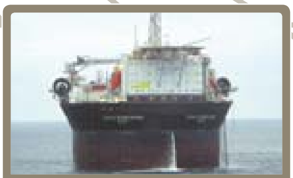
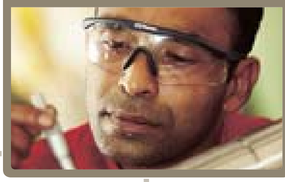
John Wood Group PLC
Annual Review 2007


North Sea, UK


Algiers, Algeria

Doha, Qatar


Doba, Chad



Mumbai, India


Suzhou, China


Brunei

Energy supporting energy **worldwide**


Perth, Australia

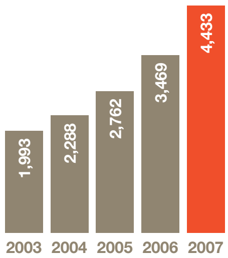
Wood Group is an international energy services company with $4.4bn revenue, employing 24,700 people worldwide and operating in 46 countries.
The Group provides a range of engineering, production support, maintenance management and industrial gas turbine overhaul and repair services to the oil & gas and power generation industries worldwide.

Contents

In 2007, we worked on a number of exciting and challenging projects for a wide range of clients across the world. The images on the cover represent some of the project case studies highlighted within this report.

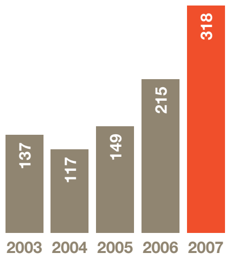
2007 performance highlights

up 28%



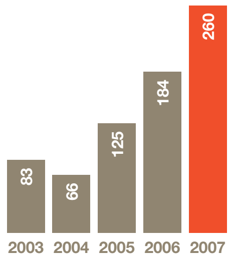
Revenue ($m)

up 48%



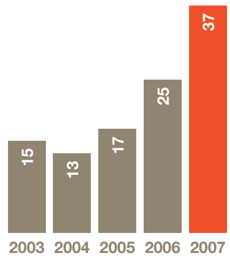
EBITA ($m) [1]

up 42%



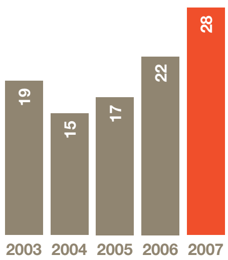
Profit before tax ($m)

up 51 %



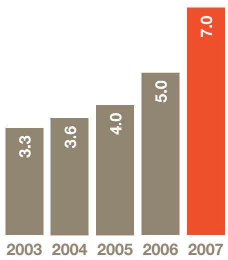
Adjusted diluted earnings per ordinary share (cents) [2]

up 32%



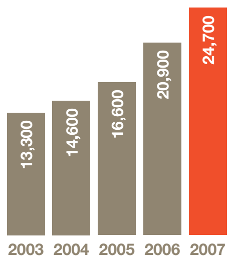
Return on capital employed (%) [3]

up 40%



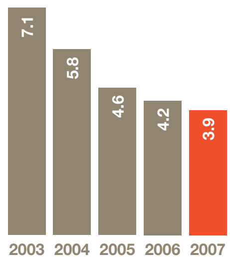
Dividend per ordinary share (cents)

up 18%



People [4]

down 7 %



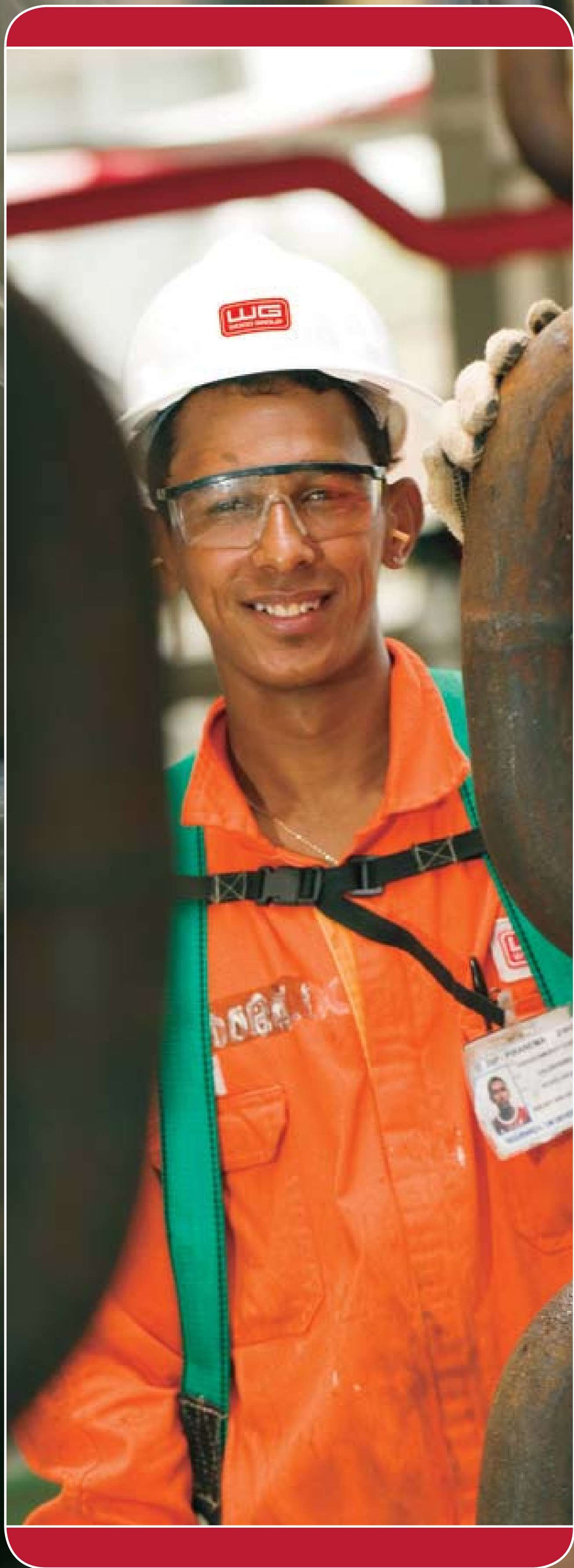
Safety incidents [5]

$ refers to US dollar, the functional and reporting currency of the Group
For footnotes, see page 27.

Group overview
Chief Executive's report and business review
Corporate and Social Responsibility
Governance
Financial statements

2007

We thank the 24,700 Wood Group people whose skills and achievements have contributed to this year's record results.



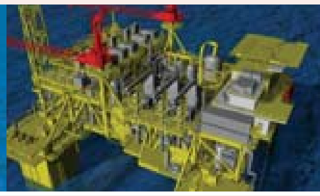
Energy Supporting Energy

An overview of Wood Group

Engineering & Production Facilities

We operate three divisions, Engineering & Production Facilities, Well Support and Gas Turbine Services.

We offer a wide range of engineering services to the upstream, midstream, downstream and industrial sectors. These include conceptual studies, front end engineering design "FEED", engineering, project and construction management "EPCM", control systems upgrades and enhancement. We offer life of field support to producing assets, through brownfield engineering and modifications, production enhancement, operations management, maintenance management and abandonment services. See page 12.



Our **leading positions** and **experience** provide a platform for continuing growth.

EPCM services for:

Deepwater and lightweight topsides
– including spars, tension leg platforms and floating production, storage and offloading vessels "FPSOs".

Onshore and offshore processing facilities
– including in-situ heavy oil facilities.

Marginal field development solutions
– cost effective production platform designs.

Subsea
– covering flow assurance, risers, flowlines and umbilical design and installation, and integration with production facilities.

Offshore pipelines
– export and infield pipelines and systems.

Onshore pipelines – planning, procurement, fabrication, commissioning and operations support services.

Pipeline integrity services – materials integrity services and flow assurance software and analysis.

Liquefied natural gas "LNG" regasification and other gas to liquid processes – regasifying LNG technologies installed onshore or on floating vessels and services for other regasification processes.

Automation
– engineering, specification and implementation of control, automation and information systems.

Downstream, process and industrial – debottlenecking and operational enhancements for refineries (including clean fuel modifications), petrochemical plants, process and industrial facilities.

Modifications engineering and construction
– structural and process modifications and tieback developments.

Operations and maintenance – health and safety programme development, responsibility for the operation of a plant, facilities and maintenance management, shutdown and campaign maintenance, reliability studies and analysis.

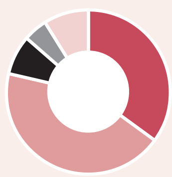
Production enhancement – water and gas injection and gas compression support.

Start-up and commissioning – services to bring new facilities into production, e.g. operational documentation and procedures and function testing.

Supply chain management
– logistics and purchasing support.

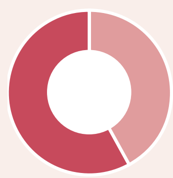
Human resources management – training and competence programmes and national content development.

Key statistics



Revenue by region

- North America
- Europe & FSU
- Middle East & Africa
- Asia Pacific
- Central & South America



Share of Group revenue

58%

People

up 22%

Well Support

We provide solutions, products and services to enhance production rates and efficiency from oil & gas reservoirs. See page 18.

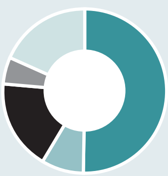
Electric submersible pumps "ESPs" – developing high quality, cost effective pumping systems for mature fields and service for submersible pumps from all major manufacturers.

Supply and service of surface wellheads and valves – design and manufacture of wellhead systems that control formation pressures and flow rates.

Cased hole electric line services – electrical operations to gather information and perform operations in a development and a production well.

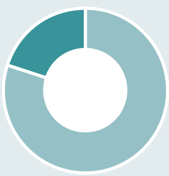
Production testing – testing services to gauge the well's performance potential before a permanent facility is developed.

Wireline (slickline) services – mechanical operations to gather information and perform operations in a production well.



Revenue by region

- North America
- Europe & FSU
- Middle East & Africa
- Asia Pacific
- Central & South America



Share of Group revenue

20%

People

up 13%

Gas Turbine Services

We are the world leading independent provider of integrated maintenance solutions for industrial gas turbines used for power generation, compression and transmission in the oil & gas and power generation industries. We repair and overhaul gas turbines, accessories and components and are uniquely positioned to provide power plants on a turnkey basis. See page 21.

Oil & Gas and Power Generation

Term maintenance – scheduling, technical solutions and advice.

Repair and overhaul – field service, shop based repair and overhaul, parts re-engineering and parts supply.

Turbine system solutions – retrofits and service for turbine control systems and fuel systems.

Equipment solutions – provide gas turbine driven packages for power, compression and pumping.

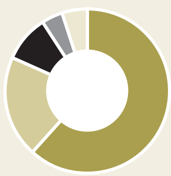
Oil & Gas related services

Rotating equipment – repair and service for compressors, pumps and other rotating equipment. Reliability and asset integrity.

Power Generation related services

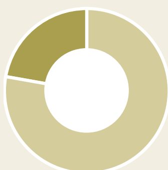
Power station operations & maintenance – operations & maintenance for fossil and bio-fuel power plants.

Power plant engineering, procurement and construction management – fast track power packages in the developed and developing world.



Revenue by region

- North America
- Europe & FSU
- Middle East & Africa
- Asia Pacific
- Central & South America



Share of Group revenue

22%

People

up 8%

2007 Highlights

Engineering & Production Facilities

An active year across all business areas led to excellent revenue growth in the year. Margin improvement initiatives contributed to the increased EBITA margin.

51% increase in EBITA

Well Support

Our successful focus on international growth, together with product and service improvements has contributed to the increased EBITA margin.

18% increase in EBITA

Gas Turbine Services

The strong requirement for gas turbine services led to an increase in revenue. Our continuing focus on higher margin areas contributed to the EBITA margin improvement.

69% increase in EBITA

2007 Regional highlights

North America

USA
Alliance Engineering, a Wood Group company, was topsides engineering contractor responsible for conceptual engineering through detailed design, procurement assistance and fabrication support for Shell's Perdido regional host facility. When installed it will be the world's deepest spar platform.

Canada 1
We made a strategic move into the Canadian in-situ oil sands market with the acquisition of IMV Projects Inc, "IMV", a market leader in EPCM services for in-situ oil sands developments.

South & Central America

Mexico
Our Pressure Control business won significant orders with Mexican national oil company, PEMEX. Manufacturing and inspection of casing heads and gate valves to support these orders will be carried out at our new 55,000 sq ft plant in Monterrey, Mexico.

Colombia 2
Since our initial entry in to Colombia with a three year contract in 1996, we have delivered eleven years of performance registered as world class by BP. Now our broad client base and full range of Group services include engineering and maintenance contracts for Ecopetrol at their Cartagena refinery.

Europe & FSU

North Sea, UK 3
We made significant progress in our role as duty holder in the UK North Sea, winning new contracts with several operators. The Sevan Hummingbird, which we will operate on behalf of Venture Production, was installed and is being commissioned on the Chestnut field, with first oil in 2008.

Poland
We signed a term maintenance agreement with EC Zielona Góra SA of Poland to provide parts, repairs, field services and risk management for their gas turbine plant in Zielona Góra. This partnership represents Wood Group's first long term service agreement in Poland.

In 2007 we were presented with the Queen's Award for Enterprise, for the second time, in recognition for our international trade performance. This prestigious award reflects the wealth of talent and huge commitment of our people around the world.

Middle East & Africa

Ghana 4
We were awarded a contract to supply The Electricity Company of Ghana with 25MW of emergency power. The current contract has recently been extended for a further 12 months and will also have additional generation capacity added.

Middle East & Africa
We set up a joint venture company in Saudi Arabia and are establishing a local manufacturing facility to support our five year contract for supply of wellhead assemblies and valves with Saudi Aramco. Elsewhere in the Middle East and Africa, we won new contracts in Algeria, Egypt, Kuwait and Yemen.

Asia Pacific & India

India 5
We strengthened our resources in India to support both the local market and international business growth. Wood Group Engineering India provides design and project management services for a range of local and international customers including Cairn, Essar, GAIL, Gujarat State Petroleum, ONGC and Reliance.

Australia
Mustang's Perth based operations signed an agreement with AMOG Consulting to jointly pursue floating production projects in Asia Pacific. Together with J P Kenny, IONIK Consulting and MSi, we have the capability to deliver projects in the region from field development through commissioning.

Chairman's statement

"Our expanding range of differentiated services and our great team of people throughout the world position us well for continuing strong growth."

Sir Ian Wood, Chairman

2007 saw continuing strong growth across our three divisions and record earnings. Revenue grew 28% to $4,432.7m, EBITA grew 48% to $318.4m, basic EPS grew 35% to 33.0 cents and adjusted diluted EPS grew 51% to 36.9 cents. Reflecting the strength of our performance and confidence in future prospects, we are proposing a final dividend of 5.0 cents, taking the total dividend for 2007 to 7.0 cents, up 40% on last year.

2007 performance	2007 ($m)	2006 ($m)	change
Revenue	**4,432.7**	3,468.8	**+28%**
EBITA[1]	**318.4**	215.1	**+48%**
EBITA margin	**7.2%**	6.2%	
Profit before tax	**259.9**	183.6	**+42%**
Basic EPS	**33.0c**	24.4c	**+35%**
Adjusted diluted EPS[2]	**36.9c**	24.5c	**+51%**
Total dividend	**7.0c**	5.0c	**+40%**
ROCE[3]	**28.3%**	21.5%	

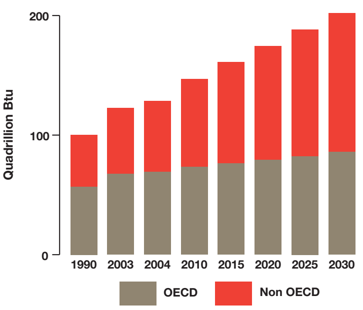
Markets

We expect continuing growth in demand for energy, primarily driven by the world's developing economies. Oil & gas operators remain focused on developing their reserves – through new discoveries, often in deep water and harsh environments; through developing unconventional reserves, including heavy oil and shale sources; through achieving better routes to market for previously stranded reserves, which is contributing to the growth in the LNG market; and through maximising recovery from existing fields. Deepwater developments, subsea completions and pipelines, and production enhancement are all significant growth areas in which Wood Group has strong market positions.

The growing global economy is also leading to increasing investment in electricity generation around the world. This is greatest in the developing economies, where the pace of economic development can also lead to serious power shortages and the need for fast track power solutions, a sector in which Wood Group is well placed. The relative environmental benefits of gas among traditional energy sources and shorter development lead times is expected to lead to an increasing share for gas in world electricity generation and growth in the gas turbine population.

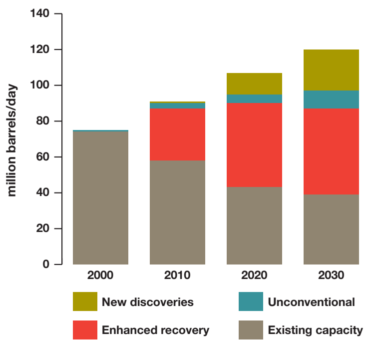
In the current global market we believe that oil prices will stay above $65, which is stronger than our prediction last year. There should also be continuing strong demand for gas, the most environmentally friendly fossil fuel, the price of which will become more global and increasingly influenced by the oil price. Accordingly, we expect continuing robust exploration & production "E&P" spending programmes and are continuing our investment programme both organically and through acquisitions.

World Total Energy Consumption



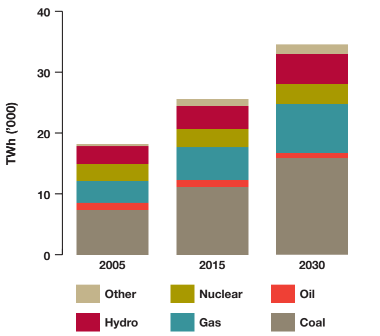
Source – Energy Information Administration, International Energy Outlook 2007

World Supply



Source – International Energy Agency, World Energy Outlook 2004

Electricity generation (by fuel)



Source – Energy Information Administration, System for the Analysis of Global Energy Markets 2007

The fastest growth in our business over the next few years is likely to be seen in the eastern hemisphere. We have made further investments to develop our market position and capability in the region, and are focusing on developing our relationships with national oil companies "NOCs".

Future growth will not be achieved without risks and challenges. The global oil & gas industry needs to develop reserves in harsher locations, and geopolitical uncertainty in some of the world's key oil & gas provinces is a fact of life. We are focused on, and good at, tackling these challenges. We assess risk and reward and build in mitigating factors to, wherever possible, ensure we can keep our people safe, service our customers and, at the same time, achieve acceptable returns.

Strategy

Our strategy is to achieve sustainable growth, add value to our clients' operations and focus new developments on areas where we can develop our market leading positions. It has four strands

- to maintain a good balance between field developments and later cycle production support
- to grow and maintain market leading positions based on differentiated know-how
- to develop long term client relationships, including pay for performance contracts
- to extend our services and broaden our international presence

Developments against each of these areas are highlighted in the table below.

People

Our key focus is to be an employer of choice for quality people and to provide them with a work environment in which no one will be hurt. This is addressed further in the Chief Executive's report. I would like, on behalf of the Board, to personally thank all of our people around the world whose skills, commitment and enthusiasm, and excitement in our future is driving our growth.

Board changes

Trevor Noble and Wendell Brooks both retired from the Board during the year with our grateful thanks and best wishes. Mike Straughen and Jim Renfroe joined the Board as Group Directors on 1 May 2007 and 26 February 2008 respectively, and David Woodward joined as a non-executive Director on 23 May 2007. The new Board members bring with them a broad range of international industry experience and we are delighted that they have joined us.

Outlook

The market for energy services is expected to remain strong. Our expanding range of differentiated services and products and our great team of people throughout the world, position us well for continuing strong growth.

Sir Ian Wood, Chairman
3 March 2008

Our strategy has four strands:

1 **Balance between field development and later cycle production support**
2 **Grow and maintain market leading positions**
3 **Develop strong relationships with clients**
4 **Extend services and broaden international presence**

1	2	3	4	Highlights of 2007
			✓	Increased presence in Algeria, Canada, China, Egypt, India, Malaysia, Mexico, Peru, Saudi Arabia, Trinidad and Yemen
	✓		✓	Acquisition of IMV Projects Inc
	✓	✓		Involved in a significant proportion of global deepwater projects – Gulf of Mexico and offshore West Africa
	✓	✓		Extended our leading subsea engineering position – offshore West Africa and North West Australian shelf
✓	✓	✓		Renewed long term North Sea support contracts – Amerada Hess, BP, Shell, Talisman and Total
✓		✓	✓	Increased activity in supply chain management and taken on duty holder responsibilities*
✓		✓		International success in ESPs – Chad and Russia
		✓	✓	Increasing pressure control manufacturing capacity in China, Mexico and Saudi Arabia
✓	✓	✓	✓	Developing activity in power station operations & maintenance – Pakistan and USA
	✓	✓	✓	Fast track power solutions – Ghana and USA
✓	✓	✓		Won a range of new long term gas turbine maintenance contracts – Air Liquide, BASF, EC Zielona Góra SA and NYPA

* Duty holder has particular meaning in the UK. The duty holder assumes responsibility as operator for full regulatory compliance. Generally this covers full responsibility for establishment of a suitable safety case for each installation, prevention of fire, explosion and emergency response, pipeline works, work equipment regulations, lifting operations and control of substances.

Chief Executive's report

"During 2007 we delivered strong revenue growth across all three divisions, up 28% at $4,432.7m …Group EBITA increased by 48% to $318.4m."

Allister Langlands, Chief Executive

Revenue
up 28%

EBITA
up 48%

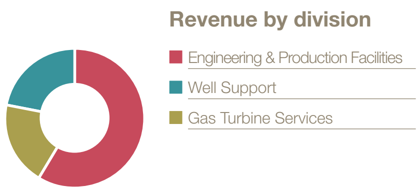
Group Performance	2007 ($m)	2006 ($m)	change
Revenue	**4,432.7**	3,468.8	**+28%**
Engineering & Production Facilities	**2,582.8**	1,972.7	**+31%**
Well Support	**862.1**	739.1	**+17%**
Gas Turbine Services	**955.7**	713.7	**+34%**
EBITA	**318.4**	215.1	**+48%**
Engineering & Production Facilities	**214.5**	141.9	**+51%**
Well Support	**87.1**	73.6	**+18%**
Gas Turbine Services	**64.3**	38.0	**+69%**
EBITA margin	**7.2%**	6.2%	
Engineering & Production Facilities	**8.3%**	7.2%	
Well Support	**10.1%**	10.0%	
Gas Turbine Services	**6.7%**	5.3%	

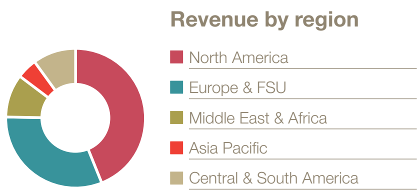
Operating and financial highlights

During 2007 we delivered strong revenue growth across all three divisions, up 28% at $4,432.7m, with the greatest growth coming from engineering activities and from Gas Turbine Services. The strong performance in Engineering & Production Facilities was driven by increased activity across all business areas within Engineering and, in Production Facilities, by increasing expenditure on integrity and production enhancement both in the North Sea and in some of our newer markets. Robust drilling activity and growing demand for artificial lift using ESPs led to higher demand for our Well Support services. The strong requirement for gas turbine maintenance, repair and overhaul in the oil & gas industry, and the strengthening power markets worldwide, including growing demand for fast track power package contracts, led to the increase in Gas Turbine Services revenue.

Group EBITA increased by 48% to $318.4m, with good performance in all divisions. The EBITA increase reflects the 28% increase in revenue and the improvement in EBITA margins in all three divisions, leading to a 1% point increase in Group margins from 6.2% to 7.2%. The Engineering & Production Facilities EBITA margin increased from 7.2% to 8.3%, due primarily to increases in the underlying margins for both our engineering and production facilities activities. The slight improvement in the Well Support EBITA margin from 10.0% to 10.1% was driven by the positive margin impact of increasing revenue in areas of activity where we have operational gearing, and the benefit of new higher margin services and products. The improvement was offset by the cost of additions to our manufacturing and service capacity and some pricing pressure in certain of our US activities. Going forward, we are confident that our investment in lower cost manufacturing and service capacity will help us to deliver further efficiency improvements. The increase in our Gas Turbine Services margin from 5.3% to 6.7%, included the impact of our continuing focus on higher margin areas, our success in increasing our business under long term contracts and our ongoing cost reduction and efficiency initiatives.

Below: LeeHeng Chuah, Eugenie Giesbrecht and Alan Campbell





People

We strive to be the employer of choice and to attract, develop and retain the best talent available. This will continue to help us to be well positioned to provide world class services and products to our customers and growth for our shareholders. Securing interesting and challenging projects helps us to attract the best people, which, in turn, enables us to continue to be a leader in the provision of services and products. In the year we increased our overall headcount by 18% to over 24,700 people. We had a whole range of successful people initiatives during the year. These included using our internationally mobile workforce to support new market opportunities, for example our highly skilled South American managers are now involved in projects around the world, including in Algeria, Dubai, Malaysia and Trinidad. We also run stewardship programmes that help develop our people's expertise and long term careers with the Group. We have increased our investment in graduate recruitment programmes, apprentice schools and in developing enhanced online training packages.

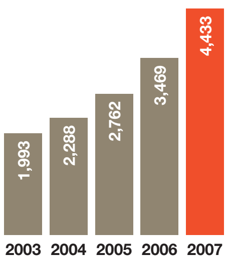
Safety

We are committed to achieving the highest standards of safety for our people. We have won recognition for our safety performance in many of our companies around the world and delivered continued improvement in the year. The Group provides support through conferences, regional forums and inter-company audits to encourage the spread of good practice. Improvement in safety performance is a key measure of our success and will continue to be given the highest priority. We will not be satisfied until no one is hurt and we are striving to achieve that goal.

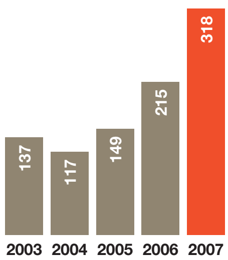
Areas of focus for 2008

Key areas of focus for us in 2008 will be to extend our Engineering presence in the eastern hemisphere, particularly in the Middle East and Asia Pacific; to build on our more recently established Production Facilities markets; to complete the current phase of our increased manufacturing capacity in Well Support and to continue to extend our Gas Turbine Services business into higher margin areas.

Revenue ($m)



EBITA ($m) [1]



Below: Maia Veleva, Neil Beckett and Carolyn Leonard

Highlights

- The Mirage topsides will be the lightest topsides ever built on a floating structure with full drilling capacity

"Mustang has an excellent reputation for its knowledge of deepwater. This knowledge base, along with its performance on many of the most advanced deepwater projects, made it the ideal partner for delivering the cutting edge technology required for this unique project."

Robert Shivers, Vice President – Projects,
ATP Oil & Gas

Gulf of Mexico, USA

Engineering & Production Facilities

Mike Straughen, Group Director, Engineering

Les Thomas, Group Director, Production Facilities

We offer a wide range of engineering services to the upstream, midstream, downstream and industrial sectors. These include conceptual studies, engineering, project and construction management, control systems upgrades and enhancement. We offer life of field support to producing assets, through brownfield engineering and modifications, production enhancement, operations management, maintenance management and abandonment services.

Summary financial performance	2007 ($m)	2006 ($m)	change
Revenue	**2,582.8**	1,972.7	**+31%**
EBITA	**214.5**	141.9	**+51%**
EBITA margin	**8.3%**	7.2%	

Operating and financial highlights

The growth in Engineering & Production Facilities was driven by strong demand for our services across the division. The revenue split between engineering and production facilities continues to be approximately 45% to 55%. Production Facilities was active in the North Sea, renewing major contracts and gaining a number of duty holder roles. We have made good progress internationally, particularly in the markets where we have recently established significant businesses, including Algeria, Equatorial Guinea and Trinidad. EBITA margin increased from 7.2% to 8.3%, due primarily to increases in the underlying margins for both our engineering and production facilities activities.

Engineering – services and sectors

We have market leading positions in

Sector	Services	Areas of expertise
Upstream	**Engineering, project and construction management, refinery upgrades and operational enhancement**	Deepwater and lightweight topsides, onshore processing facilities
Subsea engineering and pipelines		Subsea engineering, offshore and onshore pipelines, gas storage
Downstream, process and industrial		Refineries, petrochemical plants, process and industrial facilities

Below: Melissa Meyer, A.J. Cortez and Doug Lang

Engineering design for deepwater topsides
for ATP Oil & Gas Corporation in Gulf of Mexico

We are providing detailed engineering and procurement support for the topsides production facilities on ATP's first newbuild deepwater facility, the Telemark Hub floating drilling/ production facility, also known as Mirage. The facility will be located in 4,000 feet of water at Block MC-941, offshore Louisiana, Gulf of Mexico. Mirage is being designed as a lightweight, cost-effective deepwater facility supporting full drilling aboard the floating offshore installation.

The detailed design is expected to be completed by early 2008, with the installation phase planned for later in 2008.

Five year engineering and project management agreement
for BP worldwide

Global agreement to provide engineering and project management services for offshore subsea development projects.

"Through this agreement with J P Kenny… we will jointly design the most up to date subsea facilities to meet the increasing demands for more efficient energy production."

David Clarkson, E&P Technology VP of Projects & Engineering for BP

Engineering & Production Facilities continued

Above: Keith White, Sharon Paul and Dan Dutherage

Revenue
up 31%

EBITA
up 51%

We have built on our leading subsea engineering position and have been active in all major offshore provinces, including West Africa and the North West Shelf in Australia.

Upstream activities represent around 40% of engineering revenue. In upstream we have a market leading position for conceptual studies through to detailed engineering for deepwater topsides and onshore processing facilities, principally serving customers from our Houston, Perth and London hubs. We have been working on a wide range of deepwater upstream projects in the Gulf of Mexico, including Cascade, Mirage and Perdido. We have also been working on offshore developments in Australia, China and West Africa; and onshore in Canada, India and the US. In-situ heavy oil developments in Canada represent a significant long term growth market and we have secured a market leading capability in engineering, procurement and construction management "EPCM" through the acquisition of IMV Projects Inc, "IMV". IMV has performed well since acquisition, continuing to work on a range of projects in the Foster Creek area and winning new work, such as the award of a construction management project for StatoilHydro.

Subsea engineering, pipelines and midstream activities represent around 30% of engineering revenue. We have built on our leading subsea engineering position through entering into an alliance with BP to become a preferred global provider. We have been active in all major offshore provinces, including West Africa and the North West Shelf in Australia. Our onshore pipeline engineering activities in the US delivered a strong performance, driven by the need to transport gas from unconventional gas developments to areas of demand. We anticipate that there will be increased investment in midstream, driven by the desire to find new routes to monetise gas. We are continuing with our project to install our first LNG Smart® Air Vaporization process at the LNG receiving terminal in Lake Charles, Louisiana.

Downstream, process and industrial activities represent around 30% of engineering revenue. We have seen high demand for our downstream engineering services and have been active on a wide range of refinery upgrade, de-bottlenecking, heavy oil and low sulphur diesel modification projects. We have been busy on a broad range of automation projects, including a major refinery and chemical plant project in Singapore.

Commissioning services
for Shell in Alaminos Canyon, Gulf Of Mexico

Our commissioning services business, DSI, was selected to provide pre-commissioning and commissioning activities for the Perdido Regional Host Facility. DSI will conduct final functional and dynamic testing prior to start up and first oil. Alliance Engineering, a Wood Group company, was responsible for conceptual engineering through detailed design, procurement assistance and fabrication support and sister company MSi, provided flow assurance services.

Oil sands developments
for clients including CNRL, Encana, Husky, Nexen, Petro-Canada and StatoilHydro in Canada

We made a strategic move into the Canadian oil sands market with the acquisition of IMV.

IMV, a market leader in EPCM services for in-situ oil sands developments, is working with major Canadian in-situ oil sands producers to provide effective technical solutions and project execution strategies that meet rigorous schedule and cost demands. Current projects workload includes conceptual and pilot project developments, right through to 90,000 bopd grass roots SAG-D projects. IMV will work closely with other Wood Group engineering companies, including Mustang and J P Kenny, to help grow the Group's engineering activity in upgrading and pipeline projects, heavy oil and arctic experience.

Highlights

- Canada holds the world's second largest oil reserves
- 80% of production will come from in-situ extraction processes by 2015
- IMV is a top 3 provider of EPCM for in-situ developments

"The acquisition of IMV is a significant strategic step in developing a strong position in EPCM services for the Canadian oil sands market. IMV's strong management team and proven expertise for in-situ steam assisted heavy oil developments are an excellent complement to our existing engineering businesses."

Mike Straughen, Group Director

Calgary, Canada

Engineering & Production Facilities continued

We have continued to expand our international activities which now represent around 35% of production facilities revenue.

Production Facilities – services and sectors
We offer a broad range of life of field production facilities support services to our clients around the world. Our range of services across development, production, enhanced recovery and decommissioning include:

- brownfield engineering and modifications
- operations & maintenance
- human resources management
- consulting & technical services
- supply chain management

Our activities in the North Sea, where we are the largest maintenance, modifications and operations contractor for a broad range of clients, represent around 65% of Production Facilities revenue, a similar position to 2006. We saw good growth in the North Sea, driven by a number of subsea tiebacks and our customers' ongoing focus on integrity enhancements. We were also active with our customers on a number of initiatives to reduce the overall cost of production. We successfully renewed and extended long term contracts in the UK with Amerada Hess, BP, Shell, Talisman and Total. Over the last three years we have invested in additional capability and relationships in order to provide services to new entrants, and we have been awarded the duty holder role for the Hummingbird vessel on the Chestnut field.

We have continued to expand our international activities, which now represent around 35% of production facilities revenue. In 2007, we focused on developing further our market positions where we have established a presence over recent years. For example, we have seen growth in our maintenance outsourcing contract for BP in Trinidad and our engineering and construction support contracts for the Sonatrach, BP and Statoil operated In Amenas and In Salah projects in Algeria. We have also continued to develop our commissioning and pre-operations support services, including a project supporting the commissioning of Shell's Perdido development in the Gulf of Mexico. We completed the acquisition of Producers Assistance Corporation "PAC" in January 2008, in order to extend our activities into the onshore US market.

Below: Stewart Wilken, Derek Blackwood and Sharleen Taylor

Engineering & Production Facilities outlook
In Engineering, a major focus going forward will be to grow our activities in the eastern hemisphere, particularly the Middle East and Asia Pacific, which will allow us to support local client needs and also to access skilled resources to augment our main hubs. In other parts of the world, we continue to build up our project and construction management expertise and add further to our developing arctic engineering capabilities. In Production Facilities we continue to develop our commissioning and pre-operations support services, which should help drive improvements in margin and also provide pull through opportunities for our core maintenance, modification and operations activities. Geographically, we will look to build on our established markets, as well as make selected moves into new areas.

Maintenance and upgrading of offshore facilities
for Brunei Shell Petroleum

The Wood Group led joint venture serving Brunei Shell Petroleum is now in its fourth year. In 2007, we delivered further increases in productivity and reduced costs. Our work included nine shutdown programmes, which were completed ahead of schedule, achieving an approximate 14% saving in deferred/lost production for the client.

Integrated maintenance services
for BP in Trinidad and other international locations

Wood Group continued its five year $250m contract to build up a significant integrated maintenance and modifications capability for BP in Trinidad. Our initial focus is on developing additional competency and skills in the local workforce. This will include improving the safety, integrity and efficiency of work on the production facilities. Wood Group has demonstrated its commitment to achieving these objectives for BP in Colombia during eleven years of work, which began with a three year contract.

The 'global best practice' we have achieved for BP in Colombia has its roots in our work in maintenance, operations and modifications in the North Sea where, after 30 years, we are continuing to take steps to improve safety and technical integrity. Transferring the learning into multinational workforce situations requires respecting, understanding and then engaging cultural differences. Integrating as many as eleven different nationalities at a time, we have developed highly successful teams in Algeria, Brazil, Brunei, Equatorial Guinea, Indonesia and Venezuela.

Highlights

- Use of one supplier to achieve significant integrated maintenance and modifications capability
- Develop additional competency and skills of local workforce
- Improve the safety, integrity and efficiency of the production facilities

"In Trinidad we are now able to deliver BP's requirements by combining our latest generation of e-learning systems and independent competence accreditation arrangements with our experience in managing global workforces effectively."
Les Thomas, Group Director

Newtown, Trinidad

Well Support

Jim Renfroe, Group Director, Well Support

Revenue
up 17%

We achieved good revenue growth across all of the businesses, driven by robust drilling activity and growing demand for artificial lift using ESPs.

Below: Eduardo Cabezas, Linda Knight and Greg Midkiff

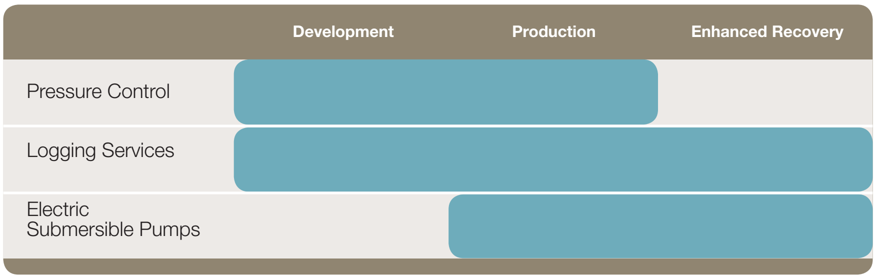
We provide solutions, products and services to enhance production rates and efficiency from oil & gas reservoirs.

Summary financial performance	2007 ($m)	2006 ($m)	change
Revenue	**862.1**	739.1	**+17%**
EBITA	**87.1**	73.6	**+18%**
EBITA margin	**10.1%**	10.0%	

Operating and financial highlights

We achieved good revenue growth across all of the businesses, driven by robust drilling activity and growing demand for artificial lift using ESPs. We have continued to expand our business outside the US, which represents around one half of the division's revenue. The slight improvement in the EBITA margin to 10.1% from 10.0% was driven by the positive margin impact of increasing revenue in areas of activity where we have operational gearing, and the benefit of new higher margin services and products. The improvement was offset by the cost of additions to our manufacturing and service capacity and some pricing pressure in certain of our US activities. Going forward, we are confident that our investment in lower cost manufacturing capacity will help us to deliver further efficiency improvements.

Well Support – services and sectors



Electric Submersible Pumps

Our ESP activities represent around 45% of Well Support revenue. We are a market leader in the sale, operation and service of ESPs used for production enhancement through artificial lift. Maturing oilfields require increased use of artificial lift – services to bring hydrocarbons to the surface – and the reliability and efficiency of ESPs should increase their share of the artificial lift market. We are achieving good growth in both the US and other international businesses and we have been active for a wide range of clients, including ConocoPhillips, ExxonMobil, Pan American, Pearl Oil, Petroleum Development Oman and TNK-BP. We are focused on building our technology and know-how and are involved in developments in the offshore market and in steam assisted gravity drainage "SAG-D" pumps, primarily for the Canadian heavy oil market.

Wireline services
for Murphy Exploration & Production in the Gulf Of Mexico

To address the growing need for wireline services on deepwater wells in the Gulf of Mexico, our wireline services business formed a specialist heavy line fishing division.

The heavy line fishing team successfully carried out a number of deepwater completion projects and following the initial success on these wells, we are expanding our deepwater services to include memory logging and electric line services.

Manufacturing capacity expansion in China, Mexico, Saudi Arabia and USA

Our Pressure Control business continued its manufacturing capacity expansion with the opening of new facilities in Monterrey, Mexico and Suzhou, China, and preparation started for a new facility in Saudi Arabia. The three new facilities will improve access to regional markets and drive manufacturing cost efficiencies. We also completed the expansion of our facility in Shawnee, USA.

The Monterrey plant will be responsible for the manufacturing and inspection of casing heads and gate valves to support significant orders with PEMEX, the Mexican national oil company and other regional customers. The Suzhou plant will manufacture and test an extensive range of wellheads, valves and actuators for the worldwide market.

Highlights

- Increasing capacity and lowering cost of manufacturing
- Flexible, local solutions
- Training and development of local workforce

"Our additional US capacity will improve our ability to provide fast track, customised solutions for regional customers, while the new Saudi Arabian plant will support our growing order backlog with Saudi Aramco."

Jim Renfroe, Group Director

Shawnee, Oklahoma USA

Well Support continued

Above: Nereo Solano, Lis Ramirez and Grant Johnston

EBITA
up 18%

We will continue to extend our international activities.

We are also making good progress in the surface pumping application market where our equipment is used for a variety of fluid handling applications. Internationally, we have seen high levels of activity under our long term contracts in Chad, and in Russia where we have won a long term pay for performance contract, supporting Western manufactured pumps.

Pressure Control

Our Pressure Control activities represent around 40% of Well Support revenue. We provide surface valve and wellhead equipment that is used upstream to control pressures for oil & gas developments. In the US market, we saw robust levels of drilling during the year, however additional drilling capacity coming into the market, in conjunction with some reduction in rig rates, contributed to a more difficult pricing environment. We have focused on extending our branch network to maintain our high service levels and position ourselves to maintain our strong market share as US drilling moves into the newer unconventional gas regions. Our ongoing internationalisation is progressing well. We have set up a joint venture company in Saudi Arabia and are establishing a local manufacturing facility to support our five year contract with Saudi Aramco. Elsewhere in the Middle East and Africa, we won new contracts in Algeria, Egypt, Kuwait and Yemen. In Mexico, where we opened a new manufacturing plant in Monterrey, we won significant orders with PEMEX. In Australia, we increased our activity on our contract with Santos and in the UK we had a number of successes in both product sales and field service operations. We are continuing to invest in lower cost manufacturing capacity in China, while retooling in our US plant to ensure that we can continue to maintain and profitably grow our market share in the US and internationally.

Logging Services

Our Logging Services activities represent around 15% of Well Support revenue. Our production focused slickline operations and our development focused cased hole electric wireline services in the US both performed well. In order to meet the demand from this market, we have continued to increase our capacity and opened up bases in the Rockies and Barnett Shale. We have also extended our operations in pipe recovery to the offshore market. Our activities in Argentina performed well and continue to hold a significant market position.

Well Support outlook

For Well Support we will continue to extend our international activities. In ESP, we anticipate that we will deliver ongoing margin improvement in 2008, as we achieve critical mass in a number of our international locations, introduce new higher margin product lines and continue to improve the efficiency of our operations. In Pressure Control, our investments in lower cost manufacturing capacity will help us to improve margins over the longer term, maintain our strong market share in the US and penetrate new international markets. In Logging Services, we anticipate that our investment in new bases in the US and our differentiated services in the onshore and offshore markets will deliver good growth.

10-year, $150m performance based contract to supply electric submersible pumps
to ExxonMobil in the Southern Doba region of Chad

Three years into our long term performance based contract we are making excellent progress having had additional scope added to the contract. We provide a comprehensive maintenance solution for 375 wells, with additional wells coming under our supervision in the next 12 months. The local climate and environment has presented technical and operational challenges, however our specialised capabilities and flexibility have enabled us to successfully adapt to the reservoir conditions and drilling programme. We are committed to building long term relationships in the region and a major emphasis over the last three years has been the continuing nationalisation of the workforce.

Gas Turbine Services

Mark Papworth, Group Director, Gas Turbine Services

We are the world leading independent provider of integrated maintenance solutions, and repair and overhaul services for industrial gas turbines, used for power generation, compression and transmission in the oil & gas and power generation industries.

Summary financial performance	2007 ($m)	2006 ($m)	change
Revenue	**955.7**	713.7	**+34%**
EBITA	**64.3**	38.0	**+69%**
EBITA margin	**6.7%**	5.3%	

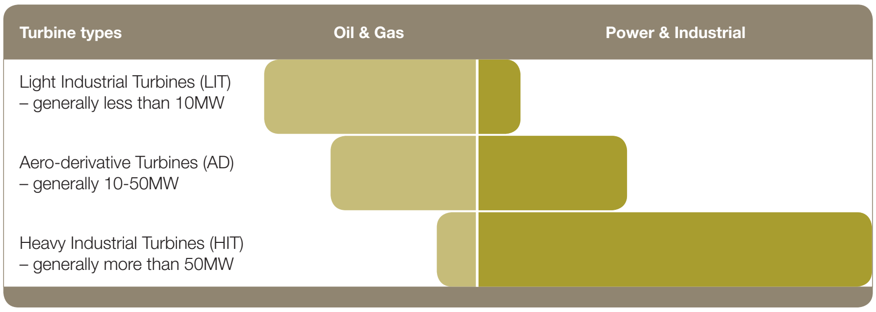
Revenue
up 34%

EBITA
up 69%

Operating and financial highlights

The strong demand for gas turbine maintenance, repair and overhaul in the oil & gas industry, and the strengthening power markets worldwide, including growing demand for fast track power packages, led to the increase in Gas Turbine Services revenue. The increase in our Gas Turbine Services margin from 5.3% to 6.7% includes the impact of our continuing focus on higher margin areas, our success in increasing our business under long term contracts and our ongoing cost reduction and efficiency initiatives. At the end of 2007, we took the difficult, but necessary, decision to close our operations in Dundee. We have sought to minimise redundancies and have offered alternative positions within the Group where possible.

Gas Turbine Services – services and sectors



Below: Nick Blaskoski, Eddy Stitt and Whitney Peck

$200m fast track turnkey engineering, procurement and construction
for AEP in Oklahoma

Fast track turnkey engineering, procurement and construction contract for three peaking facilities to be constructed and commissioned. AEP selected Wood Group as its EPC partner for the installation of 680MW of peaking capacity.

The contracts involved the sourcing, relocation and installation of eight combustion turbines at the three locations. Wood Group's ability to quickly meet the client's requirement for additional power together with our proven track record in dismantling, installing and commissioning industrial gas turbine equipment was instrumental in helping us win this important contract with AEP.

"This is a significant addition of generation to help meet the growing energy needs of SWEPCO* customers in the region." Venita McCellon-Allen, President and Chief Operating Officer, SWEPCO*.

* Southwestern Electric Power Company "SWEPCO" is part of the AEP system.

Gas Turbine Services continued

We anticipate that the oil & gas market will remain robust and that we will see continued strengthening of the power market worldwide.

Oil & gas

Our oil & gas activities provide support for turbines that are used for power generation, gas compression and transmission and now represent around one third of Gas Turbine Services revenue. The breadth of our offering and the link to our Production Facilities capability are the key areas of differentiation. We are investing to maintain and enhance our market positioning and in the period increased the range of turbines for which we provide aftermarket services, including the Solar Centaur 50® and Solar Taurus® markets. In the year we have worked on a number of turbine package refurbishment and compressor restaging projects, for a range of clients including Williams and PSI Midstream. We continue to increase business under long term contract and have also entered into a global framework agreement to provide aftermarket services to turbines across a major international oil company's "IOC" global downstream operations. In addition, Rolls Wood Group will perform the engine overhauls under a Rolls-Royce eight year contract with BP for the maintenance of twenty eight RB211 turbines in Azerbaijan.

Power & industrial

Our power & industrial activities provide support for turbines that are used for power generation and industrial applications, and represent around two thirds of Gas Turbine Services revenue. The growth in the global demand for power is driving an increase in the running hours of installed gas turbine equipment and this, in turn, leads to an increasing demand for aftermarket services. We have focused on increasing the proportion of our business under longer term contracts and been successful in winning a range of term maintenance agreements, including the maintenance of advanced technology turbines in the US with the New York Power Authority "NYPA", with Air Liquide in the Netherlands, BASF in China and Zielona Gora in Poland. Our activities delivering long term operations and maintenance services to the power sector have also grown strongly in the period, including recently securing a three year contract to provide operations and maintenance services to a greenfield plant with four GE LMS100 gas turbines in California. We now have more than 50 longer term contracts covering facilities with 12,000MW (2006: 8,000MW) of power generation, broadly equivalent to the capacity required by 12 million homes in the US.

Below: Roland Vandervoort, Andy Williams and Dale Goehring

The tightening of demand for power that we are seeing, particularly in developing economies, can lead to power shortages and a need for fast track power packages. We have significant competitive advantage in our ability to locate, refurbish, install, operate, warrant and maintain equipment and have secured a number of contracts to provide fast track power packages in various locations, including Ghana, Pakistan and the US.

Gas Turbine Services outlook

We anticipate that the market for oil & gas turbine maintenance, repair and overhaul requirements will remain robust and that we will see continued strengthening of the power market worldwide. We aim to move more of our business to higher margin areas, including increasingly providing longer term solutions, from approximately 40% at present to around 60% by 2010, and continue our ongoing cost reduction and efficiency initiatives. A further key focus is international expansion, particularly into the eastern hemisphere where the fastest rates of increase in the demand for power are expected to occur. Overall, we continue to have a clear objective to increase EBITA margin to 10% by 2010.

Global supply and services framework agreement for a major IOC's downstream facilities worldwide

Global supply and services framework agreement to provide parts, repairs, and field services for Frame 5 and Frame 6B gas turbines located at downstream facilities worldwide. This agreement expands the provision of services provided and takes into consideration the optimisation of gas turbine maintenance and parts supply across an entire fleet.

16-year, $88m contract for parts supply, repairs, field service and risk management for New York Power Authority "NYPA" in Queens, New York

Term maintenance agreement with NYPA to provide parts, repairs, field service and risk management for two GE Frame 7FA+e advanced technology gas turbines at the client's 500MW combined cycle power station. This contract exemplifies our continuing commitment to deliver world class services to advanced technology, F-Class turbine owners like NYPA, and brings the number of F-class advanced gas turbines under Wood Group operational or maintenance management to 24.

"We awarded this contract to Wood Group after an extensive screening process that included using the company to provide services during key outages this year. Based on their ability to get the job done safely, ahead of schedule and in a flexible manner, we chose to enter this long term arrangement and look forward to many years of partnering with Wood Group."
John Hoff, Vice President of Procurement and Real Estate, NYPA

Highlights

- Complete and highly competitive solution
- Wood Group's proven track record in supporting advanced technology gas turbines

"Our ability to provide flexible, tailored solutions to help address our customers' problems provides real differentiation from the competition."
Mark Papworth, Group Director

New York, USA

Financial review

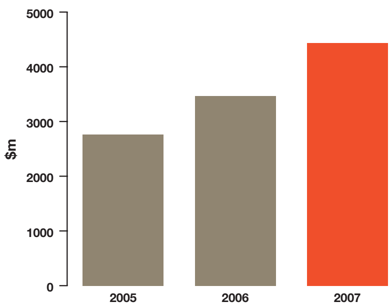
Alan Semple, Group Finance Director

Trading Performance

	2007 $m	2006 $m	change
Revenue	**4,432.7**	3,468.8	**+28%**
EBITA*	**318.4**	215.1	**+48%**
EBITA margin	**7.2%**	6.2%	
Amortisation	**10.6**	7.6	
Impairment and restructuring charges and profit on disposal of interest in joint venture	**22.6**	–	
Operating profit	**285.2**	207.5	**+37%**
Net finance expense	**25.3**	23.9	
Profit before tax	**259.9**	183.6	**+42%**
Tax	**91.0**	62.4	
Profit for the year	**168.9**	121.2	**+39%**
Basic EPS (cents)	**33.0c**	24.4c	**+35%**
Adjusted diluted EPS* (cents)	**36.9c**	24.5c	**+51%**
Dividend per share (cents)	**7.0c**	5.0c	**+40%**

* Key performance indicator included in incentive schemes

Revenue

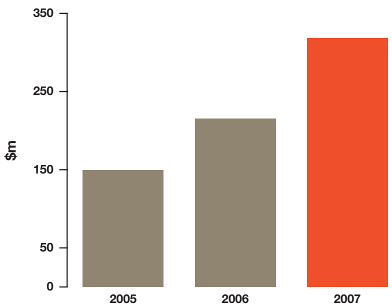


Group revenue, EBITA and EBITA margin showed strong overall growth in 2007, with increases in all three divisions. Revenue increased by 28% to $4,432.7m, EBITA increased by 48% to $318.4m and EBITA margin increased by 1.0% point to 7.2%.

A detailed review of the trading performance is contained in pages 10 to 23.

The amortisation charge of $10.6m (2006: $7.6m) included one month of amortisation on the other intangible assets acquired as part of the IMV acquisition. The total amount of IMV other intangible assets was $28.7m, and this amount will be amortised over 10 years, based on the anticipated economic benefit of the assets.

EBITA



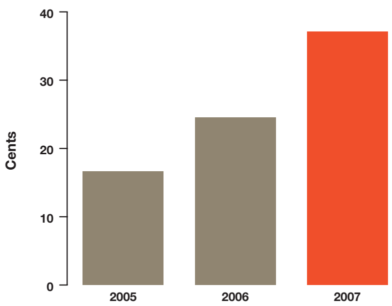
Impairment and restructuring charges and profit on disposal of interest in joint venture are outlined below

	2007 $m	2006 $m
Closure of Dundee component repair facilities	**16.5**	–
Impairment of discontinuing aero overhaul activities	**7.2**	–
Other impairments	**2.5**	–
Profit on disposal of interest in joint venture	**(3.6)**	–
	22.6	–

The cash element of the total impairment and restructuring charges of $26.2m will be around $11m, incurred over 2007 and 2008.

Our net finance expense for the period was up 6% to $25.3m, principally reflecting an increase in the average interest rate payable during the year.

Adjusted diluted EPS



The movement in the tax charge is outlined below

	2007 $m	2006 $m
Tax charge	**91.0**	62.4
Tax on impairment and restructuring charges and profit on disposal of interest in joint venture	**3.5**	–
Adjusted tax charge	**94.5**	62.4
Profit before tax	**259.9**	183.6
Impairment and restructuring charges and profit on disposal of interest in joint venture	**22.6**	–
Amortisation of other intangible assets on acquisition	**2.0**	1.1
Adjusted profit before tax	**284.5**	184.7
Effective tax rate	**33.2%**	33.8%

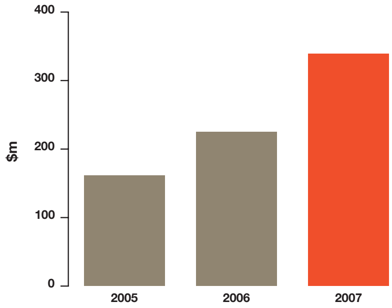
The reduction in the Group's effective tax rate reflects the higher percentage of the Group's profits earned in lower taxed countries, and some underlying tax rate reductions around the world.

Going forward, we expect to see some further reduction in the effective tax rate due to a number of factors, including

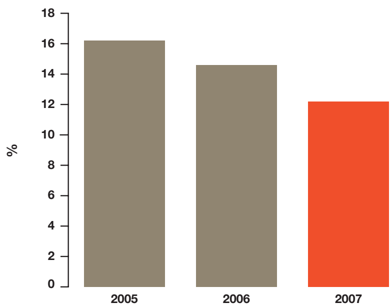
- a trend of reducing corporate tax rates worldwide
- the likelihood that a greater proportion of the Group's profits will be made in relatively lower taxed countries
- the continuing focus of management on a range of tax efficiencies

The final dividend of 5.0 cents results in a full year dividend of 7.0 cents, up 40% from last year. Dividend cover[6] for 2007 amounts to 5.3 times (2006: 4.9 times).

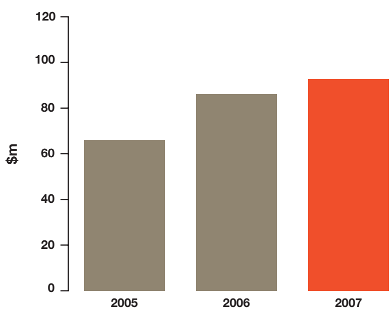
Cash generated from operations



Working capital/revenue ratio



Capex and intangible assets



Cash flow

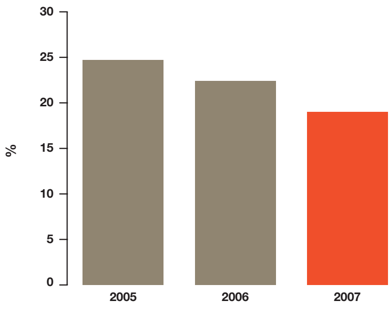
	2007 $m	2006 $m
Opening net debt	**(257.9)**	(245.8)
EBITA	**318.4**	215.1
Depreciation and other non cash items	**75.9**	63.6
Cash generated from operations before working capital movements	**394.3**	278.7
Working capital movements	**(55.3)**	(53.6)
Cash generated from operations	**339.0**	225.1
Acquisitions	**(125.8)**	(50.4)
Capex and intangible assets	**(92.6)**	(86.3)
Disposals	**9.0**	7.3
Issue of shares/sale of trust shares	**16.4**	1.8
Tax paid	**(105.9)**	(57.0)
Interest, dividends and other	**(60.1)**	(52.6)
Increase in net debt	**(20.0)**	(12.1)
Closing net debt	**(277.9)**	(257.9)

Cash flow generation increased significantly in 2007, with cash generated from operations before working capital increasing $115.6m or 41% to $394.3m. The working capital outflows during the year of $55.3m (2006: $53.6m) reflected the strong overall revenue growth of $963.9m, and included an increase of $112.7m in inventories and an increase of $74.4m in trade and other receivables, partly offset by an increase of $131.8m in trade and other payables. Net working capital, the total of inventories, trade and other receivables, less trade and other payables, as a percentage of annual revenue fell from 14.6% to 12.2% and this improved working capital position reflects higher growth in areas of relatively lower capital intensity, and successful management focus on capital efficiency.

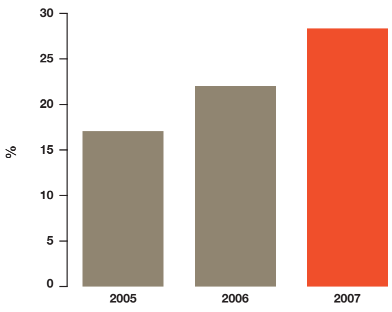
The Group continued to invest in its future growth, with expenditure of $218.4m (2006: $136.7m) on acquisitions, capital expenditure and intangible assets. The investment in acquisitions of $125.8m (2006: $50.4m) included the acquisition of IMV. Cash payable at the completion of the IMV acquisition amounted to $116.6m with further cash payments due in the period to 2014 based on the future performance of the company. Capital expenditure in the year increased by $4.3m to $80.8m, the increase in part driven by investments being made in our manufacturing capacity in Well Support.

Financial review continued

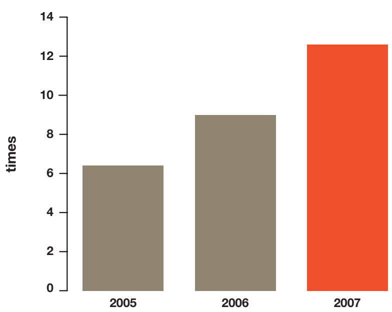
OCER



ROCE



Interest Cover



Capital structure

	2007 $m	2006 $m
Long term borrowings		
– Fixed rate	**175.0**	203.9
– Floating rate	**174.9**	152.8
Total long term borrowings	**349.9**	356.7
Short term borrowings	**45.1**	41.5
Total borrowings	**395.0**	398.2
Cash	**(117.1)**	(140.3)
Net debt	**277.9**	257.9
Total shareholders' equity	**974.6**	802.3
Gearing ratio [7]	**29%**	32%
Net debt/EBITDA	**0.7 x**	1.0 x
Interest cover [8]	**12.6 x**	9.0 x
Operating Capital Employed/Revenue (OCER) [9] *	**19.0%**	22.4%
Return on Capital Employed (ROCE) *	**28.3%**	21.5%

* Key performance indicator included in incentive schemes.

Net debt at 31 December 2007 increased by $20.0m to $277.9m. As set out above, this increase reflects strong cash flow from operations, offset by the investment in acquisitions, capex and intangible assets.

Long term borrowings amounted to $349.9m (2006: $356.7m) with interest payable at variable rates. Interest rate swaps have been entered into in respect of $175.0m (2006: $203.9m), or 50% (2006: 57%), of total long term borrowings and these have the effect of converting the borrowings to fixed rates of interest with maturities ranging from 2008 to 2010.

The Group's borrowings are principally denominated in US dollars, UK sterling and Canadian dollars. Whenever possible, foreign currency borrowings are used to hedge the Group's net investment in non US dollar entities.

At 31 December 2007, the Group had unutilised borrowing facilities of $474.4m (2006: $441.9m) representing 55% (2006: 53%) of total borrowing facilities. During February 2008, the Group increased its committed facilities by an amount of $200m.

In addition, the Group has a number of facilities covering the issue of bonds, guarantees and letters of credit amounting to $257.7m (2006: $167.2m). As at 31 December 2007, these facilities were 66% (2006: 55%) utilised.

The Group's gearing ratio has reduced from 32% to 29%, the ratio of net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) fell from 1.0 times to 0.7 times and interest cover increased to 12.6 times compared to 9.0 times. These improvements principally reflect the strong profit growth in the year.

The ratio of Operating Capital Employed to Revenue "OCER"reduced from 22.4% to 19.0% as a result of higher growth in areas of relatively lower capital intensity and working capital efficiency measures taken. The OCER measure is used as it has specific focus on the amount of operating capital required to support revenue.

The Group's Return on Capital Employed "ROCE"increased from 21.5% to 28.3%. This increase largely reflects the improved margin from 6.2% to 7.2% and the improvement in OCER referred to above.

Footnotes

1. EBITA represents operating profit of $285.2m (2006: $207.5m) before adjusting for profit on disposal of interest in joint venture of $3.6m (2006: nil), impairment and restructuring charges of $26.2m (2006: nil) and amortisation of $10.6m (2006: $7.6m). This financial term is provided as it is a key unit of measurement used by the Group in the management of its business.
2. Shares held by the Group's employee share ownership trusts are excluded from the number of shares in calculating earnings per ordinary share. Adjusted diluted earning per ordinary share is based on the diluted number of shares, taking account of share options where the effect of these is dilutive. Adjusted diluted earnings per ordinary share is calculated on earnings before amortisation, impairment and restructuring charges and profit on disposal of interest in joint venture, net of tax.
3. Return on Capital Employed is EBITA divided by average equity plus average net debt and excludes discontinuing activities
4. Number of employees and contractors at 31 December 2007
5. TRCF Total recordable case frequency (LWC+RWC+MTC) per million manhours
   LWC Lost work case
   RWC Restricted work case
   MTC Medical treatment case
6. Dividend cover is adjusted diluted earnings per ordinary share divided by the total dividend for the period
7. Gearing is net debt divided by total shareholders' equity
8. Interest cover is EBITA divided by net finance costs
9. Operating Capital Employed to Revenue is Operating Capital Employed (property, plant and equipment, intangible assets (excluding intangibles recognised on acquisition), inventories and trade and other receivables less trade and other payables) divided by Revenue.

Corporate and Social Responsibility

2007 Highlights around the world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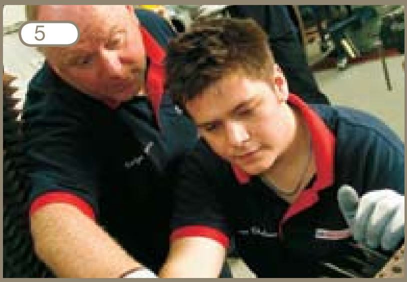
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6

Health, Safety & Environment

Colombia 1
An exemplary record on health and safety resulted in Wood Group subsidiary Equipo de Servicios Petroleros Ltda being presented with an Emerald Award by the Colombian Safety Council.

North Sea 4
The HSE team at Wood Group in Aberdeen won a gold award from Scotland's Health At Work for a comprehensive healthy lifestyle campaign including flu vaccinations and health awareness sessions.

People

USA 2
A new onsite health centre opened in Houston in May offering a convenient, professional and affordable health care service to employees and their families.

UK 5
We opened a new custom built apprentice school in Aberdeen to focus on meeting growing industry demands for resources.

Community

Chad 3
Families living in a remote village in Chad have gained access to safe drinking water thanks to the efforts of local employees who helped provide a permanent well for the community.

Venezuela 6
Through a payroll giving scheme, matched by the company, funds were raised towards the construction of a local school in Petare which is now attended by 1,200 children from low income families.

Health, Safety & Environment

"We have won awards for our performance in many of our companies across the world. But we cannot be complacent. People are still being hurt and we must continue to be alert and committed to further improvements in HSE performance. We will be successful when no one is hurt and when others copy us."
Les Thomas, Director with Group responsibility for HSE

Health, Safety & Environment

Maintaining the highest standard in safety across all of our operations worldwide at all times is of paramount importance.

Vision for HSE Excellence
The above shows the Group's Vision for HSE Excellence, which defines what we are striving to achieve in Health, Safety and Environmental performance.

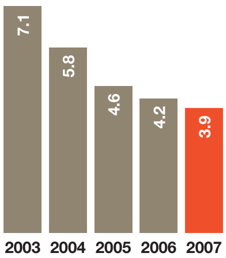
As expressed in our Vision for HSE Excellence, as an integral part of our business we will:
- **maintain a healthy workplace**
- **prevent accidents**
- **minimise adverse environmental impact**

The Group has set down policies and procedures in its 'HSE Red Book' which provide the framework to drive the continuous improvement as set out in the Vision for HSE Excellence. In addition, the Board sets down the priorities for the coming year in the annual HSE plan. Suites of leading and lagging safety indicators are used across the Group to measure performance and guide management action plans. These are tailored to what is important to individual businesses. Some of these can be rolled up into key Group wide statistics which indicate how well we are doing.

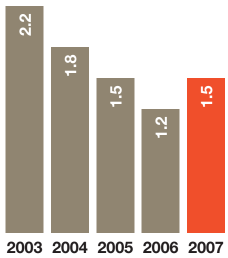
At the core are measures of how many people are being injured in our businesses. Total Recordable Case Frequency "TRCF" is a measure of how many injuries we have had per million manhours worked. It includes all injuries, down to minor bumps and scrapes. We continue to reduce this key statistic over time. Lost Work Case Frequency "LWCF" is a measure of how many injuries requiring time away from the job we have had per million manhours worked. It typically includes injuries such as back strains or bruised or broken fingers, requiring some recuperation before return to work. Although we have seen a steady decrease in LWCF over the last several years, we have seen an increase in this statistic in 2007 over 2006. This emphasises the need to avoid complacency and to continue to give safety the highest priority.

The key way that the Group makes a positive contribution to lessening the negative environmental impacts of the oil & gas and power industries is to use our expertise and innovation to help our clients find environmentally better ways to do things. Examples of these initiatives include helping clients in measuring the efficiency of their hydrocarbon processing systems and the integrity of pipelines, and environmental feasibility projects.

Our employees' health and wellbeing is a priority wherever they operate in the world. Education and raising awareness of key health issues play an important part in our initiatives, which include employee health fairs with advice and information on topics including exercise, healthy eating, alcohol awareness and smoking. We also focus on initiatives that address local health needs, examples include malaria prevention initiatives and clean water in Africa.



TRCF
Total recordable case frequency (LWC+RWC+MTC) per million manhours.



LWCF
Lost work case frequency per million manhours.

HSE initiatives

HANDSAFE initiative being rolled out around the world

'HANDSAFE', an innovative approach to reducing hand and finger injuries, was adopted by companies in six countries in 2007 and will launch globally in 2008. 60% of injuries in the light engineering sector involve hands. We were introduced to the concept by Talisman, who achieved a significant reduction in injuries through the programme. Our HSE team devised a scheme which empowers staff to devise safety solutions under the guidance of volunteer 'HANDSAFE Champions.'

Human Factors project in Aberdeen, Houston, Saudi Arabia and Singapore

A project identifying how human behaviour influences safety has resulted in a growing number of multinationals adopting the initiative. The common factor in 90% of accidents is that human error is in some way to blame. The project analysed why people make mistakes and created tools to identify and reinforce positive behaviour and to discourage negative behaviour. The initiative, comprising a toolkit which delivers improvements in HSE performance, has been adopted by companies in a range of sectors.

Employee health fairs in UK and USA

Employees from across the Group attended our first Health & Lifestyle Fair in the UK, receiving practical advice on healthy living and information on physical and mental health checks and therapies. This builds on the success of a similar scheme run in the US. The fairs promote health awareness and positive lifestyle choices and raise the profile of local medical charities.


Aberdeen, UK


Houston, USA


Dubai, UAE

Bogotá, Colombia



Singapore

HSE Global Conferences
One the ways we drive continuous improvement is to share best practice across the Group. A key mechanism for this is annual regional HSE conferences. In 2007 over 500 senior managers and HSE professionals attended regional HSE conferences in Aberdeen, Houston, Bogotá, Dubai and Singapore. The focus in 2007 was on personal responsibility for HSE and we invited clients, training providers and HSE regulators to give us the opportunity to benefit from fresh thinking on HSE issues.

Community health initiatives in Equatorial Guinea and Chad

We have joined the Corporate Alliance on Malaria in Africa (CAMA) and are supporting initiatives to find long term solutions to prevent the spread of the potentially fatal disease. Our local employees helped provide a permanent well for the community in Chad, ensuring access to safe drinking water for families living in a remote village.

Environmental data management

Mustang's real time web enabled environmental data management system helps hydrocarbon processing facilities monitor emissions and environmental regulatory compliance. Multiphase Solutions Inc., a Wood Group company, provides a system that enables users to monitor the integrity of pipelines and associated facilities, detecting any product releases. This system is being used in the environmentally sensitive areas of the Caspian and Ural River.

Environmental study in Asia Pacific region

In Northwest Australia, engineers from J P Kenny, a Wood Group company, devised a sensitive environmental feasibility study for the Scott Reef area, halfway between Indonesia and the Kimberley coast. They conducted an underwater survey to assess potential ecological implications from any future construction activities near the coral reef.

Our people

"We are proud of the skills, energy and commitment of our people around the world who are responsible for our continued growth and success."

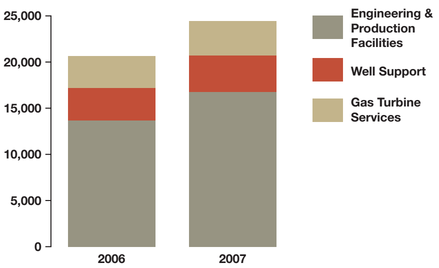
Allister Langlands, Chief Executive

Wood Group recognises that in order to achieve our growth and development ambitions we must hire, train, retain and motivate the best quality people across our global activities.

We launched the human resource management system which outlines the principles by which all Wood Group people should be treated, and the Human Resources standards against which all who work for Wood Group are held accountable.

Our commitment is to treat all of our people fairly, responsibly and with dignity, respecting their individual differences and helping them to achieve their full potential. We recognise that we will be successful when we have consolidated our position as an employer of choice.

People



Name: Dr Paul Jukes
Advanced Engineering Manager, J P Kenny Inc, USA
Paul is in his element devising leading edge solutions, from designing a pipe system which can withstand temperatures of up to 350 degrees Fahrenheit to providing advice on damaged pipelines. His rigorous and inventive approach to overcoming engineering challenges played a key part in Paul receiving the President's Award from the Institute of Marine Engineering Science and Technology (IMarEST).

Name: Dorin Scheianu
Engineering Manager, USA
A gifted and innovative engineer, Romanian born Dorin has received widespread recognition of his talents, including a 'Best Paper Award' at the 2007 Institute of Industrial Engineers. Dorin has created a pioneering compressor design process which has resulted in multi million dollar sales. Our people oriented culture and supportive approach has afforded Dorin the flexibility to combine his career with completing a PhD in Industrial and Systems Engineering.

Training programmes
around the world

MDP

Management Development Programme
Our flagship senior management development programme is delivered globally and has alumni of over 350.

J P KENNY ONLINE ACADEMY

J P Kenny Academy
J P Kenny Academy will expand its new online learning facility to cover more engineering categories, setting new competency standards around the world.

Rolls Wood Group

Rolls Wood Group Academy
The Rolls Wood Group Academy welcomed its first intake of apprentices to a four year apprenticeship programme.

Name: John Dalton
Chief Operating Officer, Mustang Process & Industrial, USA
John leads Mustang's Process & Industrial group which offers services from engineering to project and construction management, to a diverse range of sectors and industries. Working closely with a team of 700 experienced and talented colleagues, John has led the creation of a dynamic fast growing new business division. The team doubled revenue in 2007 during a busy year which involved projects in North and South America, Europe and China.

Name: Caroline Laurenson
Process Engineer, Aberdeen
A passionate advocate for the engineering profession, Caroline received the prestigious Oil & Gas UK Pearl Award for Overall Excellence which recognises outstanding work by young people in the industry. In her career with Wood Group, she has worked onshore and offshore on projects involving major clients and values the opportunities she has had to advance her career. Caroline is a member of the Institute of Chemical Engineers and is passing on her enthusiasm and knowledge to a new generation through school visits.

Name: Peter Fowlie
Trainee Apprentice, Aberdeen
Rolls Wood Group's Peter Fowlie is one of the first trainees at RWG's new dedicated Apprentice Training School in Dyce. Peter attends college one day a week and spends the rest of his time learning to run, test, overhaul and repair turbine engines. The highly structured four year apprenticeship is endorsed by SEMTA, the Skills Sector Council for Science, Engineering and Manufacturing Technologies. At the end of his apprenticeship, Peter will gain a Scottish Vocational Qualification "SVQ" in Aeronautical Engineering.

Name: Glen Graffin
Trainee production operator/main control room operator, Aberdeen
Glen's hard work and dedication to gaining his National Vocational Qualification "NVQ" for Process and Operations resulted in him being named a 'Future Star' award winner by the Offshore Contractors' Association. He joined Wood Group a year ago and is working offshore on the Claymore field operated by Talisman. Glen appreciates the opportunity to learn on the job as well as more formal training and has set his sights on gaining further qualifications.

Name: Andrea Abad Ramirez
Electrical Engineer, Bogotá
Just one year into her career, Andrea is already being recognised in the field of powerline networks. An electrical engineer, she has presented technical papers at major international conferences on novel ways to transmit data via powerlines. Her work could yield significant benefits, bringing low cost modern communication methods to remote areas such as the isolated oil fields where we work. The former university teacher, combines pioneering academic work with commercial electrical engineering projects.

Name: Brandon Miller
Regional Operations Manager, USA
Brandon has attended several of our management training and development programmes, including our Managing People Effectively programme for emerging leaders, which has helped him in a series of senior positions. He has successfully recruited for operations in three states – Arkansas, Louisiana and Texas – and is leading a team of over 100 field personnel.

Out in Front
A new employee development programme providing opportunities to enhance skills and broaden knowledge, it is hoped that the leaders of the future will emerge from this programme.

FDP

Finance Development Programme
Our continuing professional development programme for our senior finance professionals is now in its fourth year.

Below: Susan Hambler, Gary Watson and Bert Whalley

Our communities

We encourage all our companies and people to support charitable and community initiatives around the world.

Caring for our communities lies at the heart of our ethos and we encourage all our people to engage in community projects at a local level. We have a well established corporate community programme and we support an extensive range of local and international charities spanning health, education, the arts, and the prevention and reduction of poverty.

Our people offer their passionate and enthusiastic support to a diverse range of community and charitable initiatives from mentoring children to supporting victims of natural disasters such as Hurricane Katrina. The contribution made by our people is underpinned by our commitment to building positive long term relationships and to being a responsible corporate citizen.

Our Employee Community Fund benefits from ideas from employees keen to help their local communities. As well as helping to raise funds, many volunteer their time and expertise to help needy members of the community. Initiatives we have supported include fundraising drives to aid medical research into critical diseases, help in providing amenities such as schools and communications to people living in poor and remote communities; and renovating community centres and homes.

Photo list

1. We support the annual Aberdeen International Youth Festival in Aberdeen.
2. Young engineers worked for three years with Aberdeenshire primary school children to develop their idea for an all-terrain wheelchair.
3. The K'Nex challenge is a competition that aims to introduce children to engineering.
4. Mustang's 'Yellow Velos' arriving at Versailles, near Paris, France.
5. Celebrating the 10th anniversary of 'Give Kids a Chance'
6. We are working with the CAMA initiative in the prevention of malaria in Africa.
7. We participated in the Coolnight Classic sport competition in Perth to raise funds for the Downs Syndrome Association of Western Australia.
8. Staff in Switzerland raised money for the Pestalozzi Children's Foundation which offers intercutural education to local children.
9. Children learning about the environment at Yopal in Colombia.
10. Employees across Aberdeen took part in the 2007 Corporate Decathlon.

❶

❷

❿ Emma Cheyne

Community programmes

Heart of Mustang ❹
Mustang employees have been helping local communities for more than 20 years; from the recent Rebuilding Houston Together programme, where they renovated an older citizen's home, to buying diapers for needy families. As it marked its 20th anniversary, Mustang renamed its key charitable initiative, Heart of Mustang, reflecting staff's passionate involvement in a growing range of community projects. Mustang's giving spirit has spread to the UK where the 'Yellow Velos' cycling team took part in several charity rides last year, including a 280 mile London to Paris event. In the US, Mustang staff regularly raise money for multiple sclerosis through MS150 bike tours.

Children's Day in Colombia ❾
More than 300 children of Wood Group employees in Colombia took part in a fun packed day designed to promote environmental awareness. Held on International Children's Day, the children enjoyed a range of activities including an outdoor magical circus, an ecological walk, swimming in a cascade, and puppet and story telling workshops.

❿ Kitt Mackenzie

Community work in Venezuela
Venezuelan engineering company Vepica and its employees made various contributions to the local community. Funds were raised towards the construction of a local school in Petare which is now attended by 1,200 children from low income families. The company's Volunteers Committee which makes social contributions in the form of time, money and supplies, participated in a number of initiatives including the donation of medicine, water, clothes and food for the victims of severe flooding in Guarico. And, together with client PDVSA, the Puerto La Cruz office designed a water distribution system for a community in Anzoátegui.

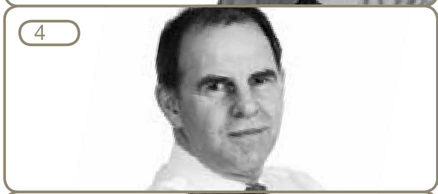
Give Kids a Chance ❺
We have sponsored 'Give Kids a Chance' since its inception in 1997 and were delighted to support their 10th anniversary activities. Give Kids a Chance aims to encourage and support vulnerable young people to develop and sustain interests or hobbies that will divert them from negative activities such as drug and alcohol misuse and anti social behaviour.


WG
WOOD GROUP

Governance

Contents

Board of directors



Sir Ian Wood (age 65) (1)
Chairman
Chairman and Chief Executive from 1982 to 2006, Chairman since 2007. Chairman of J W Holdings Limited, one of Scotland's larger fishing groups, a past member of PILOT, the joint UK government and industry oil & gas leadership group, past Co-Chair of the UK Oil & Gas Industry Leadership Team and Chancellor of Robert Gordon University, Aberdeen. Chairman of the Nominations Committee.

Allister G Langlands (age 49) (2)
Chief Executive
Chief Executive since January 2007 and formerly Deputy Chief Executive from 1999. Served as Group Finance Director from 1991 to 2000 and prior to joining Wood Group was a partner with Coopers & Lybrand Deloitte (now PricewaterhouseCoopers LLP).

Alan G Semple (age 48) (3)
Group Finance Director
Group Finance Director since 2000. Served as Finance Director for the Well Support division from 1997 to 2000 and prior to joining Wood Group was Finance Director of GRT Bus Group plc, now part of FirstGroup plc, a transportation company. From 1987 to 1994 was Finance Director of Seaforth Maritime Group Limited, an energy services company.

Michael Straughen (age 58) (4)
Group Director, Engineering
Appointed as Group Director for Engineering activities within the Engineering & Production Facilities division in May 2007. Was previously with AMEC plc for 25 years, latterly as Group Managing Director responsible for UK activities across all sectors, plus Global Oil & Gas. Also a past member of PILOT, the joint UK government and industry oil & gas leadership group, and Chairman of the Energy Industry Council from 2002 to 2007.

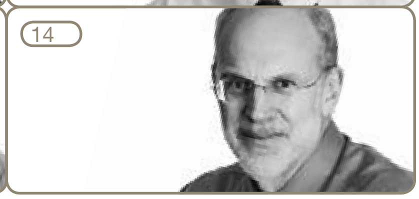
Jim B Renfroe (age 54) (5)
Group Director, Well Support
Group Director responsible for the Well Support division. Joined the Board in February 2008. Prior to joining Wood Group, was Senior Vice President, Strategy and led the Production Optimization and Fluids divisions for Halliburton and served in a number of roles with Otis Engineering.

Wendell R Brooks
Retired from the Board in September 2007. Was Group Director responsible for the Well Support division.

Trevor N Noble
Retired from the Board in April 2007. Was Group Director responsible for Engineering activities within the Engineering & Production Facilities Division.

Les J Thomas (age 50) (6)
Group Director, Production Facilities
Group Director responsible for Production Facilities within the Engineering & Production Facilities division, appointed May 2004. Was previously President of Marathon Oil UK and Europe responsible for Marathon's operations in the UK, Ireland and Norway.

Mark H Papworth (age 43) (7)
Group Director, Gas Turbine Services
Group Director of the Gas Turbine Services division, since January 2006. Joined Wood Group in February 2005 as Chief Operating Officer of Gas Turbine Services. Previously Chief Operating Officer and Executive Vice President with Rolls-Royce Energy.



Dr Christopher Masters (age 60) (8)
Non-executive
Non-executive Director since 2002 and the senior independent Director on the Board. Chairman of Sagentia Group AG, a non-executive director of British Assets Trust PLC, the Alliance Trust PLC, Chairman of the Festival City Theatres Trust and a Fellow of the Royal Society of Edinburgh. Previously served as Executive Chairman of Aggreko plc. Member of the Nominations Committee and Chairman of the Audit Committee.

Ian D Marchant (age 47) (9)
Non-executive
Non-executive Director since 2006. Chief Executive of Scottish and Southern Energy plc, Chairman of the United Kingdom Business Council for Sustainable Energy, non-executive director of Maggie's Cancer Centres and Chairman of the Climate Change Business Policy Group in Scotland. Also a member of Ofgem's Environmental Advisory Group and the Energy Research Partnership. Member of the Nominations and Audit Committees.

Roberto Monti (age 68) (10)
Non-executive
Non-executive Director since 2001. Served as Executive Vice President of Exploration and Production for Repsol YPF between 1999 and 2002 and was President and Chief Executive Officer of YPF S. A. from 1995 to 1999 prior to its acquisition by Repsol. From 1993 to 1995, served as President of Dowell, a division of Schlumberger. Currently serves as an independent member of the board of Tenaris S.A. Member of the Remuneration and Nominations Committees.

John C Morgan (age 63) (11)
Non-executive
Non-executive Director since 1998. Non-executive Chairman of Venture Production plc. Joined the Board after 30 years of international experience with BP p.l.c. in a range of management roles including President of BP Exploration Alaska. Member of the Audit and Nominations Committees and Chairman of the Remuneration Committee.

D John Ogren (age 64) (12)
Non-executive
Non-executive Director since 2001. A director of Core Laboratories N.V. and non-executive Chairman of WellDynamics, a joint venture company owned by Shell and Halliburton. Served as President of Production Operators Inc. from 1994 until 1999. From 1989 until 1992 served as Senior Vice President of Conoco, Inc., and from 1992 until 1994 served as Senior Vice President of E.I. Du Pont De Nemours and Company. Member of the Remuneration and Nominations Committees.

Neil H Smith (age 43) (13)
Non-executive
Non-executive Director since 2004. President and Chief Operating Officer since July 2002 of InterGen, a global power generation company. Has held various management positions with InterGen since its inception in 1994 covering the UK, Latin America and Asia Pacific regions. Member of the Remuneration and Nominations Committees.

David Woodward (age 61) (14)
Non-executive
Non-executive Director since May 2007. Recently retired from BP after a 36 year career, his last appointment being President of BP p.l.c. Azerbaijan, responsible for oil and gas investment of $20billion in the Caspian Region. Also previously held senior BP positions in Moscow, Alaska, Abu Dhabi, Norway, and Aberdeen. In 2006 was awarded the CMG for services to the international oil industry. Managing Director & CEO of Aabar Energy PJSC, an Abu Dhabi listed oil & gas company. Member of the Audit and Nominations Committees.

Report of the directors

The directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2007.

Results and dividends

The Group income statement for the year is set out on page 60. In respect of the year ended 31 December 2007 an interim dividend of 2.0 cents per share was paid on 27 September 2007 and the directors have recommended a final dividend of 5.0 cents per share.

Principal activities and business review

A review of the year's trading and an indication of likely future developments are contained within the Chairman's Statement, Chief Executive's report and business review on pages 8 to 27. Details of the Group's principal subsidiaries and joint ventures are set out in note 35 to the financial statements.

Acquisitions and developments

In November 2007 the Group acquired IMV Projects Inc. of Calgary, Canada, a market leader in Engineering, Procurement and Construction Management "EPCM" for in-situ oil sands developments in Canada.

In January 2008, the Group acquired Producers Assistance Corporation "PAC" a provider of technical operations and maintenance support services to the US onshore oil & gas industry.

Share capital

Details of the Company's authorised and issued share capital at 31 December 2007, of shares issued during the year, and of options granted under the Company's Executive Share Option Schemes, the Long Term Retention Plan and shares granted under the Long Term Incentive Scheme are set out in note 22 to the financial statements.

Directors and directors' interests

Details of the directors who held office during the year and up to the date of this report are set out on pages 38 and 39.

Details of directors' interests in the ordinary shares of the Company at 31 December 2007 were:

Beneficial interest	1 January 2007	31 December 2007
Sir Ian Wood	50,789,387	28,439,387
A G Langlands (1)	1,997,598	1,687,443
A G Semple (1)	792,701	925,531
M H Papworth (1)	32,041	137,473
J B Renfroe (2)	–	–
M Straughen (3)	–	3,055
L J Thomas (1), (4)	197,598	337,443
Dr C Masters	30,000	30,000
R Monti	30,000	30,000
J C Morgan	30,000	30,000
D J Ogren	55,000	55,000
N H Smith	–	–
I D Marchant	10,000	10,000
D Woodward (5)	–	–
Non-beneficial Interest		
Sir Ian Wood	80,766,473	59,941,473

(1) Including conditional LTIS awards granted during 2007 as set out in the Directors' remuneration report.
(2) J B Renfroe was appointed to the Board on 26 February 2008.
(3) M Straughen was appointed to the Board on 1 May 2007.
(4) includes 100,000 shares transferred by Sir Ian Wood from his beneficial holding to the Trustees of Sir Ian Wood's 2005 Trust for L J Thomas, who had the right to one-third of these shares on 9 June 2006 and 9 June 2007, and has the right to the last third on 9 June 2008. The only condition is that L J Thomas remains in employment with the Group.
(5) D Woodward was elected on 23 May 2007.

At the date of this report the interests of the Directors in the shares of the Company remain as stated above.

Directors' interests in options over ordinary shares at 31 December 2007 are set out in the Directors' remuneration report on page 56.

None of the directors has a material interest in any contract, other than a service contract, with the Company or any of its subsidiary undertakings.

Employment Policies and Employee Communications

The Group places a strong emphasis on employee communication and involvement. An employee magazine – Wood News – is published in house and circulated around the world and made available on the Group website. Briefings are held on a regular basis to update employees on the Group's progress. Senior managers participated in roadshows around the Group to discuss progress and talk with employees about their role within the business, plus the Group's vision and strategy.

Ethical conduct of our business

Wood Group is committed to maintaining high standards of ethics and integrity in the conduct of its business activities. The Group's Business Ethics Policy sets minimum standards of conduct, promotes best practice and provides resolution procedures when questions arise. The Group Finance Director chairs the Business Ethics Committee, which monitors the operation of the Policy and works to promote compliance and resolve issues. Advice lines have been introduced to enable staff to raise ethical concerns in confidence. Numbers have been made known via internal communications with employees.

A web based programme of Business Ethics training took place during 2007. Additional training needs are reviewed regularly. The Group has a rigorous process for investigating any potential violations of its Business Ethics Policy.

Health, Safety and the Environment

The Group places the highest priority on good health, safety and environmental management and recognises that it can contribute significantly to its long term business success. A review of the Group's policies and procedures on Corporate and Social Responsibility is set out on pages 28 to 35.

Donations

During the year the Group made charitable donations amounting to $790,000 (2006: $590,000).

It is the Group's policy to support 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 Group's current policy concerning payment to its trade creditors by UK subsidiaries 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. UK subsidiaries follow this policy and overseas subsidiaries are encouraged to apply local best practices.

Substantial Shareholders

The Company has been notified, in accordance with Section 793 of the Companies Act 2006 and DTR 5.1.2R, of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 3 March 2008.

	Number of Shares	% of Share Capital
Baillie Gifford & Co Ltd	37,975,057	7.1%
Trustees of I C Wood's Children's Settlement 1997	30,954,060	5.8%
Trustees of I C Wood's Children's Settlement 1981	28,987,413	5.5%
Schroder Investments	26,065,805	4.9%
Employee Share Trusts	20,478,460	3.8%
Legal & General Investment Management Ltd	15,951,180	3.0%

Sir Ian Wood has interests amounting to more than 3% of the share capital as disclosed above.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the board

Ian Johnson
Company Secretary
3 March 2008

Registered Office: John Wood House, Greenwell Road, Aberdeen AB12 3AX. Company Registration Number: 36219

Below: Allan McEwan, Diane Park and Gordon Kidd

Corporate governance

Statement of Compliance
This report has been prepared in accordance with the revised Combined Code on Corporate Governance published in 2006 "the Code" which applies for the period covered by this report. The directors consider that the company has complied with the provisions of the Code throughout the year ended 31 December 2007.

The Board is committed to maintaining high standards of corporate governance.

The Code requires the Board to state its reasons for considering a non-executive director to be independent if he has served for more than nine years. Mr J Morgan, who has served as a non-executive director for more than nine years, will offer himself for re-election at the 2008 AGM and annually thereafter in compliance with the Code. The Board believes that Mr Morgan is independent in character and judgement and that there are no relationships or circumstances that are likely to affect, or could appear to affect, his judgement. Mr Morgan is not dependent on the company for his primary source of income and does not participate in any of the company's bonus, option or incentive schemes. The Board considers Mr Morgan's experience, outstanding service and long term perspective on the Group's activities and strategy to be valuable assets which contribute significantly to their deliberations.

Board of Directors

Composition and independence
At 31 December 2007 the Board comprised thirteen directors, made up of six executive and seven non-executive directors. The Board has agreed a division of responsibilities between the Chairman and the Chief Executive in compliance with the Code; Sir Ian Wood performs the role of Chairman and Mr A G Langlands operates as Chief Executive Officer. Dr C Masters is the senior independent director.

Two Executive Directors, Mr T M Noble and Mr W R Brooks retired during the course of 2007.

Mr M Straughen and Mr J B Renfroe were elected to the Board as executive directors on 1 May 2007 and 26 February 2008 respectively and Mr D Woodward was elected to the Board as a non-executive director at the AGM on 23 May 2007. There is a formal and transparent procedure for the appointment of new directors to the Board. In the case of these appointments, this process began with an evaluation of the balance of skills, knowledge and experience of the existing Board. Appointments during the year were made on the recommendation of the Nominations Committee, following a selection process involving the interview of a number of candidates and using the services of independent executive search consultants specialising in board level recruitment.

After careful consideration, the Board considers all of its non-executive directors to be independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement. Brief biographies of the directors appear on pages 38 and 39. All directors, executive and non-executive, must submit themselves for election at the AGM following their appointment and, thereafter, for re-election at least once every three years.

Discharge of its responsibilities
The Board met four times in 2007 for two days on each occasion. With effect from January 2008 the Board has decided to increase the frequency of its meetings to a minimum of six per year.

The Board has a schedule of matters specifically reserved for its consideration and approval, and this was reviewed and updated during the year. It is responsible for Group strategy, the annual budget, significant acquisitions and the overall system of internal control. Executive management is responsible for the implementation of Board decisions in these areas and all other aspects of managing the business. The Board has received detailed presentations from senior management within the Group's businesses during the year in connection with the Board's review of Group strategy, including regular presentations on the Group's current health and safety performance. The Board gave detailed consideration to reports on the Group's systems of internal control and presentations were made on specific countries in which the Group maintains a significant interest.

The Board receives appropriate and timely information from management to enable it to perform its duties, including monthly reports on financial and operating issues.

Induction and Training
The training needs of directors are periodically discussed at Board meetings and briefings arranged on issues relating to corporate governance. Newly appointed directors undertake an induction process designed to develop their knowledge and understanding of the Group's business. This includes briefing sessions during regular Board meetings, visits to Group operating sites and discussion of relevant business issues. Upon their appointment, directors are advised of their legal and other duties and their obligations as directors of a listed company. All directors received a briefing this year on the new Companies Act 2006.

There is a procedure for any director to take independent professional advice at the Group's expense and all directors have access to the services of the Company Secretary, who is responsible for ensuring that the Board's procedures are followed.

Board performance evaluation
In 2007 the Board completed a formal evaluation of its own performance and of its committees, individual directors, and of the Chairman. This involved directors completing detailed questionnaires, the results of which were analysed by the Company Secretary. The objective was to determine whether each director continues to contribute effectively to the Board and to demonstrate commitment to the role. A presentation of the results was made to the full Board. The results were discussed both at a full Board meeting and separate meetings between each non-executive director and the Chairman. The non-executive directors, led by the senior independent director, are responsible for the performance evaluation of the Chairman, taking into account the views of the executive directors. As a result of the evaluation criteria, Board procedures were changed to increase the minimum number of annual Board meetings to six.

Committees of the Board

The Board has delegated some of its responsibilities to committees – the Audit Committee, the Remuneration Committee and the Nominations Committee. A summary of the work of the Audit Committee and the Nominations Committee is set out below, whilst the report of the Remuneration Committee is included in the Directors' remuneration report on page 48.

The Committees' terms of reference are available on the Group's website.

Attendance by directors at the meetings of the Board and its Committees is summarised below

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held in 2007	**4**	**3**	**2**	**4**
Executive Directors				
Sir Ian Wood	4	–	–	4
AG Langlands	4	–	–	–
AG Semple	4	–	–	–
LJ Thomas	4	–	–	–
WR Brooks	1	–	–	–
MH Papworth	3	–	–	–
M Straughen	3	–	–	–
TM Noble	1	–	–	–
Non-executive Directors				
Dr C Masters	4	3	–	4
R Monti	3	–	1	3
JC Morgan	4	3	2	4
DJ Ogren	4	–	2	4
NH Smith	4	–	1	4
ID Marchant	4	3	–	4
D Woodward	3	–	–	3

Audit Committee

Committee composition and responsibilities

The Audit Committee comprises four independent non-executive Directors, Dr. C Masters (Chairman), Mr J C Morgan, Mr I D Marchant and, from December 2007, Mr D Woodward. In line with the requirements of the Code, the Board considers that Mr I D Marchant has recent and relevant financial experience. The Committee meets at least three times a year, and has written terms of reference setting out its roles and responsibilities.

These responsibilities include

- reviewing the effectiveness of the Group's internal financial controls
- monitoring the integrity of the Group's financial statements and its interim and preliminary announcements
- monitoring and assessing the effectiveness of the Group's internal audit function
- reviewing the terms of engagement and independence of the external auditors
- assessing the audit process and the effectiveness of the external auditors to supply non audit services
- monitoring the Group policy on the engagement of the external auditors to supply non audit services
- reporting to the Board, identifying any matters in respect of which it considers that action or other improvement is needed and making recommendations as to the steps to be taken

Discharge of its responsibilities

The Audit Committee met three times in 2007. Attendance at Committee meetings is at the invitation of the Chairman of the Committee; however the Group Finance Director, Group Financial Controller, Head of Internal Audit and the external auditors are generally invited to attend. The Head of Internal Audit and the external auditors have the right of direct access to the Chairman of the Committee at all times and met the Committee without management present during 2007.

At its meetings in 2007 the Committee reviewed the Annual Report for 2006, the Group's 2007 interim announcement and the effectiveness of the Group's internal financial controls.

These reviews included

- discussions with management, and the external auditors, of significant issues and areas of financial risk, accounting principles, practices and judgements
- consideration with the external auditors of the significant matters arising from the annual external audit
- review of reports prepared by the internal audit function together with management's response and the actions taken
- focus on complex or unusual transactions and judgemental areas

External auditor independence and non audit services

The Committee has a key oversight role in respect to the engagement and ongoing relationship with the Group's external auditor, PricewaterhouseCoopers "PwC", and has overall responsibility for ensuring that the external auditors' independence and objectivity is not compromised.

One of the key risks to external auditor independence is the provision of non-audit services by the external auditor. The Committee considers and approves fees in respect of non-audit services provided by the external auditors in accordance with the Group's policy in this area, which is set out in the Audit Committee's terms of reference. The cost of non audit services provided in 2007 is reported in note 3 to the financial statements. In the opinion of the Committee, the provision of these non audit services did not impair their independence.

PwC has established policies and procedures to ensure that those in a position to influence the conduct of their audit act with integrity, objectivity and independence. PwC provides an annual confirmation of their independence from the Group and, if there are any, details of any relationship between them and the Group which could impact their objectivity and independence.

Below: Chick Houseman, An Locke-Pope and Jai Dhodi

Corporate Governance continued

Nominations Committee

Committee composition and responsibilities
The Nominations Committee consists of Sir Ian Wood (Chairman) and all of the independent non-executive directors. The Committee meets at least once a year to review the Board structure, size and composition, make recommendations to the Board with regard to any changes, to identify and nominate candidates for the approval of the Board, to fill Board vacancies and to ensure that succession plans are in place.

Discharge of its responsibilities
The Committee met four times during 2007. The appointments of Mr M Straughen on 1 May 2007, Mr D Woodward on 23 May 2007 and Mr J B Renfroe on 26 February 2008 are described on page 42.

Internal Control
The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that has been in place for the year under review and up to the date of approval of this annual report, see pages 46-47. The process is regularly reviewed by the Board and is in accordance with the revised guidance on internal controls published in October 2005 by the Turnbull review group: "Internal Control – Revised Guidance for Directors on the Combined Code". The Group, for the purposes of applying the Turnbull Committee guidance referred to above, comprises John Wood Group PLC, its subsidiaries and joint ventures.

Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements of the ongoing procedures which the directors have established to review the effectiveness of the system of internal control on an annual basis include the following:

Overall control environment – The Group has a clear organisational structure for the control and monitoring of its businesses, including defined lines of responsibility and delegation of authority. The Group has issued policies which define the standards of business conduct and include Contract Risk Management and Review; Health, Safety and Environment; and Business Ethics. Consistent with the Business Ethics Policy, advice lines have been established to enable staff to raise ethical concerns in confidence.

Risk identification and management – Each division's management team is responsible for the process of identification and evaluation of significant operational, financial and compliance risks and for the design and operation of effective internal controls. The Board receives regular updates from management on the key risks and the related controls. The Board formally reviews the Group's exposure to key business risks at least once a year.

Monitoring of the internal control systems – The Board has agreed certain reporting procedures to monitor key risk areas on an ongoing basis, including health and safety, legal and financial matters. The Audit Committee has been delegated the responsibility to review the effectiveness of the internal financial control systems implemented by management. It is assisted by the internal auditors and, where appropriate, the external auditors. The Chairman of the Audit Committee regularly reports to the Board on their discussions.

Information and communication – The Group has a comprehensive system for reporting performance to the Board. This includes monthly reports and comprehensive quarterly reports. The quarterly reports include a detailed financial review against budgets, and, twice a year, revised forecasts. The executive directors also receive detailed monthly financial reports. In addition, each division performed a quarterly update involving discussions with senior managers and certain of the executive directors, including the Chief Executive.

Relations with shareholders
The Group places considerable importance on communication with all shareholders, both institutional and private.

The Group maintains open channels of communication with its institutional shareholders, fund managers and analysts and, within the constraints of publicly available information, has regular discussions about the Group's strategy and performance. To provide the Group with an insight into shareholder needs, the Group's brokers are invited to make an annual presentation to the Board on investor perceptions of the Group.

The Group is committed to maintaining a high standard in its investor relations programmes, and during 2007 two major investor road shows were held. In addition, an investor and analyst presentation going into greater detail on two of the Group's business areas and offering investors and analysts the opportunity to meet with a wider management team was held.

Non-executive directors are offered the opportunity to attend meetings with major shareholders and are available to shareholders at the company's Annual General Meeting "AGM".

The AGM, which will be held on 22 May 2008, is a valuable opportunity for private shareholders to have face to face contact with the Board and to raise any questions they may have.

The senior independent director and Chairman are available to meet with major shareholders to discuss any areas of concern that cannot be resolved through normal channels of investor communication and arrangements can be made through the Company Secretary.

Going concern
Having made the appropriate enquiries, the directors consider, in accordance with the Code, that the business is a going concern. Adequate resources exist for the Group to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities in respect of the Annual Report, the Directors' remuneration report and the financial statements

The directors are responsible for preparing:

- the Annual Report and financial statements, in accordance with International Financial Reporting Standards "IFRSs" as adopted by the European Union;
- the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, or "UKGAAP"; and
- the directors' remuneration report in accordance with applicable law.

The directors are responsible for preparing the financial statements described above for each financial year, which give a true and fair view of the state of affairs and profit and loss of the Group and of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether the Group's financial statements comply with IFRSs as adopted by the European Union and, with regards to the parent company financial statements, whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant audit information is defined as "information needed by the company's auditors in connection with preparing their report". Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Below: Graham Duncan, Nikki Walters and Mark Payton

Principal risks and uncertainties

	Risk Area and Potential Impact	Mitigation	
Market risks	**Risk area** Operating in potentially cyclical markets **Potential Impact** Cyclical downturns could lead to declines in the demand for our products and services	• We operate in both the oil & gas and power markets, reducing our exposure to one particular market • We have a broad customer base and geographic spread • We do not operate in the more cyclical exploration sector and seek to manage the proportion of our upstream revenue between customers' development and production activities • We manage exposure to engineering markets by maintaining a split of oil & gas activities between upstream; subsea engineering, pipelines and midstream; and downstream, process and industrial	• We seek to manage our exposure to demand fluctuations in the US drilling market through growing our international activities • We maintain focus on identifying any upcoming weaknesses in the market and adjusting investment and pricing strategies appropriately • We avoid investing in areas of significant capital intensity such as fabrication yards and floating hardware
	Risk area Investment in new service areas and geographic markets **Potential Impact** Capital invested in new initiatives or acquisitions may fail to generate an adequate return	• We carry out strategic investment reviews of the future areas of focus for the Group • We carry out return assessments and due diligence reviews prior to capital investments • We have detailed integration plans for acquisitions and adopt earn out structures wherever possible	• The Group Board undertakes a regular review of the performance of acquisitions made
Strategic and operational risks	**Risk area** Health, Safety and Environmental "HSE" performance **Potential Impact** • Failure to deliver HSE excellence could lead to harm to our people and others involved in our operations and damage to the environment • Failure to maintain HSE standards could lead to customers no longer selecting the Group as a preferred supplier of services and products	• The Group Board monitors HSE performance, with a Director with Group responsibility for HSE • HSE commitment is communicated around the Group via our Vision for HSE Excellence, HSE systems and guidelines set down in the "Red Book", the annual Group HSE plan, newsletters, the intranet and five HSE conferences involving over 500 managers, see page 30 • Leading and lagging safety indicators are used across the Group to measure performance and guide management action plans	• Certain of our operations are subject to third party and customer audits • See pages 30 to 31 for a further description of some of our HSE initiatives
	Risk area Attraction and retention of key management **Potential Impact** Failure to attract and retain key management could lead to a lack of necessary expertise or lack of continuity to execute our strategy	• The quality of our people helps us to secure challenging and interesting work, and this, in turn, helps us to attract and retain talent in the Group • We give management considerable autonomy while maintaining short lines of communication to senior managers and Group directors	• The use of market based compensation, including appropriate incentive packages • We offer wide ranging career development opportunities • We continue to expand our geographic footprint to provide access to new highly skilled labour resources
	Risk area Breaches of our ethical standards **Potential Impact** Damage to reputation and regulatory impact	• Business ethics committee in place, chaired by the Group Finance Director and involving senior operational and functional management from across the Group • Business ethics policy and guidelines are communicated to staff. Training and self-certification is undertaken by key management and employees	• Ethics helplines are available for employees to raise any concerns in confidence • We take firm action against any breaches of our ethical standards

	Risk Area and Potential Impact	Mitigation	
Strategic and operational risks	**Risk area** Quality of services and products **Potential Impact** Failure to provide products and services of the required quality could lead to a requirement for work to be repeated, damage to our reputation or liability claims	• We follow a review process for our engineering services, including independent peer reviews • We carry out stewardship programmes and other professional development initiatives to help our people develop and enhance their expertise	• Our plants are encouraged to obtain third party accreditation and to perform internal audits • New product designs undergo prescribed validation and verification testing, including review to confirm that we are not infringing third party intellectual property rights
Financial and compliance risks	**Risk area** Operating in a range of different legal, political and fiscal regimes **Potential Impact** • Changes in the political environment may result in the loss of control over operations • We may be unable to achieve certain commercial and legal protections • Fiscal changes could impact net profit	• We maintain a broad geographic spread • We have documented contracting procedures, which include reviews of legal, political and fiscal exposures • We regularly monitor and limit the capital allocation to certain countries	
	Risk area Contracting strategy and execution **Potential Impact** • Inappropriate contract terms leading to unacceptable risks relative to potential returns • Failure to comply with contract terms leads to reputational damage, warranty claims or financial penalties	• We generally avoid large complex fixed price contracting arrangements • We have a contract policy that provides guidance on the parameters under which we will enter into contracts to provide services and products • We undertake reviews of the pricing of contract bids and carry out ongoing commercial reviews of terms, including peer reviews for certain types of contract	
	Risk area Inadequate insurance cover **Potential Impact** Requirement to fund uninsured losses	• Prudent levels of insurance cover are maintained • We review exposures to areas where it is not possible to obtain insurance and consider alternative ways to reduce our risk to an acceptable level	
	Risk area Integrity of financial controls **Potential Impact** • Damage to reputation • Financial loss • Lack of integrity of financial information used to manage the business leading to inappropriate decisions	• Financial control frameworks are in place, incorporating preparation and review of monthly financial statements, delegation of authority and annual financial controls self assessment • We have a comprehensive system of reporting performance to the Board, including quarterly reports and more detailed monthly reports	• We maintain high quality finance, tax and treasury teams by effective recruitment, career development and training • We have an effective internal audit department and an external audit is performed on the annual report

Directors' remuneration report

This is the Board's report to shareholders on directors' remuneration and covers both executive directors and non-executive directors. It has been prepared by the Remuneration Committee and has been approved by the Board. This report is subject to the approval of shareholders at the Annual General Meeting "AGM".

Contents

Unless otherwise noted, the disclosures in the Directors' remuneration report are unaudited.

Below: Sharon Jemmott, Jose Luis Cum and Julio Varela

Letter from the Chairman of the Remuneration Committee

Dear Shareholder

The market for experienced senior managers in the oil & gas and power sectors has continued to be extremely tight. In the current conditions for these sectors, this is likely to continue.

The Remuneration Committee "the Committee" consistently reviews the elements of the Wood Group remuneration package to try to achieve a mix which provides a fair and competitive scale of reward, together with an appropriate balance between incentivisation and retention and an ability to attract high quality people.

The basic remuneration structure employed is base salary plus performance related payment elements based on both annual and longer term sets of objectives. The base salary is set at a competitive level with comparable skill sets in other companies. The annual bonus for executive directors is based on delivery of both corporate and personal objectives. The Group has put in place long term incentive schemes, of which the Long term Incentive Scheme "LTIS" applied to executive directors and certain key managers. The strength of the oil & gas and power markets was not foreseen when the original targets for the LTIS were set and the Committee has made upward revisions to these targets with the objective of maintaining the degree of challenge originally intended. The Committee believes that the long term incentive schemes work well from both a motivational and a retention perspective and are in the interests of all shareholders. A new rolling three year Long Term Incentive Plan "LTIP" was approved by shareholders at the AGM in 2007 to commence for the period 2008 to 2010. Details of this scheme are set out in section 3c)(ii).

The Committee keeps under review the approach to remuneration for around 50 senior managers below executive director level, including schemes that encourage equity ownership throughout this group, helping to align employee and shareholder objectives. The objectives of the policy are broadly the same as for the executive directors, though targets are set so as to be relevant to individual managers' sphere of control.

The intention of the overall remuneration package is that it should deliver pay at around industry median levels for "on target" performance, with the potential for top quartile remuneration for exceptional performance.

John Morgan
Chairman, Remuneration Committee
3 March, 2008

Part 1 Executive directors' remuneration

1a) Remuneration policy

The aim of the Committee is to establish an overall remuneration structure which will

- attract, retain and motivate key executives
- reflect the size and complexity of the Group's business
- consider executives' individual responsibilities and geographical location
- clearly align remuneration with the Group's long term strategy and maximising shareholder value

The Committee aims to reflect best practice wherever possible and, in setting remuneration policy, gives full consideration to the relevant provisions of the Combined Code and the Directors' Remuneration Report Regulations 2002.

When considering remuneration policy, the Committee reviews the level of rewards that are offered by other companies, in particular companies in the top quartile of the FTSE 250. Given that the Group operates in specialised and international markets, regard is also given to remuneration of peers within the same industry sector, which are often based in the US. As directly comparable and precise data for these comparator groups is often difficult to obtain, the Committee takes advice from the Chairman and the Chief Executive.

As noted above, one of the Committee's key objectives is to align the remuneration of Group directors with the long term strategy of the Group and with maximising shareholder value. In order to do this remuneration packages comprise fixed elements and variable, performance related, elements. The typical total remuneration package for each executive director therefore comprises a basic salary and benefits, an annual cash bonus, a deferred bonus and participation in the Group's long term incentive schemes. The main elements of each are summarised in the table below:

Element	Purpose	Performance period	Methodology in determining award
Basic salary	Attraction and retention	Not applicable	Individual responsibilities and geographical location
Benefits in kind and pension	Attraction and retention	Not applicable	Established market practice in relevant geographical areas
Annual bonus	To provide incentives to deliver performance targets and encourage retention	One year, a portion of which is deferred for two years	Achievement of financial and personal performance targets
Long term incentive schemes	To provide incentive to achieve long term value for shareholders and encourage retention	Three years, deferred for two years	Achievement of long term financial performance against predetermined targets

1b) Summary of remuneration of executive directors in 2007 (audited)

Summary of remuneration of UK executive directors in 2007

	Basic salary (6)		Annual bonus (1) Cash bonus		Deferred bonus		Benefits in kind (2)		Total	
	£'000 2007	£'000 2006	**£'000 2007**	£'000 2006	**£'000 2007**	£'000 2006	**£'000 2007**	£'000 2006	**£'000 2007**	£'000 2006
Sir Ian Wood	**295**	277	**133**	125	**133**	125	**13**	13	**574**	540
A G Langlands	**420**	300	**188**	133	**188**	133	**13**	13	**809**	579
M H Papworth (3)	**290**	260	**133**	108	**133**	108	**35**	29	**591**	505
M Straughen (4)	**193**	–	**101**	–	**101**	–	**27**	–	**422**	–
L J Thomas (3)	**290**	272	**129**	127	**129**	127	**30**	30	**578**	556
T M Noble (5)	**97**	272	**44**	124	**44**	124	**15**	43	**200**	563
	1,585	1,381	**728**	617	**728**	617	**133**	128	**3,174**	2,743

Summary of remuneration of US executive directors in 2007

	Basic salary (6)		Annual bonus (1) Cash bonus		Deferred bonus		Benefits in kind (2)		Total	
	$'000 2007	$'000 2006	**$'000 2007**	$'000 2006	**$'000 2007**	$'000 2006	**$'000 2007**	$'000 2006	**$'000 2007**	$'000 2006
A G Semple	**522**	450	**241**	207	**241**	207	**28**	31	**1,032**	895
W R Brooks (5)	**364**	410	**119**	185	**119**	185	**25**	31	**627**	811
	886	860	**360**	392	**360**	392	**53**	62	**1,659**	1,706

(1) The bonus figures in the table above relate to amounts earned in respect of the year ended 31 December. The cash bonuses will be paid by 31 March in the following year. The deferred bonuses will be paid after a two year deferral period and are subject to forfeiture under certain circumstances.
(2) Benefits in kind vary between directors but typically include a cash allowance in lieu of a company car, private health care arrangements and life insurance contributions.
(3) Benefits in kind paid to MH Papworth and LJ Thomas include cash payments in lieu of contributions to pension schemes.
(4) M Straughen joined the Board on 1 May 2007.
(5) TM Noble and WR Brooks resigned from the Board on 30 April 2007 and 28 September 2007 respectively. TM Noble continues to be employed by the Group, and received a total of £223,318 in the period between his resignation and 31 December 2007. Under the terms of their departure from the Board, both directors remained eligible to bonuses accrued on a pro-rata basis up to the date of their resignation from the Board.
(6) The only element of remuneration that is pensionable is salary.

Directors' remuneration report continued

1c) Basic salary and benefits in kind
Salary levels are reviewed and approved annually by the Committee. The increase in base salary for A G Langlands from 1 January 2007 relates to his promotion to the role of Chief Executive.

The level of benefits typically provided includes a cash allowance in lieu of a company car, private health care arrangements, life insurance, and contributions to pension schemes. Certain directors have elected to receive a cash payment in lieu of pension payments.

1d) Annual bonus
Annual bonuses are based on a combination of:
(i) financial performance (70%) – the Group's financial performance is measured against annual budgets, comprising both an EBITA and a capital efficiency measure; and
(ii) personal objectives (30%) – performance is measured annually against agreed personal objectives aimed at achievement of the Group's business goals, HSE targets, strategy and people development objectives.

The annual bonus is split into a cash component and a deferred component. The Committee has set the maximum cash bonus potential for Group directors for 2007 and 2008 at 50% of basic salary, and it will be paid by 31 March in the following year.

A deferred bonus equal to the cash bonus is payable when EBITA growth over inflation is 5% or greater. A deferred bonus of 50% of the cash bonus is payable where EBITA growth over inflation is less than 5%. All deferred bonuses are deferred for two years and are subject to forfeiture in certain circumstances.

Bonus payments are not part of pensionable earnings.

During 2007, achievement of aggregate financial measures was 20% above budget.

1e) Long term incentives (audited)
Long term incentive schemes play an important role in the retention and motivation of Group directors and senior executives, consistent with our goal of achieving shareholder value. In this respect the Group has put in place the following long term incentive schemes:

Long Term Incentive Scheme "LTIS". Introduced in May 2005 for Group directors and around 35 senior executives, the LTIS provided incentives for performance over a three year period to 31 December 2007. Full details of the LTIS are provided in note 3c)(i).

The table below outlines the original maximum targets for 2007 set under the LTIS plan on 1 January 2005 which were recalibrated by the Remuneration Committee in 2006 and again in 2007.

Measure	Original 2007 Maximum set on 1 January 2005	Recalibrated 2007 maximum set on 1 January 2007	Actual 2007 achievement at 31 December 2007
EBIT	$186.8m	$260.0 m	$307.8m
ROCE*	17.0%	21.3%	24.9%
Share price	210p	320p	434 p

* Return on Capital Employed is EBIT divided by average equity plus average net debt and excludes discontinuing activities

The LTIS awards made to the Group directors during the 1 January 2005 to 31 December 2007 performance cycle are shown in the table below:

Long term incentive scheme (LTIS)
Restricted share awards

	Shares awarded March 2006 (1)	Shares awarded March 2007 (2)	Shares awarded March 2008 (3)	Total shares awarded for cycle
A G Langlands	97,598	139,845	392,694	630,137
A G Semple	92,701	132,830	281,913	507,444
M H Papworth	27,901	105,432	359,818	493,151
L J Thomas	97,598	139,845	296,804	534,247
T M Noble (4)	97,598	139,845	98,934	336,377
W R Brooks (4)	92,701	132,830	239,626	465,157

(1) Interim shares vest in March 2008 and relate to 2005 performance.
(2) Interim shares vest in March 2009 and relate to cumulative performance for the two years to 31 December 2006 after allowing for interim grants made in 2006.
(3) Final shares vest in March 2010 and relate to cumulative performance for the three years ended 31 December 2007 after allowing for interim grants made in 2006 and 2007.
(4) TM Noble and WR Brooks resigned from the Board on 30 April 2007 and 28 September 2007 respectively. Under the terms of their departure from the Board, both directors remained eligible to share awards accrued on a pro-rata basis up to the date of their resignation from the Board.
(5) The average share price for the calendar month ending on 19 May 2005 was 146p. This was the price which was used to calculate the number of restricted shares awarded to participants under the LTIS.

Long Term Incentive Plan "LTIP". Introduced in April 2007 for Group directors and around 35 senior executives, this is a replacement for the LTIS above and is designed to provide incentives for three year rolling performance cycles commencing 1 January 2008. Full details of the LTIP are provided in note 3c)(ii).

Long Term Retention Plan "LTRP". Introduced in 2003, the LTRP was initially open to Group directors and key senior employees, but following the introduction of the LTIS group directors are generally no longer eligible to participate in the LTRP scheme. The purpose of this scheme is to align rewards to financial performance and results in the awarding of Wood Group par value options to participants. Full details of the LTRP are provided in note 3c)(iii) and details of the awards made are disclosed in 3d).

Executive Share Option Schemes. Established in 2002, the executive share option schemes provide for the grant of options to Group directors and senior executives. No awards have been made to Group directors since 2005. Full details of the executive share option schemes are provided in note 3c)(iv) and details of the awards made are disclosed in 3d).

Sir Ian Wood does not participate in any of the long term incentive schemes.

1f) Pensions (audited)

Pension benefits to UK based executive directors

The benefits and terms for the UK based executive directors who are active members of the John Wood Group PLC Retirement Benefit Scheme "JWG RBS", which is a defined benefit pension scheme, are shown in the following table. With effect from 6 April 2007 future benefits within the JWG RBS were provided on a Career Average Revalued Earnings "CARE" basis.

Executive Director	Retirement Age	Employee Contributions	Life assurance	Accrual Rate	Death in Service Benefits
A G Langlands	60	Non Contributory	4x basic salary	1/40th	Two-thirds
M H Papworth	65	7.5% of Pensionable salary Subject to pension cap	4 x basic salary	1/60th	One-half
L J Thomas	65	7.5% of Pensionable salary Subject to pension cap	4x basic salary	1/60th	One-half
T M Noble	63	7.5% of Pensionable salary Limited to 15% of pension Cap	4x basic salary	1/53rd	One-half

A scheme specific pension cap of £112,800 was set in April 2007 escalating at Retail Price Index "RPI" plus 1.25% per annum.

Pension increases are set at the rate of increase in RPI capped at 5% per annum for service from 6 April 1997 to 30 June 2005, and the rate of increase in RPI, capped at 2.5% per annum for service from 1 July 2005.

Death in service benefits entitle the surviving spouse or dependants to a pension based on a percentage of that which would have been received at normal retirement date based on final pensionable salary at the date of death.

Benefits provided to A G Langlands in excess of the scheme specific pension cap are provided by way of an unfunded, unapproved arrangement. Final pensionable salary is capped from 1 January 2007 at £400,000 per annum increasing at RPI +1.25%.

M H Papworth and L J Thomas receive a cash contribution in lieu of pension benefits above the scheme specific cap equal to 10% of the difference between base salary and the level of pension cap.

Benefits provided to T M Noble in excess of the scheme specific pension cap are provided by way of an unfunded, unapproved arrangement.

M Straughen receives a cash payment of 10% of base salary in lieu of pension provision.

The directors below had the following accrued entitlements under the JWG RBS at 31 December 2007. For A G Langlands and T M Noble the figures include entitlements under unfunded, unapproved schemes.

Director Name	Age at 31 December 2007	Increase in accrued pension including inflation £'000	Increase in accrued pension excluding inflation £'000	Accumulated total accrued annual pension at 31 December 2007 £'000	Accumulated total accrued annual pension at 31 December 2006 £'000
Sir Ian Wood	65	12	5	197	185
A G Langlands	49	33	30	127	94
M H Papworth	42	2	2	5	3
L J Thomas	50	2	2	7	5
T M Noble	61	6	5	22	16

Below: David Macdonald, Ricardo Abascal and Tim Sylvester

Directors' remuneration report continued

Director Name	Transfer value of increase in pension entitlement excluding inflation £'000	Transfer value of accrued benefit at 31 December 2007 £'000	Transfer value of accrued benefit at 31 December 2006 £'000	Increase in transfer value of pension entitlement less member contributions £'000	Member contributions £'000
Sir Ian Wood	89	3,590	3,202	388	0
A G Langlands	458	2,418	1,410	1,008	0
M H Papworth	18	52	22	22	8
L J Thomas	22	88	47	33	8
T M Noble	96	426	276	133	17

Pension benefits to US based executive directors

Director Name	Age at 31 December 2007	Increase in accrued pension including inflation $'000	Increase in accrued pension excluding inflation $'000	Accumulated total accrued annual pension at 31 December 2007 $'000	Accumulated total accrued annual pension at 31 December 2006 $'000
A G Semple	48	15	12	102	87

Director Name	Transfer value of increase in pension entitlement excluding inflation $'000	Transfer value of accrued benefit at 31 December 2007 $'000	Transfer value of accrued benefit at 31 December 2006 $'000	Increase in transfer value of pension entitlement less member contributions $'000	Member contributions $'000
A G Semple	222	2,040	1,402	599	39

US based executive directors are entitled to participate in the Wood Group 401k plan which is a defined contribution scheme. In addition they are entitled to participate in a Non-Qualified Deferred Compensation Plan which provides a company contribution based upon the level of employee deferrals.

A G Semple is provided with a pension arrangement of a defined benefit nature, providing an equivalent level of benefits to that provided in the JWG RBS. If he dies in pensionable service, his surviving spouse or dependants are entitled to a pension of half of the pension that would have been received at normal retirement date based on the final pensionable salary at the date of death. Final pensionable salary is capped from 1 April 2007 at $505,000 per annum, increasing at RPI + 1.25%.

W R Brooks' benefits were provided in defined contribution form. During the year the Group's contribution on his behalf to a 401k plan amounted to $6,750 (2006: $6,600). In addition W R Brooks participated in a Non-Qualified Deferred Compensation Plan. The Group contributed $52,850 during the year on his behalf (2006: $56,072).

A G Semple and W R Brooks were provided with life assurance cover of approximately four times basic salary.

1g) Service contracts

Director	Contract date	Notice Period
Sir Ian Wood	1 May 2002	12 months
A G Langlands	1 May 2002	12 months
A G Semple	1 May 2002	12 months
M H Papworth	16 January 2006	12 months
J Renfroe	28 January 2008	12 months, reverting to 6 months after the first 12 months
M Straughen	23 April 2007	6 months
L J Thomas	19 May 2004	12 months

It is the Committee's view that these contractual notice periods continue to be appropriate and in line with current best practice. None of the service contracts provide for pre-determined amounts of compensation in the event of early termination. On termination of service contracts by the Group, in certain circumstances Group directors are entitled to the payment of their salary and benefits in kind provided that they will be subject to a general duty to mitigate their loss. Within contractual constraints, the Committee will endeavour to ensure that executive directors do not receive such payments if they believe that their performance has had a detrimental effect on shareholder value.

Group directors are not permitted to accept external directorships or other significant appointments without the Chief Executive's prior consent.

Part 2 Non-executive directors' remuneration

2a) Remuneration policy

Non-executive directors are paid directors' fees, which reflect the commitment expected of them, and are reimbursed all necessary and reasonable expenses in the performance of their duties. Additional fees are paid in respect of attendance at each Remuneration Committee, Audit Committee and for one paid meeting of the Nominations Committee per annum. Non-executive directors do not participate in the Group's annual bonus, share option, LTRP, LTIS, LTIP or pension plans. The non-executive directors have each entered into letters of engagement addressing remuneration, services to be provided, conflicts of interest and confidentiality. Subject to the requirement for retirement by rotation under the Articles of Association, the letters of engagement do not have fixed terms and are terminable with 90 days written notice.

2b) Annual fee structure

	GB Pound remunerated non-executive director	US Dollar remunerated non-executive director
Annual directors' fee	£ 34,000	$ 53,500
Committee attendance fee	£ 600 per meeting	$ 900 per meeting

With effect from 1 January 2008 annual directors' fees have been increased to £40,000 and committee attendance fees to £1,000 per meeting. Directors can elect to be paid in either pounds sterling or in US dollars at the applicable exchange rate at the time of payment.

2c) Remuneration of non-executive directors in 2007 (audited)

GB Pound remunerated non-executive directors	Annual directors fee £'000	Committee attendance £'000	2007 Total £'000	2006 Total £'000
Dr C Masters	34	2	**36**	35
I Marchant (1)	34	2	**36**	22
J C Morgan	34	4	**38**	35
D Woodward (2)	21	1	**22**	–
E Brown (3)	–	–	**–**	15

US Dollar remunerated non-executive directors	Annual directors fee $'000	Committee attendance $'000	2007 Total $'000	2006 Total $'000
R Monti	53	2	**55**	50
D J Ogren	53	3	**56**	52
N H Smith	53	2	**55**	51

(1) Appointed 19 May 2006
(2) Appointed 23 May 2007
(3) Resigned 17 May 2006

Part 3 Additional statutory and other disclosures

3a) The Remuneration Committee

The Committee advises the Board on executive remuneration and sets the remuneration packages of each of the executive directors. The Committee has a written charter and is comprised solely of independent non-executive directors. During the year, the members were John C Morgan (Chairman), Roberto Monti, D John Ogren and Neil Smith. The Remuneration Committee charter is publicly available on the Group's website.

At the invitation of the Chairman of the Committee, Sir Ian Wood and A G Langlands attended meetings in 2007, except when their own remuneration was being discussed, to provide advice on setting remuneration for other executive directors. In addition, the Group's Head of Human Resources provided advice to the Committee, and MM&K Limited, a firm of independent remuneration consultants, provided advice in relation to the Group's Long Term Incentive Plan "LTIP".

3b) TSR performance graph

As the Company is listed in the UK FTSE 250 index, by way of providing a reasonable Total Shareholder Return "TSR" comparison, the graph below compares the Total Shareholder Return on a holding of shares in John Wood Group PLC with the Total Shareholder Return on a holding of shares in the companies in the UK FTSE 250 index for the last five financial years.

Below: John Henry, Maria Bethancourt and John Knapp

Directors remuneration report continued

3c) Long Term incentives
All shares and options issued under the following long term incentives operate, in aggregate, within the Association of British Insurers "ABI" dilution limits in terms of the issue of new shares.

(i) Long Term Incentive Scheme "LTIS"
The Committee introduced the LTIS for executive directors (excluding the Chairman) and around 35 key senior executives in 2005. Participation in the LTIS was limited to Group directors and those other key senior executives who, in the opinion of the Committee, were able to materially influence the achievement of the Group's long term business goals. The LTIS and the proposed parameters of its operation were approved by shareholders at the 2005 AGM.

Performance was measured in relation to a performance cycle of three financial years commencing on 1 January 2005 and ending on 31 December 2007. There will not be a second cycle under this scheme. Interim share awards were made after the end of the first and second financial years and a final award will be made in March 2008.

Share awards are in the form of restricted shares and are deferred for two years after the award date. They are subject to forfeiture if participants cease to be employed in the Group (except in certain specified circumstances) within the deferral period. During that time participants may not exercise any voting rights and cannot sell or transfer any restricted shares awarded to them. However, participants receive dividends paid to ordinary shareholders after the award date.

The Committee set performance measures and targets in respect of each performance cycle. For the executive directors, the performance measures were EBIT, ROCE and growth in the company's share price.

There were 'threshold', 'target', 'exceptional' and 'maximum' levels for each performance measure and no share awards were made for performance at or below 'threshold'. The Committee set performance figures to be achieved across each of the LTIS performance measures. After careful review and taking into account the strength of the oil & gas and power markets, the Committee chose to exercise its discretion to vary the performance figures for the executive directors upward for both 2006 and 2007 to be ahead of the original levels so that, in the opinion of the Committee, the performance figures were as challenging as when they were originally set. The original and recalibrated performance figures are shown on page 50.

LTIS awards for executive directors were based on 100% of opening base salary at 'target', 200% at 'exceptional', and 300% at 'maximum' over the three years, i.e. at 'maximum' the rewards, in the form of restricted shares deferred for two years would be equivalent to 100% of salary each year over the period, converted at a share price of 146p. For the other key senior executive participants, the LTIS operated on similar principles to those for the executive directors except that the performance measures did not include share price growth. Instead, the performance measures were a blend of Group, division and company operating profit and ROCE, as appropriate. The overall potential award levels for the other key senior executives were two thirds of the level for executive directors.

(ii) Long Term Incentive Plan "LTIP"
The John Wood Group PLC Long Term Incentive Plan 2008 "the LTIP scheme" was approved by the shareholders at the 2007 AGM. Since the introduction of the LTIS, its operation and effectiveness had been under regular review by the Committee which, after consultation with professional advisors and some larger shareholders, decided that the new LTIP scheme, with a different design and structure, in line with best practice and ABI guidelines.

The replacement LTIP scheme is based on three year rolling performance cycles, with the first cycle beginning on 1 January 2008. It is anticipated that a new performance cycle will begin on each succeeding 1 January until 2012.

Participation in the LTIP scheme is limited to executive directors and those other key senior executives who, in the opinion of the Remuneration Committee, are able to materially influence the achievement of the Group's long term business goals. Initially it is intended that the executive directors and about 35 key senior executives will participate.

It is intended that awards will be a combination of shares and restricted shares. The inclusion of a provision that 20% of any award earned over the performance cycle must be deferred for a further two years, in forfeitable restricted shares, is intended to provide encouragement for key executive talent to remain with the Group in the long term. In the first year awards will be based at a maximum of 125% of base salary, and the market value of a Wood Group ordinary share at the beginning of the performance cycle. For future performance cycles the Committee has the discretion to increase the maximum level of an award, if this is deemed necessary to maintain a competitive remuneration package, up to a level of 150% of base salary.

The scheme contains separate performance measures for executive directors and key senior executives. The performance measures have been chosen in light of their appropriateness to the strategic objectives of the Group, and targets will be set against these measures at the commencement of each performance cycle. During the course of a performance cycle, the Committee will have the discretion to adjust the achievement levels to ensure that the levels are considered as demanding as when they were first set.

The measurement criteria for executive directors is as follows –

Total Shareholder Return "TSR" – 25% of performance incentive

The TSR of the Group will be compared to a peer group comprising of Aker Kvaerner, AMEC, Baker Hughes, Cameron International, Expro International Group, Fluor, FMC, Foster Wheeler, Halliburton, Jacobs Engineering, KBR, National Oilwell Varco, Petrofac, Saipem, SBM Offshore, Schlumberger, Sulzer, Technip, W-H Energy Services, Weatherford International, The Weir Group and WorleyParsons. The Committee has the discretion to choose and amend the peer group. In the first performance cycle no awards will be made for less than the 'threshold' performance, or 50th percentile. On reaching the 'threshold', one third of the TSR related element will become payable and on reaching the 'maximum' performance, or 75th percentile, 100% of the TSR element will become payable. For achievement level between 'threshold' and 'maximum' performance the allocation will be on a straight line basis.

Adjusted Earnings per Share "AEPS" – 75% of performance incentive

Directors will be measured on the absolute increase in AEPS year on year, taking into account inflation. The targets for the first performance cycle are RPI + 5% at the 'threshold', when one third of the AEPS element will become payable, and RPI + 15% at the 'maximum', when 100% of the AEPS element will become payable. For achievement levels between 'threshold' and 'maximum' performance the allocation will be on a straight line basis.

No awards will be made under the scheme unless the Committee is satisfied that the underlying performance of the company justifies this.

The performance measures for other key executives are based on specific measures for the areas of business for which they are responsible.

(iii) Long Term Retention Plan "LTRP"
The John Wood Group PLC (No 1) 2003 Long Term Retention Plan, the John Wood Group PLC (No 2) 2003 Long Term Retention Plan (the "LTRP schemes") and the proposed parameters of their operation were approved by shareholders at the 2003 AGM.

The LTRP schemes were initially open to Group directors and key senior employees, but following the introduction of the LTIS (refer 3c)(i) above) Group directors are generally no longer eligible to participate in the LTRP schemes. An LTRP award of 100,000 shares was made to M H Papworth in 2007 as part of a pre-employment contractual commitment. Details of options issued under the LTRP are included in the table at 3d) below.

The principle behind the LTRP schemes is that an overall bonus pool will be calculated annually based on growth in the Group's AEPS in the prior year. The Committee's intention, based on current conditions, is that there will be no bonus pool if the prior year AEPS growth is under a threshold of RPI plus 3% per annum. The maximum bonus pool would be 5% of EBTA (earnings before tax, amortisation and non-recurring items), which would be awarded if the AEPS growth meets or exceeds RPI plus 10% per annum. In setting limits the Committee is of the view that they should be challenging but achievable.

To increase the retention value and to align with shareholder interests the annual awards from this notional bonus pool will be made wholly in shares under the LTRP Schemes, which vest four years after award and will lapse under certain circumstances.

The level of share awards from the notional bonus pool to an individual will be calculated based on the market value of the shares at the time of grant. The method of granting these share awards will be by way of par value options, which will be exercisable between the fourth and fifth anniversary of grant. In the absence of exceptional circumstances, the LTRP Scheme rules set one times annual salary as a maximum individual award from the notional bonus pool, although it is the Committee's intention that individual awards would not normally be more than 50% of annual salary.

(iv) Executive share option schemes
The Group adopted the John Wood Group PLC (No 1) 2002 Executive Share Option Scheme and the John Wood Group PLC (No 2) 2002 Executive Share Option Scheme (the "Share Option Schemes") after approval by the shareholders on the listing of the Group in June 2002.

Options granted under the Share Option Schemes are exercisable between four and ten years from the grant date and options granted to Group directors are subject to the achievement of performance criteria.

The current performance condition for Board members in the Share Option Schemes is that annualised earnings per share growth over the measurement period must be an average of 3% per annum greater than the percentage increase, if any, in the RPI, over that period. The measurement period is a period of four consecutive financial years, starting from the financial year commencing immediately before the date of grant.

The operation of the Share Option Schemes is subject to ongoing review by the Remuneration Committee with regard to eligibility, level of allocation and frequency of issue, taking into account the practice of comparable companies.

No grants have been made to Group directors under the Share Option Schemes since May 2005.

Below: Hugh Fenwick, Rachael Campbell and Eza Salwati

Directors remuneration report continued

d) Share options table (audited)

	Date of grant	Earliest exercise date	Expiry date	Exercise price (per share)	Market value at date of exercise (per share)	Number as at 1 January 2007	Granted in 2007	Exercised in 2007	Lapsed in 2007	Number as at 31 December 2007
A G Langlands										
Executive	31/12/2001	31/12/2006	31/12/2011	83⅓p	313p	150,000	–	150,000	–	–
LTRP	02/07/2003	02/07/2007	02/07/2008	3⅓p	–	45,008	–	–	–	45,008
Executive	30/09/2003	30/09/2007	30/09/2013	158p	–	100,000	–	–	–	100,000
Executive	02/04/2004	02/04/2008	02/04/2014	128½p	–	200,000	–	–	–	200,000
						495,008	–	150,000	–	345,008
A G Semple										
Executive	31/12/2001	31/12/2006	31/12/2011	83⅓p	313p	150,000	–	150,000	–	–
LTRP	02/07/2003	02/07/2007	02/07/2008	3⅓p	432.25p	38,083	–	38,083	–	–
Executive	30/09/2003	30/09/2007	30/09/2013	158p	432.25p	75,000	–	75,000	–	–
Executive	02/04/2004	02/04/2008	02/04/2014	128½p	–	175,000	–	–	–	175,000
						438,083	–	263,083	–	175,000
M H Papworth										
LTRP	18/04/2005	18/04/2009	18/04/2010	3⅓p	–	50,000	–	–	–	50,000
LTRP	12/04/2006	12/04/2010	12/04/2011	3⅓p	–	50,000	–	–	–	50,000
LTRP	30/03/2007	30/03/2011	30/03/2012	3⅓p	–	–	100,000	–	–	100,000
						100,000	100,000	–	–	200,000
L J Thomas										
Executive	02/04/2004	02/04/2008	02/04/2014	128½p	–	100,000	–	–	–	100,000
LTRP	01/11/2004	01/11/2008	02/04/2009	3⅓p	–	50,000	–	–	–	50,000
LTRP	18/04/2005	18/04/2009	18/04/2010	3⅓p	–	50,000	–	–	–	50,000
Executive	19/05/2005	19/05/2009	19/05/2015	145p	–	100,000	–	–	–	100,000
						300,000	–	–	–	300,000
W R Brooks (1)										
Executive	31/12/2001	31/12/2006	31/12/2011	83⅓p	–	90,000	–	–	–	90,000
LTRP	02/07/2003	02/07/2007	02/07/2008	3⅓p	411.5p	27,697	–	27,697	–	–
Executive	30/09/2003	30/09/2007	30/09/2013	158p	–	40,000	–	–	–	40,000
Executive	02/04/2004	02/04/2008	02/04/2014	128½p	–	100,000	–	–	12,500	87,500
						257,697	–	27,697	12,500	217,500
T M Noble (1)										
Executive	02/04/2004	02/04/2008	02/04/2014	128½p	–	200,000	–	–	40,483	159,517
LTRP	01/11/2004	01/11/2008	02/04/2009	3⅓p	–	50,000	–	–	18,750	31,250
LTRP	18/04/2005	18/04/2009	18/04/2010	3⅓p	–	33,003	–	–	16,501	16,502
Executive	19/05/2005	19/05/2009	19/05/2015	145p	–	100,000	–	–	52,083	47,917
						383,003	–	–	127,817	255,186
Total						1,973,791	100,000	440,780	140,317	1,492,694

The market price of the Company's shares at 31 December 2007 was 433p and the range of market prices from 1 January to 31 December 2007 was 245p to 440.5p
The market price of the LTRP share awards granted on 30 March 2007 was 268.75p

(1) TM Noble and WR Brooks resigned from the Board on 30 April 2007 and 28 September 2007 respectively. Under the terms of their departure, both directors remained eligible to the options accrued on a pro-rata basis from the date of grant up to the date of their resignation from the Board, with any remaining options lapsing during the year.

Group financial statements

Contents

Independent auditors' report
to the members of the John Wood Group PLC

We have audited the group financial statements of John Wood Group PLC for the year ended 31 December 2007 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of John Wood Group PLC for the year ended 31 December 2007 and on the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors' is consistent with the group financial statements. The information given in the Report of the Directors' includes that specific information presented in the Operational and Financial Reviews that is cross referred from the Principal Activities and Business Review section of the Report of the Directors'.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Report of the Directors', the Chairman's Statement, the Operational and Financial Reviews and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group 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 group 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 group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
3 March 2008

Notes:

(a) The auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Accordingly, the maintenance and integrity of the John Wood Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group income statement

for the year to 31 December 2007

	Note	2007 $m	2006 $m
Revenue	1	**4,432.7**	3,468.8
Cost of sales		**(3,506.4)**	(2,768.0)
Gross profit		**926.3**	700.8
Administrative expenses:			
Profit on disposal of interest in joint venture	4	**3.6**	–
Impairment and restructuring charges	5	**(26.2)**	–
Other administrative expenses		**(618.5)**	(493.3)
Administrative expenses		**(641.1)**	(493.3)
Operating profit	1	**285.2**	207.5
Finance income	2	**7.4**	5.3
Finance expense	2	**(32.7)**	(29.2)
Profit before taxation	3	**259.9**	183.6
Taxation	6	**(91.0)**	(62.4)
Profit for the year		**168.9**	121.2
Attributable to:			
Equity shareholders		**165.0**	120.5
Minority interest	26	**3.9**	0.7
		168.9	121.2
Earnings per share (expressed in cents per share)			
Basic	8	**33.0**	24.4
Diluted	8	**31.7**	23.4

All items dealt with in arriving at the profits stated above relate to continuing operations.

Group statement of recognised income and expense

for the year to 31 December 2007

	Note	2007 $m	2006 $m
Profit for the year		**168.9**	121.2
Actuarial gains on retirement benefit liabilities	**30**	**2.6**	8.5
Movement in deferred tax relating to retirement benefit liabilities		**(0.8)**	(2.6)
Cash flow hedges		**(3.5)**	0.8
Tax on foreign exchange losses recorded in reserves		**0.3**	3.2
Exchange differences on retranslation of foreign currency net assets		**7.0**	5.6
Total recognised income for the year		**174.5**	136.7
Total recognised income for the year is attributable to:			
Equity shareholders		**170.6**	136.0
Minority interest		**3.9**	0.7
		174.5	136.7

Group balance sheet

as at 31 December 2007

	Note	2007 $m	2006 $m
Assets			
Non-current assets			
Goodwill and other intangible assets	9	576.1	385.5
Property plant and equipment	10	272.3	247.9
Long term receivables		2.8	5.2
Derivative financial instruments	18	0.8	2.6
Deferred tax assets	20	51.1	36.6
		903.1	677.8
Current assets			
Inventories	12	539.2	424.1
Trade and other receivables	13	894.9	792.5
Income tax receivable		15.5	8.7
Derivative financial instruments	18	0.7	1.3
Cash and cash equivalents	14	117.1	140.3
		1,567.4	1,366.9
Liabilities			
Current liabilities			
Borrowings	16	45.1	41.5
Derivative financial instruments	18	1.5	0.9
Trade and other payables	15	891.6	710.8
Income tax liabilities		46.4	37.7
		984.6	790.9
Net current assets		582.8	576.0
Non-current liabilities			
Borrowings	16	349.9	356.7
Derivative financial instruments	18	1.2	0.1
Deferred tax liabilities	20	5.6	7.3
Retirement benefit liabilities	30	11.3	24.9
Other non-current liabilities	17	95.3	31.2
Provisions	19	36.7	23.6
		500.0	443.8
Net assets		985.9	810.0
Shareholders' equity			
Share capital	22	26.0	25.5
Share premium	23	303.6	294.1
Retained earnings	24	555.9	397.4
Other reserves	25	89.1	85.3
Total shareholders' equity		974.6	802.3
Minority interest	26	11.3	7.7
Total equity		985.9	810.0

The financial statements on pages 60 to 102 were approved by the board of directors on 3 March 2008.

Allister G Langlands, Director   Alan G Semple, Director

Group cash flow statement

as at 31 December 2007

	Note	2007 $m	2006 $m
Cash generated from operations	27	**339.0**	225.1
Tax paid		**(105.9)**	(57.0)
Net cash from operating activities		**233.1**	168.1
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and borrowings acquired)	28	**(112.0)**	(26.0)
Acquisition of minority interests		**(0.2)**	(20.2)
Deferred consideration payments	28	**(13.6)**	(4.2)
Proceeds from disposal of interest in joint venture (net of borrowings disposed)	4	**9.0**	-
Disposal of subsidiaries		**-**	7.3
Purchase of property plant and equipment		**(80.8)**	(76.5)
Proceeds from sale of property plant and equipment		**4.2**	8.4
Purchase of intangible assets		**(11.8)**	(9.8)
Proceeds from disposal of other intangible assets		**0.2**	-
Investment by minority shareholders	26	**1.4**	-
Net cash used in investing activities		**(203.6)**	(121.0)
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of expenses)		**0.2**	0.4
Repayment of bank loans		**(18.1)**	(17.5)
Disposal of shares in employee share trusts		**16.2**	1.4
Interest received		**5.8**	4.5
Interest paid		**(32.0)**	(29.4)
Dividends paid to shareholders	7	**(27.6)**	(20.8)
Dividends paid to minority shareholders	26	**(1.5)**	(1.5)
Net cash used in financing activities		**(57.0)**	(62.9)
Effect of exchange rate changes on cash and cash equivalents		**4.3**	6.2
Net decrease in cash and cash equivalents		**(23.2)**	(9.6)
Opening cash and cash equivalents		**140.3**	149.9
Closing cash and cash equivalents	14	**117.1**	140.3

Notes to the financial statements

for the year to 31 December 2007

Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations adopted by the European Union "EU" and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Group financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held for trading.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the year. These estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Significant accounting policies

The Group's significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The Group financial statements are the result of the consolidation of the financial statements of the Group's subsidiary undertakings from the date of acquisition or up until the date of disposal as appropriate. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The Group's interests in joint ventures are accounted for using proportional consolidation. Under this method the Group includes its share of each joint venture's income, expenses, assets, liabilities and cash flows on a line by line basis in the consolidated financial statements. All Group companies apply the Group's accounting policies and prepare financial statements to 31 December.

Functional currency

The Group's earnings stream is primarily US dollars and the principal functional currency is the US dollar, being the most representative currency of the Group. The Group's financial statements are therefore prepared in US dollars.

The following exchange rates have been used in the preparation of these accounts:

	2007	2006
Average rate £1 = $	1.9995	1.8427
Closing rate £1 = $	1.9906	1.9572

Foreign currencies

Income statements of entities whose functional currency is not the US dollar are translated into US dollars at average rates of exchange for the period and assets and liabilities are translated into US dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising on translation of net assets in such entities 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 the currency translation reserve.

In each individual entity, transactions in overseas currencies are translated into the relevant functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date. Any exchange differences are taken to the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the balance sheet date.

The directors consider it appropriate to record sterling denominated equity share capital in the accounts of John Wood Group PLC at the exchange rate ruling on the date it was raised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Revenue from services is recognised as the services are rendered, including where they are based on contractual rates per man hour in respect of multi-year service contracts. Incentive performance revenue is recognised upon completion of agreed objectives. Revenue from product sales is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is normally upon delivery of products and customer acceptance, if any. Where revenue relates to a multi-element contract, then each element of the contract is accounted for separately. Revenue is stated net of sales taxes and discounts.

Revenue on lump-sum contracts for services, construction contracts and fixed price long term service agreements is recognised according to the stage of completion reached in the contract by reference to the value of work done. An estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. Expected losses are recognised in full as soon as losses are probable. The net amount of costs incurred to date plus recognised profits less the sum of recognised losses and progress billings is disclosed as trade receivables/trade payables.

Goodwill

The Group uses the purchase method of accounting to account for acquisitions. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

Other intangible assets

Intangible assets are carried at cost less accumulated amortisation. Intangible assets are recognised if it is probable that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. Where the Group acquires a business, other intangible assets such as customer contracts are identified and evaluated to determine the carrying value on the acquisition balance sheet. Other intangible assets are amortised over their estimated useful lives, as follows:

Computer software	3 – 5 years
Other intangible assets	1 – 10 years

Property plant and equipment

Property plant and equipment “PP&E” is stated at cost less accumulated depreciation and impairment. No depreciation is charged with respect to freehold land and assets in the course of construction. Transfers from PP&E to current assets are undertaken at the lower of cost and net realisable value.

Depreciation is calculated using the straight line method over the following estimated useful lives of the assets:

Freehold and long leasehold buildings	25 – 50 years
Short leasehold buildings	period of lease
Plant and equipment	3 – 10 years

When estimating the useful life of an asset group, the principal factors the Group takes into account are the durability of the assets, the intensity at which the assets are expected to be used and the expected rate of technological developments.

Impairment

The Group performs impairment reviews in respect of PP&E and other intangible assets whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. In addition, the Group carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset’s fair value less costs to sell and its value in use, is less than its carrying amount.

For the purposes of impairment testing, goodwill is allocated to the appropriate cash generating unit “CGU”. The CGU’s are aligned to the structure the Group uses to manage its business. Cash flows are discounted in determining the value in use.

Notes to the financial statements
for the year to 31 December 2007

Accounting Policies

Inventories
Inventories, which include materials, work in progress and finished goods and goods for resale, are stated at the lower of cost and net realisable value. Product based companies determine cost by weighted average cost methods using standard costing to gather material, labour and overhead costs. These costs are adjusted, where appropriate, to correlate closely the standard costs to the actual costs incurred based on variance analysis. Service based companies' inventories consist of spare parts and other consumables. Serialised parts are costed using the specific identification method and other materials are generally costed using the first in, first out method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. Allowance is made for obsolete and slow moving items, based upon annual usage.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and other short-term bank deposits with maturities of three months or less and bank overdrafts where there is a right of set-off. Bank overdrafts are included within borrowings in current liabilities where there is no right of set-off.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is determined by reference to previous experience of recoverability for receivables in each market in which the Group operates.

Deferred consideration
Where it is probable that deferred consideration is payable on the acquisition of a business based on an earn out arrangement, an estimate of the amount payable is made at the date of acquisition and reviewed regularly thereafter, with any change in the estimated liability being reflected in goodwill. Where deferred consideration is payable after more than one year the estimated liability is discounted using an appropriate rate of interest.

Taxation
The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from depreciation on PP&E, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantially enacted, by the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Accounting for derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedge); or (3) hedges of net investments in foreign operations (net investment hedge).

Where hedging is to be undertaken, the Group documents the relationship between the hedging instrument and the hedged item at the inception of the transaction, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Group performs effectiveness testing on a quarterly basis.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in administrative expenses in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in administrative expenses in the income statement. Amounts accumulated in equity are recycled through the income statement in periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the currency translation reserve in equity; the gain or loss relating to the ineffective portion is recognised immediately in administrative expenses in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) Derivatives that are not designated as hedges
Certain derivatives, whilst providing effective economic hedges are not designated as hedges. Changes in the fair value of any derivative instruments that are not designated for hedge accounting are recognised immediately in administrative expenses in the income statement.

Fair value estimation
The fair value of interest rate swaps is calculated as the present value of their estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance sheet date. The carrying values of trade receivables and payables approximate to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Operating leases
As lessee
Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the period of lease.

As lessor
Operating lease rental income arising from leased assets is recognised in the income statement on a straight line basis over the period of the lease.

Notes to the financial statements

for the year to 31 December 2007

Accounting Policies

Finance leases

As lessee

Assets held under finance leases are capitalised as PP&E and depreciated over the shorter of the lease term and the asset's useful life. The capital element of the future lease obligation is recorded as a liability, with the interest element charged to the income statement over the period of the lease so as to produce a constant rate of charge on the capital outstanding.

As lessor

Finance lease rental income arising from leased assets is recognised in the income statement so as to produce a constant rate of return on the net cash investment. Amounts receivable under finance leases represent the outstanding amounts due under these agreements less amounts allocated to future periods.

Retirement benefit liabilities

The Group operates a defined benefit scheme and a number of defined contribution schemes. The liability recognised in respect of the defined benefit scheme represents the present value of the defined benefit obligations less the fair value of the scheme assets. The assets of this scheme are held in separate trustee administered funds. The defined benefit scheme's assets are measured using market values. Pension scheme liabilities are measured annually by an independent actuary using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in finance income/expense. Actuarial gains and losses are recognised in the Group statement of recognised income and expense in full in the period in which they occur.

The defined benefit scheme's net assets or net liabilities are recognised in full and presented on the face of the balance sheet.

The Group's contributions to defined contribution schemes are charged to the income statement in the period to which the contributions relate.

Provisions

Provision is made for the estimated liability on all products and services still under warranty, including claims already received, based on past experience. Other provisions are recognised where the Group is deemed to have a legal or constructive obligation, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made. Where amounts provided are payable after more than one year the estimated liability is discounted using an appropriate rate of interest.

Share based charges relating to employee share schemes

The Group has a number of employee share schemes:-

(i) Share options granted under Executive Share Option Schemes "ESOS" are granted at market value. A charge is booked to the income statement as an employee benefit expense for the fair value of share options expected to be exercised, accrued over the vesting period. The corresponding credit is taken to retained earnings. The fair value is calculated using an option pricing model.

(ii) Share options granted under the Long Term Retention Plan "LTRP" are granted at par value. The charge to the income statement for LTRP shares is also calculated using an option pricing model and, as with ESOS grants, the fair value of the share options expected to be exercised is accrued over the vesting period. The corresponding credit is also taken to retained earnings.

(iii) The Group also has a Long Term Incentive Scheme "LTIS" for directors and key senior executives. Participants are awarded shares dependent on the achievement of certain performance targets. The charge to the income statement for shares awarded under the LTIS is based on the fair value of those shares at the grant date, spread over the vesting period. The corresponding credit is taken to retained earnings. For those awards that have a market related performance measure, the fair value of the market related element is calculated using a Monte Carlo simulation model.

Proceeds received on the exercise of share options are credited to share capital and share premium.

Share capital
John Wood Group PLC has one class of ordinary shares and these are classified as equity. Dividends on ordinary shares are not recognised as a liability or charged to equity until they have been approved by shareholders.

The Group is deemed to have control of the assets, liabilities, income and costs of its employee share ownership trusts "ESOP trusts". They have therefore been consolidated in the financial statements of the Group. Shares acquired by and disposed of by the ESOP trusts are recorded at cost. The cost of shares held by the ESOP trusts is deducted from shareholders' equity.

Segmental reporting
The Group's primary reporting segments are its three operating divisions, namely Engineering & Production Facilities, Well Support and Gas Turbine Services.

Engineering and Production Facilities offers a wide range of engineering services to the upstream, midstream, downstream and industrial sectors. These include engineering, project and construction management, refinery upgrades and operational enhancement. It also offers life of field support to producing assets through brownfield engineering and modifications, production enhancement, operations management, maintenance management and abandonment services.

Well Support provides solutions, products and services to enhance production rates and efficiency from oil and gas reservoirs.

Gas Turbine Services is an independent provider of integrated maintenance solutions and repair and overhaul services for industrial gas turbines and related accessories used for power generation, compression and transmission in the oil and gas and power generation industries.

Disclosure of impact of new and future accounting standards
The following standards, amendments and interpretations to published standards were mandatory for the year ended 31 December 2007.

- *IFRS 7 Financial instruments disclosures*
  The application of IFRS 7 has resulted in additional dislosures in the Group accounts in notes 13 and 18. The application of IFRS 7 has not had a material impact on the Group's income statement, balance sheet or cash flow statement.

- *IFRIC 8 Scope of IFRS 2*

- *IFRIC 10 Interim financial reporting and impairment*
  The application of IFRIC 8 and IFRIC 10 did not have a material impact on the financial statements.

The Group has not yet adopted the following standards which are only effective for periods commencing on or after 1 January 2009.

- *IFRS 8 Operating Segments*
  This standard replaces IAS 14 'Segment Reporting' and proposes that entities adopt a 'management approach' to reporting financial performance. We do not anticipate that this standard will have any material impact on the Group's financial statements.

- *IFRS 3 (revised) Business Combinations*
  This standard includes some significant changes to IFRS 3 in respect of business combinations with all payments made to purchase a business recorded at fair value at acquisition date. This standard is effective from 1 July 2009 and will have an impact on any acquisitions the Group makes from that date.

Notes to the financial statements

for the year to 31 December 2007

1 Segmental Reporting

Primary reporting format – business segments

	Revenue		EBITDA[1]		EBITA[1]		Operating profit	
	Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Engineering & Production Facilities	**2,582.8**	1,972.7	**229.3**	155.3	**214.5**	141.9	**209.1**	138.0
Well Support	**862.1**	739.1	**113.0**	93.9	**87.1**	73.6	**87.0**	73.5
Gas Turbine Services	**955.7**	713.7	**82.5**	54.1	**64.3**	38.0	**44.1**	34.7
Central costs [4]	**–**	–	**(44.8)**	(37.7)	**(45.5)**	(38.4)	**(45.5)**	(38.5)
Total excluding discontinuing operations	**4,400.6**	3,425.5	**380.0**	265.6	**320.4**	215.1	**294.7**	207.7
Gas Turbine Services – discontinuing operations [2]	**32.1**	43.3	**(1.3)**	0.9	**(2.0)**	–	**(9.5)**	(0.2)
	4,432.7	3,468.8	**378.7**	266.5	**318.4**	215.1	**285.2**	207.5
Finance income							**7.4**	5.3
Finance expense							**(32.7)**	(29.2)
Profit before taxation							**259.9**	183.6
Taxation							**(91.0)**	(62.4)
Profit for the year							**168.9**	121.2

Notes
1 EBITDA represents operating profit of $285.2m (2006 : $207.5m) before profit on disposal of interest in joint venture of $3.6m (2006 : $nil), impairment and restructuring charges of $26.2m (2006 : $nil), depreciation of $60.3m (2006 : $51.4m) and amortisation of $10.6m (2006 : $7.6m). EBITA represents EBITDA less depreciation. EBITA and EBITDA are provided as they are units of measurement used by the Group in the management of its business.
2 The discontinuing operations relate to an Aero engine overhaul company which the Group has decided to divest.
3 Revenue arising from sales between segments is not material.
4 Central costs include the costs of certain management personnel in both the UK and the US, along with an element of Group infrastructure costs.

Segment assets and liabilities

At 31 December 2007	Engineering & Production Facilities $m	Well Support $m	Gas Turbine Services $m	Discontinuing Operations $m	Unallocated $m	Total $m
Segment assets	**1,057.6**	**586.5**	**645.2**	**32.9**	**148.3**	**2,470.5**
Segment liabilities	**590.3**	**181.6**	**233.8**	**7.5**	**471.4**	**1,484.6**
At 31 December 2006						
Segment assets	741.4	498.2	594.0	43.6	167.5	2,044.7
Segment liabilities	403.3	160.3	175.3	7.5	488.3	1,234.7

Unallocated assets and liabilities includes income tax, deferred tax and cash and borrowings where this relates to the financing of the Group's operations.

1 Segmental Reporting (continued)

Other segment items

2007	Engineering & Production Facilities $m	Well Support $m	Gas Turbine Services $m	Dis-continuing Operations $m	Un-allocated $m	Total $m
Capital expenditure						
- Property plant and equipment	**21.4**	**43.0**	**14.9**	**2.5**	**0.3**	**82.1**
- Intangible assets	**4.8**	**–**	**7.0**	**–**	**–**	**11.8**
Non-cash expense/(income)						
- Depreciation	**14.8**	**25.9**	**18.2**	**0.7**	**0.7**	**60.3**
- Amortisation of other intangible assets	**6.5**	**0.1**	**3.7**	**0.3**	**–**	**10.6**
- Profit on disposal of interest in joint venture	**(3.6)**	**–**	**–**	**–**	**–**	**(3.6)**
- Impairment and restructuring charges	**2.5**	**–**	**15.3**	**7.2**	**–**	**25.0**

The cash impact of the impairment and restructuring charges in the year was $1.2m and related to the charges in the Gas Turbine Services division.

2006	Engineering & Production Facilities $m	Well Support $m	Gas Turbine Services $m	Dis-continuing Operations $m	Un-allocated $m	Total $m
Capital expenditure						
- Property plant and equipment	15.0	36.0	23.1	2.3	0.1	76.5
- Intangible assets	3.8	0.2	5.8	–	–	9.8
Non-cash expenses						
- Depreciation	13.4	20.3	16.1	0.9	0.7	51.4
- Amortisation of other intangible assets	3.9	0.1	3.3	0.2	0.1	7.6

Secondary format – geographical segments

	Revenue		Segment assets		Capital expenditure	
	2007 $m	2006 $m	**2007 $m**	2006 $m	**2007 $m**	2006 $m
Europe	**1,324.0**	1,031.3	**546.2**	486.0	**17.1**	18.1
North America	**1,950.6**	1,514.2	**1,270.0**	1,059.6	**50.0**	51.7
Rest of the World	**1,158.1**	923.3	**654.3**	499.1	**26.8**	16.5
	4,432.7	3,468.8	**2,470.5**	2,044.7	**93.9**	86.3

Revenue by geographical segment is based on the geographical location of the customer. Segment assets and capital expenditure is based on the location of the relevant Group business.

	2007 $m	2006 $m
Revenue by category is as follows:		
Sale of goods	**653.7**	550.5
Rendering of services	**3,779.0**	2,918.3
	4,432.7	3,468.8

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2 Finance expense/(income)

	2007 $m	2006 $m
Interest payable on bank borrowings	**31.3**	28.7
Unwinding of discount on deferred consideration	**1.4**	0.5
Finance expense	**32.7**	29.2
Interest receivable on short term deposits	**(5.8)**	(4.5)
Other interest income (note 30)	**(1.6)**	(0.8)
Finance income	**(7.4)**	(5.3)
Finance expense – net	**25.3**	23.9

3 Profit before taxation

	2007 $m	2006 $m
The following items have been charged/(credited) in arriving at profit before taxation:		
Employee benefits expense (note 29)	**1,618.0**	1,276.0
Cost of inventory recognised as an expense (included in cost of sales)	**413.8**	287.4
Impairment of inventory	**19.0**	14.6
Depreciation of property plant and equipment	**60.3**	51.4
Amortisation of other intangible assets	**10.6**	7.6
Gain on disposal of property plant and equipment	**(1.2)**	(1.4)
Other operating lease rentals payable:		
- Plant and machinery	**23.3**	20.5
- Property	**46.1**	41.4
Net exchange loss on foreign currency borrowings less deposits	**10.6**	13.8
Loss/(gain) on fair value of unhedged derivative financial instruments	**0.7**	(0.6)

Services provided by the Group's auditor and network firms

During the year the Group obtained the following services from its auditor and network firms at costs as detailed below:

	2007 $m	2006 $m
Audit services		
- Fees payable for audit of parent company and consolidated accounts	**0.9**	0.8
Non audit services		
Fees payable to the Group auditor and its network firms for other services		
- Audit of Group companies pursuant to legislation	**1.4**	1.0
- Tax services	**0.3**	0.3
- Other services	**0.1**	0.1
	2.7	2.2

4 Profit on disposal of interest in joint venture

	2007 $m	2006 $m
Profit on disposal of interest in joint venture	**3.6**	–

In July 2007, the Group disposed of its shareholding in one of its joint ventures in the Engineering & Production Facilities division. A gain of $3.6m has been booked in respect of this transaction and tax of $1.1m has been provided. The disposal resulted in proceeds of $9.0m during the year (net of borrowings disposed).

5 Impairment and restructuring charges

	2007 $m	2006 $m
Impairment and restructuring charges	**26.2**	–

The Group recorded impairment and restructuring charges of $16.5m in the Gas Turbine Services division in respect of rationalisation of businesses and facilities, severance costs and impairment of property plant and equipment. An impairment charge of $7.2m has been booked in the Gas Turbine Services division – discontinuing operations in respect of property plant and equipment and other intangible assets. In addition, the Group impaired goodwill of $2.5m in the Engineering & Production Facilities division. The tax charge (see note 6) includes a tax credit of $4.6m in relation to the impairment and restructuring charges.

6 Taxation

	2007 $m	2006 $m
Current tax		
- Current year	**115.8**	85.7
- Adjustment in respect of prior years	**(8.4)**	(4.9)
	107.4	80.8
Deferred tax		
Relating to origination and reversal of temporary differences	**(16.4)**	(18.4)
Total tax charge	**91.0**	62.4

Tax on items charged to equity	2007 $m	2006 $m
Deferred tax movement on retirement benefit liabilities	**0.8**	2.6
Current tax credit on exchange movements offset in reserves	**(0.3)**	(3.2)
	0.5	(0.6)

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for the year to 31 December 2007

6 Taxation (continued)

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates. The expected rate is the weighted average rate taking into account the Group's profits in these jurisdictions. The expected rate has decreased in 2007 due to the change in profitability of the Group's subsidiaries in their respective jurisdictions. The tax charge for the year is lower (2006 : lower) than the expected tax charge due to the following factors:

	2007 $m	2006 $m
Profit before taxation	**259.9**	183.6
Profit before tax at expected rate of 35.3% (2006: 36.4%)	**91.7**	66.8
Effects of:		
Adjustments in respect of prior years	**(8.4)**	(4.9)
Non-recognition of losses and other attributes	**1.9**	7.4
Other permanent differences	**5.8**	(6.9)
Total tax charge	**91.0**	62.4

7 Dividends

	2007 $m	2006 $m
Dividends on equity shares		
Final dividend paid – year ended 31 December 2006 : 3.5 cents (2006: 2.7 cents) per share	**17.6**	13.4
Interim dividend paid – year ended 31 December 2007 : 2.0 cents (2006: 1.5 cents) per share	**10.0**	7.4
	27.6	20.8

The directors are proposing a final dividend in respect of the financial year ended 31 December 2007 of 5.0 cents per share which will absorb an estimated $25.4m of shareholders' funds. The final dividend will be paid on 26 May 2008 to shareholders who are on the register of members on 25 March 2008. The financial statements do not reflect this dividend payable.

8 Earnings per share

	2007			2006		
	Earnings attributable to equity shareholders $m	**Number of shares (millions)**	**Earnings per share (cents)**	Earnings attributable to equity shareholders $m	Number of shares (millions)	Earnings per share (cents)
Basic	**165.0**	**500.6**	**33.0**	120.5	494.7	24.4
Effect of dilutive ordinary shares	**–**	**19.2**	**(1.3)**	–	19.4	(1.0)
Diluted	**165.0**	**519.8**	**31.7**	120.5	514.1	23.4
Amortisation, net of tax	**7.7**	**–**	**1.5**	5.4	–	1.1
Profit on disposal of interest in joint venture, net of tax	**(2.5)**	**–**	**(0.5)**	–	–	–
Impairment and restructuring charges, net of tax	**21.6**	**–**	**4.2**	–	–	–
Adjusted diluted	**191.8**	**519.8**	**36.9**	125.9	514.1	24.5
Adjusted basic	**191.8**	**500.6**	**38.3**	125.9	494.7	25.4

The calculation of basic earnings per share for the year ended 31 December 2007 is based on the earnings attributable to equity shareholders divided by the weighted average number of ordinary shares in issue during the year excluding shares held by the Group's employee share ownership trusts. For the calculation of diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has two types of dilutive ordinary shares – share options granted to employees under Executive Share Option Schemes and the Long Term Retention Plan; and shares issuable under the Group's Long Term Incentive Scheme. Adjusted basic and diluted earnings per share is disclosed to show the results excluding the impact of amortisation, impairment and restructuring charges and profit on disposal of interest in joint venture, net of tax.

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9 Goodwill and other intangible assets

	Goodwill $m	Computer software $m	Other $m	Total $m
Cost				
At 1 January 2007	355.7	29.1	32.8	417.6
Exchange differences	14.8	0.5	3.3	18.6
Additions	–	6.7	5.1	11.8
Acquisitions	146.5	0.5	28.7	175.7
Disposals	(0.2)	(0.8)	(0.2)	(1.2)
Reclassification from current assets	–	–	0.8	0.8
At 31 December 2007	**516.8**	**36.0**	**70.5**	**623.3**
Aggregate amortisation and impairment				
At 1 January 2007	0.4	18.3	13.4	32.1
Exchange differences	–	0.3	0.6	0.9
Amortisation charge for the year	–	5.3	5.3	10.6
Impairment charge for the year	2.5	–	1.9	4.4
Disposals	–	(0.6)	(0.2)	(0.8)
At 31 December 2007	**2.9**	**23.3**	**21.0**	**47.2**
Net book value at 31 December 2007	**513.9**	**12.7**	**49.5**	**576.1**
Cost				
At 1 January 2006	312.5	22.1	16.7	351.3
Exchange differences	4.8	1.9	0.7	7.4
Additions	–	5.1	4.7	9.8
Acquisitions	38.4	–	8.2	46.6
Reclassification from property plant and equipment	–	–	0.9	0.9
Reclassification from current assets	–	–	1.6	1.6
At 31 December 2006	355.7	29.1	32.8	417.6
Aggregate amortisation and impairment				
At 1 January 2006	0.4	13.1	9.2	22.7
Exchange differences	–	1.3	0.5	1.8
Amortisation charge for the year	–	3.9	3.7	7.6
At 31 December 2006	0.4	18.3	13.4	32.1
Net book value at 31 December 2006	355.3	10.8	19.4	385.5

In accordance with IAS 36 'Impairment of assets', goodwill was tested for impairment during the year. The impairment tests were carried out on a Cash Generating Unit "CGU" basis using the 2008-9 budgets. Cash flows for 2010-12 are assumed to grow at a rate of 5% per annum and subsequent cash flows have been assumed to grow at 3% per annum. The cash flows have been discounted using a pre-tax discount rate of 10%. Goodwill of $2.5m was impaired in 2007 (2006 : $nil).

The carrying amounts of goodwill by division are: Engineering & Production Facilities $392.0m (2006 : $234.4m), Gas Turbine Services $88.4m (2006 : $87.4m) and Well Support $33.5m (2006 : $33.5m).

Other includes development costs, licences and customer contracts and relationships. Development costs with a net book value of $11.6m (2006 : $8.7m) are internally generated intangible assets.

10 Property plant and equipment

	Land and buildings – Long leasehold and freehold $m	Land and buildings – Short leasehold $m	Plant and equipment $m	Total $m
Cost				
At 1 January 2007	53.3	18.3	443.7	515.3
Exchange differences	1.5	0.3	6.2	8.0
Additions	6.6	2.4	73.1	82.1
Acquisitions	0.2	2.4	2.8	5.4
Disposals	(0.7)	(0.3)	(18.3)	(19.3)
Disposals of interest in joint venture	–	–	(0.8)	(0.8)
Reclassification as current assets	–	–	(1.5)	(1.5)
At 31 December 2007	**60.9**	**23.1**	**505.2**	**589.2**
Accumulated depreciation and impairment				
At 1 January 2007	21.1	10.6	235.7	267.4
Exchange differences	0.3	0.1	3.1	3.5
Charge for the year	3.3	1.2	55.8	60.3
Impairment	1.8	–	7.7	9.5
Disposals	(0.3)	(0.2)	(15.8)	(16.3)
Disposals of interest in joint venture	–	–	(0.3)	(0.3)
Reclassification as current assets	–	–	(7.2)	(7.2)
At 31 December 2007	**26.2**	**11.7**	**279.0**	**316.9**
Net book value at 31 December 2007	**34.7**	**11.4**	**226.2**	**272.3**
Cost				
At 1 January 2006	52.1	15.9	372.2	440.2
Exchange differences	0.5	1.0	12.1	13.6
Additions	1.4	1.5	73.6	76.5
Acquisitions	–	–	3.2	3.2
Disposals	(0.7)	(0.1)	(14.8)	(15.6)
Reclassification as other intangible assets	–	–	(0.9)	(0.9)
Reclassification as current assets	–	–	(1.7)	(1.7)
At 31 December 2006	53.3	18.3	443.7	515.3
Accumulated depreciation and impairment				
At 1 January 2006	18.6	8.7	193.4	220.7
Exchange differences	0.1	0.5	7.6	8.2
Charge for the year	2.8	1.5	47.1	51.4
Disposals	(0.4)	(0.1)	(8.6)	(9.1)
Reclassification as current assets	–	–	(3.8)	(3.8)
At 31 December 2006	21.1	10.6	235.7	267.4
Net book value at 31 December 2006	32.2	7.7	208.0	247.9

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10 Property plant and equipment (continued)

Plant and equipment includes assets held for lease to customers under operating leases of $40.0m (2006: $37.4m). Additions during the year amounted to $9.7m (2006 : $12.4m) and depreciation totalled $13.2m (2006 : $9.1m). The gross cost of these assets at 31 December 2007 is $62.0m (2006 : $52.3m) and aggregate depreciation is $22.0m (2006 : $14.9m).

Impairment is included in the 'impairment and restructuring charges' line in the income statement (see note 5).

Property plant and equipment includes assets in the course of construction of $12.3m (2006 : $11.6m).

11 Joint ventures

In relation to the Group's interests in joint ventures, its share of assets, liabilities, income and expenses is shown below.

	2007 $m	2006 $m
Non-current assets	53.5	55.4
Current assets	222.7	218.4
Non-current liabilities	(15.3)	(8.8)
Current liabilities	(139.5)	(162.7)
Net assets	121.4	102.3
Income	422.8	397.5
Expenses	(379.8)	(366.8)
Profit before tax	43.0	30.7
Tax	(11.9)	(8.8)
Share of post tax results from joint ventures	31.1	21.9

The joint ventures have no significant contingent liabilities to which the Group is exposed, nor has the Group any significant contingent liabilities in relation to its interest in the joint ventures other than the bank guarantees described in note 32.

12 Inventories

	2007 $m	2006 $m
Materials	71.5	74.5
Work in progress	130.7	69.1
Finished goods and goods for resale	337.0	280.5
	539.2	424.1

13 Trade and other receivables

	2007 $m	2006 $m
Trade receivables	**799.7**	691.2
Less: provision for impairment of trade receivables	**(44.2)**	(23.6)
Trade receivables – net	**755.5**	667.6
Amounts recoverable on contracts	**14.9**	15.2
Amounts receivable under finance leases	**–**	7.8
Prepayments and accrued income	**59.5**	54.8
Other receivables	**65.0**	47.1
	894.9	792.5

There are no amounts receivable under finance leases at 31 December 2007 (2006: $11.4m). Rentals receivable during the year under finance leases amounted to $11.4m (2006: $12.4m). At 31 December 2006 amounts receivable under finance leases of $3.6m were included in long term receivables.

The Group's trade receivables balance is analysed by division below:-

31 December 2007	Trade Receivables – Gross $m	Provision for impairment $m	Trade Receivables – Net $m	Receivable days
Engineering & Production Facilities	462.7	(9.3)	453.4	55
Well Support	165.5	(27.5)	138.0	54
Gas Turbine Services	171.5	(7.4)	164.1	42
Total Group	**799.7**	**(44.2)**	**755.5**	**53**

31 December 2006				
Engineering & Production Facilities	374.8	(7.0)	367.8	49
Well Support	144.4	(11.1)	133.3	61
Gas Turbine Services	172.0	(5.5)	166.5	47
Total Group	691.2	(23.6)	667.6	52

Receivable days are calculated by allocating the closing trade receivables balance to current and prior period revenue including sales taxes. A receivable days calculation of 53 indicates that closing trade receivables represent the most recent 53 days of revenue. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the original receivables.

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13 Trade and other receivables (continued)

The ageing of the provision for impairment of trade receivables is as follows:

	2007 $m	2006 $m
Up to 3 months	6.1	2.8
Over 3 months	38.1	20.8
	44.2	23.6

The movement on the provision for impairment of trade receivables by division is as follows:

2007	Engineering & Production Facilities $m	Well Support $m	Gas Turbine Services $m	Total $m
At 1 January	7.0	11.1	5.5	23.6
Exchange differences	0.5	0.1	–	0.6
Charge to income statement	1.8	16.3	1.9	20.0
At 31 December	**9.3**	**27.5**	**7.4**	**44.2**
2006				
At 1 January	4.1	3.5	3.8	11.4
Exchange differences	1.4	–	0.1	1.5
Charge to income statement	1.5	7.6	1.6	10.7
At 31 December	7.0	11.1	5.5	23.6

The charge to the income statement is included in administrative expenses.

The other classes within trade and other receivables do not contain impaired assets.

Included within gross trade receivables of $799.7m above (2006 : $691.2m) are receivables of $199.6m (2006: $190.0m) which were past due but not impaired. These relate to customers for whom there is no recent history or expectation of default. The ageing analysis of these trade receivables is as follows:

	2007 $m	2006 $m
Up to 3 months	174.6	163.3
Over 3 months	25.0	26.7
	199.6	190.0

14 Cash and cash equivalents

	2007 $m	2006 $m
Cash at bank and in hand	**98.8**	85.8
Short-term bank deposits	**18.3**	54.5
	117.1	140.3

The effective interest rate on short-term deposits was 6.2% (2006: 5.3%) and these deposits have an average maturity of 12 days (2006: 91 days).

At 31 December 2007 the Group held $10.7m of cash (2006: $54.5m) as security for standby letters of credit issued by the Group's insurance captive in relation to its reinsurance liabilities.

15 Trade and other payables

	2007 $m	2006 $m
Trade payables	**325.0**	255.4
Other tax and social security payable	**50.7**	40.6
Accruals and deferred income	**454.6**	384.7
Deferred consideration	**17.7**	12.6
Other payables	**43.6**	17.5
	891.6	710.8

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16 Borrowings

	2007 $m	2006 $m
Bank loans and overdrafts due within one year or on demand		
Unsecured	**45.1**	41.5
Non-current bank loans		
Unsecured	**349.9**	356.7

Bank loans are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents appropriate to the country in which the borrowing is incurred.

The effective interest rates on the Group's borrowings at the balance sheet date were as follows:

	2007 %	2006 %
US Dollar	**5.35**	5.77
Sterling	**6.40**	5.74
Euro	**5.08**	4.14
Canadian Dollar	**5.26**	4.93

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2007 $m	2006 $m
US Dollar	**116.0**	190.3
Sterling	**78.6**	117.8
Euro	**21.9**	22.6
Canadian Dollar	**151.5**	43.7
Other	**27.0**	23.8
	395.0	398.2

The Group is required to issue trade finance instruments to certain customers. These include tender bonds, performance bonds, retention bonds and advance payment bonds. The Group also has in place documentary letters of credit to secure payment from some customers and has issued standby letters of credit as security for local bank facilities. At 31 December 2007 the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to $257.7m (2006: $167.2m). At 31 December 2007, these facilities were 66% utilised (2006: 55%).

16 Borrowings (continued)

Borrowing facilities

The Group has the following undrawn borrowing facilities available at 31 December.

	2007 $m	2006 $m
Expiring within one year	38.1	23.6
Expiring between one and two years	–	8.9
Expiring in more than two years but not more than five years	436.3	409.4
	474.4	441.9

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review at various dates during 2008. The facilities have been arranged to help finance the Group's activities.

17 Other non-current liabilities

	2007 $m	2006 $m
Deferred consideration	85.4	24.2
Other payables	9.9	7.0
	95.3	31.2

Deferred consideration represents amounts payable on acquisitions made by the Group and is expected to be paid over the next six years.

18 Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy is to hedge exposures wherever practicable in order to minimise any potential adverse impact on the Group's financial performance.

Risk management is carried out by the Group Treasury department in line with the Group's Treasury policies. Group Treasury together with the Group's business units identify, evaluate and where appropriate, hedge financial risks. The Group's Treasury policies cover specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and investment of excess cash.

Where the Board considers that a material element of the Group's profits and net assets are exposed to a country in which there is significant geo-political uncertainty a report is prepared for the Board and a strategy agreed to ensure that the risk is minimised.

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18 Financial instruments (continued)

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currencies. The Group also has a number of subsidiary companies whose revenue and expenses are denominated in currencies other than the US dollar. In order to protect the Group's balance sheet from movements in exchange rates, wherever practicable, the Group finances its net investment in non US dollar subsidiaries primarily by means of borrowings denominated in the appropriate currency. Other strategies, including the payment of dividends, are used to minimise the amount of net assets exposed to foreign currency revaluation.

Some of the sales of the Group's businesses are to customers in overseas locations. Where possible, the Group's policy is to eliminate all significant currency exposures on sales at the time of the transaction by using financial instruments such as forward currency contracts. Changes in the forward contract fair values are booked through the income statement.

The Group carefully monitors the economic and political situation in the countries in which it operates to ensure appropriate action is taken to minimise any foreign currency exposure.

The Group's main foreign exchange risk relates to movements in the sterling/US dollar exchange rate. Movements in the sterling/US dollar rate impact the translation of sterling profit earned in the UK and the translation of sterling denominated net assets.

If the average sterling/US dollar rate had been 10% higher during 2007, post-tax profit for the year would have been $2.4m higher (2006: $1.4m higher). If the average sterling/US dollar rate had been 10% lower during 2007, post-tax profit for the year would have been $5.4m lower (2006: $0.9m lower). If the closing sterling/US dollar rate was 10% higher or lower at 31 December 2007, exchange differences in equity would have been $10.9m (2006: $3.0m) higher or lower respectively.

(ii) Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at floating rates of interest and then uses interest rate swaps into fixed rates to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's long-term policy is to maintain approximately 50% of its borrowings at fixed rates of interest. At 31 December 2007, approximately 44% (2006 : 51%) of the Group's borrowings were at fixed rates after taking account of interest rate swaps.

The Group is also exposed to interest rate risk on cash held on deposit. The Group's policy is to maximise the return on cash deposits whilst ensuring that cash is deposited with a financial institution with a credit rating of 'AA' or better. If average interest rates had been 1% higher or lower during 2007, post tax profit for the year would have been $1.5m higher or lower respectively (2006: $1.3m).

(iii) Price risk

The Group is not exposed to any significant price risk in relation to its financial instruments.

18 Financial instruments (continued)

(b) Credit risk

The Group's credit risk primarily relates to its trade receivables. The Group's operations comprise three divisions, Engineering & Production Facilities, Well Support and Gas Turbine Services each made up of a number of businesses. Responsibility for managing credit risks lies within the businesses with support being provided by Group and divisional management where appropriate.

A customer evaluation is typically obtained from an appropriate credit rating agency. Where required, appropriate trade finance instruments such as letters of credit, bonds, guarantees and credit insurance will be used to manage credit risk.

The Group's major customers are typically large companies which have strong credit ratings assigned by international credit rating agencies. Where a customer does not have sufficiently strong credit ratings, alternative forms of security such as the trade finance instruments referred to above may be obtained. The Group has a broad customer base and management believe that no further credit risk provision is required in excess of the provision for impairment of trade receivables.

Management review trade receivables across the Group based on receivable days calculations to assess performance. There is significant management focus on receivables that are overdue. A table showing trade receivables and receivable days by division is provided in note 13. Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is relevant.

The Group also has credit risk in relation to cash held on deposit. The Group's policy is to deposit cash at institutions with a 'AA' rating or better where possible. 100% of cash held on deposit at 31 December 2007 (2006 : 100%) was held with such institutions.

(c) Liquidity risk

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2007, 93% (2006 : 96%) of the Group's borrowing facilities (excluding joint ventures) were due to mature in more than one year. Based on the current outlook the Group has sufficient funding in place to meet its future obligations.

(d) Capital risk

The Group seeks to maintain an optimal capital structure. The Group monitors its capital structure on the basis of its gearing ratio, interest cover and the ratio of net debt to EBITDA.

Gearing is calculated by dividing net debt by shareholders' funds. Gearing at 31 December 2007 was 29% (2006: 32%).

Interest cover is calculated by dividing EBITA by net interest expense. Interest cover for the year to December 2007 was 12.6 times (2006: 9.0 times).

The ratio of net debt to EBITDA at 31 December 2007 was 0.7 (2006: 1.0).

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18 Financial instruments (continued)

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2007	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m
Borrowings	**45.1**	**–**	**349.9**	**–**
Derivative financial instruments	**1.5**	**0.4**	**0.8**	**–**
Trade and other payables	**891.6**	**–**	**–**	**–**
Other non-current liabilities	**–**	**15.0**	**54.5**	**25.8**
At 31 December 2006				
Borrowings	41.5	–	356.7	–
Derivative financial instruments	0.9	–	0.1	–
Trade and other payables	710.8	–	–	–
Other non-current liabilities	–	20.4	10.8	–

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2007	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m
Forward foreign exchange contracts				
Outflow	**162.5**	**1.2**	**–**	**–**
Inflow	**163.1**	**1.2**	**–**	**–**
Interest rate swaps				
Outflow	**4.7**	**2.0**	**14.8**	**–**
Inflow	**3.0**	**1.7**	**14.0**	**–**
At 31 December 2006				
Forward foreign exchange contracts				
Outflow	46.8	–	–	–
Inflow	47.4	–	–	–
Interest rate swaps				
Outflow	6.6	1.9	20.0	–
Inflow	7.1	2.1	22.6	–

All of the Group's forward foreign exchange contracts are categorised as held for trading. All interest rate swaps are categorised as cash flow hedges.

18 Financial instruments (continued)

Fair value of non-derivative financial assets and financial liabilities

The fair value of short term borrowings, trade and other payables, trade and other receivables, short term deposits and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments. Long term borrowings are generally rolled over for periods of three months or less and as a result, book value and fair value are considered to be the same.

	2007		2006	
	Book Value $m	**Fair Value $m**	Book Value $m	Fair Value $m
Fair value of long-term borrowings				
Long-term borrowings (note 16)	**(349.9)**	**(349.9)**	(356.7)	(356.7)
Fair value of other financial assets and financial liabilities				
Primary financial instruments held or issued to finance the Group's operations:				
Trade and other receivables (note 13)	**894.9**	**894.9**	792.5	792.5
Cash at bank and in hand (note 14)	**98.8**	**98.8**	85.8	85.8
Short-term deposits (note 14)	**18.3**	**18.3**	54.5	54.5
Trade and other payables (note 15)	**(891.6)**	**(891.6)**	(710.8)	(710.8)
Short-term borrowings (note 16)	**(45.1)**	**(45.1)**	(41.5)	(41.5)
Other non-current liabilities (note 17)	**(95.3)**	**(95.3)**	(31.2)	(31.2)

Derivative financial instruments

The fair value of the Group's derivative financial instruments at the balance sheet date were as follows:

	2007		2006	
	Assets $m	**Liabilities $m**	Assets $m	Liabilities $m
Interest rate swaps – cash flow hedges	**0.8**	**1.6**	3.0	0.3
Forward foreign exchange contracts	**0.7**	**0.5**	0.9	0.2
Currency options	**–**	**0.6**	–	0.5
Total	**1.5**	**2.7**	3.9	1.0
Less non-current portion:				
Interest rate swaps – cash flow hedges	**0.8**	**1.2**	2.6	0.1
Current portion	**0.7**	**1.5**	1.3	0.9

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability if the maturity of the hedged item is less than 12 months.

There was no ineffectiveness recognised in the income statement from fair value hedges in the current or preceding year. The ineffective portion recognised in the income statement arising from cash flow hedges amounts to $nil (2006: $0.4m). There was no ineffectiveness recorded in the income statement from net investment in foreign entity hedges in the current or preceding year.

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18 Financial instruments (continued)

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2007 was $163.7m (2006: $46.8m).

(b) Interest rate swaps

The notional principal amount of the Group's outstanding interest rate swap contracts at 31 December 2007 was $175.0m (2006 : $203.9m).

At 31 December 2007 the fixed interest rates excluding margin varied from 2.7% to 5.2% (2006 : 2.7% to 5.2%) and the floating rate was 5.3% also excluding margin (2006 : 5.4%). The Group interest rate swaps are for periods of up to 5 years and they expire between 2008 and 2010. The bank has a break option on one $25m 5 year swap. This option is exercisable on a quarterly basis.

The fair value gains and losses relating to the interest rate swaps which are deferred in equity at 31 December 2007 will reverse in the income statement over the term of the swaps.

(c) Hedge of net investment in foreign entities

The table below shows the Group's foreign currency borrowings which it has designated as a hedge of subsidiary company net assets. The fair value of the borrowings at 31 December 2007 was $158.4m (2006 : $137.5m). The foreign exchange loss of $7.6m (2006 : $14.3m) on translation of the borrowings into US dollars has been recognised in the currency translation reserve.

2007			2006		
Foreign currency amount	**$m**	**% of foreign currency net assets hedged**	Foreign currency amount	$m	% of foreign currency net assets hedged
£35.0m	**69.7**	**42%**	£50.0m	97.9	76%
C$63.0m	**63.8**	**67%**	C$20.0m	17.2	41%
A$5.6m	**4.9**	**34%**	A$5.6m	4.4	24%
€13.7m	**20.0**	**74%**	€13.7m	18.0	82%
	158.4			137.5	

19 Provisions

	Warranty provisions $m	Other $m	Total $m
At 1 January 2007	13.5	10.1	23.6
Exchange differences	0.3	–	0.3
Charge to income statement	12.1	12.3	24.4
Payments during the year	(8.2)	(3.4)	(11.6)
At 31 December 2007	**17.7**	**19.0**	**36.7**

Warranty provisions

These provisions are recognised in respect of guarantees provided in the normal course of business relating to contract performance. They are based on previous claims history and it is expected that most of these costs will be incurred over the next two years.

Other provisions

At 31 December 2007, other provisions of $19.0m (2006 : $10.1m) have been recognised. This amount includes provisions for future losses on onerous contracts, a provision for non-recoverable indirect taxes and a provision for remedial work at one of our facilities. It is expected that the majority of the costs in relation to these provisions will be incurred over the next two years.

20 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the asset or liability has arisen. Deferred tax in relation to UK companies is provided at 28% (2006: 30%). The change in rate at 31 December 2007 has not had a material impact on the deferred tax balance.

The movement on the deferred tax account is shown below:

	2007 $m	2006 $m
At 1 January	**(29.3)**	(12.3)
Exchange differences	**(0.6)**	(1.2)
Credit to income statement	**(16.4)**	(18.4)
Deferred tax relating to retirement benefit liabilities	**0.8**	2.6
At 31 December	**(45.5)**	(29.3)
Deferred tax is presented in the financial statements as follows:		
Deferred tax assets	**(51.1)**	(36.6)
Deferred tax liabilities	**5.6**	7.3
	(45.5)	(29.3)

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. As these earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. If the earnings were remitted, tax of $20.0m (2006: $20.1m) would be payable.

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20 Deferred tax (continued)

The Group has unrecognised tax losses of $39.8m (2006 : $44.3m) to carry forward against future taxable income.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The deferred tax balances are analysed below:-

	Accelerated tax depreciation $m	Pension $m	Share based charges $m	Short term timing differences $m	Total $m
Deferred tax assets	5.8	(3.4)	(8.8)	(44.7)	(51.1)
Deferred tax liabilities	–	–	–	5.6	5.6
Net deferred tax liability/(asset)	**5.8**	**(3.4)**	**(8.8)**	**(39.1)**	**(45.5)**

21 Share based charges

The Group currently has three share based payment schemes, the Executive Share Option Scheme "ESOS", the Long Term Retention Plan "LTRP" and the Long Term Incentive Scheme "LTIS". Details of each of the schemes are given in the Directors' Remuneration Report and in note 22.

The charge in the Group income statement for these schemes is $13.7m (2006 : $9.7m)

The assumptions made in arriving at the charge for each scheme are given below:

ESOS and LTRP

At 31 December 2007 there were 618 employees (2006 : 490) participating in these schemes. For the purposes of calculating the fair value of the options a Black-Scholes option pricing model has been used. Based on past experience, it has been assumed that options will be exercised, on average, six months after the earliest exercise date, which is four years after grant date, and there will be a lapse rate of between 15% and 20%. The share price volatility used of 35%-40% is based on the actual volatility of the Group's shares since IPO as well as that of comparable companies. The risk free rate of return of 4.1%-5.2% is based on the implied yield available on zero coupon gilts with a term remaining equal to the expected lifetime of the options at the date of grant. A dividend yield of around 1.0% has been used in the calculations.

The fair value of options granted under the ESOS during the year was £0.91 (2006 : £0.87). The fair value of options granted under the LTRP during the year ranged from £2.54 to £3.92 (2006 : £2.25 to £2.51). The weighted average remaining contractual life of share options at 31 December 2007 is 5.7 years (2006: 6.0 years).

LTIS

The share based charge is calculated using a fair value of £1.40. The charge for the market related performance target has been calculated using a Monte Carlo simulation model using similar assumptions to the ESOS and LTRP calculations. The LTIS is replaced by a new Long Term Incentive Plan "LTIP" with effect from 1 January 2008.

22 Share capital

Authorised	2007 $m	2006 $m
720,000,000 (2006: 720,000,000) ordinary shares of 3½ pence	**34.9**	34.9

	2007 shares	2007 $m	2006 shares	2006 $m
Issued and fully paid				
Ordinary shares of 3½ pence each				
At 1 January	**516,632,930**	**25.5**	515,237,930	25.4
Issue of new shares	**203,790**	**–**	375,000	–
Allocation of shares to employee share trusts	**7,500,000**	**0.5**	1,020,000	0.1
At 31 December	**524,336,720**	**26.0**	516,632,930	25.5

John Wood Group PLC is a public limited company, incorporated and domiciled in Scotland.

During the year 203,790 ordinary shares of 3⅓ pence were issued at prices varying from 15⅔ pence per share to 83⅓ pence per share, on the exercise of options granted under the John Wood Group PLC 1994 Approved Executive Share Option Scheme and the John Wood Group 1996 Unapproved Executive Share Option Scheme.

Executive Share Option Schemes

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

Year of Grant	Number of ordinary shares under option 2007	2006	Exercise price (per share)	Exercise period
1998	**–**	46,290	15⅔p	2003-2008
2000	**326,250**	574,038	17⅓p	2005-2010
2001	**315,000**	645,000	93⅓p	2006-2011
2001	**1,260,070**	4,987,200	83⅓p	2006-2011
2002	**327,000**	1,651,500	83⅓p	2007-2012
2003	**–**	500,000	161¼p	2007-2013
2003	**1,645,413**	3,428,542	158p	2007-2013
2004	**6,269,517**	6,601,041	128½p	2008-2014
2005	**1,807,917**	1,917,292	145p	2009-2015
2006	**919,667**	1,019,000	265¼p	2010-2016
2007	**1,215,500**	–	268½p	2011-2017
	14,086,334	21,369,903		

Details of the Group's Executive Share Option Schemes are set out in the Directors' remuneration report. Share options are granted at an exercise price equal to the average mid-market price of the shares on the three days prior to the date of grant.

3,873,733 options (2006 : 6,252,528) were exercisable at 31 December 2007. 1,282,500 options were granted during the year, 7,965,088 options were exercised during the year and 600,981 options lapsed during the year. The weighted average share price for options exercised during the year was £3.27 (2006 : £2.45).

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22 Share capital (continued)

There are no performance criteria attached to the exercise of the options granted prior to 2003. Options granted to directors under the executive share option scheme adopted during 2002, and implemented in 2003, are subject to performance criteria as set out in the Directors' Remuneration Report. There are no performance criteria under this scheme for options granted to employees.

Long Term Retention Plan

The following options granted under the Group's LTRP were outstanding at 31 December:

	Number of ordinary shares under option		Exercise price	
Year of Grant	**2007**	**2006**	**(per share)**	**Exercise period**
2003	**390,520**	1,688,056	3⅓p	2007-2008
2004	**81,250**	100,000	3⅓p	2008-2009
2005	**121,502**	138,003	3⅓p	2009-2010
2006	**1,317,104**	1,299,733	3⅓p	2010-2011
2007	**1,684,938**	–	3⅓p	2011-2012
	3,595,314	3,225,792		

Options are granted under the Group's LTRP at par value (3⅓ pence per share). There are no performance criteria attached to the exercise of options under the LTRP however, no LTRP options are granted unless the Group achieves a minimum level of EPS growth of RPI plus 3%. The level of grant varies between RPI plus 3% and RPI plus 10%. 1,783,500 LTRP options were granted during the year, 1,280,354 LTRP options were exercised during the year and 133,624 LTRP options lapsed during the year. Further details on the LTRP are provided in the Directors' remuneration report.

Long Term Incentive Scheme

The Group introduced a Long Term Incentive Scheme "LTIS" in 2005. Under this Scheme, the executive directors (but not the Chairman) and other key senior executives are awarded shares dependent upon the achievement of performance targets established by the Remuneration Committee. The performance measures are operating profit, return on capital employed and growth in the company's share price. The share price performance measure applies to the executive directors only. The awards are in the form of restricted shares and are deferred for two years from the award date. 6,863,251 shares are potentially issuable under the scheme. The LTIS is replaced by a new Long Term Incentive Plan "LTIP" with effect from 1 January 2008. Further details of the LTIS and LTIP are provided in the Directors' Remuneration Report.

23 Share premium

	2007	2006
	$m	$m
At 1 January	**294.1**	292.1
Arising on issue of new shares, net of expenses	**0.2**	0.4
Allocation of shares to employee share trusts	**9.3**	1.6
At 31 December	**303.6**	294.1

Expenses of share issue and allocation amounted to $0.1m (2006 : $0.1m).

24 Retained earnings

	2007 $m	2006 $m
At 1 January	**397.4**	288.1
Profit for the year attributable to equity shareholders	**165.0**	120.5
Dividends paid	**(27.6)**	(20.8)
Credit relating to share based charges	**13.7**	9.7
Actuarial gain on retirement benefit liabilities	**2.6**	8.5
Movement in deferred tax relating to retirement benefit liabilities	**(0.8)**	(2.6)
Shares allocated to ESOP trusts	**(9.8)**	(1.7)
Shares disposed of by ESOP trusts	**16.2**	1.4
Exchange differences in respect of shares held by ESOP trusts	**(0.8)**	(5.7)
At 31 December	**555.9**	397.4

Retained earnings are stated after deducting the investment in own shares held by ESOP trusts. Investment in own shares represents the cost of 19,518,329 (2006 : 21,059,981) of the company's ordinary shares totalling $40.8m (2006 : $46.4m). No options have been granted over shares held by the ESOP trusts (2006 : 46,290).

Shares acquired by the ESOP trusts are purchased in the open market using funds provided by John Wood Group PLC to meet obligations under the Employee Share Option Schemes, the LTRP and the LTIS. During 2007, 7,500,000 shares at a value of $9.8m were allocated to the trusts in order to satisfy the exercise of share options. 9,041,652 shares were issued during the year to satisfy the exercise of share options at a value of $16.2m. Exchange adjustments of $0.8m arose during the year relating to the retranslation of the investment in own shares from sterling to US dollars. The costs of funding and administering the trusts are charged to the income statement in the period to which they relate. The market value of the shares at 31 December 2007 was $168.2m (2006 : $108.0m) based on the closing share price of £4.33 (2006 : £2.62). The ESOP trusts have waived their rights to receipt of dividends except in relation to those shares used to meet obligations under the LTIS.

25 Other reserves

	Capital reduction reserve $m	Currency translation reserve $m	Hedging reserve $m	Total $m
At 1 January 2006	88.1	(13.8)	1.4	75.7
Exchange differences on retranslation of foreign currency net assets	–	5.6	–	5.6
Tax on foreign exchange losses recorded in reserves	–	3.2	–	3.2
Cash flow hedges	–	–	0.8	0.8
At 31 December 2006	**88.1**	**(5.0)**	**2.2**	**85.3**
Exchange differences on retranslation of foreign currency net assets	–	7.0	–	7.0
Tax on foreign exchange losses recorded in reserves	–	0.3	–	0.3
Cash flow hedges	–	–	(3.5)	(3.5)
At 31 December 2007	**88.1**	**2.3**	**(1.3)**	**89.1**

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25 Other reserves (continued)

A capital redemption reserve was created on the conversion of convertible redeemable preference shares immediately prior to the Initial Public Offering in June 2002. The capital redemption reserve was converted to a capital reduction reserve in December 2002 and is part of distributable reserves.

The currency translation reserve relates to the retranslation of foreign currency net assets on consolidation. This was reset to zero on transition to IFRS at 1 January 2004.

The hedging reserve relates to the accounting for derivative financial instruments under IAS 39. Fair value gains and losses in respect of effective cash flow hedges are recognised in the hedging reserve.

26 Minority interest

	2007 $m	2006 $m
At 1 January	**7.7**	19.6
Acquisition of minority interest	**(0.2)**	(11.1)
Investment by minority shareholders	**1.4**	–
Share of profit for the year	**3.9**	0.7
Dividends paid	**(1.5)**	(1.5)
At 31 December	**11.3**	7.7

27 Cash generated from operations

	2007 $m	2006 $m
Reconciliation of operating profit to cash generated from operations:		
Operating profit	**285.2**	207.5
Adjustments for:		
Depreciation	**60.3**	51.4
Gain on disposal of property plant and equipment	**(1.2)**	(1.4)
Amortisation of other intangible assets	**10.6**	7.6
Share based charges	**13.7**	9.7
Impairment and restructuring charges – non-cash impact	**25.0**	–
Profit on disposal of interest in joint venture	**(3.6)**	–
Increase in provisions	**12.8**	8.1
Changes in working capital (excluding effect of acquisition and disposal of subsidiaries)		
Increase in inventories	**(112.7)**	(55.2)
Increase in receivables	**(74.4)**	(125.6)
Increase in payables	**131.8**	127.2
Exchange differences	**(8.5)**	(4.2)
Cash generated from operations	**339.0**	225.1

27 Cash generated from operations (continued)

Analysis of net debt

	At 1 January 2007 $m	Cash flow $m	Exchange movements $m	At 31 December 2007 $m
Cash and cash equivalents	140.3	(27.5)	4.3	**117.1**
Short term borrowings	(41.5)	(0.2)	(3.4)	**(45.1)**
Long term borrowings	(356.7)	18.3	(11.5)	**(349.9)**
Net debt	(257.9)	(9.4)	(10.6)	**(277.9)**

28 Acquisitions

The assets and liabilities acquired in respect of the acquisition during the year were as follows:

	Fair value $m
Property plant and equipment	**5.4**
Other intangible assets	**29.2**
Trade and other receivables	**20.1**
Cash	**4.6**
Trade and other payables	**(16.7)**
Net assets acquired	**42.6**
Goodwill	**144.1**
Consideration	**186.7**
Consideration satisfied by:	
Cash	**116.6**
Deferred consideration	**70.1**
	186.7

The Group has used acquisition accounting for the purchase and, in accordance with the Group's accounting policies, the goodwill arising on consolidation of $144.1m has been capitalised. The amounts disclosed in the table above relate to the acquisition of IMV Projects Inc "IMV", which was acquired at the end of November 2007. The fair values in the above table are equivalent to the book values with the exception of goodwill and other intangible assets.

The IMV acquisition provides the Group with access to new markets and strengthen the Group's capabilities in certain areas. IMV will be in a position to access the Group's wider client base and use the Group's existing relationships to further grow and develop their businesses. These factors contribute to the goodwill recognised by the Group on the acquisition.

Deferred consideration payments of $13.6m were made during the year in respect of acquisitions made in prior periods. Payments during the year and changes to previous estimates of deferred consideration have resulted in additional goodwill of $2.4m.

In January 2008, the Group acquired Producers Assistance Corporation "PAC" for an initial consideration of $11.0m. PAC's net assets at the date of acquisition were $1.4m. The purchase price allocation process was not finalised prior to the completion of the financial statements.

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28 Acquisitions (continued)

The outflow of cash and cash equivalents on the acquisition made during the year is analysed as follows:

	$m
Cash consideration	116.6
Cash acquired	(4.6)
	112.0

The results of the Group, as if the above acquisition had been made at the beginning of period, would have been as follows:

	$m
Revenue	4,519.6
Profit for the year	180.6

The acquired business earned cumulative revenue of $86.9m from the beginning of the year to the acquisition date. From the date of acquisition to 31 December 2007, the acquisition contributed $7.9m to revenue and $0.7m to profit for the year.

29 Employees and directors

Employee benefits expense	2007 $m	2006 $m
Wages and salaries	1,467.1	1,155.8
Social security costs	111.4	89.4
Pension costs – defined benefit schemes (note 30)	6.5	7.1
Pension costs – defined contribution schemes (note 30)	33.0	23.7
	1,618.0	1,276.0

Average monthly number of employees (including executive directors)	2007 No.	2006 No.
By geographical area:		
Europe	4,883	4,410
North America	9,632	8,430
Rest of the World	7,098	5,817
	21,613	18,657

Key management compensation	2007 $m	2006 $m
Salaries and short-term employee benefits	19.3	15.7
Amounts receivable under long-term incentive schemes	12.2	8.8
Post employment benefits	1.1	0.9
Share based charges	7.6	6.0
	40.2	31.4

29 Employees and directors (continued)

The key management figures given above include executive directors.

Directors	2007 $m	2006 $m
Aggregate emoluments	**6.6**	5.6
Aggregate amounts receivable under long-term incentive schemes	**1.8**	1.5
Aggregate gains made on the exercise of share options	**2.3**	1.4
Company contributions to defined contribution pension schemes	**0.1**	0.1
	10.8	8.6

One director (2006: one) has retirement benefits accruing under a defined contribution pension scheme. Retirement benefits are accruing to six (2006: six) directors under the company's defined benefit pension scheme. Further details of directors emoluments are provided in the Directors' Remuneration Report.

30 Retirement benefit liabilities

One of the Group's pension schemes in the UK, the John Wood Group PLC Retirement Benefits Scheme, is a defined benefit scheme, which is contracted out of the State Scheme. The assets of the scheme are held separately from those of the Group, being invested with independent investment companies in trustee administered funds.

The most recent actuarial valuation of the scheme was carried out at 5 April 2007 by a professionally qualified actuary. On 5 April 2007 there was a change to the benefits provided under the scheme. From that date benefits are calculated on a Career Averaged Revalued Earnings "CARE" basis.

The principal assumptions made by the actuaries at the balance sheet date were:

	2007 %	2006 %
Rate of increase in pensionable salaries	**5.40**	5.20
Rate of increase in pensions in payment and deferred pensions	**3.20**	2.75
Discount rate	**5.60**	5.20
Expected return on scheme assets	**7.00**	7.03

The expected return on scheme assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

The mortality assumptions used by the actuary take account of standard actuarial tables compiled from UK wide statistics relating to occupational pension schemes. These assumptions are regularly reviewed for their appropriateness.

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30 Retirement benefit liabilities (continued)

The amounts recognised in the balance sheet are determined as follows:

	2007 $m	2006 $m
Present value of funded obligations	(187.5)	(165.3)
Fair value of scheme assets	176.2	140.4
Net liabilities	(11.3)	(24.9)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2007 %	2006 %
Equity securities	85.4	81.3
Corporate bonds	2.6	3.2
Gilts	11.2	9.7
Cash	0.8	5.8

The amounts recognised in the income statement are as follows:

	2007 $m	2006 $m
Current service cost included within employee benefits expense	6.5	7.1
Interest cost	8.9	7.3
Expected return on scheme assets	(10.5)	(8.1)
Total included within finance income	(1.6)	(0.8)

The employee benefits expense is included within administrative expenses.

Changes in the present value of the defined benefit liability are as follows:

	2007 $m	2006 $m
Present value of funded obligations at 1 January	165.3	137.0
Current service cost	6.5	7.1
Interest cost	8.9	7.3
Actuarial losses/(gains)	7.9	(5.6)
Scheme participants' contributions	3.3	3.5
Benefits paid	(2.1)	(3.7)
Plan curtailment	(5.0)	-
Exchange differences	2.7	19.7
Present value of funded obligations at 31 December	187.5	165.3

30 Retirement benefit liabilities (continued)

Changes in the fair value of scheme assets are as follows:

	2007 $m	2006 $m
Fair value of scheme assets at 1 January	**140.4**	103.7
Expected return on scheme assets	**10.5**	8.1
Contributions	**14.6**	13.6
Benefits paid	**(2.1)**	(3.7)
Actuarial gains	**10.5**	2.9
Exchange differences	**2.3**	15.8
Fair value of scheme assets at 31 December	**176.2**	140.4

Analysis of the movement in the balance sheet liability:

	2007 $m	2006 $m
At 1 January	**24.9**	33.3
Current service cost	**6.5**	7.1
Finance income	**(1.6)**	(0.8)
Contributions	**(11.3)**	(10.1)
Plan curtailment	**(5.0)**	-
Net actuarial gains recognised in the year	**(2.6)**	(8.5)
Exchange differences	**0.4**	3.9
At 31 December	**11.3**	24.9

Contributions include a one-off payment of $4m (£2m) made by the Group in April 2007 as part of the CARE transition arrangements.

Cumulative actuarial (gains) and losses recognised in equity:

	2007 $m	2006 $m
At 1 January	**27.0**	35.5
Net actuarial gains recognised in the year	**(2.6)**	(8.5)
At 31 December	**24.4**	27.0

The actual return on scheme assets was $21.0m (2006 : $11.0m).

Notes to the financial statements

for the year to 31 December 2007

30 Retirement benefit liabilities (continued)

History of experience gains and losses:

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets :					
Gain ($m)	**10.5**	2.9	12.3	4.9	6.3
Percentage of scheme assets	**6%**	2%	12%	6%	10%
Experience (losses)/gains on scheme liabilities:					
(Loss)/gain ($m)	**(7.9)**	5.6	(14.8)	(9.7)	(7.5)
Percentage of the present value of the scheme liabilities	**4%**	3%	11%	8%	8%
Present value of scheme liabilities ($m)	**187.5**	165.3	137.0	122.2	93.0
Fair value of scheme assets ($m)	**176.2**	140.4	103.7	88.3	65.5
Deficit ($m)	**11.3**	24.9	33.3	33.9	27.5

The contributions expected to be paid during the financial year ending 31 December 2008 amount to $5.8m (£2.9m).

Pension costs for defined contribution schemes are as follows:

	2007 $m	2006 $m
Defined contribution schemes	**33.0**	23.7

Contributions outstanding at 31 December 2007 in respect of defined contribution schemes amounted to $15.0m (2006 : $11.4m).

31 Operating lease commitments – minimum lease payments

	2007		2006	
	Property $m	**Vehicles, plant and equipment $m**	Property $m	Vehicles, plant and equipment $m
Amounts payable under non-cancellable operating leases due:				
Within one year	**27.7**	**13.3**	19.5	10.5
Later than one year and less than five years	**79.9**	**14.5**	58.5	13.0
After five years	**103.0**	**0.7**	56.3	0.1
	210.6	**28.5**	134.3	23.6

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Group also leases plant and machinery under non-cancellable operating lease agreements. The 2006 figures have been restated in accordance with IFRS.

32 Contingent liabilities

At the balance sheet date the Group had cross guarantees without limit extended to its principal bankers in respect of sums advanced to subsidiaries. At 31 December 2007, the Group has outstanding guarantees of $1.7m (2006 : $9.1m) in respect of joint venture banking arrangements.

33 Capital and other financial commitments

	2007 $m	2006 $m
Contracts placed for future capital expenditure not provided in the financial statements	**7.1**	3.4

The capital expenditure above relates to property plant and equipment. There are no significant joint venture capital commitments included in the figures above.

34 Related party transactions

The following transactions were carried out with the Group's joint ventures. These transactions comprise sales and purchases of goods and services in the ordinary course of business.

	2007 $m	2006 $m
Sale of goods and services to joint ventures	**143.5**	120.7
Purchase of goods and services from joint ventures	**16.5**	6.8
Receivables from joint ventures	**14.7**	20.9
Payables to joint ventures	**10.5**	3.2

In addition to the above, the Group charged JW Holdings Limited, a company in which Sir Ian Wood holds a controlling interest, an amount of $0.1m (2006: $0.1m) for management services provided under normal commercial terms.

Key management compensation is disclosed in note 29.

Notes to the financial statements

for the year to 31 December 2007

35 Principal subsidiaries and joint ventures

The Group's principal subsidiaries and joint ventures are listed below.

Name of subsidiary or joint venture	Country of incorporation or registration	Ownership interest %	Principal activity
Engineering & Production Facilities:			
Mustang Engineering Holdings, Inc	USA	100	Engineering, project and construction management, refinery upgrades and operational enhancement.
Global Performance Holdings, Inc	USA	100	
Alliance Wood Group Engineering L.P	USA	100	
J P Kenny Engineering Limited	UK	100	
IMV Projects Inc	Canada	100	
Wood Group Engineering (North Sea) Limited	UK	100	Brownfield engineering and modifications, production enhancement, operations management, maintenance management and abandonment services.
SIGMA 3 (North Sea) Limited	UK	33.3*	
Wood Group Production Services, Inc	USA	100	
Wood Group Colombia S.A	Colombia	100	
Wood Group Equatorial Guinea Limited	Cyprus	100	
Well Support:			
Wood Group ESP, Inc.	USA	100	Electric submersible pumps
Corporacion ESP de Venezuela CA	Venezuela	100	Electric submersible pumps
Wood Group Products & Services SA	Argentina	100	Electric submersible pumps
Wood Group ESP (Middle East) Ltd	Cyprus	100	Electric submersible pumps
Wood Group Pressure Control, L.P.	USA	100	Valves and wellhead equipment
Wood Group Pressure Control Limited	UK	100	Valves and wellhead equipment
Wood Group Logging Services Inc.	USA	100	Logging services
Copgo Wood Group Argentina S.A	Argentina	100	Logging services
Gas Turbine Services:			
Wood Group Light Industrial Turbines Limited	UK	100	Gas turbine repair and overhaul
Wood Group Engineering Services (Middle East) Limited	Jersey	100	Gas turbine repair and overhaul
Rolls Wood Group (Repair & Overhauls) Limited	UK	50*	Gas turbine repair and overhaul
TransCanada Turbines Limited	Canada	50*	Gas turbine repair and overhaul
Wood Group Advanced Parts Manufacture AG	Switzerland	100	Provision of gas turbine parts
Wood Group Gas Turbine Services Limited	UK	100	Gas turbine repair and overhaul
Wood Group Field Services, Inc.	USA	100	Gas turbine repair and overhaul
Wood Group Power Solutions, Inc.	USA	100	Provision of gas turbine packages
Wood Group Pratt & Whitney Industrial Turbine Services, LLC	USA	49*	Gas turbine repair and overhaul
Wood Group Power Operations, Inc	USA	100	Power plant operations and maintenance

The proportion of voting power held equates to the ownership interest, other than for joint ventures (marked *) which are jointly controlled.

Company financial statements

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Independent auditors' report

to the members of the John Wood Group PLC

We have audited the parent company financial statements of John Wood Group PLC for the year ended 31 December 2007 which comprise the Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of John Wood Group PLC for the year ended 31 December 2007.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors' is consistent with the parent company financial statements. The information given in the Report of the Directors' includes that specific information presented in the Operational and Financial Reviews that is cross referred from the Principal Activities and Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Operational and Financial Reviews. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
3 March 2008

Notes:

(a) The maintenance and integrity of the John Wood Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company balance sheet
for the year to 31 December 2007

	Note	2007 $m	2007 $m	2006 $m	2006 $m
Fixed assets					
Investments	1		379.1		267.1
Current assets					
Debtors	2	1,217.9		752.2	
Financial assets – derivative financial instruments	6	0.8		2.8	
Cash at bank and in hand	3	13.7	1,232.4	0.1	755.1
Creditors: amounts falling due within one year					
Creditors	4	(477.9)		(169.9)	
Financial liabilities – derivative financial instruments	6	(2.3)	(480.2)	(0.8)	(170.7)
Net current assets			752.2		584.4
Total assets less current liabilities			1,131.3		851.5
Creditors: amounts falling due after one year	5		(339.9)		(341.2)
			791.4		510.3
Capital and reserves					
Share capital	7		26.0		25.5
Share premium	8		303.6		294.1
Capital reduction reserve	9		88.1		88.1
Retained earnings	10		364.2		89.8
Other reserves	11		9.5		12.8
Equity shareholders' funds	12		791.4		510.3

The financial statements on pages 106 to 116 were approved by the board of directors on 3 March 2008.

Allister G Langlands, Director Alan G Semple, Director

Notes to the company financial statements

for the year to 31 December 2007

Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies which have been consistently applied, is set out below.

Reporting currency

The Company's transactions are primarily US dollar denominated and the principal functional currency is the US dollar.

The following sterling to US dollar exchange rates have been used in the preparation of these accounts:-

	Average rate	Closing rate
	£1 = $	£1 = $
Year ended 31 December 2006	1.8427	1.9572
Year ended 31 December 2007	1.9995	1.9906

Investments

Investments in subsidiary undertakings and joint ventures are included in the balance sheet of the Company at cost less any provision for impairment.

Impairment

The Company performs impairment reviews in respect of fixed asset investments whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:-

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.

- provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been declared or there is a binding commitment.

- on the basis of all available evidence deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the company financial statements

for the year to 31 December 2007

Accounting policies

Foreign currencies

Transactions in foreign currencies are translated at the exchange rates ruling at the date of the transaction or, where forward contracts have been arranged, at the contractual rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet dates or at a contractual rate if applicable and any exchange differences are taken to the profit and loss account.

The directors consider it appropriate to record sterling denominated equity share capital in the accounts of John Wood Group PLC at the exchange rate ruling on the date it was raised.

Financial instruments

The accounting policy for financial instruments is consistent with the Group accounting policy as presented in the notes to the Group financial statements with the exception of the policy on net investment hedges which does not apply to the Company. The Company's financial risk management policy is consistent with the Group's financial risk management policy outlined in note 18 to the Group financial statements.

Operating leases

As lessee

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting period. Actual results could differ from those estimates.

Employee share ownership trusts

The Company is deemed to have control of the assets, liabilities, income and costs of its employee share ownership trusts "ESOP trusts". They have therefore been included in the financial statements of the Company. Under UITF 38 the cost of shares held by the ESOP trusts is deducted from shareholders' funds.

Share based charges

The Company has a number of share schemes as detailed in the Group accounting policies and notes 21 and 22 to the Group financial statements. Details relating to the calculation of share based charges are provided in note 21 to the Group financial statements. In respect of the Company the charge is shown as an increase in the Company's investments, as the employees to which the charge relates are employed by subsidiary companies.

Disclosure of impact of new and future accounting standards

The following standards, amendments and interpretations to published standards were mandatory for the year ended 31 December 2007.

FRS 26: Financial Instruments: Recognition and Measurement

The application of FRS 26 has not had a material impact on the financial statements.

FRS 29: Financial Instruments: Disclosures

The application of FRS 29 has resulted in additional disclosures in the accounts in notes 2, 3, 5 and 6.

1 Investments

	Subsidiaries $m
Cost	
At 1 January 2007	333.9
Exchange differences	3.0
Additions	113.3
Disposals	(4.3)
At 31 December 2007	**445.9**
Amounts provided	
At 1 January 2007 and 31 December 2007	66.8
Net book value	
At 31 December 2007	**379.1**
At 31 December 2006	267.1

2 Debtors

	2007 $m	2006 $m
Amounts owed by group undertakings	**1,206.6**	740.1
Amounts owed by joint ventures	**3.7**	10.1
Prepayments and accrued income	**0.9**	1.2
Group relief receivable	**6.7**	0.8
	1,217.9	752.2

As at 31 December 2007, amounts owed by group undertakings of $14.3m (2006: $14.0m) were impaired. These amounts relate to balances due from non-trading group companies from whom there is no expectation of payment. The ageing of these amounts is as follows:

	2007 $m	2006 $m
Over 3 months	**14.3**	14.0

The movement on the provision for impairment is as follows:

	2007 $m	2006 $m
At 1 January	**14.0**	12.3
Exchange differences	**0.3**	1.7
At 31 December	**14.3**	14.0

The creation and release of provision for impaired balances is charged to the profit and loss account. The company had no outstanding balances that were past due but not impaired at either 31 December 2007 or 31 December 2006. The other classes within debtors do not contain impaired assets.

Notes to the company financial statements

for the year to 31 December 2007

3 Cash at bank and in hand

	2007 $m	2006 $m
Cash at bank and in hand	**13.3**	0.1
Short-term bank deposits	**0.4**	–
	13.7	0.1

The effective interest rate on short-term deposits was 5.5% (2006: nil) and these deposits have an average maturity of 3 days (2006: nil).

4 Creditors

	2007 $m	2006 $m
Bank overdrafts	**50.4**	56.0
Amounts due to group undertakings	**421.8**	112.2
Amounts due to joint ventures	**3.0**	–
Corporation tax payable	**–**	0.2
Accruals and deferred income	**2.7**	1.2
Other creditors	**–**	0.3
	477.9	169.9

5 Creditors amounts falling due after more than one year

	2007 $m	2006 $m
Bank loans	**339.9**	341.2

Bank loans are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents appropriate to the country in which the borrowing is incurred.

The effective interest rates on the Company's borrowings at the balance sheet date were as follows:

	2007 %	2006 %
US Dollar	**5.33**	5.80
Sterling	**6.40**	5.74
Euro	**5.08**	4.14
Canadian Dollar	**5.22**	4.69

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2007 $m	2006 $m
US Dollar	**100.0**	162.0
Sterling	**69.7**	114.9
Euro	**21.7**	22.6
Canadian Dollar	**141.9**	34.0
Other	**6.6**	7.7
	339.9	341.2

6 Financial instruments

Financial risk factors

The Company's activities give rise to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management strategy is to hedge exposures wherever practicable in order to minimise any potential adverse impact on the Company's financial performance.

Risk management is carried out by the Group Treasury department in line with the Group's Treasury policies which are approved by the Board of Directors. Group Treasury identify, evaluate and where appropriate hedge financial risks. The Group Treasury policies cover specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess cash.

(a) Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currencies. In order to protect the Company's balance sheet from movements in exchange rates, the Company finances its net investment in non US dollar subsidiaries primarily by means of borrowings denominated in the appropriate currency.

Where possible the Company's policy is to eliminate all significant currency exposures at the time of the transaction by using financial instruments such as forward currency contracts. Changes in the forward contract fair values are booked through the profit and loss account.

(ii) Interest rate risk

The Company finances its operations through a mixture of retained profits and bank borrowings. The company borrows in the desired currencies at floating rates of interest and then uses interest rate swaps as cash flow hedges to generate the desired interest profile and to manage the Company's exposure to interest rate fluctuations. At 31 December 2007, approximately 50% (2006: 58%) of the Company's borrowings were at fixed rates after taking account of interest rate swaps.

The Company is also exposed to interest rate risk on cash held on deposit. The Company's policy is to maximise the return on cash deposits whilst ensuring that cash is deposited with a financial institution with a credit rating of 'AA' or better.

(iii) Price risk

The Company is not exposed to any significant price risk in relation to its financial instruments.

(b) Credit risk

The Company's credit risk primarily relates to its inter-company loans and inter-company receivables. Management believe that no further risk provision is required in excess of the current provision for impairment.

The Company also has credit risk in relation to cash balances or cash held on deposit. The Company's policy is to deposit cash at institutions with an 'AA' rating or better where possible. 100% of cash held on deposit at 31 December 2007 was held with such institutions.

Notes to the company financial statements

for the year to 31 December 2007

6 Financial instruments (continued)

(c) Liquidity risk

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2007, 100% (2006: 100%) of the Company's borrowing facilities were due to mature in more than one year. Based on the current outlook the Company has sufficient funding in place to meet its future obligations.

(d) Capital risk

The Company's capital risk is determined by that of the Group.

The table below analyses the Company's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2007	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Bank loans	**–**	**–**	**339.9**	**–**
Derivative financial instruments	**1.2**	**0.4**	**0.7**	**–**
Creditors	**477.9**	**–**	**–**	**–**
At 31 December 2006				
Bank loans	–	–	341.2	–
Derivative financial instruments	0.8	–	–	–
Creditors	169.9	–	–	–

6 Financial instruments (continued)

The table below analyses the Company's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2007	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m
Forward foreign exchange contracts				
Outflow	**92.7**	**–**	**–**	**–**
Inflow	**92.6**	**–**	**–**	**–**
Interest rate swaps				
Outflow	**4.6**	**2.0**	**14.8**	**–**
Inflow	**2.9**	**1.7**	**14.0**	**–**

At 31 December 2006				
Forward foreign exchange contracts				
Outflow	2.2	–	–	–
Inflow	2.2	–	–	–
Interest rate swaps				
Outflow	6.6	1.7	20.0	–
Inflow	7.1	1.7	22.6	–

All of the Company's forward foreign exchange contracts are categorised as held for trading. All interest rate swaps are categorised as cash flow hedges.

Notes to the company financial statements

for the year to 31 December 2007

6 Financial instruments (continued)

Derivative financial instruments

The book value and net fair value of the Company's derivative financial instruments at the balance sheet date were as follows:

	2007		2006	
	Debtor	Creditor	Debtor	Creditor
	$m	$m	$m	$m
Interest rate swaps – cash flow hedges	0.8	1.6	2.8	0.3
Forward foreign exchange contracts	–	0.1	–	–
Currency options	–	0.6	–	0.5
Total	0.8	2.3	2.8	0.8

Trading derivatives are classified as debtors or creditors.

The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to nil (2006: nil). The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to nil (2006: $0.4m). There was no ineffectiveness to be recorded from net investment in foreign entity hedges in either period.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

(a) Forward foreign exchange contracts

The notional principal amounts of the Company's outstanding forward foreign exchange contracts at 31 December 2007 was $92.7m (2006: $2.2m).

(b) Interest rate swaps

The notional principal amount of the Company's outstanding interest rate swap contracts at 31 December 2007 was $170.0m (2006: $198.9m).

At 31 December 2007 the fixed interest rates varied from 3.6% to 5.2% (2006: 3.6% to 5.2%) and the floating rate was 5.3% excluding margin (2006: 5.4%). The interest rate swaps are for periods of 5 years and they expire between 2008 and 2010. The bank has a break option on one $25m 5 year swap. This option is exercisable on a quarterly basis.

The fair value gains and losses relating to the interest rate swaps and which are deferred in equity at 31 December will reverse in the profit and loss account over the term of the swaps.

7 Share capital

	2007 $m	2006 $m
Authorised		
720,000,000 ordinary shares of 3⅓p each (2006 :720,000,000)	**34.9**	34.9
Allotted, called up and fully paid		
524,336,720 ordinary shares of 3⅓p each (2006 :516,632,930)	**26.0**	25.5

The additional information required in relation to share capital is given in note 22 to the Group financial statements.

8 Share premium

	2007 $m	2006 $m
At 1 January	**294.1**	292.1
Arising on issue of new shares, net of expenses	**0.2**	0.4
Allocation of shares to employee share trusts	**9.3**	1.6
At 31 December	**303.6**	294.1

Expenses of share issue and allocation amounted to $0.1m (2006 : $0.1m)

9 Capital reduction reserve

	2007 $m	2006 $m
At 1 January and 31 December	**88.1**	88.1

The capital redemption reserve was created on the conversion of convertible redeemable preference shares immediately prior to the Initial Public Offering in June 2002. The capital redemption reserve was converted to a capital reduction reserve in December 2002 and is part of distributable reserves.

Notes to the company financial statements

for the year to 31 December 2007

10 Retained earnings

	2007 $m	2006 $m
At 1 January	**89.8**	73.2
Retained profit for the year	**255.1**	12.9
Shares allocated to ESOP trusts	**(9.8)**	(1.7)
Shares disposed of by ESOP trusts	**16.2**	1.4
Foreign exchange in respect of own shares held by ESOP trusts	**(0.8)**	(5.7)
Credit relating to share based charges	**13.7**	9.7
At 31 December	**364.2**	89.8

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investments in own shares represents the cost of 19,518,329 (2006: 21,059,981) of the Company's ordinary shares totalling $40.8m (2006: $46.4m). The credit relating to share based charges was included in other reserves in the 2006 accounts. In these accounts the credit is shown in retained earnings and the 2006 comparatives have been restated accordingly.

11 Other reserves

	2007 $m	2006 $m
At 1 January	**12.8**	12.0
Fair value (losses)/gains	**(3.3)**	0.8
At 31 December	**9.5**	12.8

12 Reconciliation of movements in shareholders' funds

	2007 $m	2006 $m
Profit for the financial year	**282.7**	33.7
Dividends	**(27.6)**	(20.8)
	255.1	12.9
Issue of new shares, net of expenses	**0.2**	0.4
Credit relating to share based charges	**13.7**	9.7
Fair value (losses)/gains	**(3.3)**	0.8
Shares disposed of by ESOP trusts	**16.2**	1.4
Foreign exchange in respect of own shares held in ESOP trusts	**(0.8)**	(5.7)
	281.1	19.5
Shareholders' funds at 1 January	**510.3**	490.8
Shareholders' funds at 31 December	**791.4**	510.3

The profit for the financial year for the Company was $282.7m (2006 : $33.7m). The directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company.

The Company does not have any employees other than the directors of the Company. Details of the directors' remuneration is provided in the Directors Remuneration Report. The profit for the financial year is stated after charging audit fees of $43,000 (2006: $40,000). Details of dividends paid and proposed are provided in note 7 to the Group financial statements. Further details of share based charges are provided in note 21 to the Group financial statements. The loss on the fair value of unhedged derivative financial instruments charged to the profit and loss account during the year was $0.2m (2006: loss $0.1m).

Additional information

Contents

Additional information

Energy Supporting Energy

Five year summary

	2007 $m	2006 $m	2005 $m	2004 $m	2003 $m
Revenue	**4,432.7**	**3,468.8**	**2,761.9**	**2,288.1**	**1,992.6**
EBITA	**318.4**	**215.1**	**149.1**	**117.4**	**137.2**
Amortisation	(10.6)	(7.6)	(4.8)	(5.6)	(15.6)
Non-recurring items	(22.6)	–	3.7	(26.2)	(18.7)
Net interest payable	(25.3)	(23.9)	(23.3)	(19.4)	(19.9)
Profit before taxation	**259.9**	**183.6**	**124.7**	**66.2**	**83.0**
Taxation	(91.0)	(62.4)	(41.1)	(26.8)	(37.8)
Profit for the year	**168.9**	**121.2**	**83.6**	**39.4**	**45.2**
Attributable to:					
Equity shareholders	165.0	120.5	80.5	37.3	41.3
Minority Interests	3.9	0.7	3.1	2.1	3.9
	168.9	**121.2**	**83.6**	**39.4**	**45.2**
Shareholders' equity	**974.6**	**802.3**	**681.3**	**529.9**	**521.5**
Net borrowings	**277.9**	**257.9**	**245.8**	**354.3**	**175.0**
Gearing ratio	**28.5%**	**32.1%**	**36.1%**	**66.9%**	**33.6%**
Interest cover	**12.6**	**9.0**	**6.4**	**6.1**	**6.9**
Diluted earnings per share (cents)	**31.7**	**23.4**	**16.4**	**7.8**	**8.4**
Adjusted diluted earnings per share (cents)	**36.9**	**24.5**	**16.6**	**12.9**	**15.4**
Dividend per share (cents)	**7.0**	**5.0**	**4.0**	**3.6**	**3.3**

2004-2007 are as presented under IFRS. 2003 is as presented under UK GAAP.

Shareholder information

Dividends

We declare our dividend in US dollars. As a result of the shareholders being mainly UK based, dividends will be paid in sterling, but if you would like to receive your dividend in US dollars please contact the Registrars at the address below. All shareholders will receive dividends in sterling unless requested. If you are a UK based shareholder, the Company encourages you to have your dividends paid through the BACS (Banker's Automated Clearing Services) system. The benefit of the BACS payment method is that the Registrars post the tax vouchers directly to the shareholders, whilst the dividend is credited on the payment date to the shareholder's Bank or Building Society account. UK shareholders who have not yet arranged for their dividends to be paid direct to their Bank or Building Society account and wish to benefit from this service should contact the Registrars at the address below.
Sterling dividends will be translated at the closing mid-point spot rate on 25 March 2008 as published in the Financial Times on 26 March 2008.

Ex-dividend date	19 March 2008
Dividend record date	25 March 2008
Dividend payment date	26 May 2008

Annual General Meeting

The 2008 AGM will be held on Thursday 22 May 2008 at 12 noon at The Hilton Treetops, 161 Springfield Road, Aberdeen, AB15 7AQ

A separate notice convening the meeting is distributed to shareholders, which includes an explanation of the items of business to be considered at the meeting. All resolutions of which notice has been given will be decided on a poll.

Officers and advisers

Secretary and Registered Office
I Johnson, John Wood Group PLC, John Wood House,
Greenwell Road, Aberdeen AB12 3AX
Tel: 01224 851000

Stockbrokers
JPMorgan Cazenove Limited
Credit Suisse

Auditors
PriceWaterHouseCoopers LLP
Chartered Accountants

Shareholder enquiries

If you have any queries about the administration of shareholdings, such as change of address, change of ownership, dividend payments, or lost share certificates, please contact the Registrars, Equiniti Limited, "Equiniti".

As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. To limit the amount of unsolicited mail you receive write to the Mailing Preference Society, FREEPOST 22, London W1E 7EZ. Alternatively, register online at www.mpsonline.org.uk or call the MPS Registration line on 0845 703 4599.

Registrars

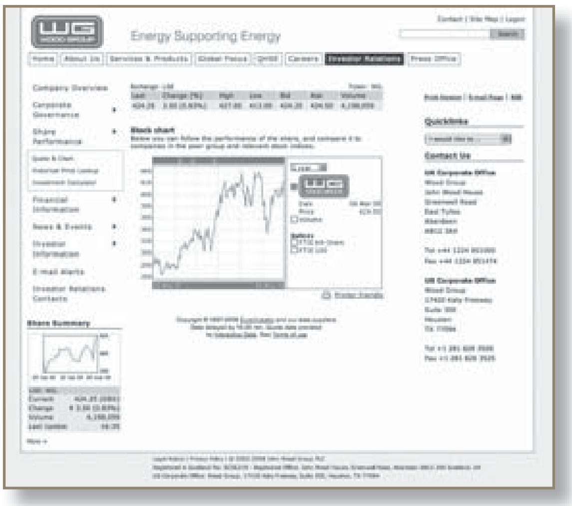
Equiniti
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Shareholder helpline
Tel: +44 121 415 7047; UK 0871 384 2649*

*Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

Website Shareholder Information

The company's website at www.woodgroup com has a dedicated Investor Relations section where you can catch up on the latest news in the press release section and sign up for automatic news alerts, read the latest Annual Report as well as our financial results presentations. You can also view share price and dividend histories and trading graphs. We welcome feedback on the site. Please email your comments to investor.relations@woodgroup.com



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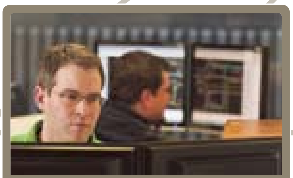
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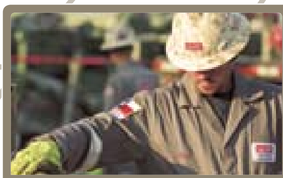
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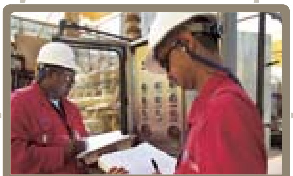
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