



BOARD OF DIRECTORS

* Sir Ian Wood CBE BSc LLD DBA

Chairman and Managing Director. Pioneered the Group's development into oil industry related markets in the 1970s. Chairman of Scottish Enterprise, Chairman of the OSO Industry Board, Chairman of J W Holdings Limited, member of the Scottish Business Forum, and a member of the Government Oil and Gas Industry Task Force. Age 56.

*+ Edwin C Garrett FCIS FCT

Non-executive Vice-chairman. Joined the Group in 1968. A Chartered Secretary and a Fellow of the Association of Corporate Treasurers. Previously Group Finance Director and Company Secretary. Vice-chairman of JW Holdings Limited. Age 66.

*+ Ewan Brown CBE MA LLB CA

Non-executive Director. An executive Director of Noble Grossart Limited, Chairman of Dunedin Income Growth Trust Plc and of TSB Bank Scotland PLC; a non-executive Director of Lloyds TSB Group Plc, Stagecoach Holdings PLC and a number of other companies. Age 57.

* John C Morgan BA MSc

Non-executive Director. Joined the Group board in 1998 after 30 years of international experience with British Petroleum in a variety of management roles, including, most recently, President, BP Exploration Alaska. Also a Director of Venture Production Company Ltd and Concept Systems Holdings Ltd. Age 54.

Company registration number:
36219.

* Member of the Remuneration Committee.

+ Member of the Audit Committee.

Wendell R Brooks BBA MBA

Group Director responsible for the Petroleum Services division. Joined the Group in 1994 as Vice President of Business Development for the division. Over 25 years of international experience in the oil and gas service industry. Age 49.

William Edgar MSc CEng ARCST FIMechE FIMgt

Group Director responsible for the Engineering & Operations Support division. Joined the Group in September 1995 from the National Engineering Laboratory where he was Chief Executive. Previously a director of Vickers Marine Engineering Division and prior to that a director of Seaforth Maritime Limited. Age 61.

Allister G Langlands MA CA

Joined the Group in 1991 as Group Financial Director; during the year was responsible for the Fire & Safety division (prior to its disposal). Previously a partner with Coopers & Lybrand in Aberdeen and prior to that worked with the same firm in London and Edinburgh, specialising in corporate finance. Age 41.

Tom Motherwell BSc MSc (Business Administration) FIMechE

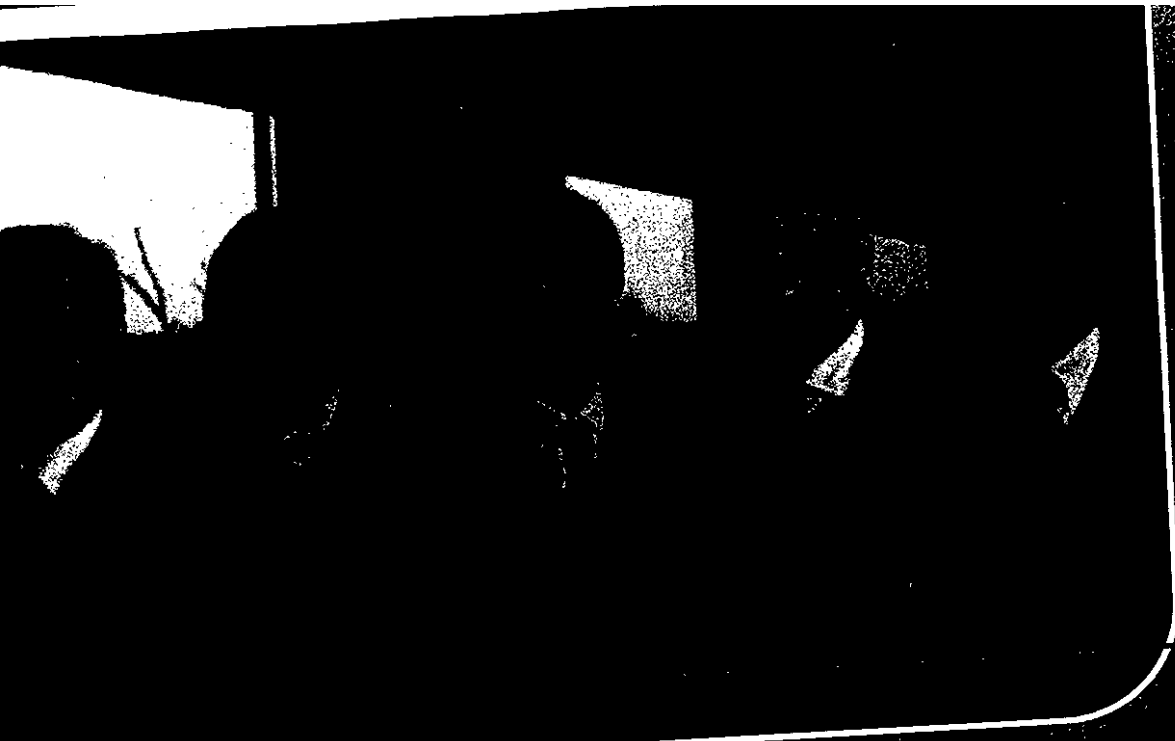
Group Director responsible for the Gas Turbines division; has played a major role in developing the division since he joined the Group in 1985. Previously a director of Weir Pumps. Age 54.

Secretary and registered office:

Graham Good, John Wood Group PLC, John Wood House,
Greenwell Road, Aberdeen AB12 3AX, Scotland.

Tel (01224) 851000. Fax (01224) 871997.

Website: www.woodgroup.co.uk



The board's balanced growth policy will stand Wood Group in good stead in the current challenging market.

Left to Right:
Sir Ian Wood
Allister G Langlands
Wendell R Brooks
Tom Motherwell
William Edgar
Ewan Brown
Edwin C Garrett
John C Morgan

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the Group for the year ended 31 December 1998.

Results and dividends

The consolidated profit and loss account for the year is set out on page 34.

The directors have declared or now recommend the following dividends in respect of the year ended 31 December 1998.

| | £m | £m |
|------------------------------------------|------------|------------|
| On first convertible preference shares: | | |
| Fixed 26.46p per share | 0.3 | |
| Final proposed 18.3p per share | <u>0.2</u> | |
| | | 0.5 |
| On second convertible preference shares: | | |
| Fixed 54p per share | 0.6 | |
| Final proposed 10.6p per share | <u>0.1</u> | |
| | | 0.7 |
| On ordinary shares: | | |
| First interim paid 5p per share | 0.5 | |
| Second interim paid 5p per share | <u>0.5</u> | |
| | | 1.0 |
| | | <u>2.2</u> |

The first ordinary interim dividend of 5p per share was paid on 1 April 1998 and the second ordinary interim dividend of 5p per share was paid on 1 April 1999. No final dividend is proposed on the ordinary shares.

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, Review of Operations and Financial Review on pages 8 to 23.

Details of the Company's principal subsidiaries, joint ventures and its associate are set out on page 59.

Acquisitions/developments

In February 1998, the Petroleum Services division made the following three acquisitions: ERC Industries, Inc acquired 100% of Bompét CA (renamed Wood Group Bompét CA), a valve and wellhead company based in Venezuela. Wood Group Logging Services Holdings, Inc acquired 100% of Tristar Wireline, Inc (renamed Wood Group Logging Services of Texas, Inc), a wireline company based in Texas, USA. Wood Group Logging Services Holdings, Inc also acquired 65% of C&D Conex CA (renamed C&D Wood CA), a slickline company based in Venezuela.

In June 1998, Wood Group Engineering Limited led a consortium, SIMCO, to win a 16-year, \$800m contract with Venezuela's state oil company, PDVSA.

In July 1998, the Gas Turbines division established a joint venture with Pratt & Whitney, Wood Group Pratt & Whitney Industrial Turbine Services LLC, to extend its service to the industrial aero-derivative gas turbine market.

In December 1998, ASCo Group Limited, an associate of the Group, acquired L&L Oil Company, Inc, a fuel distribution company servicing the Gulf of Mexico and headquartered in New Orleans, USA. As part of the acquisition, the Group reduced its shareholding in ASCo from 40% to approximately 30%.

During the year, the Group disposed of its Fire & Safety division and Thistle Engineering Services Limited. The Group terminated its Americas joint venture with IDS Limited following the latter's acquisition by Dailey International, Inc and as a result of difficult market conditions, the Petroleum Services division is in the process of terminating certain operations. Wood Group Power Systems Limited ceased trading although the Group will continue to market the residual inventory of equipment.

In early 1999 the Group's joint venture with Rolls-Royce plc in the industrial gas turbine after-market has been significantly expanded to include Allison 501K and Allison 601 industrial turbines.

Subsequent to the year end the Group increased its holdings in Wood Group Engineering Limited, Wood Group Light Industrial Turbines, Inc and Wood Group Turbopower, Inc to 100%.

Directors and directors' interests

The names of persons presently in office are set out on page 24. J Derek Prichard-Jones resigned on 31 December 1998. John C Morgan was appointed on 29 October 1998 and Wendell R Brooks was appointed on 1 January 1999.

The directors of the Company at 31 December 1998 had the following interests, including family interests, as defined in the Companies Act 1985, in the shares of the Company.

| Ordinary shares of £1 each | At 31 December 1998 | At 31 December 1997 |
|----------------------------|---------------------|---------------------|
| | Fully Paid | Fully Paid |
| Sir Ian Wood | 5,817,621 | 5,817,621 |
| Edwin C. Garrett | 125,000 | 125,000 |
| Ewan Brown | - | - |
| William Edgar | - | - |
| Allister G. Langlands | 44,160 | 44,160 |
| John C. Morgan | - | - |
| Tom Motherwell | 60,000 | 60,000 |

In respect of Sir Ian Wood the holding listed above includes non-beneficial family interests.

Details of the interests of the directors at 31 December 1998 in share options throughout the year were:

| | Number of Options | | | |
|----------------------|-------------------|---------------------|-----------------------|------------------|
| | 1 January 1998 | Granted in the year | Exercised in the year | 31 December 1998 |
| William Edgar | 35,000 | - | - | 35,000 |
| Allister G Langlands | 35,840 | 10,000 | - | 45,840 |
| Tom Motherwell | 30,000 | 10,000 | - | 40,000 |

None of the directors had interests in either the first or second convertible preference shares of the Company at 31 December 1998 or at 31 December 1997.

REPORT OF THE DIRECTORS continued

Employment policy and employee communications

The Group recognises the importance of employee communication and involvement. The corporate communications department works closely with employees around the world to keep them informed about the Group's businesses and to receive feedback from them about communications. A quarterly in-house newspaper entitled "Wood News" is published for all employees with news about the Group's businesses world-wide. In addition, some of the larger Group companies produce individual newsletters to inform employees specifically about their own companies. On an annual basis the Group produces an employee report, a distilled version of the main Group report and accounts, which is distributed to all personnel at their place of work. Staff briefings are held at the work place on a regular basis in order to update employees on the progress of the Group and their respective companies. Senior managers participate in bi-annual "roadshows" to discuss progress and talk with employees about their part of the business.

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.

Health, Safety and the Environment

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. Employees are encouraged, in all parts of the Group, to put forward suggestions about any health, safety or environmental matters. Many of these suggestions are adopted into business operations and help enhance performance.

Year 2000

The key risks to the Group associated with Year 2000 are the immovable nature of the deadline and the reliance on suppliers to provide effective solutions to identified problems. In order to address these risks the Group has in place a carefully planned programme to identify, quantify and correct systems, products, services and sources of supply which may be adversely affected by the Year 2000 computer problem. Where appropriate, the Group has taken the opportunity to standardise and upgrade its systems.

A dedicated Year 2000 project team, together with nominated individuals at company level, have completed a wide-ranging inventory, quantified compliance and risk, and have estimated replacement or corrective cost. All the main replacement financial, operating and information systems are now either implemented or are in the process of installation. The Year 2000 plans are designed to have all business critical elements compliant by the third quarter of 1999, with the additional objective of minimising the impact on current business operations. The plans incorporate adequate time for testing and the Board receives regular reports on progress.

To address the business risk from third parties, suppliers and customers have been contacted and a database of their plans and intentions has been established. Those who pose any major risk to the Group are being visited and a full evaluation completed.

Naturally, the Group cannot be certain of avoiding a business disruption; for example a non-compliance in the supply chain may ultimately affect the business. Contingency plans are therefore also being developed to minimise the risk and ensure business continuity.

The expenditure associated with Year 2000 compliance and the upgrade of systems amounted to approximately £2m in 1998 and it is envisaged that total expenditure will not exceed £4m in 1999. This includes revenue costs but is primarily the cost of capital expenditure on new systems which are deemed necessary and which eliminate the need to test and modify existing systems.

Donations

During the year the Group made charitable donations amounting to £101,000. It is the Group's policy to support modestly in this way charitable organisations in the communities where its businesses are located or with which employees or close relatives of employees are directly involved.

No donations of a political nature were made.

Creditor payment policy

The Company's current policy concerning the payment of the majority of its trade creditors is to:

- a) settle the terms of payment with those suppliers when agreeing the terms of each transaction,
- b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts,
- c) abide by the terms of payment.

The payment policy applies to payments to creditors for revenue and capital supplies of goods and services. Where possible, UK subsidiaries follow the same policy and overseas subsidiaries are encouraged to adopt similar policies by applying local best practices.

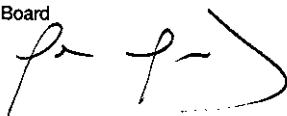
At the end of the year, the Company had 45 days' (1997: 60 days') purchases outstanding in respect of trade creditors.

Auditors

The Company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 to form PricewaterhouseCoopers. A resolution to re-appoint PricewaterhouseCoopers as the Company's auditors will be proposed at the annual general meeting.

By Order of the Board

Graham Good
Secretary



8 April 1999

CORPORATE GOVERNANCE

It is the Group's policy to comply with corporate governance best practice where appropriate. The procedures which the directors have established, with a view to providing effective internal financial controls, include the following:

Audit Committee

The Audit Committee consists solely of non-executive directors and is chaired by Edwin Garrett, the Group Vice-Chairman. The Audit Committee has terms of reference approved by the Board and minutes of the meetings are circulated to and reviewed by the Board. The Audit Committee normally meets at least twice a year including one meeting to review the financial statements. Although they are not members of the Committee, the Group Financial Director, the Group Financial Controller, the Group Internal Audit Manager, the Company Secretary and the external auditors usually attend these meetings. Both the internal and external auditors have direct access to the Committee Chairman at all times. The nature and scope of the external audit are discussed with the external auditors in advance and any matters arising from their work and the financial statements are reviewed. The Committee also aims to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, reflecting the Board's determination to ensure that internal control procedures are of a high standard. Written and verbal reports from the Group Internal Audit Manager are received by the Committee on a regular basis.

Remuneration Committee

The Remuneration Committee comprises Sir Ian Wood (Chairman) and two non-executive directors. Like the Audit Committee, the Remuneration Committee has terms of reference approved by the Board as a whole. The Remuneration Committee's primary function is to determine the terms and conditions of employment of the executive directors, including the basis on which any bonus award is made. The Committee also determines the terms on which employee share option schemes or invitations to participate are to be offered, including the setting of appropriate performance criteria.

Pensions

The assets of the UK pension funds are held by Trustees separately from the assets of the Company and invested by independent fund managers. There is no investment of pension funds in shares or assets of the Company or Group.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of that period and of the profit of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

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REPORT OF THE AUDITORS to the members of John Wood Group PLC

We have audited the financial statements on pages 34 to 59 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 38 and 39.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 31 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

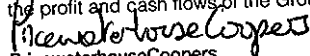
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and Company at 31 December 1998 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.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Aberdeen

8 April 1999

GROUP PROFIT AND LOSS ACCOUNT for the year to 31 December 1998

| | Note | 1998 £m | 1997 £m |
|--------------------------------------------------------------------------------|------|---------------|---------------|
| Turnover including share of joint ventures and associate | 1 | 589.4 | 506.6 |
| Less: share of joint ventures and associate turnover | | (147.8) | (39.9) |
| Group turnover | | 441.6 | 466.7 |
| Cost of sales | | (355.2) | (382.8) |
| Gross profit | | 86.4 | 83.9 |
| Net operating expenses | | (65.6) | (58.8) |
| Operating profit of Group undertakings | 1 | 20.8 | 25.1 |
| Share of operating profit in joint ventures and associate | 1 | 11.9 | 6.3 |
| Total operating profit: Group and share of joint ventures and associate | 2 | 32.7 | 31.4 |
| Exceptional items | | | |
| Profit on the sale of fixed assets | 5 | 10.7 | - |
| Loss on the sale/termination of discontinued operations | 5 | (5.2) | (11.3) |
| Profit on ordinary activities before interest | | 38.2 | 20.1 |
| Net interest payable | 6 | (7.1) | (4.0) |
| Profit on ordinary activities before taxation | | 31.1 | 16.1 |
| Taxation on profit on ordinary activities | 7 | (11.8) | (8.9) |
| Profit on ordinary activities after taxation | | 19.3 | 7.2 |
| Equity minority interests | 21 | 0.1 | - |
| Profit for the financial year | | 19.4 | 7.2 |
| Dividends (including non-equity) | 8 | (2.2) | (2.3) |
| Retained profit for the financial year | 20 | 17.2 | 4.9 |
| Basic earnings per ordinary share | 10 | 186.5p | 60.9p |
| Fully diluted earnings per ordinary share | 10 | 156.5p | 58.9p |
| Adjusted fully diluted earnings per ordinary share | 10 | 135.5p | 150.8p |

There is no difference between the profit on ordinary activities before taxation, the retained profit for the year stated above and their historical cost equivalents.

Details of continuing and discontinued operations are set out in note 1. The effect of acquisitions on the results for the year is not material.

BALANCE SHEETS as at 31 December 1998

| | Note | Group | | Company | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|----------------|----------------|---------------|---------------|
| | | 1998 £m | 1997 £m | 1998 £m | 1997 £m |
| Fixed assets | | | | | |
| Intangible assets | 11 | 2.1 | - | - | - |
| Tangible assets | 12 | 42.4 | 43.1 | 1.9 | 2.5 |
| Investments in joint ventures | 13 | 17.3 | 10.6 | - | - |
| Investment in associate | 13 | 0.1 | 2.9 | 2.0 | - |
| Investments in Group undertakings | 13 | - | - | 58.1 | 49.1 |
| Other investments | 13 | 0.9 | 0.8 | 0.9 | 0.8 |
| Total fixed assets | | 62.8 | 57.4 | 62.9 | 52.4 |
| Current assets | | | | | |
| Stocks and work in progress | 14 | 72.4 | 69.8 | - | - |
| Debtors | 15 | 103.7 | 99.9 | 42.2 | 47.2 |
| Cash at bank and in hand | | 80.1 | 56.7 | 69.6 | 48.0 |
| | | 256.2 | 226.4 | 111.8 | 95.2 |
| Creditors: amounts falling due within one year | 16 | (111.8) | (156.0) | (28.9) | (40.6) |
| Net current assets | | 144.4 | 70.4 | 82.9 | 54.6 |
| Total assets less current liabilities | | 207.2 | 127.8 | 145.8 | 107.0 |
| Creditors: amounts falling due after one year | 17 | (108.6) | (43.5) | (63.4) | (39.7) |
| Provisions for liabilities and charges | 18 | (14.7) | (13.9) | (1.9) | (2.2) |
| Net assets | | 83.9 | 70.4 | 80.5 | 65.1 |
| Investments in joint ventures include the Group's share of gross assets of joint ventures of £40.8m (1997: £23.1m) and the Group's share of gross liabilities of joint ventures of £23.5m (1997: £12.5m). | | | | | |
| Capital and reserves | | | | | |
| Equity share capital | 19 | 9.7 | 9.7 | 9.7 | 9.7 |
| Non-equity share capital | 19 | 2.2 | 2.2 | 2.2 | 2.2 |
| | | 11.9 | 11.9 | 11.9 | 11.9 |
| Profit and loss account | 20 | 68.0 | 54.7 | 68.6 | 53.2 |
| Total shareholders' funds (including non-equity) | | 79.9 | 66.6 | 80.5 | 65.1 |
| Equity minority interests | 21 | 4.0 | 3.8 | - | - |
| | | 83.9 | 70.4 | 80.5 | 65.1 |

The financial statements on pages 34 to 59 were approved by the board of directors on 8 April 1999.

Sir Ian Wood
Director

Edwin C. Garrett
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year to 31 December 1998

| | 1998 £m | 1997 £m |
|--------------------------------------------------------------------------------|-------------|------------|
| Profit for the financial year | 19.4 | 7.2 |
| Exchange movement on retranslation of the net investment in overseas companies | (0.7) | (0.6) |
| Total recognised gains for year | 18.7 | 6.6 |

Included in the total recognised gains for the year is of £0.6m (1997: £2m) in respect of joint ventures and £2.5m (1997: nil) in respect of the associate.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS for the year to 31 December 1998

| | 1998 £m | 1997 £m |
|-------------------------------------------------------|-------------|--------------|
| Profit for the financial year | 19.4 | 7.2 |
| Dividends | (2.2) | (2.3) |
| | 17.2 | 4.9 |
| Issue of shares | - | 0.1 |
| Goodwill: | | |
| Fair value adjustments to prior year acquisitions | (0.3) | (0.5) |
| Arising from acquisitions of subsidiaries | - | (4.2) |
| Arising from acquisitions of associate | - | (1.1) |
| Acquisition of minority interests | - | (7.1) |
| Disposals | 0.7 | 3.0 |
| Discontinued operations | 0.8 | - |
| Deferred consideration | (0.7) | (1.9) |
| Purchase of own shares by associate | (3.7) | - |
| Exchange adjustments | (0.7) | (0.6) |
| Net increase/(decrease) in shareholders' funds | 13.3 | (7.4) |
| Shareholders' funds at 1 January | 66.6 | 74.0 |
| Shareholders' funds at 31 December | 79.9 | 66.6 |
| Comprising: | | |
| Equity shareholders' funds | | |
| Ordinary share capital | 9.7 | 9.7 |
| Profit and loss account | 68.0 | 54.7 |
| | 77.7 | 64.4 |
| Non-equity shareholders' funds | | |
| Preference share capital: | | |
| First convertible preference shares | 1.1 | 1.1 |
| Second convertible preference shares | 1.1 | 1.1 |
| | 2.2 | 2.2 |

GROUP CASH FLOW STATEMENT for the year to 31 December 1998

| | Note | 1998 £m | 1997 £m |
|--------------------------------------------------------------------------------------|------|---------------|---------------|
| Operating activities | | | |
| Net cash inflow from operating activities | 29 | 14.9 | 23.3 |
| Dividends from joint ventures | | 3.2 | 2.0 |
| Dividends from associate | | 1.4 | - |
| | | 19.5 | 25.3 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 3.8 | 2.3 |
| Interest paid | | (9.5) | (6.9) |
| Non-equity dividends paid | | (1.3) | (1.1) |
| Dividends paid to equity minority interests | | (0.1) | - |
| | | (7.1) | (5.7) |
| Taxation | | | |
| UK corporation tax paid | | (3.3) | (3.6) |
| Overseas tax paid | | (3.5) | (1.6) |
| | | (6.8) | (5.2) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (15.0) | (16.2) |
| Sale of tangible fixed assets | | 5.3 | 1.7 |
| Purchase of investments | 13 | (6.6) | (0.8) |
| | | (16.3) | (15.3) |
| Acquisitions and disposals | | | |
| Acquisition of minority interests | | - | (4.5) |
| Purchase of subsidiary undertakings | 22 | (4.3) | (1.7) |
| Deferred consideration | | (1.9) | (1.5) |
| Disposal of subsidiary undertakings | 22 | 9.7 | 4.5 |
| Disposal of shares in associate | 22 | 14.3 | - |
| | | 17.8 | (3.2) |
| Equity dividends paid | | | |
| | | (0.5) | (1.0) |
| Net cash inflow/(outflow) before management of liquid resources and financing | | | |
| | | 6.6 | (5.1) |
| Management of liquid resources | | | |
| Cash placed on deposit | 30 | (49.0) | (5.0) |
| Financing | | | |
| Issue of shares | | - | 0.1 |
| New loans net of repayments | 30 | 16.8 | 30.9 |
| Net cash inflow from financing | | | |
| | | 16.8 | 31.0 |
| (Decrease)/increase in cash | | | |
| | 30 | (25.6) | 20.9 |

Operating cash flows mainly arise from continuing operations.

ACCOUNTING POLICIES John Wood Group PLC

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, together with an explanation of where they have not been applied consistently.

Changes in accounting policy

With effect from 1 January 1998, in accordance with FRS 10 "Goodwill and intangible assets," the Group changed its method of accounting for goodwill. Previously the Group has written off directly to reserves goodwill arising on acquisitions. The Group now capitalises goodwill arising on acquisitions and amortises such goodwill over no more than 20 years. Goodwill arising on acquisitions made prior to 1 January 1998 will continue to remain written off against reserves.

Changes in presentation of financial information

As a result of the introduction of FRS 9, "Associates and Joint Ventures," changes and additions to disclosures in respect of joint ventures and associates are required. These amended disclosures have been presented in both the current year and for comparatives where appropriate.

FRS 14 "Earnings per share" prescribes the basis for calculating and presenting earnings per share. The basis of calculating earnings per share and required disclosures have been presented in accordance with the new standard, including restating comparatives where necessary.

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 to 31 December. The Company's own profit and loss account is not shown by virtue of the exemption provisions contained within Section 230 of the Companies Act 1985.

Joint ventures and associates

The Group's share of profits less losses of joint ventures and associates 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. In addition, the Group's share of turnover, operating profit, interest and taxation in respect of joint ventures and associates is separately disclosed.

Further disclosures, as required in FRS 9, are provided where appropriate for joint ventures and associates.

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 subsidiaries, joint ventures and associates acquired prior to 1 January 1998 has been written off directly to reserves. Goodwill arising on acquisitions since 1 January 1998 is capitalised and amortised over a period of no more than 20 years. The carrying value of the goodwill held on the balance sheet is reviewed in the first full year following acquisition or where considered necessary in future periods.

On disposal or termination of operations, any goodwill arising on the original acquisition is written off through the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost less aggregate depreciation.

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

| | |
|---------------------------|-----------------|
| Freehold buildings | 25-50 years |
| Long leasehold buildings | 25-50 years |
| Short leasehold buildings | period of lease |
| Plant & equipment | 3-10 years |

Freehold land is not depreciated.

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 of 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. Provision is made for all foreseeable losses. 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.

Foreign currencies

Profit and loss accounts of foreign entities in foreign currencies are translated into sterling at average rates for the year. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at 31 December. Exchange differences arising on translation of net assets in overseas subsidiaries and related companies held at the beginning of the year, together with those differences resulting from the restatement of profits and losses from average to year end rates, are taken to reserves.

Exchange differences arising on foreign currency borrowings raised to finance equity investments denominated in a foreign currency are taken to reserves on consolidation and offset against the exchange differences arising on these assets.

All other exchange differences are included in the profit and loss account.

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.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis.

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 employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Certain UK and overseas subsidiaries operate defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

1. Segmental reporting

Business segments

| | Continuing | | | | Discontinued | | Total | |
|--------------------------------|--------------|--------------|---------------|--------------|---------------|-------------|--------------|--------------|
| | Oil and Gas | | Gas Turbines | | 1998 | 1997 | 1998 | 1997 |
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Group turnover | 313.1 | 355.4 | 113.1 | 87.4 | 15.4 | 23.9 | 441.6 | 466.7 |
| Joint ventures | 15.2 | 9.1 | 34.3 | 30.4 | 0.7 | 0.4 | 50.2 | 39.9 |
| Associate | 97.6 | - | - | - | - | - | 97.6 | - |
| Total turnover | 425.9 | 364.5 | 147.4 | 117.8 | 16.1 | 24.3 | 589.4 | 506.6 |
| Operating profit | | | | | | | | |
| Group | 11.3 | 15.1 | 8.6 | 8.3 | 0.9 | 1.7 | 20.8 | 25.1 |
| Joint ventures | 0.9 | 2.0 | 5.4 | 4.5 | (0.1) | (0.2) | 6.2 | 6.3 |
| Associate | 5.7 | - | - | - | - | - | 5.7 | - |
| Total operating profit | 17.9 | 17.1 | 14.0 | 12.8 | 0.8 | 1.5 | 32.7 | 31.4 |
| Exceptional items | | | | | | | 5.5 | (11.3) |
| Net interest | | | | | | | (7.1) | (4.0) |
| Profit before taxation | | | | | | | 31.1 | 16.1 |
| Geographical segments | | | | | | | | |
| | Europe | | North America | | Rest of World | | Total | |
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Turnover by destination | | | | | | | | |
| Group turnover | 198.5 | 268.6 | 145.2 | 115.3 | 97.9 | 82.8 | 441.6 | 466.7 |
| Joint ventures | 18.7 | 21.2 | 15.2 | 7.0 | 16.3 | 11.7 | 50.2 | 39.9 |
| Associate | 96.7 | - | 0.9 | - | - | - | 97.6 | - |
| Total turnover | 313.9 | 289.8 | 161.3 | 122.3 | 114.2 | 94.5 | 589.4 | 506.6 |
| Turnover by origin | | | | | | | | |
| Group turnover | 220.7 | 290.2 | 195.6 | 149.9 | 25.3 | 26.6 | 441.6 | 466.7 |
| Joint ventures | 40.2 | 37.7 | 4.7 | - | 5.3 | 2.2 | 50.2 | 39.9 |
| Associate | 96.7 | - | 0.9 | - | - | - | 97.6 | - |
| Total turnover | 357.6 | 327.9 | 201.2 | 149.9 | 30.6 | 28.8 | 589.4 | 506.6 |
| Operating profit | | | | | | | | |
| Group | 8.6 | 13.2 | 7.5 | 9.5 | 4.7 | 2.4 | 20.8 | 25.1 |
| Joint ventures | 6.4 | 5.9 | (0.2) | - | - | 0.4 | 6.2 | 6.3 |
| Associate | 5.6 | - | 0.1 | - | - | - | 5.7 | - |
| Total operating profit | 20.6 | 19.1 | 7.4 | 9.5 | 4.7 | 2.8 | 32.7 | 31.4 |
| Exceptional items | | | | | | | 5.5 | (11.3) |
| Net interest | | | | | | | (7.1) | (4.0) |
| Profit before taxation | | | | | | | 31.1 | 16.1 |

The directors believe that disclosure of further segmental information would be prejudicial to the commercial interests of the Group.

| 2. Total operating profit | 1998 £m | Group | 1997 £m |
|------------------------------------------------------------------|------------|-------|------------|
| Total operating profit is stated after charging: | 8.0 | | 8.3 |
| Depreciation of tangible fixed assets | 0.2 | | - |
| Amortisation of goodwill | | | |
| Hire and operating lease payments: | 2.3 | | 2.5 |
| Plant and equipment | 2.6 | | 3.0 |
| Land and buildings | 1.1 | | 0.9 |
| Development expenditure | | | |
| Auditors' remuneration | 0.4 | | 0.4 |
| Audit (Company £6,500, 1997: £6,500) | 0.1 | | 0.1 |
| Other services to the Company and its UK subsidiary undertakings | | | |

Net operating expenses comprise mainly administrative expenses.

| 3. Employee and staff costs | 1998 Number | Group | 1997 Number |
|---------------------------------------------------------------------|----------------|-------|----------------|
| The average monthly number of persons employed during the year was: | 2,339 | | 2,693 |
| United Kingdom | 1,599 | | 1,633 |
| North America | 748 | | 357 |
| Rest of the World | 4,686 | | 4,683 |
| | £m | | £m |
| Total staff costs in respect of these persons amounted to: | 125.3 | | 124.7 |
| Wages and salaries | 11.1 | | 11.4 |
| Social security costs | 2.8 | | 2.5 |
| Other pension costs | 139.2 | | 138.6 |

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

| 4. Directors' emoluments | 1998 £000 | 1997 £000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------------|
| Aggregate emoluments (excluding pension contributions and director whose duties are performed mainly outside the United Kingdom) | 674 | 776 |
| Sums paid to third parties for directors' services | 9 | 6 |
| <p>No directors exercised share options in the year and two directors became entitled to receive shares under share option incentive schemes. Retirement benefits are accruing to five directors under money purchase and defined benefit schemes.</p> | | |
| Highest paid director | 1998 £000 | 1997 £000 |
| Aggregate emoluments (excluding pension contributions) | 169 | 153 |
| Defined benefit pension scheme: Accrued pension at end of year | 63 | 62 |
| <p>The highest paid director (who is also the Chairman) does not participate in the Group's share option schemes.</p> | | |
| 5. Exceptional items | 1998 £m | Group 1997 £m |
| Profit/(loss) on sale of fixed assets: | 12.1 | - |
| Partial disposal of investment in ASCo Group Limited (see note 22) | (1.4) | - |
| Loss on disposal of tangible fixed assets (see below) | 10.7 | - |
| Profit/(loss) on sale/termination of operations: | (1.5) | (12.1) |
| Provision for litigation in connection with discontinued activities (see note 18) | 3.5 | 0.8 |
| Gain on sale of subsidiaries after deducting goodwill previously written off £0.3m (1997: £3m) (see note 22) | (7.2) | - |
| Loss on termination of operations (see below) | (5.2) | (11.3) |
| Total exceptional gain/(loss) | 5.5 | (11.3) |

Loss on disposal of tangible fixed assets
As a result of the difficult market conditions facing the Petroleum Services division, provision has been made for the loss on disposal of surplus tangible fixed assets.

Loss on termination of operations
During the year, the Group terminated its Americas joint venture with IDS Limited. In addition, as a result of difficult market conditions, the Petroleum Services division decided to terminate certain operations. The costs provided include redundancies, asset write-downs and other costs associated with the closure of these operations. Also, during 1998, Wood Group Power Systems ceased trading resulting in a loss on termination. The total loss on termination of £7.2m includes £0.8m of goodwill previously written off.

6. Net interest payable

| | Group | |
|------------------------------|---------------|--------------|
| | 1998 | 1997 |
| | £m | £m |
| Interest receivable: | | |
| On bank deposits | | |
| Interest payable: | 4.8 | 2.9 |
| On bank loans and overdrafts | | |
| | <u>(10.1)</u> | <u>(6.7)</u> |
| | (5.3) | (3.8) |
| Joint ventures | | |
| Associate | (0.1) | (0.2) |
| | <u>(1.7)</u> | <u>-</u> |
| | <u>(7.1)</u> | <u>(4.0)</u> |

7. Taxation on profit on ordinary activities

| | 1998 | 1997 |
|-------------------------------------------------------------------|--------------|--------------|
| | £m | £m |
| Based on the results of the year before exceptional items: | | |
| Corporation tax at 31% (1997: 31.5%) | | |
| Deferred tax | 2.8 | 4.6 |
| Overseas taxation | 0.1 | (0.3) |
| | <u>2.8</u> | <u>2.7</u> |
| Prior year: | 5.7 | 7.0 |
| Corporation tax | | |
| Deferred tax | (0.3) | - |
| Overseas tax | 0.1 | - |
| | <u>(0.1)</u> | <u>(0.1)</u> |
| | 5.4 | 6.9 |
| Joint ventures | | |
| Associate | 2.3 | 2.0 |
| | <u>1.2</u> | <u>-</u> |
| Taxation on profit before exceptional items | 8.9 | 8.9 |
| Taxation on exceptional items | 2.9 | - |
| | <u>11.8</u> | <u>8.9</u> |

8. Dividends

| | 1998 | 1997 |
|-------------------------------------------------------|------------|------------|
| | £m | £m |
| Dividends on non-equity shares | | |
| First convertible preference shares: | | |
| Fixed dividend 26.46p per share (1997: 26.46p) | | |
| Proposed final dividend 18.3p per share (1997: 22.9p) | 0.3 | 0.3 |
| Second convertible preference shares: | 0.2 | 0.2 |
| Fixed dividend 54p per share (1997: 54p) | | |
| Proposed final dividend 10.6p per share (1997: 17.2p) | 0.6 | 0.6 |
| | <u>0.1</u> | <u>0.2</u> |
| | 1.2 | 1.3 |
| Dividends on equity shares | | |
| Ordinary shares: | | |
| Interim 10p per share (1997: 10p) | | |
| | <u>1.0</u> | <u>1.0</u> |
| | <u>2.2</u> | <u>2.3</u> |

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

9. Profit after taxation and before dividends

| | 1998 £m | 1997 £m |
|-------------------------------------------------------|------------|------------|
| Dealt with in the financial statements of the Company | 17.6 | 10.4 |

10. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of earnings per ordinary share on the net basis is based on the profit on ordinary activities after taxation and after deduction of dividends and other appropriations in respect of non-equity shares and minorities, namely £18.1m (1997: £5.9m) and 9.7m (1997: 9.6m) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the year.

Fully diluted earnings per ordinary share

Fully diluted earnings per ordinary share is based on earnings of £19.4m (1997: £7.1m) and is shown after the exercise of options over 504,000 ordinary shares (1997: 467,000), allowing for notional interest of £0.1m (1997: £0.1m) on the exercise value of the options and assuming full conversion of convertible preference shares. The calculation is based on a weighted average number of shares of 12.4m (1997: 12.3m).

Adjusted fully diluted earnings per ordinary share

A further measure of earnings per share has been presented to more appropriately reflect the underlying performance of the Group. This measure adjusts fully diluted earnings per share to eliminate all exceptional items that are excluded from operating profit. The adjusted fully diluted earnings per ordinary share amounted to 135.5p (1997: 150.8p) as set out below:

| | 1998 Pence | 1997 Pence |
|-------------------------------------------------------------------------------------|---------------|---------------|
| Fully diluted earnings per ordinary share | 156.5 | 58.9 |
| Adjustments: | | |
| Profit on disposal of fixed assets net of tax and minority interests | (60.6) | - |
| Loss on sale/termination of discontinued business net of tax and minority interests | 39.6 | 91.9 |
| Adjusted fully diluted earnings per ordinary share | 135.5 | 150.8 |

11. Intangible fixed assets

| Group | Goodwill £m |
|-------------------------------|----------------|
| Cost | |
| At 1 January 1998 | - |
| Additions | 3.1 |
| Termination of operations | (0.8) |
| At 31 December 1998 | 2.3 |
| Aggregate amortisation | |
| At 1 January 1998 | - |
| Charge for year | 0.2 |
| At 31 December 1998 | 0.2 |
| Net book value | |
| At 31 December 1998 | 2.1 |
| At 31 December 1997 | - |

12. Tangible fixed assets

| Group | Land and buildings | | | Plant & Equipment £m | Total £m |
|--------------------------------------------|--------------------|-------------------------|-------------|-------------------------|-------------|
| | Freehold £m | Leasehold Long £m | Short £m | | |
| Cost | | | | 59.4 | 81.8 |
| At 1 January 1998 | 12.0 | 8.3 | 2.1 | (0.2) | (0.3) |
| Exchange adjustments | (0.1) | - | - | 13.8 | 15.5 |
| Additions | 0.5 | 1.1 | 0.1 | (10.4) | (11.2) |
| Disposals | - | (0.7) | (0.1) | - | - |
| Acquisitions | - | - | - | 3.2 | 3.2 |
| Disposal of subsidiary undertakings | (0.6) | - | (0.3) | (1.6) | (2.5) |
| Reclassifications | - | (0.4) | 0.4 | 0.6 | 0.6 |
| At 31 December 1998 | 11.8 | 8.3 | 2.2 | 64.8 | 87.1 |
| Aggregate depreciation | | | | 33.6 | 38.7 |
| At 1 January 1998 | 2.4 | 1.8 | 0.9 | (0.1) | (0.1) |
| Exchange adjustments | - | - | - | 7.0 | 8.0 |
| Charge for year | 0.3 | 0.4 | 0.3 | 2.9 | 2.9 |
| Provision for loss on disposal/termination | - | - | - | (5.7) | (6.0) |
| Disposals | - | (0.2) | (0.1) | 2.1 | 2.1 |
| Acquisitions | - | - | - | (1.2) | (1.5) |
| Disposal of subsidiary undertakings | (0.1) | - | (0.2) | 0.6 | 0.6 |
| Reclassifications | - | (0.2) | 0.2 | - | - |
| At 31 December 1998 | 2.6 | 1.8 | 1.1 | 39.2 | 44.7 |
| Net book value | | | | 25.6 | 42.4 |
| At 31 December 1998 | 9.2 | 6.5 | 1.1 | - | - |
| At 31 December 1997 | 9.6 | 6.5 | 1.2 | 25.8 | 43.1 |

Plant & equipment include assets under construction of £2.3m. Freehold land and buildings includes land at cost of £1.1m.

Company

| | | | | | |
|-------------------------------|----------|------------|------------|------------|------------|
| Cost | | | | 0.6 | 3.9 |
| At 1 January 1998 | - | 2.7 | 0.6 | 0.1 | 0.1 |
| Additions | - | - | - | (0.1) | (0.8) |
| Disposals | - | (0.7) | - | - | - |
| At 31 December 1998 | - | 2.0 | 0.6 | 0.6 | 3.2 |
| Aggregate depreciation | | | | 0.5 | 1.4 |
| At 1 January 1998 | - | 0.5 | 0.4 | 0.1 | 0.2 |
| Charge for year | - | - | 0.1 | (0.1) | (0.3) |
| Disposals | - | (0.2) | - | - | - |
| At 31 December 1998 | - | 0.3 | 0.5 | 0.5 | 1.3 |
| Net book value | | | | 0.1 | 1.9 |
| At 31 December 1998 | - | 1.7 | 0.1 | - | - |
| At 31 December 1997 | - | 2.2 | 0.2 | 0.1 | 2.5 |

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

13. Investments

| Group | Joint ventures £m | Associate £m | Unlisted investments £m |
|----------------------------|----------------------|-----------------|----------------------------|
| Valuation | | | |
| At 1 January 1998 | 11.0 | 2.9 | 1.0 |
| Exchange adjustments | 0.2 | (0.1) | - |
| Additions | 6.5 | - | 0.1 |
| Share of profits retained | 0.6 | 2.6 | - |
| Disposal | - | (1.6) | - |
| Purchase of owned shares | - | (3.7) | - |
| At 31 December 1998 | 18.3 | 0.1 | 1.1 |
| Amounts provided | | | |
| At 1 January 1998 | 0.4 | - | 0.2 |
| Movement during year | 0.6 | - | - |
| At 31 December 1998 | 1.0 | - | 0.2 |
| Net book value | | | |
| At 31 December 1998 | 17.3 | 0.1 | 0.9 |
| At 31 December 1997 | 10.6 | 2.9 | 0.8 |

Valuation represents cost less amounts provided, plus the share of post-acquisition profits retained in joint ventures and the associate.

Set out below are additional disclosures required in respect of the Group's share in its joint ventures and associate of the following:

| | 1998 | | 1997 | |
|----------------------------------------|----------------------|-----------------|----------------------|-----------------|
| | Joint ventures £m | Associate £m | Joint ventures £m | Associate £m |
| Share of: | | | | |
| Goodwill | - | 12.3 | - | - |
| Tangible fixed assets | 5.9 | 14.8 | 2.1 | 18.1 |
| Current assets | 34.9 | 24.8 | 21.0 | 12.2 |
| Liabilities due within one year | (17.7) | (18.1) | (12.4) | (14.1) |
| Liabilities due after one year or more | (5.8) | (33.7) | (0.1) | (13.3) |
| Share of net assets | 17.3 | 0.1 | 10.6 | 2.9 |

Details of the Group's principal joint ventures and associate are shown on page 59.

13. Investments (continued)

| Company | Subsidiary undertakings £m | Joint ventures £m | Associate £m | Unlisted investments £m |
|-----------------------------|-------------------------------|----------------------|-----------------|----------------------------|
| Cost | | | | |
| At 1 January 1998 | 52.6 | - | - | 1.0 |
| Exchange adjustments | (0.5) | - | - | - |
| Additions | 10.5 | 0.4 | - | 0.1 |
| Disposals | (0.1) | - | (0.7) | - |
| Inter group transfers | (0.9) | 0.3 | 2.7 | - |
| At 31 December 1998 | 61.6 | 0.7 | 2.0 | 1.1 |
| Amounts provided | | | | |
| At 1 January 1998 | 3.5 | - | - | 0.2 |
| (Decrease)/increase in year | (0.1) | 0.7 | - | - |
| Inter group transfers | 0.1 | - | - | - |
| At 31 December 1998 | 3.5 | 0.7 | - | 0.2 |
| Net book value | | | | |
| At 31 December 1998 | 58.1 | - | 2.0 | 0.9 |
| At 31 December 1997 | 49.1 | - | - | 0.8 |

Details of the Group's principal subsidiary undertakings are shown on page 59.

Unlisted investments

Unlisted investments include investments in own shares held by the Group's employee share ownership company. Details are as follows:

| Investment in own shares | Group and Company | |
|------------------------------------|-------------------|------------|
| | 1998 £m | 1997 £m |
| Net book value | | |
| 281,422 (1997: 249,544) own shares | 0.9 | 0.8 |

14. Stocks and work in progress

| | Group | |
|-------------------------------------|-------------|-------------|
| | 1998 £m | 1997 £m |
| Raw materials | 10.2 | 12.8 |
| Work in progress | 18.6 | 16.9 |
| Finished goods and goods for resale | 43.6 | 40.1 |
| | 72.4 | 69.8 |

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

15. Debtors

| | Group | | Company | |
|----------------------------------------|--------------|-------------|-------------|-------------|
| | 1998 £m | 1997 £m | 1998 £m | 1997 £m |
| Due within one year: | | | | |
| Trade debtors | 86.6 | 83.8 | 0.1 | - |
| Amounts recoverable on contracts | - | 2.8 | - | - |
| Amounts due by subsidiary undertakings | - | - | 37.9 | 44.5 |
| Amounts due by joint ventures | 3.3 | 2.1 | 2.2 | 0.5 |
| Tax recoverable | - | - | 0.1 | 0.8 |
| Other debtors | 5.5 | 4.7 | 0.2 | 0.5 |
| Prepayments and accrued income | 7.5 | 4.3 | 1.5 | 0.6 |
| | 102.9 | 97.7 | 42.0 | 46.9 |
| Due later than one year: | | | | |
| Other debtors | 0.3 | 1.5 | - | - |
| Deferred taxation | 0.5 | 0.7 | 0.2 | 0.3 |
| | 103.7 | 99.9 | 42.2 | 47.2 |

Deferred taxation included in these financial statements comprises net corporation tax receivable deferred by:

| | | | | |
|--------------------------------|-------|-------|-------|-------|
| Fixed asset timing differences | 0.5 | 0.6 | 0.1 | 0.1 |
| Other timing differences | (0.9) | (1.2) | (0.2) | (0.3) |
| | (0.4) | (0.6) | (0.1) | (0.2) |
| Advance corporation tax | (0.1) | (0.1) | (0.1) | (0.1) |
| | (0.5) | (0.7) | (0.2) | (0.3) |

The movement in deferred taxation comprises:

| | Group £m | Company £m |
|----------------------------|--------------|---------------|
| At 1 January 1998 | (0.7) | (0.3) |
| Charge for year | 0.2 | 0.1 |
| At 31 December 1998 | (0.5) | (0.2) |

16. Creditors: amounts falling due within one year

| | Group | | Company | |
|----------------------------------------|------------|------------|------------|------------|
| | 1998 £m | 1997 £m | 1998 £m | 1997 £m |
| Bank loans and overdrafts | 3.8 | 56.9 | - | 24.6 |
| Trade creditors | 46.9 | 45.3 | 0.4 | 0.3 |
| Payments received on account | 0.8 | 0.7 | - | - |
| Amounts due to subsidiary undertakings | - | - | 15.7 | 8.4 |
| Amounts due to joint ventures | 2.1 | 5.4 | - | - |
| Corporation tax | 7.2 | 5.9 | 2.8 | 1.2 |
| Other taxation and social security | 6.0 | 6.3 | 0.5 | 0.7 |
| Other creditors | 15.7 | 12.6 | 1.8 | 3.1 |
| Accruals and deferred income | 22.2 | 20.3 | 1.4 | 0.7 |
| Dividends payable | 1.3 | 0.9 | 1.3 | 0.9 |
| Deferred consideration | 5.8 | 1.7 | 5.0 | 0.7 |
| | 111.8 | 156.0 | 28.9 | 40.6 |

17. Creditors: amounts falling due after one year

| | Group | | Company | |
|-----------------------------------------------------|------------|------------|------------|------------|
| | 1998 £m | 1997 £m | 1998 £m | 1997 £m |
| Bank loans | 106.5 | 36.1 | 63.4 | 35.5 |
| Deferred consideration | 1.9 | 7.2 | - | 4.2 |
| Other creditors (payable between one and two years) | 0.2 | 0.2 | - | - |
| | 108.6 | 43.5 | 63.4 | 39.7 |
| Loans comprise: | | | | |
| Repayable between one and two years | - | 0.6 | - | - |
| Repayable between two and five years | 106.5 | 35.5 | 63.4 | 35.5 |
| | 106.5 | 36.1 | 63.4 | 35.5 |
| Deferred consideration comprises: | | | | |
| Amounts due between one and two years | 1.7 | 5.7 | - | 4.3 |
| Amounts due between two and five years | 0.2 | 1.5 | - | - |
| | 1.9 | 7.2 | - | 4.3 |

The bank loans are unsecured and interest is charged at 35 basis points above LIBOR.

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

18. Provisions for liabilities and charges

| | Group | | Company | |
|---------------------------------|-------------|-------------|------------|------------|
| | 1998 £m | 1997 £m | 1998 £m | 1997 £m |
| Pension provision (see note 27) | 1.9 | 2.2 | 1.9 | 2.2 |
| Litigation provision | 12.8 | 11.7 | – | – |
| | 14.7 | 13.9 | 1.9 | 2.2 |

The movement in the provisions comprises:

| | Group | | Company |
|--------------------------------------|----------------------------|-------------------------------|----------------------------|
| | Pension provision £m | Litigation provision £m | Pension provision £m |
| At 1 January 1998 | 2.2 | 11.7 | 2.2 |
| Charge for year | 1.8 | 1.5 | 1.8 |
| Contributions paid to pension scheme | (2.1) | – | (2.1) |
| Payments during year | – | (0.4) | – |
| At 31 December 1998 | 1.9 | 12.8 | 1.9 |

In January 1998, a Texas Court issued judgement against the Group following an action raised by ICO, Inc alleging breach of contract in relation to a letter of intent signed in 1994 concerning a possible sale of certain businesses. In 1997 notwithstanding the strong grounds for appeal, the Group made a provision of £12.1m. The figure included estimated interest and legal costs likely to accrue pending the outcome of the appeal.

The Group has now lodged its written appeal and anticipates the oral appeal to the Texas Appellant Court will take place in late 1999. The outcome of the appeal is now unlikely to be known until mid-2000 at the earliest. If the Group is not successful in the Appellant Court there will be a further appeal to the Texas Supreme Court which may take a further two to three years.

As a result of the increased time the appeal process is likely to take, the Group has made an additional provision of £1.5m to cover further interest and legal costs should the appeal not be successful. Notwithstanding the additional provision of £1.5m, the Group continues to be advised that it has very strong legal grounds for appeal.

19. Share capital

| | 1998 £m | 1997 £m |
|-----------------------------------------------------------|-------------|-------------|
| Authorised | | |
| 12,832,983 Ordinary shares of £1 each | | |
| 1,125,883 First convertible preference shares of £1 each | 12.8 | 12.8 |
| 1,041,134 Second convertible preference shares of £1 each | 1.1 | 1.1 |
| | 1.1 | 1.1 |
| | 15.0 | 15.0 |
| Allotted, called up and fully paid | | |
| 9,723,709 Ordinary shares of £1 each (1997: 9,669,209) | | |
| 1,125,883 First convertible preference shares of £1 each | 9.7 | 9.7 |
| 1,041,134 Second convertible preference shares of £1 each | 1.1 | 1.1 |
| | 1.1 | 1.1 |
| | 11.9 | 11.9 |

The allotted, called up and fully paid ordinary share capital increased by £54,500 in August 1998 reflecting the issue of 54,500 ordinary shares of £1.00 each, at prices between £1.00 and £1.35, on the exercise of options granted under the John Wood Group PLC Executive Share Option Scheme.

The holders of both classes of convertible preference shares have the same voting rights as holders of ordinary shares.

Both classes of convertible preference shares may be converted to ordinary shares, at the shareholders' option, on any dividend payment date. In the event of a change in control of the Company, or where the ordinary shares are granted a listing on a recognised stock exchange, the Company may exercise its option to convert both classes of convertible preference shares to ordinary shares.

The holders of both classes of convertible preference shares have preferential rights to return on capital on a winding up.

The holders of the first convertible preference shares are entitled to receive as a class, a dividend for the year being the greater of

- (i) a fixed net cash dividend of 26.46% per annum on the capital paid up and
- (ii) 3% of the annual group profit on ordinary activities after taxation and minority interests but adjusting for non-operating exceptional items.

The holders of the second convertible preference shares are entitled to receive as a class, a dividend for the year being the greater of

- (i) a fixed net cash dividend of 54% per annum on the capital paid up and
- (ii) 4% of the annual group profit on ordinary activities after taxation and minority interests but adjusting for non-operating exceptional items.

The following options to subscribe for new ordinary shares were outstanding at 31 December:

John Wood Group PLC Executive Share Option Scheme

| Year of grant | Number of ordinary shares under option | | Exercise price (per share) | Exercise period | |
|---------------|----------------------------------------|----------------|----------------------------|-----------------|------------|
| | 1998 | 1997 | | From | To |
| 1990 | 7,000 | 22,000 | £1.00 | 31.12.1995 | 30.12.2000 |
| 1991 | 26,000 | 63,000 | £1.35 | 21.10.1996 | 20.10.2001 |
| 1993 | 54,500 | 58,500 | £2.75 | 31.12.1998 | 30.12.2003 |
| 1994 | 12,832 | 12,832 | £2.90 | 30.12.1999 | 29.12.2004 |
| | 100,332 | 156,332 | | | |

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

19. Share capital (continued)

John Wood Group PLC 1994 Executive Share Option Scheme

| Year of grant | Number of ordinary shares under option | | Exercise price (per share) | Exercise period | |
|---------------|----------------------------------------|----------------|----------------------------|-----------------|------------|
| | 1998 | 1997 | | From | To |
| 1994 | 12,168 | 12,168 | £2.90 | 30.12.1999 | 29.12.2004 |
| 1995 | 56,530 | 56,530 | £3.15 | 20.11.2000 | 19.11.2005 |
| 1996 | 7,000 | 7,000 | £3.40 | 18.11.2001 | 17.11.2006 |
| 1996 | 8,823 | 8,823 | £3.40 | 27.12.2001 | 26.12.2006 |
| 1997 | 84,472 | 87,972 | £3.40 | 05.04.2002 | 04.04.2007 |
| 1998 | 85,476 | – | £4.70 | 16.10.2003 | 15.10.2008 |
| | 254,469 | 172,493 | | | |

John Wood Group PLC 1996 Executive Share Option Scheme

| Year of grant | Number of ordinary shares under option | | Exercise price (per share) | Exercise period | |
|---------------|----------------------------------------|----------------|----------------------------|-----------------|------------|
| | 1998 | 1997 | | From | To |
| 1996 | 5,700 | 6,877 | £3.40 | 18.11.2001 | 17.11.2006 |
| 1996 | 1,177 | 1,177 | £3.40 | 27.12.2001 | 26.12.2006 |
| 1997 | 115,288 | 120,288 | £3.40 | 05.04.2002 | 04.04.2007 |
| 1997 | 10,000 | 10,000 | £3.80 | 24.12.2002 | 23.12.2007 |
| 1998 | 17,500 | – | £4.70 | 16.10.2003 | 15.10.2008 |
| | 149,665 | 138,342 | | | |

The 1994 Executive Share Option Scheme and the 1996 Executive Share Option Scheme are administered by the Remuneration Committee of the Board of Directors. Performance criteria set by the Remuneration Committee must be satisfied before an option can be exercised.

At 31 December 1998, under the three executive share option schemes outlined above, a total of 504,466 (1997: 467,167) options exist to purchase new ordinary shares. In addition, an employee share ownership company exists which may buy existing ordinary shares which will then be available to be provided under option to employees. Share options are granted at the current market value. At 31 December 1998, additional options have been granted over 248,374 existing ordinary shares held by the trust company at exercise prices ranging from £2.90 to £4.70 per share.

20. Profit and loss account

| | Parent and subsidiary undertakings £m | Joint ventures £m | Associate £m | Group £m | Company £m |
|-----------------------------------------------------------------|------------------------------------------------|-------------------------|-----------------|-------------|---------------|
| At 1 January 1998 | 45.6 | 9.1 | - | 54.7 | 53.2 |
| Exchange adjustments | (0.6) | - | (0.1) | (0.7) | - |
| Retained profit for the year | 14.0 | 0.6 | 2.6 | 17.2 | 15.4 |
| Goodwill | | | | | |
| Fair value adjustments to prior year acquisitions | (0.3) | - | - | (0.3) | - |
| Arising from disposals in year | 0.3 | - | 0.4 | 0.7 | - |
| Arising from termination of operations | 0.8 | - | - | 0.8 | - |
| Deferred consideration in respect of prior year acquisitions | (0.7) | - | - | (0.7) | - |
| Purchase of own shares by associate | - | - | (3.7) | (3.7) | - |
| At 31 December 1998 | 59.1 | 9.7 | (0.8) | 68.0 | 68.6 |

21. Minority interests

| | 1998 £m | 1997 £m |
|------------------------------------------|------------|------------|
| At 1 January | 3.8 | 5.3 |
| Exchange adjustments | 0.1 | 0.1 |
| Profit and loss account | (0.1) | - |
| Acquisitions | 0.4 | - |
| Acquisitions of minority interests | - | (1.6) |
| Dividends | (0.2) | - |
| Minority interests at 31 December | 4.0 | 3.8 |

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

22. Acquisitions and disposals

A summary of acquisitions and disposals during the year is set out in the Directors' Report.

Acquisition of subsidiary undertakings

The assets and liabilities acquired in respect of acquisitions during the year are included below:

| | Book value £m | Fair value adjustments £m | Fair value to the Group £m |
|-----------------------------|------------------|---------------------------------|----------------------------------|
| Fixed Assets | | | |
| Tangible assets | 1.5 | (0.4) | 1.1 |
| Current assets | | | |
| Cash | 0.1 | – | 0.1 |
| Stocks and work in progress | 1.3 | (0.2) | 1.1 |
| Debtors | 2.4 | (0.1) | 2.3 |
| | 3.8 | (0.3) | 3.5 |
| Liabilities | | | |
| Creditors | (2.9) | – | (2.9) |
| Minority interest | (0.5) | 0.1 | (0.4) |
| Tangible Net Assets | | | 1.3 |
| Goodwill | | | 3.1 |
| Satisfied by | | | 4.4 |
| Cash | | | 4.4 |

The majority of fair value adjustments arise from the harmonisation of accounting policies, including amendments made to the carrying values of tangible fixed assets and stocks.

The Group has used acquisition accounting for all purchases and, in accordance with the Group's accounting policy, the goodwill arising on consolidation of £3.1m has been capitalised and will be amortised over 20 years.

Analysis of the net outflow of cash in respect of acquisitions

| | |
|------------------------------------------------|-------|
| Cash consideration | £m |
| Cash acquired | 4.4 |
| Net outflow of cash in respect of acquisitions | (0.1) |
| | 4.3 |

The acquisitions did not provide a significant contribution to the profits or cashflows of the Group.

Acquisition by associate

In December 1998, ASCo Group Limited, an associate of the Group, acquired L&L Oil Company, Inc, a fuel distribution company primarily servicing the Gulf of Mexico and based in the USA. As part of the acquisition, the Company reduced its shareholding in ASCo from a 40% interest to approximately 30%. This resulted in a cash inflow to the Group of £14.3m and an exceptional profit in 1998 of £12.1m. The Group's share of net assets of ASCo Group Limited are set out in note 13.

22. Acquisitions and disposals (continued)

Disposal of subsidiary undertakings
 During the year the Group disposed of its interests in its Fire & Safety division and Thistle Engineering Services Limited. Details of the assets and liabilities sold in relation to these disposals are set out below:-

| | £m | £m |
|----------------------------------------------------------------|-------|-------|
| | | 1.0 |
| Fixed Assets | 3.1 | |
| Current Assets | 4.4 | |
| Stock and work in progress | | |
| Debtors | 7.5 | |
| | (4.1) | |
| Bank overdrafts | (2.6) | |
| Current liabilities | | 0.8 |
| Net current assets | | 1.8 |
| | | 5.6 |
| Net proceeds | | 3.8 |
| | | (0.3) |
| Goodwill previously written off | | 3.5 |
| Net gain on disposal | | |
| Analysis of the net cash inflow in respect of disposals | | 5.6 |
| Cash consideration | | 4.1 |
| Bank overdrafts | | 9.7 |

Goodwill

The cumulative amount of goodwill resulting from acquisitions which has been written off directly to reserves, after deducting goodwill attributable to subsidiary undertakings disposed of, is set out below:

| | £m |
|---------------------------------------------------|-------|
| Group | 38.6 |
| At 1 January 1998 | (0.7) |
| Disposals | (0.8) |
| Termination of operations | 0.3 |
| Fair value adjustments to prior year acquisitions | 0.7 |
| Provisional deferred consideration | 0.7 |
| At 31 December 1998 | 38.1 |

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

23. Capital commitments

| | 1998 £m | Group 1997 £m |
|--|------------|---------------------|
|--|------------|---------------------|

At the balance sheet date the following capital commitments existed for tangible fixed assets:

| | | |
|---------------------------------|-----|-----|
| Contracted for but not provided | 1.3 | 1.8 |
|---------------------------------|-----|-----|

The Group's share of contracted capital commitments of joint ventures is not significant. The Company had no capital commitments at the balance sheet date (1997: nil).

24. Commitments under operating leases

| | Land and Buildings 1998 £m | Plant & Equipment 1998 £m | Land and Buildings 1997 £m | Plant & Equipment 1997 £m |
|---------------------------------------------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| Group | | | | |
| Payments falling due in 1999 in respect of operating leases which expire: | | | | |
| Within one year | 0.4 | 0.6 | 0.5 | 0.2 |
| Within two to five years | 0.9 | 1.6 | 1.4 | 1.1 |
| Later than five years | 0.8 | - | 0.6 | - |
| | 2.1 | 2.2 | 2.5 | 1.3 |

25. 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. At 31 December 1998 the Group has outstanding guarantees of £4.5m in respect of joint venture bank arrangements. The Group has no guarantees in respect of its associate's banking arrangements.

26. Financial commitments

There are financial commitments relating to the purchase of shares by a number of Group subsidiaries from minority shareholders. These payments, which are likely to be less than £1m in 1999, are mainly based on the profits of subsidiary undertakings and extend over a number of years.

There are potential deferred consideration payments relating to the acquisition by subsidiaries 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.

27. 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 independent investment companies in pooled discretionary balanced funds.

The total pension cost for the Group in the UK for final salary schemes was £1.8m (1997: £1.7m). The pension cost is assessed in accordance with the advice of a qualified actuary on the basis of triennial valuations using the projected unit method. The latest actuarial assessment of the scheme was as at 5 April 1998. The principal actuarial assumption used in the valuation was that, over the long term, the annual rate of return on investments would be 2% 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 £20.5m and the actuarial value of the assets represented 95.9% of the benefits that had accrued to members, after allowing for expected future increases in earnings. An amount of £1.9m (1997: £2.2m) is included in provisions, which represents the excess of the accumulated pension cost over the payment of contribution to pension funds.

The Group also has a defined contribution plan, and certain UK and overseas subsidiaries operate their own defined contribution pension arrangements. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The total pension cost for the Group in respect of these schemes was £1.0m (1997: £0.9m).

28. Related party transactions

Included in the profit and loss account are sales, costs and expenses which arise from transactions between the Group and its joint ventures and associate. Such transactions mainly comprise sale and purchases of goods in the ordinary course of business and in total amounted to:

| | 1998 £m | 1997 £m |
|-----------------------------|------------|------------|
| Charges to joint ventures | 11.1 | 7.0 |
| Charges to associate | 0.6 | - |
| Charges from joint ventures | 5.5 | 26.2 |
| Charges from associate | - | - |

Details of balances due to and from joint ventures and the associate are provided in notes 15 and 16.

Sir Ian Wood holds a controlling interest in J W Holdings Limited. During the year, the Group charged J W Holdings Limited £0.1m for management services provided under normal commercial terms.

29. Net cash inflow from operating activities

| | Group | |
|--------------------------------------------|------------|------------|
| | 1998 £m | 1997 £m |
| Operating profit of Group undertakings | 20.8 | 25.1 |
| Depreciation on tangible fixed assets | 8.0 | 8.3 |
| Amortisation of goodwill | 0.2 | - |
| Gain on sale of tangible fixed assets | (0.1) | (0.2) |
| Increase in provisions against investments | 0.6 | - |
| Increase in stocks | (5.8) | (14.3) |
| Increase in debtors | (6.3) | (7.6) |
| (Decrease)/increase in creditors | (1.3) | 10.7 |
| (Decrease)/increase in pension provision | (0.3) | 0.1 |
| Payments against litigation provision | (0.4) | - |
| Exchange adjustments | (0.5) | 1.2 |
| Net cash inflow from operating activities | 14.9 | 23.3 |

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 December 1998

30. Reconciliation of net cash flow to movement in net debt

| | Group | |
|----------------------------------------------|---------------|---------------|
| | 1998 | 1997 |
| | £m | £m |
| (Decrease)/increase in cash | (25.6) | 20.9 |
| Cash flow from increase in liquid resources | 49.0 | 5.0 |
| Cash inflow from increase in debt | (16.8) | (30.9) |
| <hr/> | | |
| Change in net debt resulting from cash flows | 6.6 | (5.0) |
| Other non-cash items | | |
| Exchange adjustments | (0.5) | (2.4) |
| <hr/> | | |
| Movement in net debt | 6.1 | (7.4) |
| Net debt at 1 January | (36.3) | (28.9) |
| <hr/> | | |
| Net debt at 31 December | (30.2) | (36.3) |

31. Analysis of debt

| | At 1 January 1998 £m | Cash flow £m | Exchange movement £m | At 31 December 1998 £m |
|----------------------------------------------|----------------------------|--------------------|----------------------------|------------------------------|
| Cash | 47.7 | (25.6) | - | 22.1 |
| Deposits treated as liquid resources | 9.0 | 49.0 | - | 58.0 |
| <hr/> | | | | |
| Cash in hand and at bank | 56.7 | 23.4 | - | 80.1 |
| Bank loans and overdraft due within one year | (56.9) | 53.4 | (0.3) | (3.8) |
| Bank loans due after one year | (36.1) | (70.2) | (0.2) | (106.5) |
| <hr/> | | | | |
| Net debt | (36.3) | 6.6 | (0.5) | (30.2) |

GROUP COMPANIES

| | Country of registration or incorporation | Percentage of equity held | | Country of registration or incorporation | Percentage of equity held |
|-----------------------------------------------------|------------------------------------------|---------------------------|---------------------------------------------------------------|------------------------------------------|---------------------------|
| ENGINEERING & OPERATIONS SUPPORT | | | GAS TURBINES | | |
| Engineering | | | Wood Group Gas Turbines Limited | | |
| Wood Group Engineering Limited | Great Britain | 100% | Wood Group Gas Turbines, Inc | USA | 100% |
| Wood-GMC AS** | Norway | 50% | Industrial Aero-derivative Gas Turbines | | |
| APC-Wood, Inc** | USA | 35% | Rolls Wood Group | | |
| Equipo de Servicios Petroleros** | Colombia | 22% | (Repair & Overhauls) Limited ** | Great Britain | 50% |
| SIMCO ** | Venezuela | 49.5% | TransCanada Turbines Limited** | Canada | 50% |
| Pipeline and subsea design | | | Wood Group Pratt & Whitney Industrial Turbine Services LLC ** | USA | 49% |
| J P Kenny Engineering Limited | Great Britain | 100% | Civil & Military Aero Gas Turbines | | |
| J P Kenny Limited | Great Britain | 100% | Wood Group Aero Limited | Great Britain | 100% |
| J P Kenny Caledonia Limited | Great Britain | 100% | Wood Group Aero, Inc | USA | 100% |
| J P Kenny, Inc | USA | 100% | Wood Group Turbopower, Inc | USA | 100% |
| J P Kenny Pty Limited | Australia | 100% | Wood Group Component Repair, Inc | USA | 100% |
| Workshops | | | Light Industrial Turbines | | |
| Enterprise Engineering Services Limited | Great Britain | 100% | Wood Group Light Industrial Turbines Limited | Great Britain | 100% |
| Sulzer Wood Limited** | Great Britain | 49% | Wood Group Light Industrial Turbines, Inc | USA | 100% |
| Logistics | | | Wood Group Engineering Services (Middle East) Limited * | Jersey | 100% |
| ASCo Group Limited*** | Great Britain | 30% | B&B Turbine Engine Services, Inc | USA | 100% |
| PETROLEUM SERVICES | | | Wood Group Gas Turbines de Venezuela CA | Venezuela | 100% |
| Electric Submersible Pumps | | | Heavy Industrial Turbines | | |
| Wood Group ESP, Inc* | USA | 100% | Wood Group Heavy Industrial Turbines Limited | Great Britain | 100% |
| Electric Submersible Pumps, Inc | USA | 100% | Wood Group Heavy Industrial Turbines, Inc | USA | 60% |
| Wood Group ESP de Argentina SA | Argentina | 100% | Wood Group PCT Limited | Switzerland | 100% |
| Corporacion ESP de Venezuela CA | Venezuela | 100% | ESCO Wood Company Limited ** | Thailand | 45% |
| Electric Submersible Pumps Limited | Canada | 100% | Fuel Systems | | |
| PT ESP Mulia Indonesia | Indonesia | 70% | Wood Group Fuel Systems Limited | Great Britain | 100% |
| Pressure Control | | | Wood Group Fuel Systems, Inc | USA | 100% |
| ERC Industriés, Inc* (trading as | | | Wood Group JTC Limited | Eire | 60% |
| Wood Group Pressure Control) | USA | 89% | | | |
| Wood Group Pressure Control Limited | Great Britain | 89% | | | |
| Wood Group Engineering Services (Peterhead) Limited | Great Britain | 100% | | | |
| Church Oil Tools, Inc (trading as | | | | | |
| Wood Group Drilling Products) | USA | 89% | | | |
| Wood Group Bompert CA | Venezuela | 89% | | | |
| Arabian Oil Equipment Service Company * | Abu Dhabi | 49% | | | |
| Logging Services | | | | | |
| Wood Group Production Technology Limited* | Great Britain | 100% | | | |
| Wood Group Production Technology, Inc | USA | 100% | | | |
| Copgo Wood Argentina SA | Argentina | 100% | | | |
| Copgo Wood Group SARL | France | 100% | | | |
| Copgo Wood Group s.r.l. | Italy | 100% | | | |
| Wood Group Logging Services of Louisiana, Inc | USA | 90% | | | |
| Wood Group Logging Services of Texas, Inc | USA | 100% | | | |
| ALP Wood de Venezuela CA | Venezuela | 100% | | | |
| C & D Wood CA | Venezuela | 65% | | | |

* owned by John Wood Group PLC

** joint venture interests held by the Group

*** associate interest held by the Group and the Company

• treated as a subsidiary on the basis that the Group has effective control over its Board of Directors

FIVE YEAR RECORD

| | 1998 £m | 1997 £m | 1996 £m | 1995 £m | 1994 £m |
|----------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Turnover* | 589.4 | 506.6 | 476.7 | 403.6 | 321.6 |
| Operating profit* | 32.7 | 31.4 | 26.1 | 23.8 | 21.0 |
| Exceptional items | 5.5 | (11.3) | - | - | - |
| Net interest payable | (7.1) | (4.0) | (1.8) | (0.7) | (0.5) |
| Profit before taxation | 31.1 | 16.1 | 24.3 | 23.1 | 20.5 |
| Taxation | (11.8) | (8.9) | (8.6) | (7.2) | (6.3) |
| Profit after taxation | 19.3 | 7.2 | 15.7 | 15.9 | 14.2 |
| Equity minority interests | 0.1 | - | - | (1.9) | (1.4) |
| Profit for the financial year | 19.4 | 7.2 | 15.7 | 14.0 | 12.8 |
| Dividends | (2.2) | (2.3) | (4.4) | (1.9) | (1.9) |
| Retained profit for the financial year | 17.2 | 4.9 | 11.3 | 12.1 | 10.9 |
| Shareholders' funds | 79.9 | 66.6 | 73.9 | 70.5 | 64.6 |
| Net (borrowings)/cash | (30.2) | (36.3) | (29.0) | (3.3) | 1.9 |
| Gearing ratio | 37.8% | 54.5% | 39.2% | 4.7% | N/A |
| Effective tax rate (excluding exceptionals) | 34.8% | 32.5% | 35.4% | 31.0% | 30.7% |
| Adjusted fully diluted earnings per share | 135.5p | 150.8p | 129.6p | 115.4p | 105.7p |

* Includes share of joint ventures and associate.