels reached over 500 personnel on a number of design projects.

The company's most important contract during 1992 continued to

Pictured right:
Thistle Engineering's proprietary MERCAD system has significantly reduced the need for hot work offshore.

Pictured opposite:
Water injection and gas compression modules designed by Foster Wheeler Wood Group being loaded out ready for installation on Ninian Southern.



be the Chevron Third Party Entrants project, the largest of its kind to be completed in Aberdeen. Detailed design for major modifications on the Ninian Southern and Central platforms was nearly complete at the year end. Two fluid processing modules for the Southern platform were installed during the second quarter and a 2,000 tonnes gas compression module for Ninian Central is well on the way for completion in 1993.

A long term engineering services project is in progress for Total, involving modifications to Alwyn North and the St. Fergus gas terminal. The company also provided multi-discipline engineering and design services to convert the MCP-01 gas compression platform into a 'not normally manned' installation and undertook detailed engineering for modifications to Alwyn North to accept produced fluids from the Dunbar field.

The Control and Safety Systems Upgrade (CSU) project for Shell's Cormorant Alpha and Dunlin Alpha platforms continues, including design services to facilitate the changeout of control systems on the two platforms.

In conjunction with Wood Group Engineering Contractors, the company secured a long term integrated engineering contract with BP covering the Miller, Magnus and Thistle platforms. Detailed planning has commenced to identify the scope of work.

In June 1992, Wood Group acquired the assets of Thistle Engineering Services Limited. Specialists in dimensional control, the company has developed a proprietary electronic surveying system (MERCAD) which closes the loop between surveying, electronic draughting and measurement control. The MERCAD system has been particularly successful in reducing the need for hot work offshore and the company has secured contracts with a number of major North Sea oil operators.

Work opportunities for Mech-Tool Wood Group continue to move slowly since many of the oil companies have only recently completed offshore Safety Risk Assessments. A delay of some 12 months is therefore anticipated before the hoped for work opportunities appear.

Principal Companies:
Foster Wheeler Wood Group Engineering (60%)
Thistle Engineering Services (65%)
Mech-Tool Wood Group (53%)

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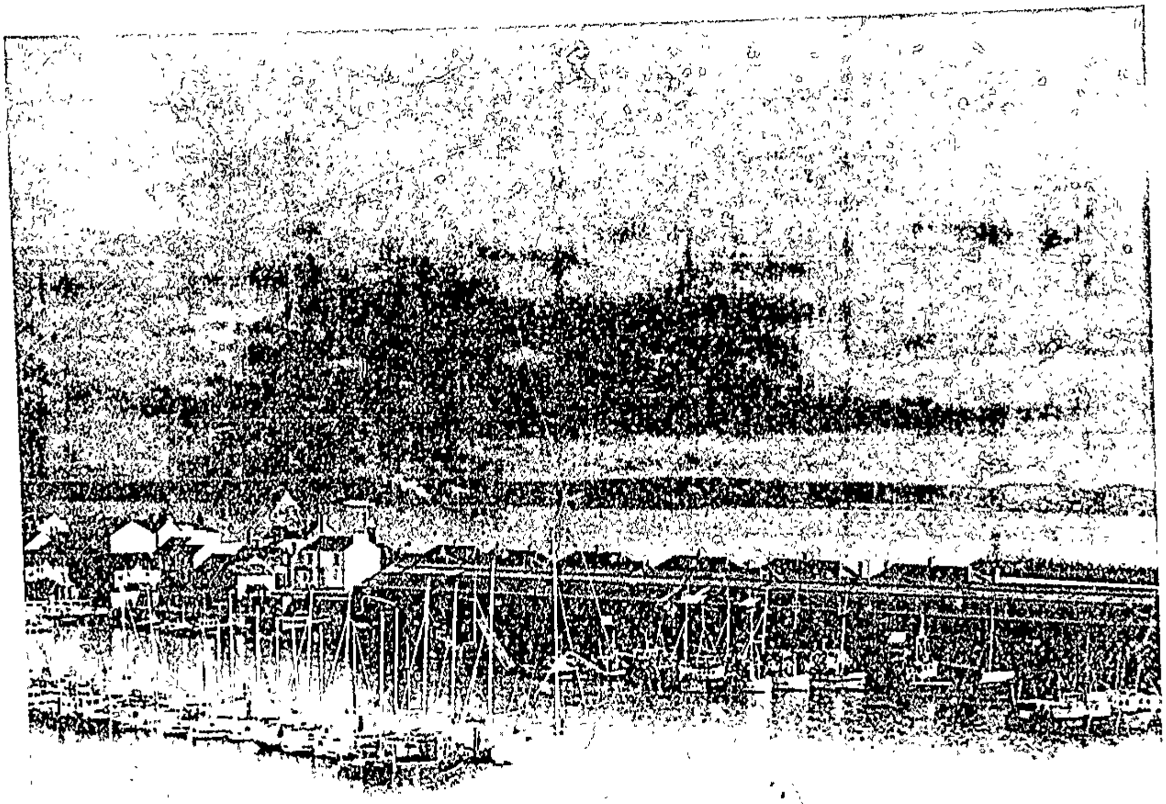
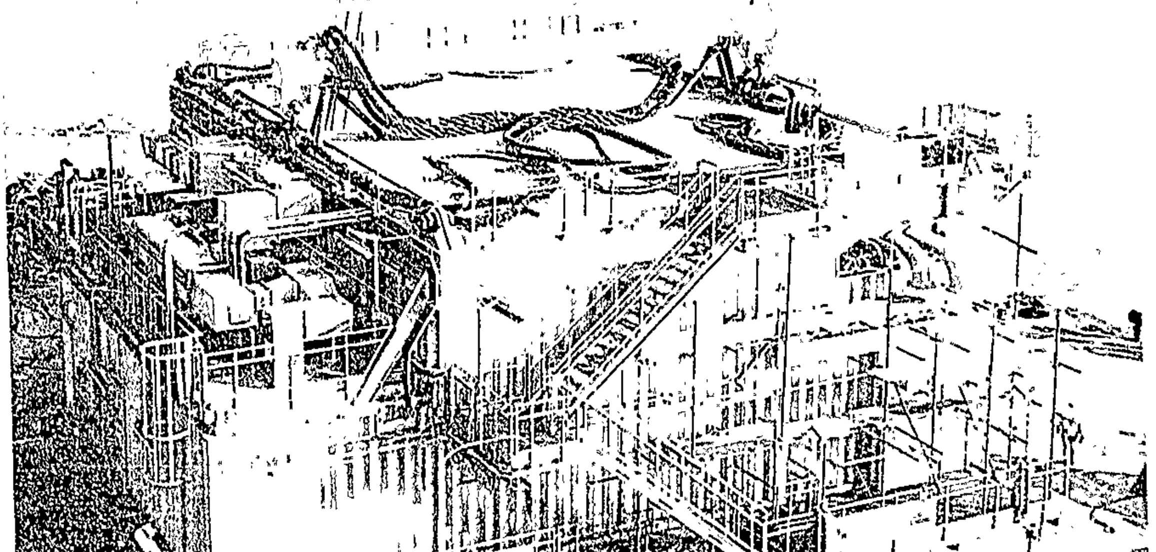


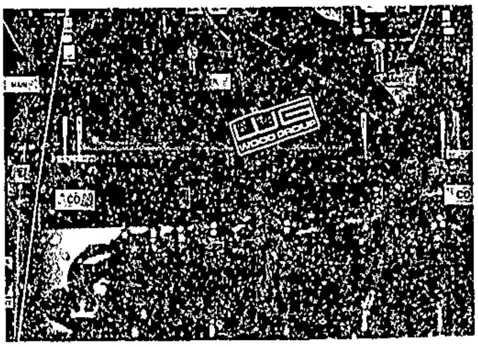


Fire and Safety

"Fire & Safety's marketing focus on major industrial clients has increased our market share in both the UK and overseas."

The division had a successful year with good growth and increased profits in both the servicing and manufacture of fire protection and safety products.

Wood Group Fire Protection continued to make good progress, achieving a greater balance between supplies to offshore and industrial based clients. Of particular note was the award of a contract to supply, install, test and commission CO_2 fixed extinguishing systems for Rolls-Royce's new Trent 800 engine test cell. The systems were designed specifically to protect critical pit areas beneath the engines during test.



Pictured right:
Wood Group Fire Protection products cover a wide range of fire protection and safety equipment.

Pictured opposite:
Fire hoses are one of the many items of equipment manufactured by Fireater.

Offshore contracts remained buoyant including growth in the hire of portable H_2S workshops for a number of operators. Provision of a range of safety equipment for Marathon and new Solas standard life jackets for Chevron also made a significant contribution to the company's business.

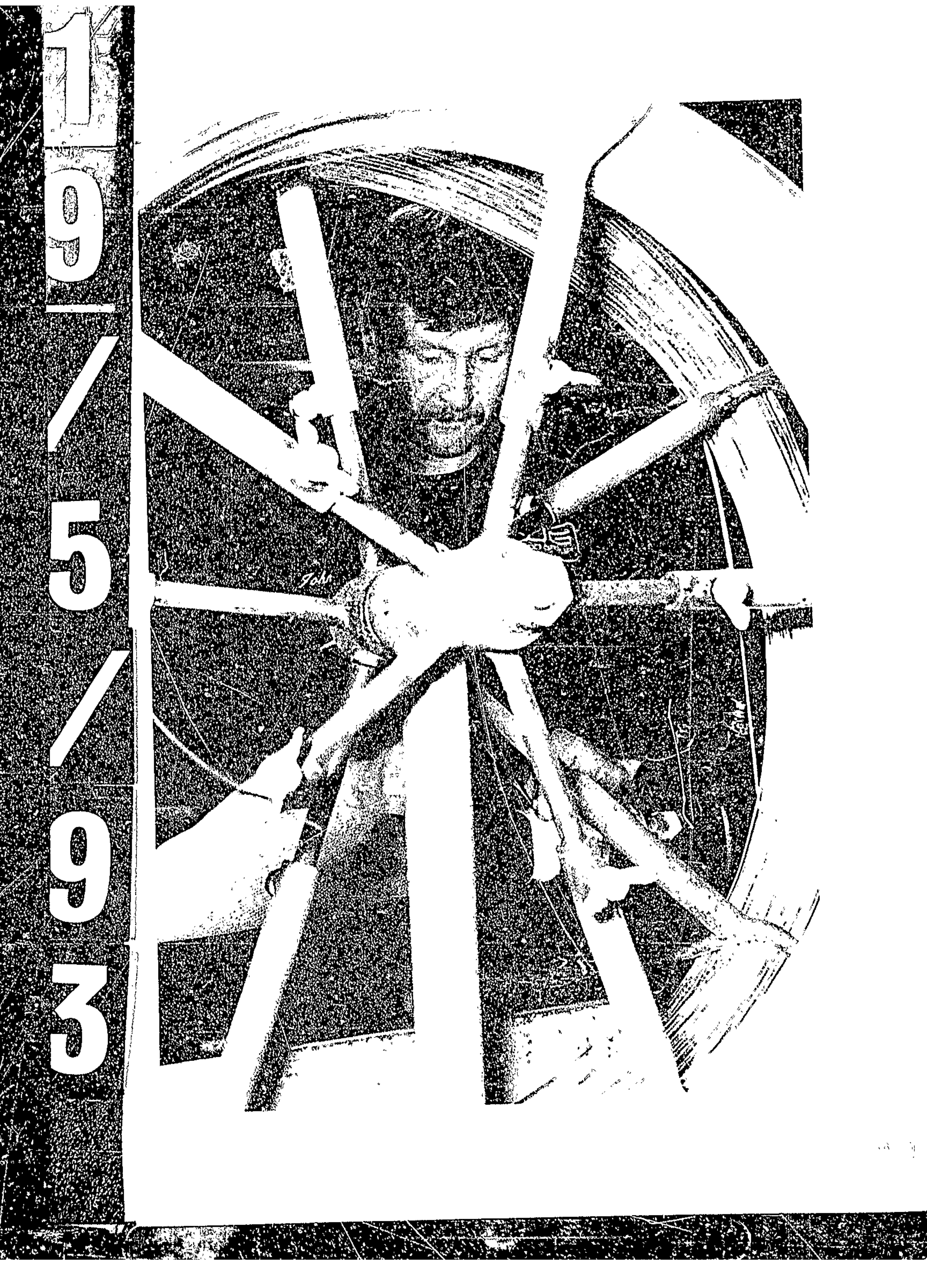
Exports to overseas markets, particularly in the Middle East and Norway, increased substantially through third party contracts with project engineering companies.

Wood Group Fire Protection's Great Yarmouth branch performed well across its whole product range and was successful in being awarded a long term maintenance contract with Shell Expro. The Falkirk and Milford Haven branches also made steady progress, increasing their market share in the onshore petrochemical industry.

The division's manufacturing company, Fireater, experienced its most successful year to date, increasing sales to both overseas and UK markets. Export sales exceeded 50% of the company's turnover, with the Middle East being a particularly successful market. In the UK, Fireater's clients include a large number of major public utilities and many of the district fire brigades.

Innovative product lines continue to be introduced to meet growing customer demand. For example, environmental considerations have prompted the company to embark upon a halon replacement programme resulting in a range of alternative systems. Contracts already gained include major upgrades for both the London Underground and London Transport. An innovative solution to protect key facilities within the Channel Tunnel was developed and successfully installed against tight deadlines, resulting in further orders for 1993. It is expected that this halon replacement programme will continue to generate new business for the foreseeable future.

Principal Companies:
Wood Group Fire Protection (100%)
Fireater (100%)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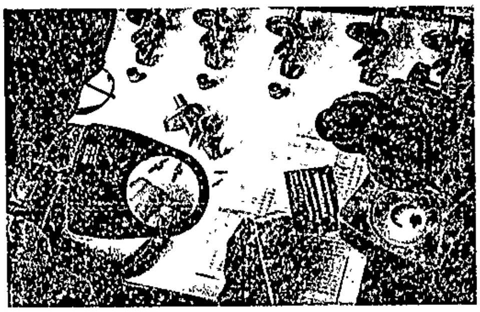
Gas Turbines

"Our gas turbine division is now a world market leader in the repair and overhaul of industrial gas turbines."

Already a major exporter of UK goods and services, the division achieved significant growth in 1992. This was due to both the 50/50 joint venture with Rolls-Royce developing its RB211 and Olympus business and a one-off sale of power generation equipment into Malaysia by Turbine Engine Services.

Rolls Wood Group continued to perform well. A £2 million investment in new component repair facilities has enabled the company to handle greater volumes of work in-house and allowed space for the RB211 and Olympus workshops to double in size. In addition, test bed facilities have been upgraded in order to handle RB211 and Olympus engines.



Pictured right:
Close attention to quality has helped Gas Turbine Fuel Systems to increase its flight fuel nozzle servicing business.

Pictured opposite:
Investment in new facilities has more than doubled workshop capacity for repair and overhaul of RB211 gas turbines.

Rolls Wood Group is one of two Group companies undergoing a Total Quality Management programme. This has proved to be a successful exercise with cost and efficiency improvements made in a number of areas. In addition, the company has secured Rolls-Royce quality approval to CQC103, allowing it to compete for the maintenance of Rolls-Royce owned turbines on lease to other users.

The division secured a major five year contract from National Power in 1992 covering the repair and maintenance of their gas turbine driven alternators at sites throughout England and Wales.

Towards the end of 1992 Lincoln Turbine Service moved into a new workshop alongside the Ruston test bed commissioned in 1991, bringing their total investment in new plant and equipment to £1.5 million. Whilst good prospects remain in its traditonal areas of business, the company also secured a number of major overseas contracts during the year.

Gas Turbine Fuel Systems continued its success, thanks to growth in the company's traditional market, and further investment has been made in line with the increase in sales. The company also expects to increase its sales in the aviation fuel nozzle servicing business.

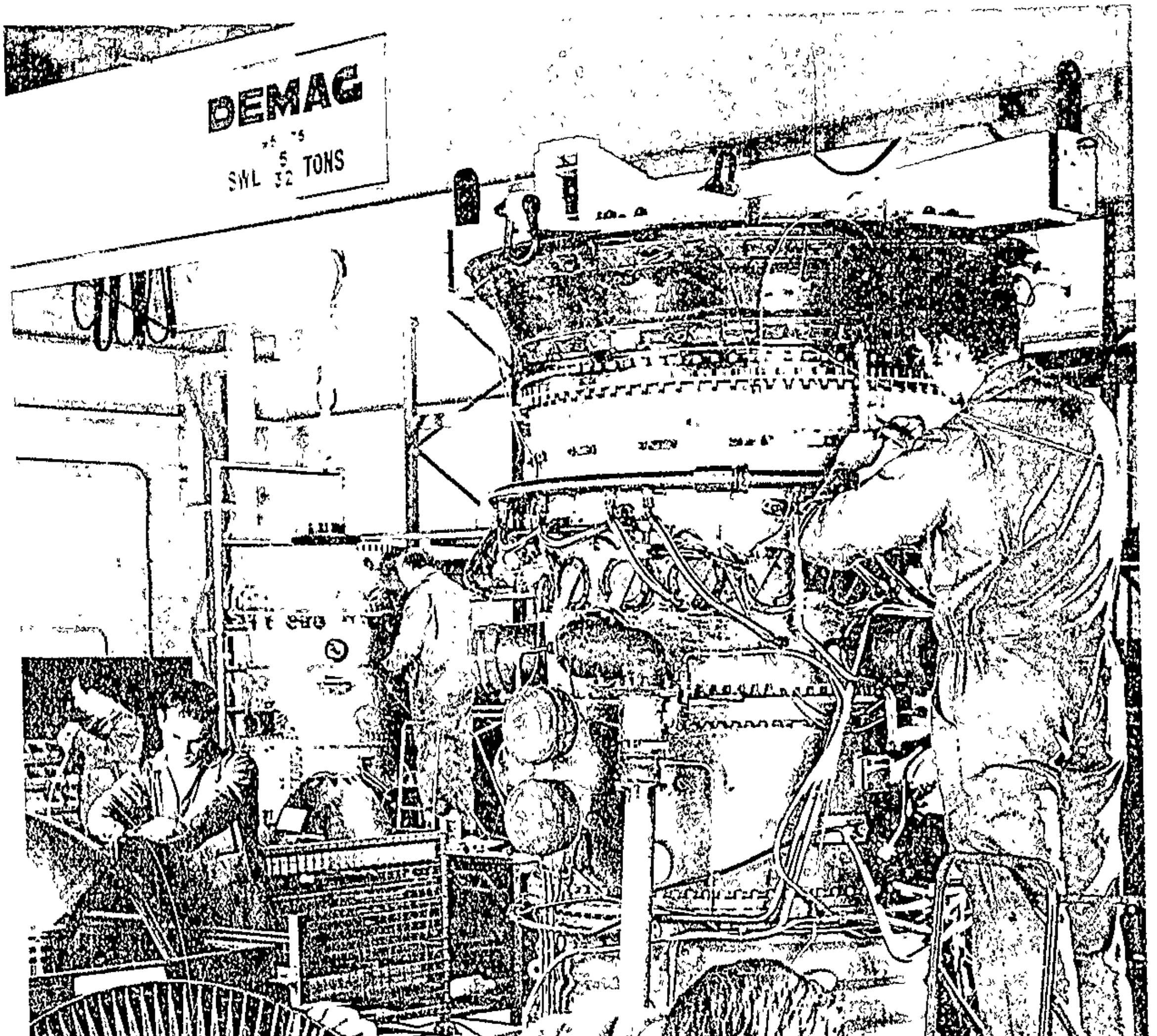
Despite a recession in the US aerospace market, Turbine Engine Services recorded a good year in both its core business of fuel nozzle repair and calibration and its developing engine repair and overhaul market.

A particularly successful contract was the sale of a Pratt & Whitney 23 MW gas turbine generator to Malaysia.

The gas turbine division owns five additional gas turbine generator sets with a combined power output of 40 MW which are available for lease or resale.

Principal Companies:
Lincoln Turbine Service (100%)
Gas Turbine Fuel Systems (100%)
Turbine Engine Services (90%)
Rolls Wood Group (Repair & Overhauls) (50%)

5/93



Engineering Services

"Extending our pump test facilities and introducing hydraulic capabilities have provided an unparalleled range of engineering services for our customers."

Pictured right:
Repair and overhaul of pumps remains an important part of Wood-Way's activities.

Pictured opposite:
Enterprise Engineering's facilities are well equipped to handle new generation exotic steels.

Principal Companies.
Wood Group Engineering Services (Peterhead) (100%)
Wood-Way Engineering Services (100%)
Wood-Way Hydraulic Services (100%)
Enterprise Engineering Services (100%)
Wood Group Industrial Controls (100%)
Wood Group Engineering (Overseas) (100%)
Arabian Oil Equipment Services Company (49%)

This division had a more difficult year with a downturn in activity in the drilling sector affecting all Aberdeen based companies. Investment to both upgrade existing facilities and extend our range of services has therefore been made to strengthen our position.

In June, the Group acquired Marioff Services (renamed

Wood-Way Hydraulic Services), specialists in hydraulic flushing and testing systems. In parallel, Wood-Way made a significant investment in pump test facilities.

These investments played an important part in enabling the enlarged Wood-Way operation to continue its growth during the year, despite a downturn in offshore drilling. In early 1993, the acquisition of Marioff Nortest was also concluded, allowing the Group to establish its first operating base in Norway.

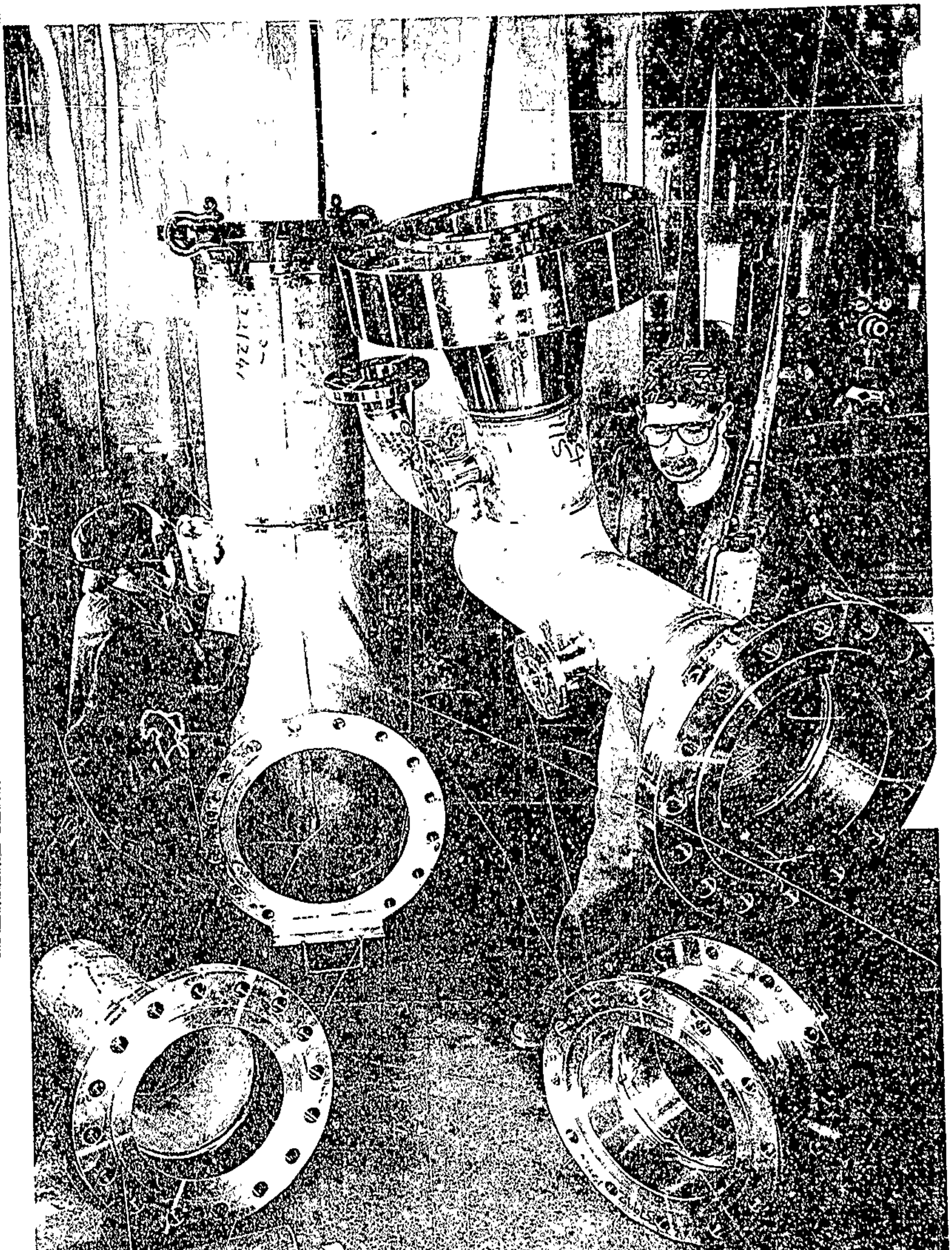
Enterprise Engineering made a small operating profit in 1992, but did not meet expectations due to a reduced level of work from its major oil industry customers. Despite this, further investment has been made in automating welding techniques, the benefits of which will be apparent when the company secures larger volumes of work.

Wood Group Engineering Services (Peterhead) more than doubled its profits in 1992 due to major contracts secured from Europe. A downturn is expected in 1993 since activity is anticipated to be lower as the company does not expect these contracts to be repeated. A new warehouse has been constructed to facilitate the management of valve stocks.

Wood Group Industrial Controls completed its Sizewell contract early in the year and resumed its previous lower manpower levels. A policy decision was taken not to bid in the standard commercial power electronics market, but to concentrate in the more specialised nuclear and petrochemical sector where the company's strengths lie.

The acquisition of 49% of Arabian Oil Equipment Services in 1991 has allowed the Group to penetrate petroleum and petrochemical markets throughout the Middle East. A total of £1.5 million has been invested in new premises, plant and equipment both in Abu Dhabi and Dubai to service valves, wellheads, high speed rotating equipment and heavy frame turbine components.

19/5/93



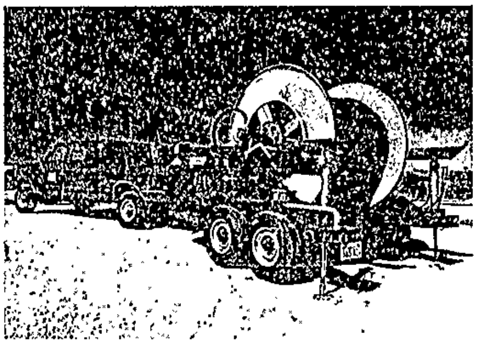
Drilling and Production Services

"Further investment in drilling and production services has considerably strengthened the Group's capabilities in this market."

The reduction in oil industry exploration, both in the UK and North America, affected all companies within the division. Activity levels were less than in 1991 and could reduce further in 1993.

Submersible Pumps

Wood Group ESP added to its existing submersible pump testing and installation services by acquiring downhole pump manufacturer Trico Submersible Systems. The enlarged company is entering a period of restructuring and product development which will adversely affect performance in 1993 and 1994. However, we already have a comprehensive product and supply package for submersible pumps which should provide good medium term prospects within the principal oil field markets worldwide.



Pictured right:
ESP's cable spooling rig provides a complete service, including an innovative method of computerised cable testing.

Pictured opposite:
WGPT's highly advanced environmentally controlled pressure sensor calibration laboratory.

Downhole Date Acquisition

Wood Group Production Technology made considerable strides with its Permanent Downhole Readout gauge. The proven capability of this technology, which includes the benefits of improved reservoir management and enhanced well safety, has now firmly established the company as a leader in this field. Their Slickline Production Logging Tool achieved successful commercial tests during the year. This instrument benefits from being highly portable and has considerable international potential. To accommodate the ongoing growth, the company has now added a highly advanced environmentally controlled pressure sensor calibration laboratory.

Copgo Wood Group, with operations in France and Italy, had a profitable year with strong service sales to its oil company and public utility customers. The Italian market, however, looks more difficult in 1993.

Wellhead Equipment

Further investment was made during the year with the acquisition of 47% of Houston-based ERC Industries Inc. which is involved in the remanufacture and repair of valves and wellhead equipment. It is anticipated that this company will dovetail well with the division's existing areas of expertise in the oil field sector, allowing the development of new international markets.

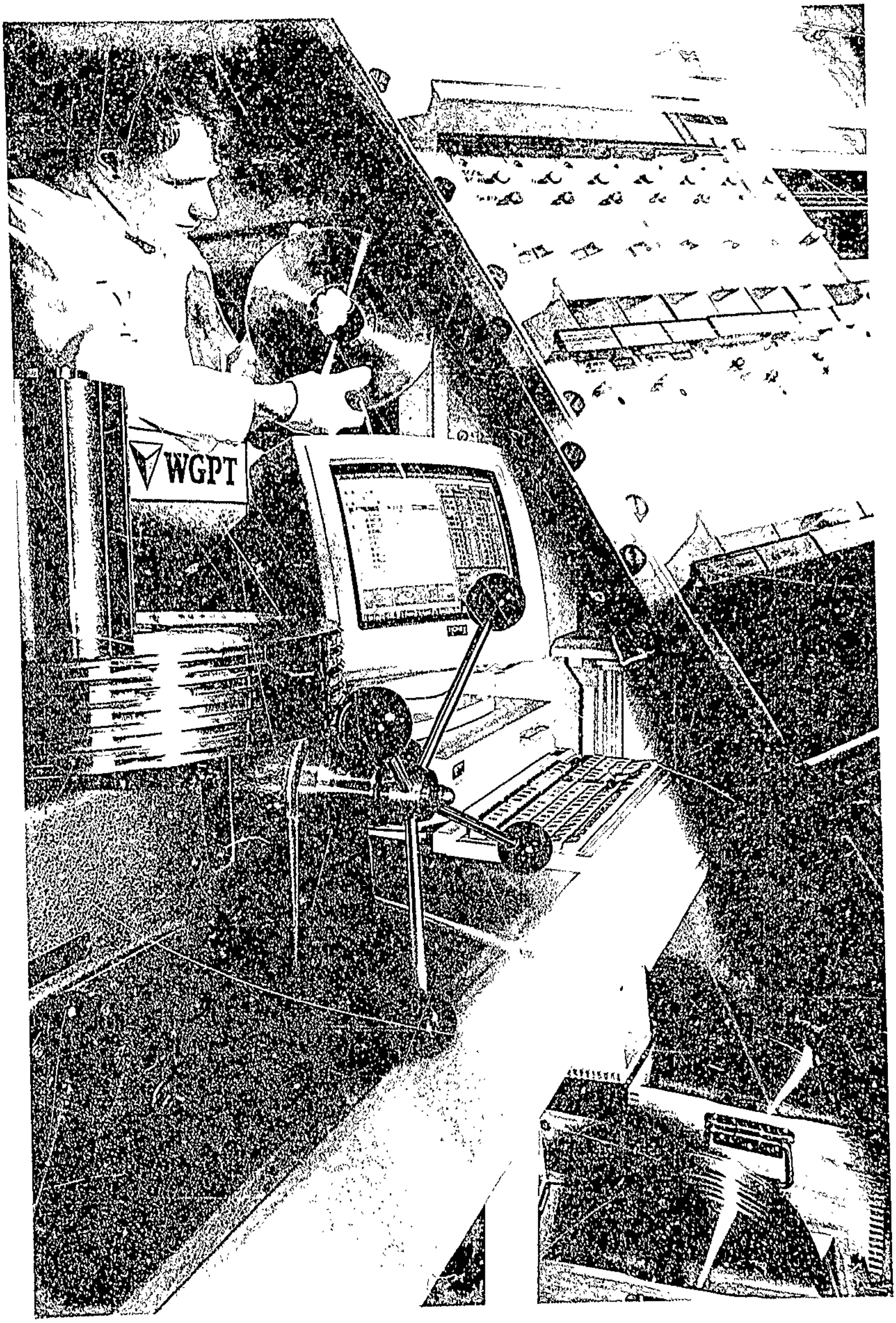
Tubular Inspection

In the field of tubular inspection, NDT Systems and NDT Eagle are both incurring development costs as a result of increasing the quality and scope of their services. 51% of Tubular Ultrasound Limited was acquired during the year, adding advanced ultrasonic inspection services to the division's capabilities in the UK.

Principal Companies:
Wood Group ESP (56%)
ESP Inc. (56%)
ESP Products (56%)
Wood Group Production Technology (100%)
Copgo Wood Group (50%)
Sodesep (45%)
ERC Industries (47%)
NDT Systems (100%)
NDT Eagle (100%)
Tubular Ultrasound Limited (51%)

1992/1993

10/5/93



The Quality Culture

"Our significant investment programme in quality, personnel development, health, safety and the environment is vital to our continuing success."

The introduction in 1992 of the Group Vision and Mission statement took place alongside some significant developments in quality, safety and personnel policies.

Health, Safety and the Environment (HS&E)

"We aim to attain the highest practically achievable standards of occupational health and safety and the highest levels of performance in protecting the environment"

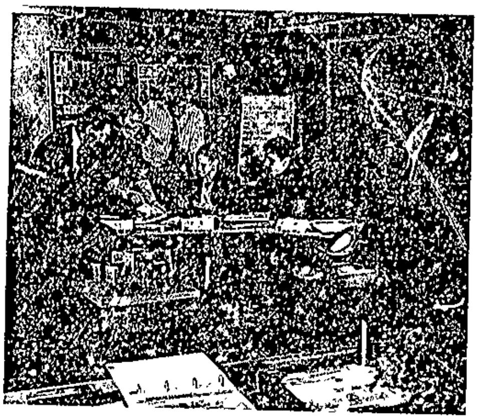
The Group recognises that good HS&E management can contribute significantly to its long term business success. Conducting safe and efficient operations, whilst maintaining high standards of performance and protection of the environment, is an integral part of management and has equal standing with the Group's other major business objectives. In recognition of the importance of these issues Group board director Ramsay Spence was given overall responsibility for quality, health, safety and environmental matters.

During the year, the Health and Safety Executive's Accident Prevention Advisory Unit performed sample audits of selected Wood Group companies. The resulting report was most constructive and has been of significant value in defining the Group's plan of action in relation to HS&E initiatives.

A new policy and integrated management system has been defined, covering health, safety and environmental matters and will be progressively introduced into Group companies during 1993. This initiative has been designed to encourage best practice, to be responsive to both recent and future legislation, and to interface cleanly with the systems adopted by the Group's customers. A significant training programme is also underway to raise the professionalism at divisional and operating company level, to match the increasing sophistication of management required in this area.

Health and Safety performance in 1992 was most encouraging. Lost time incidents and the associated frequency index were down substantially from the previous year, maintaining a progressively improving trend. We were therefore very pleased to be notified of the RoSPA Gold Award for Occupational Safety relating to our 1992 safety record, which will be awarded in May of this year.

A number of Group companies completed reviews of their environmental performance and by the end of 1993, this will have been extended to all companies. Of particular note are significant improvements to safety, health and welfare which have been incorporated in the new premises for Rolls Wood Group, Lincoln Turbine



Pictured right:
TQM and safety awareness programmes are two examples of training courses now held on a regular basis at the Group's new training centre.

Quality

Quality ... at the Group ... companies have been ... recognition and in addition specific certification relevant to their specialist activities. Two of the Group's larger companies, Wood Group Engineering Contractors and Rolls Wood Group, are now well underway with Total Quality

Management programmes and further companies will participate in the current year. These programmes require significant investment in both time and training in the new techniques but are undoubtedly showing some real advances in some areas of our business.

Personnel Development

We continue to ... our people ... develop a skilled ... training and manage the performance. We opened a new training centre at John Wood House during the year offering a wide range of courses for employees from all Group companies. Particular emphasis has been placed on supervisory skills, multi tasking and accreditation of competence, as well as safety and safety awareness training and graduate placement schemes. The Group has also established programmes to alleviate the shortfall in particular disciplines by recruiting HNC trainees and sponsoring apprentices for training both on and offshore.

Community Activities

"We aim to care for the local communities in which we operate."

We have extended our programme of support to a variety of charitable organisations particularly those related to local community projects and where employees are directly involved. Charities supported during the year covered the areas of health, children, youth, the arts, environment, education and the homeless.

Long term projects include support to the Aberdeen Cyrenians who help homeless young people, a Young Artists Competition run in connection with Aberdeen Royal

Above.

Above left

Left:

The directors submit their report together with the audited financial statements of the Group for the year ended 31 December 1992.

RESULTS AND DIVIDENDS

	£000	£000
Group profit for the financial year		10,703
Dividends for the year		
On existing preference shares:		
Interim paid 26.46p per share	298	
Final proposed 2.04p per share	23	
On new preference shares:		
Interim paid 55.8p per share	581	
On ordinary shares:		
Interim paid 6p per share	562	
		(1,464)
Profit retained		9,239

No final dividends are proposed on the new preference shares or the ordinary shares. The directors recommend that £9,239,000 be transferred to the profit and loss account as set out in note 19 on page 41.

An interim dividend of 6p per ordinary share was paid on 1 April 1993 in respect of the year ending 31 December 1993.

PRINCIPAL ACTIVITIES, REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

A review of the year's trading and an indication of likely future developments are contained within the Chairman's Statement and the Review of Operations on pages 2 to 21.

Details of the Company's principal subsidiary and associated undertakings are set out on page 47.

TANGIBLE FIXED ASSETS

Details of changes in tangible fixed assets during the year are set out in note 10 to the financial statements.

Expenditure incurred on tangible fixed assets is directed mainly towards enhancement of the range of services offered by the Group, improving communications and increasing emphasis on health and safety in the workplace.

The directors consider that the market value of land and buildings does not significantly differ from the net book value stated in note 10 to the financial statements.

ACQUISITIONS

In June 1992, the Group acquired the business and some of the assets of Thistle Engineering Services Limited.

In June 1992, Wood Group Engineering Limited acquired 100% of the issued share capital of Marioff Services Limited (now trading under the name of Wood-Way Hydraulic Services Limited).

In July 1992, Wood Group ESP Inc. acquired 100% of the issued share capital of ESP Products Inc. a newly formed Delaware corporation which owned the business and assets of the Trico Submersible Systems division of Trico Industries Inc.. ESP Products Inc. is based in Oklahoma City.

In August 1992, NDT Systems Inc. acquired the business and assets of Visions Innovation Corporation (VICORP), a Texas corporation.

In December 1992, the Group acquired 47% of the issued share capital of ERC Industries Inc., a company based in Houston, Texas, whose shares are listed on the NASDAQ market in the US.

DIRECTORS AND DIRECTORS' INTERESTS

The names of persons presently in office are set out on page 4, all of whom were directors throughout the year, except for Jim Cooper who was appointed a director on 17 February 1993.

The directors of the Company at 31 December 1992 had the following interests, including family interests, as defined in the Companies Act 1985, in the shares of the Company at 31 December 1992 and 31 December 1991.

	At 31 December 1992		At 31 December 1991	
Ordinary Shares of £1 each	**Fully paid**	**Options**	Fully paid	Options
Ian C. Wood	***5,318,715**	–	*5,318,715	–
Edwin C. Garrett	**125,000**	–	125,000	–
William H. Carr	**87,000**	–	87,000	–
Hugh D. Duncan	**349,539**	–	349,539	–
Allister G. Langlands	–	**30,000**	–	30,000
Tom Motherwell	**35,000**	**35,000**	35,000	35,000
J. Derek Prichard-Jones	–	**40,000**	–	40,000
J. Ramsay Spence	**60,000**	–	60,000	–
Ewan Brown	–	–	–	–

(*Including minor children's interests under trusts)

In addition to the holdings listed above, Ian C. Wood had a non-beneficial interest in 866,335 ordinary shares (1991 – 866,335 ordinary shares).

None of the directors had interests in either the existing or new convertible preference shares of the Company at 31 December 1992 or at 31 December 1991.

No director of the Company had, during the year, any material interest, either directly or indirectly, in any contract of significance with the Company or its subsidiary or associated undertakings in relation to the business of the Company.

RESEARCH AND DEVELOPMENT

Research and development activity which takes place within the individual companies concentrates upon improving the quality of the company's products and services in recognition or anticipation of customer demands.

EMPLOYMENT POLICY AND EMPLOYEE COMMUNICATIONS

The Group recognises the importance of employee communication and involvement. In this respect, a quarterly in-house newspaper entitled "Wood News" is published to disseminate news about the Group's business to all employees. In addition, some of the larger Group companies produce individual newsletters to inform employees on events specific to their own companies. On an annual basis the Group produces an employee report, being a distilled version of the main Group accounts, which is distributed to all personnel at their place of work or (in the case of offshore staff) to their homes. Staff meetings are held at the work place in order to update employees on the progress of the Group and their respective companies.

It is the policy of the Group to afford disabled persons full and fair consideration for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where the disability occurs during the period of employment every effort is made to continue to provide suitable employment with the provision of appropriate training.

The Group recognises that good health, safety and environmental management can contribute significantly to its long term business success. Conducting safe and efficient operations, while maintaining high standards of performance and protection of the environment, is an integral part of management's duties and has equal standing with the Group's other major business objectives.

DONATIONS

During the year the Group made charitable donations amounting to £77,278. It is the Group's policy to support modestly in this way charitable organisations with which employees or close relatives of employees are directly involved. No donations of a political nature were made.

AUDITORS

A resolution to re-appoint Coopers & Lybrand as the Company's auditors will be proposed at the annual general meeting. Until 1 June 1992 Coopers & Lybrand practised under the name of Coopers & Lybrand Deloitte.

By Order of the Board

C. Nicholas Brown
Secretary

5 April 1993

Contents

Report of the Auditors

TO THE MEMBERS OF JOHN WOOD GROUP PLC

We have audited the financial statements on pages 26 to 47 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors

Aberdeen
5 April 1993

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

Basis of consolidation

The Group financial statements are the result of the consolidation of the financial statements of the Company and its subsidiary undertakings from the date of acquisition or up until the date of disposal as appropriate. All Group companies prepare accounts up to 31 December except ERC Industries Inc., a company acquired in December 1992 whose year end is 31 January. The results and balance sheet of ERC Industries Inc. are included on the basis of interim financial statements. The Company's own profit and loss account is not shown by virtue of the exemption provisions contained within the Companies Act 1985.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the identifiable net assets acquired. Goodwill arising on subsidiary and associated undertakings acquired is written off to the accumulated profit and loss account.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are included in the balance sheet of the holding company either at cost or valuation. Provisions are made where necessary to reflect any permanent diminution in value.

Associated undertakings

The Group's share of profits less losses of associated undertakings is included in the Group profit and loss account and the Group's share of their net assets is included in the Group balance sheet.

Turnover

Turnover, which excludes value added tax, sales between Group companies and trade discounts, represents the invoiced value of goods and services supplied and the value of long-term contract work done.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less aggregate depreciation.

Depreciation is calculated at rates estimated to write off by equal annual instalments the relevant assets over their expected useful lives, which are:

Freehold buildings	25-50 years	Plant & equipment	3-10 years
Leasehold buildings	20-50 years	Vehicles	4 years

Freehold land is not depreciated.

Grants received and receivable in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the expected useful life of the relevant fixed asset.

Cash flow

The Group has adopted the provisions of FRS 1 in these financial statements. Accordingly, a cash flow statement has replaced the statement of source and application of funds presented last year.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials and direct labour plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs to disposal. Provision is made for all foreseeable losses and in the case of stocks due allowance is made for obsolete and slow moving items.

Long-term contracts

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts.

Deferred taxation

Provision is made on the liability method to recognise the deferment of taxation due to timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes to the extent that it is probable that a liability or asset will crystallise.

Research and development expenditure

Research expenditure and development expenditure of a general nature are written off in the year incurred. Development expenditure on specific products is included in intangible assets and written off over the years expected to benefit from such expenditure.

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date, and differences on exchange arising thereon are dealt with through operating profit. Net assets of overseas subsidiary undertakings are translated at the closing rate and differences on exchange are taken directly to reserves. Loans denominated in foreign currency to foreign subsidiary undertakings, and related borrowings in foreign currencies, are translated at the closing rate and differences on exchange (to the extent that they match the net assets of the related foreign subsidiary undertakings) are taken directly to reserves.

Finance and operating leases

Tangible fixed assets acquired under finance leases are capitalised at the estimated fair value at the date of inception of each lease. Finance charges are allocated over the period of each lease to produce a constant periodic rate of charge on the outstanding balance.

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

Pension costs

Most of the UK companies in the Group participate in a defined benefit pension scheme which is contracted out of the state scheme. The funds are valued every three years by a professionally qualified independent actuary and the rates of contribution payable are determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employee's services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. There are no material pension scheme arrangements relating to overseas subsidiary undertakings.

Group Profit and Loss Account

for the year to 31 December 1992

	Note	1992 £000	199 £00
Turnover		203,560	173,825
Cost of sales		(168,738)	(145,694
Gross Profit		34,822	28,131
Net operating expenses	1	(19,669)	(14,501
Operating Profit	2	15,153	13,630
Income from interests in associated undertakings	5	2,515	2,643
Profit before interest		17,668	16,273
Net interest receivable	6	856	595
Profit on ordinary activities before taxation		18,524	16,868
Taxation on profit on ordinary activities	7	(6,601)	(5,721)
Profit on ordinary activities after taxation		11,923	11,147
Minority interests		(1,220)	(1,513)
Profit for the financial year		10,703	9,634
Dividends	8	(1,464)	(896)
Retained profit for the financial year	19	9,239	8,738

as at 31 December 1992

	Note	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Fixed assets					
Tangible assets	10	29,597	20,306	4,151	3,714
Investments	11	3,915	7,561	196	5,504
Investments in subsidiary undertakings	12	–	–	23,464	17,907
Total fixed assets		33,512	27,867	27,811	27,125
Current assets					
Stocks and work in progress	13	23,227	12,089	–	–
Debtors	14	46,654	35,909	8,436	5,111
Cash at bank and in hand		22,894	16,709	23,861	7,211
		92,775	64,707	32,297	12,322
Creditors: amounts falling due within one year	15	(47,349)	(37,031)	(10,624)	(9,018)
Net current assets		45,426	27,676	21,673	3,304
Total assets less current liabilities		78,938	55,543	49,484	30,429
Creditors: amounts falling due after one year	16	(14,700)	(7,530)	(13,212)	(6,405)
Provision for liabilities and charges	17	(1,564)	(1,090)	(1,991)	(1,932)
Net assets		62,674	46,923	34,281	22,092
Capital and reserves					
Called up share capital	18	11,537	11,537	11,537	11,537
Profit and loss account	19	38,271	29,355	22,744	10,555
Total shareholders' funds		49,808	40,892	34,281	22,092
Minority interests		12,866	6,031	–	–
		62,674	46,923	34,281	22,092

The financial statements on pages 26 to 47 were approved by the board of directors on 5 April 1993.

Ian C. Wood
Director

Edwin C. Garrett
Director

	Note	1992 £000	1991 £000
Net cash inflow from operating activities	27	12,437	22,135
Returns on investments and servicing of finance			
Interest received		1,751	1,139
Interest paid		(611)	(905)
Dividends received from associated undertakings		–	1,260
Dividends paid		(2,059)	(785)
Dividends paid to minority shareholders		(1,229)	(140)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(2,148)	569
Taxation			
UK corporation tax paid		(6,355)	(3,224)
Overseas tax paid		(1,185)	(883)
Tax paid		(7,540)	(4,107)
Investing activities			
Purchase of tangible fixed assets		(10,552)	(6,608)
Sale of tangible fixed assets		3,636	952
Purchase of investments		(25)	–
Sale of investments		5,434	42
Purchase of subsidiary undertakings	20	(4,954)	(934)
Net cash (outflow) from investing activities		(6,461)	(6,548)
Net cash (outflow)/inflow before financing		(3,712)	12,049
Financing			
Loan from associated undertakings		(900)	900
Issue of shares		–	250
New loans		6,707	1,974
Repayment of loans		(171)	(481)
Net cash inflow from financing		5,636	2,643
Increase in cash and cash equivalents	28	1,924	14,692

. Net operating expenses

	Group	
	1992	1991
	£000	£000
Distribution costs	5,317	2,926
Administrative expenses	14,352	11,950
Distribution costs and administrative expenses	19,669	14,876
Other operating income	–	(375)
	19,669	14,501

2. Operating profit

	Group	
	1992	1991
Operating profit is stated after crediting:	£000	£000
Net gain on sale of fixed assets	1,204	147
and after charging:		
Depreciation of tangible fixed assets:		
Owned	4,176	3,477
Held under finance leases	94	79
Hire and operating lease payments:		
Plant and machinery	681	678
Other	1,381	1,065
Development expenditure	423	122
Auditors' remuneration (Company £6,300; 1991 £6,000)	180	150

Remuneration of the Company's auditors for provision of non-audit services to the Company and its UK subsidiary undertakings was £26,000.

3. Employee numbers and staff costs

	Group	
	1992	1991
	No.	No.
The average number of persons employed during the year was:		
Direct production	2,192	2,345
Management and staff	584	473
	2,776	2,818
	£000	£000
Total staff costs in respect of these persons amounted to:		
Wages and Salaries	64,705	60,751
Social security costs	6,320	5,937
Other pension costs	786	608
	71,811	67,296

4. Directors' emoluments

	1992 £000	1991 £000
Staff costs include amounts payable to directors as follows:		
Fees	–	–
Other emoluments (including pension contributions and benefits in kind)	587	523
Consideration paid to third party for services of director	5	5
	592	528

Directors' emoluments (excluding pension contributions and directors whose duties are mainly performed outside the United Kingdom) fall into the following scales:

	1992 No.	1991 No.
Nil – £5,000	3	3
£30,001 – £35,000	–	1
£55,001 – £60,000	1	1
£60,001 – £65,000	–	1
£80,001 – £85,000	–	2
£85,001 – £90,000	1	–
£90,001 – £95,000	2	1
£95,001 – £100,000	1	–

Emoluments, excluding pension contributions, of the Chairman, who is also the highest paid director, amounted to £98,653 (1991 £90,948).

5. Income from interests in associated undertakings

Included within income from interests in associated undertakings is the Group's share of profits from its 50% interest in Rolls Wood Group (Repair and Overhauls) Limited.

The profit and loss account of Rolls Wood Group (Repair and Overhauls) Limited for the year ended 31 December 1992 was as follows:

	1992 £000	1991 £000
Turnover	36,461	27,761
Net operating expenses	(29,890)	(23,502)
Operating profit	6,571	4,259
Net interest	(2,188)	(2,389)
Profit on ordinary activities before taxation	4,383	1,870
Taxation on profit on ordinary activities	(1,451)	(639)
Profit on ordinary activities after taxation	2,932	1,231

for the year to 31 December 1992

6. Net interest receivable

	Group 1992 £000	Group 1991 £000
Interest receivable:		
On short term deposits and investments	1,453	963
Other interest receivable	262	317
	1,715	1,280
Interest payable:		
On bank overdrafts and short-term loans	(456)	(203)
On loans wholly repayable within five years, not by instalments	(331)	(407)
On loans wholly repayable within five years, by instalments	(72)	(75)
	856	595

7. Taxation on profit on ordinary activities

	Group 1992 £000	Group 1991 £000
Based on the results of the year:		
Corporation tax at 33% (1991 33.25%)	5,382	4,270
Deferred tax at 33% (1991 33%)	(570)	(475)
Overseas taxation	843	878
	5,655	4,673
Prior year:		
Corporation tax	(76)	111
Deferred tax	186	46
	5,765	4,830
Associated undertakings	836	891
	6,601	5,721

8. Dividends

	1992 £000	1991 £000
Existing preference shares:		
Interim paid 26.46p per share (1991 24.696p)	298	278
Final proposed 2.04p per share (1991 5p)	23	56
New preference shares:		
Interim paid 55.8p per share	581	–
Ordinary shares:		
Interim paid 6p per share (1991 6p)	562	562
	1,464	896

9. Profit after taxation and before dividends

	Company 1992	Company 1991
	£000	£000
Dealt with in the financial statements of the Company	13,653	6,163

10. Tangible fixed assets

Group	Land and Buildings Freehold	Leasehold Long	Leasehold Short	Plant and Equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 31 December 1991	1,385	8,122	4,107	21,618	35,232
Exchange adjustments	558	–	44	1,661	2,263
Additions	1,466	2,795	1,052	5,459	10,772
Disposals	–	(2,405)	–	(2,053)	(4,458)
Companies acquired	2,993	–	–	6,607	9,600
At 31 December 1992	**6,402**	**8,512**	**5,203**	**33,292**	**53,409**
Whereof:					
Cost	6,262	5,272	4,658	33,292	49,484
Valuation 1982	140	3,240	545	–	3,925
	6,402	8,512	5,203	33,292	53,409
Aggregate depreciation					
At 31 December 1991	175	1,450	1,825	11,476	14,926
Exchange adjustments	42	–	15	703	760
Charge for year	67	173	233	3,797	4,270
Disposals	–	(564)	–	(1,476)	(2,040)
Companies acquired	1,051	–	–	4,845	5,896
At 31 December 1992	**1,335**	**1,059**	**2,073**	**19,345**	**23,812**
Net book value					
At 31 December 1992	**5,067**	**7,453**	**3,130**	**13,947**	**29,597**
At 31 December 1991	1,210	6,672	2,282	10,142	20,306

Freehold and leasehold properties included at valuation would be stated on the historical cost basis at a cost of £2,498,000 (1991 £3,937,000) less a cumulative provision for depreciation of £699,000 (1991 £1,153,000).

The net book value of fixed assets includes £358,000 (1991 £315,000) in respect of assets held under finance leases.

for the year to 31 December 1992

10. Tangible fixed assets (continued)

Company	Land and Buildings Long Leasehold £000	Plant and Equipment £000	Total £000
Cost or valuation			
At 31 December 1991	4,249	649	4,898
Additions	2,421	303	2,724
Disposals	(2,405)	(92)	(2,497)
At 31 December 1992	4,265	860	5,125
Whereof:			
Cost	2,765	860	3,625
Valuation 1982	1,500	–	1,500
	4,265	860	5,125
Aggregate depreciation			
At 31 December 1991	802	382	1,184
Charge for year	219	158	377
Disposals	(510)	(77)	(587)
At 31 December 1992	511	463	974
Net book value			
At 31 December 1992	3,754	397	4,151
At 31 December 1991	3,447	267	3,714

Leasehold properties included at valuation would be stated on the historical cost basis at a cost of £831,000 (1991 £1,750,000) less a cumulative provision for depreciation of £190,000 (1991 £546,000).

for the year to 31 December 1992

11. Fixed asset investments

	Group			Company
	Equity Interests in Associated Undertakings £000	Unlisted and Other Investments £000	Total £000	Unlisted and Other Investments £000
Cost or valuation				
At 31 December 1991	1,765	6,336	8,101	6,042
Additions	25	–	25	–
Disposals	–	(5,734)	(5,734)	(5,692)
Share of profits retained	1,679	–	1,679	–
At 31 December 1992	**3,469**	**602**	**4,071**	**350**
Amounts provided				
At 31 December 1991	–	540	540	538
Released in year	–	(40)	(40)	(40)
Disposals	–	(344)	(344)	(344)
At 31 December 1992	**–**	**156**	**156**	**154**
Net book value				
At 31 December 1992	**3,469**	**446**	**3,915**	**196**
At 31 December 1991	1,765	5,796	7,561	5,504

Fixed asset investments are included at cost less amounts provided plus, for associated undertakings, the share of profits retained.

11. Fixed asset investments (continued)

Included within equity interests in associated undertakings is the Group's share of net assets in Rolls Wood Group (Repair & Overhauls) Limited. The balance sheet of Rolls Wood Group (Repair & Overhauls) Limited at 31 December 1992 was as follows:

	1992 £000	1991 £000
Tangible fixed assets	3,982	3,737
Current assets		
Stocks and work in progress	23,549	20,889
Debtors	4,960	5,640
Cash	4	2
	28,513	26,531
Current liabilities		
Loans due to shareholders	5,000	5,000
Amounts due to shareholders	2,444	3,689
Bank loans and overdrafts	13,790	14,515
Trade creditors	2,374	2,536
Other creditors and accruals	3,268	1,950
	26,876	27,690
Net current assets/(liabilities)	1,637	(1,159)
Total assets less current liabilities	5,619	2,578
Provision for liabilities and charges	(198)	(89)
Total assets	5,421	2,489

The Group holds 100% of the issued 'B' ordinary shares in Rolls Wood Group (Repair & Overhauls) Limited which represents 50% of the total nominal value of issued ordinary shares in that company.

Details of other principal associated undertakings are set out on page 47.

for the year to 31 December 1992

12. Investments in subsidiary undertakings

	Company		
	Shares £000	Loans £000	Total £000
Cost or valuation			
At 31 December 1991	17,635	1,900	19,535
Additions	7,418	–	7,418
Disposals	–	(1,900)	(1,900)
At 31 December 1992	**25,053**	–	**25,053**
Whereof:			
Cost	19,426	–	19,426
Valuation 1982	5,627	–	5,627
	25,053	–	25,053
Amounts provided			
At 31 December 1991	1,530	98	1,628
Increase/(decrease) in year	59	(98)	(39)
At 31 December 1992	**1,589**	–	**1,589**
Net book value			
At 31 December 1992	**23,464**	–	**23,464**
At 31 December 1991	16,105	1,802	17,907

Investments included at valuation would be stated at cost to the Company of £574,000 (1991 £574,000). Details of the principal subsidiary undertakings are shown on page 47.

13. Stocks and work in progress

	Group	
	1992 £000	1991 £000
Raw materials	5,206	3,453
Work in progress	4,692	4,015
Finished goods and goods for resale	13,329	4,621
	23,227	12,089

14. Debtors

	Group		Company	
	1992	1991	1992	1991
	£000	£000	£000	£000
Due within one year:				
Trade debtors	38,792	26,795	21	14
Amounts recoverable on contracts	418	2,039	–	–
Amounts due by subsidiary undertakings	–	–	7,437	4,165
Loans to associated undertakings	2,500	2,500	–	–
Amounts due by associated undertakings	684	1,146	58	419
Taxation recoverable	–	–	488	–
Other debtors	2,055	1,681	82	107
Prepayments and accrued income	1,651	1,464	331	382
	46,100	35,625	8,417	5,087
Due later than one year:				
Trade debtors	375	209	–	–
Other debtors	179	75	19	24
	46,654	35,909	8,436	5,111

15. Creditors: amounts falling due within one year

	Group		Company	
	1992	1991	1992	1991
	£000	£000	£000	£000
Bank overdrafts and loans	6,332	1,019	1,205	–
Trade creditors	19,426	15,121	115	122
Amounts due to subsidiary undertakings	–	–	4,930	2,423
Amounts due to associated undertakings	1,799	1,086	–	–
Corporation tax	4,624	6,156	1,465	708
Other taxation and social security payable	3,637	3,221	610	524
Other creditors	2,921	3,109	175	177
Accruals and deferred income	8,587	6,701	2,101	4,446
Dividends payable	23	618	23	618
	47,349	37,031	10,624	9,018

16. Creditors: amounts falling due after one year

	Group		Company	
	1992	1991	1992	1991
	£000	£000	£000	£000
Loans	12,934	6,041	11,767	5,282
Other	1,766	1,489	1,445	1,123
	14,700	7,530	13,212	6,405
Loans comprise:				
Repayable between 1 and 2 years	12,283	5,970	11,160	-
Repayable between 2 and 5 years	651	71	607	5,282
	12,934	6,041	11,767	5,282

17. Provision for liabilities and charges

	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Deferred taxation	99	313	526	1,155
Pension provision	1,465	777	1,465	777
	1,564	1,090	1,991	1,932
Deferred taxation provided in these financial statements comprises corporation tax deferred by:				
Fixed asset timing differences	1,226	461	430	100
Other timing differences	(1,119)	58	104	1,261
	107	519	534	1,361
Less advance corporation tax	(8)	(206)	(8)	(206)
	99	313	526	1,155
The full potential liability to corporation tax comprises:				
Fixed asset timing differences	1,226	1,083	430	246
Other timing differences	(1,173)	(102)	104	1,261
	53	981	534	1,507
Less advance corporation tax	(8)	(206)	(8)	(206)
	45	775	526	1,301

	Group Deferred Taxation £000	Group Pension Provision £000	Company Deferred Taxation £000	Company Pension Provision £000
The movement in the provisions comprises:				
At 31 December 1991	313	777	1,155	777
(Credit)/charge for year	(384)	688	(827)	688
Advance corporation tax	198	–	198	–
Exchange adjustment	(40)	–	–	–
Subsidiary undertakings acquired	12	–	–	–
At 31 December 1992	99	1,465	526	1,465

18. Share capital

	1992 £000	1991 £000
Authorised		
12,832,983 Ordinary shares of £1 each	12,833	12,833
1,125,883 Existing cumulative convertible preference shares of £1 each	1,126	1,126
1,041,134 New cumulative convertible preference shares of £1 each	1,041	1,041
	15,000	15,000
Allotted, called up and fully paid		
9,370,209 Ordinary shares of £1 each	9,370	9,370
1,125,883 Existing cumulative convertible preference shares of £1 each	1,126	1,126
1,041,134 New cumulative convertible preference shares of £1 each	1,041	1,041
	11,537	11,537

The following options to subscribe for ordinary shares granted under the Company's management share option scheme are outstanding:

Year of Grant	Number of Ordinary Shares Under Option	Exercise Price (per share)	Exercise Period From	Exercise Period To
1987	29,000	£1.00	27.11.92	26.11.97
1988	77,000	£1.00	30.12.93	29.12.98
1989	70,500	£1.00	09.12.94	08.12.99
1990	27,000	£1.00	28.02.95	27.02.2000
	54,500	£1.00	31.12.95	30.12.2000
1991	190,750	£1.50	21.10.96	20.10.2001
	448,750			

19. Profit and loss account

	Group: Parent and Subsidiary Undertakings £000	Group: Associated Undertakings £000	Total £000	Company £000
At 31 December 1991	28,196	1,159	29,355	10,555
Exchange adjustments	816	–	816	–
Retained profit for the year	7,560	1,679	9,239	12,189
Goodwill arising on acquisition of subsidiary undertakings	(1,139)	–	(1,139)	–
At 31 December 1992	35,433	2,838	38,271	22,744

for the year to 31 December 1992

20. Acquisitions

Details of the more significant acquisitions during 1992 are given below:

In June 1992, the Group acquired 100% of the issued share capital of Marioff Services Limited which made an operating los of £59,000 in the financial period from 1 January 1992 to 31 May 1992 and an operating profit of £162,000 in the financia year ended 31 December 1991.

In July 1992, the Group acquired 100% of the issued share capital of ESP Products Inc., a newly formed company whicl owned the business and assets of the Trico Submersible Systems division of Trico Industries Inc..

In December 1992, the Group acquired 47% of the issued share capital of ERC Industries Inc., ("ERC") which made an operating profit of £64,000 in the financial period from 1 February 1992 to 30 November 1992 and an operating profit of £842,000 in the financial year ended 31 January 1992. The Group effectively controls the Board of ERC and therefore it has been treated as a subsidiary undertaking.

The assets and liabilities acquired in respect of the above purchases are set out below:

	Book Value £000	Fair Value Adjustments £000	Fair Value to the Group £000
Tangible fixed assets	3,079	625	3,704
Current assets			
Stock	6,298	(932)	5,366
Debtors	4,070	–	4,070
Cash at bank and in hand	1,595	–	1,595
	15,042	(307)	14,735
Liabilities			
Creditors	(3,678)	–	(3,678)
Minority interest	(5,379)		(5,379)
	5,985	(307)	5,678
Goodwill			871
			6,549
Satisfied by Cash			6,549

The Group has used acquisition accounting for all purchases and, in accordance with the Group's accounting policy, the goodwill arising on consolidation of £871,000 has been written off against retained earnings on consolidation. As a result of the acquisitions, Group turnover in 1992 increased by £3,314,000 and the profit on ordinary activities before taxation increased by £599,000.

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings.

	£000
Cash consideration	6,549
Cash at hand and in bank acquired	(1,595)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings	4,954

The subsidiary undertakings acquired did not provide a significant contribution to the cashflows of the Group.

1992/93

0. Acquisitions (continued)

Goodwill

The cumulative amount of goodwill resulting from acquisitions which has been written off to the accumulated profit and loss account, after deducting goodwill attributable to subsidiary undertakings disposed of, is set out below.

Group	£000
At 31 December 1991	6,493
Arising from acquisitions in the year	871
Additional provision for deferred consideration	268
At 31 December 1992	**7,632**

1. Capital commitments

	Group 1992 £000	Group 1991 £000
At the balance sheet date the following capital commitments existed for tangible fixed assets:		
Contacted for but not provided	1,710	704
Authorised but not contracted for	407	15

The Company had capital commitments at the balance sheet date of £50,000 (1991 – Nil).

22. Commitments under operating leases

	1992 Land and Buildings £000	1992 Other £000	1991 Land and Buildings £000	1991 Other £000
Group				
Payments falling due in 1993 in respect of operating leases which expire:				
Within one year	214	17	58	32
Within two to five years	618	431	442	341
Later than five years	1,036	2	925	1
	1,868	450	1,425	374
Company				
Payments falling due in 1993 in respect of operating leases which expire:				
Later than five years	94	–	139	–

23. Contingent liabilities

At the balance sheet date the Company had a contingent liability resulting from cross guarantees without limit extended to the Group's principal bankers in respect of sums advanced to certain subsidiary undertakings.

24. Financial commitments

There are financial commitments relating to the purchase of shares in a number of subsidiary undertakings from minorit shareholders. These payments, which are likely to be less than £1 million in 1993, are mainly based on the profits o subsidiary undertakings and extend over a number of years.

There are potential deferred consideration payments relating to the acquisition of a number of subsidiary undertakings These payments are contingent upon the achievement of certain levels of post acquisition profits by the acquired companies. Provision for deferred consideration is made when there is a reasonable probability of it becoming payable and is treated as goodwill.

25. Transactions with directors

The undermentioned loan which subsisted during the year was made by the Company before T. Motherwell was made a director of the Company:

	At 31 December 1992	1991	Maximum in the year
	£	£	£
T. Motherwell	12,001	13,334	13,334

The loan to T. Motherwell bears interest at 6% per annum and is repayable by annual instalments of £1,333.

26. Pension commitments

The Group's main UK pension scheme provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Group, being invested with an insurance company in a managed fund.

The total pension cost for the Group in the UK was £688,000 (1991 £568,000). The pension cost is assessed in accordance with the advice of a qualified actuary on the basis of triennial valuations using the attained age method. The latest actuarial assessment of the scheme was as at 6 April 1990. The principal actuarial assumption used in the valuation was that, over the long term, the annual rate of return on investments would be 1% higher than the annual increase in pensionable salaries. At the date of the latest actuarial valuation, the market value of the assets of the scheme was £4,576,000 and the actuarial value of the assets represented 122% of the benefits that had accrued to members, after allowing for expected future increases in earnings. An amount of £1,465,000 (1991 £777,000) is included in provisions, which represents the excess of the accumulated pension cost over the payment of contribution to pension funds.

There are no material pension scheme arrangements relating to overseas subsidiary undertakings.

for the year to 31 December 1992

27. Net cash inflow from operating activities

	Group	
	1992	1991
	£000	£000
Operating profit	15,153	13,630
Depreciation on tangible fixed assets	4,270	3,556
Gain on sale of fixed assets	(1,204)	(147)
(Decrease)/increase in provisions against investments	(40)	40
Increase in stocks	(5,772)	(2,122)
(Increase)/decrease in debtors	(6,769)	4,342
Increase in creditors	3,895	2,368
Increase in pension provision	688	496
Exchange adjustments	2,216	(28)
	12,437	22,135

28. Cash and cash equivalents

	Group	
	1992	1991
	£000	£000
Changes during the year		
At 31 December 1991	15,690	957
Net cash flow	1,924	14,692
Exchange adjustments	153	41
At 31 December 1992	17,767	15,690

	1992	1991
	£000	£000
Analysis of balances		
Cash at bank and in hand	22,894	16,709
Bank overdrafts	(5,127)	(1,019)
At 31 December 1992	17,767	15,690

29. Analysis of changes in financing during the year

	Group		
	Share Capital	Loans	Loans due to Associate
	£000	£000	£000
At 31 December 1991	11,537	6,041	900
Cash inflow/(outflow) from financing	–	6,536	(900)
Exchange adjustments	–	1,562	–
At 31 December 1992	11,537	14,139	–

30. Segmental Reporting

Business Segments

The Group has seven operating divisions which reflect the way in which the Group is managed, but the divisions supply common customers with services integrated across operating divisions. As a result, for the purpose of segmental reporting under SSAP 25, the directors consider that the Group operates in two business segments; Oil and Non-Oil.

	Oil		Non-Oil		Total	
	1992	1991	1992	1991	1992	1991
	£000	£000	£000	£000	£000	£000
Turnover	176,491	155,080	27,069	18,745	203,560	173,825
Profit before taxation						
Group	12,210	11,305	2,943	2,325	15,153	13,630
Associated undertakings	324	1,708	2,191	935	2,515	2,643
	12,534	13,013	5,134	3,260	17,668	16,273
Net interest					856	595
					18,524	16,868
Capital employed						
Group	47,494	28,202	8,737	7,913	56,231	36,115
Associated undertakings	243	(991)	12,104	11,002	12,347	10,011

Geographical segments

	United Kingdom		United States		Rest of World		Total	
	1992	1991	1992	1991	1992	1991	1992	1991
	£000	£000	£000	£000	£000	£000	£000	£000
Turnover								
Turnover by destination	159,026	150,043	24,130	18,016	20,404	5,766	203,560	173,825
Turnover by origin	166,573	153,690	30,966	19,039	6,021	1,096	203,560	173,825
Profit before taxation								
Group	12,543	11,243	2,145	2,225	465	162	15,153	13,630
Associated undertakings	2,515	2,643	–	–	–	–	2,515	2,643
	15,058	13,886	2,145	2,225	465	162	17,668	16,273
Net Interest							856	595
							18,524	16,868
Capital employed								
Group	31,941	26,153	19,129	8,299	5,161	1,663	56,231	36,115
Associated undertakings	12,347	10,011	–	–	–	–	12,347	10,011

Group capital employed represents shareholders' funds, minority interests and borrowings, less bank balances and retained earnings of associated undertakings.

There are no significant inter segment sales.

1993

	Country of Registration	Percentage of Issued Ordinary Shares Held
Oilfield Logistics & Supplies		
Wood Group Offshore Limited*	Scotland	100%
Moray Firth Service Company Limited*	Scotland	60%
Woodacon Oils Limited*	Scotland	100%
Alexander McKay Limited*	Scotland	100%
Finaserve Limited*	Scotland	100%
Great Yarmouth Cargo Handling Services Limited**	England	50%
Aberdeen Cargo Handling Services Limited**	Scotland	50%
Engineering Contracting		
Wood Group Engineering Limited*	Scotland	100%
Wood Group Engineering Contractors Limited	Scotland	100%
AHT Surveys Limited	England	100%
Wood Group Haven Engineering Limited	Scotland	100%
Sella Ness Service Company Limited	Scotland	100%
Wood Group Engineering (Kuwait) Limited*	Jersey	100%
Scottish Rig Repairers Limited**	Scotland	45%
Engineering Design		
Foster Wheeler Wood Group Engineering Limited	Scotland	60%
Thistle Engineering Services Limited	Scotland	65%
Mech-Tool Wood Group Limited	Scotland	53%
Fire and Safety		
Wood Group Fire Protection Limited	Scotland	100%
Fireater Limited	England	100%
Gas Turbines		
Lincoln Turbine Service Limited	England	100%
Gas Turbine Fuel Systems Limited*	Scotland	100%
Turbine Engine Services Corporation*	USA	90%
Rolls Wood Group (Repair & Overhauls) Limited**	Scotland	50%
Engineering Services		
Wood Group Engineering Services (Peterhead) Limited	Scotland	100%
Wood-Way Engineering Services Limited	Scotland	100%
Wood-Way Hydraulic Services Limited	Scotland	100%
Wood Group Industrial Controls Limited*	Scotland	100%
Enterprise Engineering Services Limited	Scotland	100%
Wood Group Engineering (Overseas) Limited*	Jersey	100%
Arabian Oil Equipment Services Company	UAE	49%
Drilling and Production Services		
Wood Group ESP Inc.*	USA	56%
ESP Inc.	USA	56%
ESP Products Inc.	USA	56%
Wood Group Production Technology Limited*	Scotland	100%
Copgo Wood Group SARL	France	50%
Copgo Wood Group s.r.l.	Italy	50%
Sodesep S.A.**	France	45%
ERC Industries Inc.*	USA	47%
NDT Systems Inc.	USA	100%
NDT Eagle Limited	Scotland	100%
Tubular Ultrasound Limited	Scotland	51%

* *owned by John Wood Group PLC*
** *associated undertakings*

	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
Turnover	203.6	173.8	120.8	91.2	82.3
Operating profit	15.1	13.6	8.9	5.9	5.1
Income from interests in associated undertakings	2.5	2.7	0.7	0.3	0.7
Net interest receivable/(payable)	0.9	0.6	(0.1)	(0.2)	(1.3)
Profit on ordinary activities before taxation	18.5	16.9	9.5	6.0	4.5
Taxation	(6.6)	(5.8)	(3.4)	(2.2)	(1.7)
Minority interests	(1.2)	(1.5)	(1.0)	(0.3)	(0.2)
Profit on ordinary activities after taxation and minority interests	10.7	9.6	5.1	3.5	2.6
Extraordinary items	-	-	(0.3)	6.3	(0.8)
Profit for the financial year	10.7	9.6	4.8	9.8	1.8
Dividends	(1.5)	(0.9)	(0.8)	(0.2)	(0.2)
Retained profit for the financial year	9.2	8.7	4.0	9.6	1.6
Shareholders' funds	49.8	40.9	33.9	33.9	24.5
Net cash/(borrowings)	3.6	9.6	(3.0)	(0.7)	(14.8)
Sales per employee	£73,300	£61,700	£55,700	£52,900	£40,400
Profit per employee	£6,700	£6,000	£4,400	£3,500	£2,200
Operating profit margin	7.4%	7.8%	7.4%	6.5%	6.2%