John Wood Group PLC

Annual report and financial statements for the year ended 31 December 2008

Registered Number : SC36219

Operational Review
Chairman's statement

2008 was a very successful year for Wood Group with record revenue of $5.2bn and record EBITA of $441m. This excellent performance means that over the last four years we have delivered compound annual growth in adjusted diluted earnings per share in excess of 40%.

2008 Group performance	2008 $m	2007 $m	Change
Revenue	**5,243.1**	4,432.7	+18%
EBITA [1]	**441.0**	318.4	+39%
EBITA margin	**8.4%**	7.2%	
Profit before tax	**384.1**	259.9	+48%
Basic EPS	**49.6c**	33.0c	+50%
Adjusted diluted EPS [4]	**52.1c**	36.9c	+41%
Total dividend	**9.0c**	7.0c	+29%
ROCE [2]	**33.3%**	28.3%	

Reflecting the strength of our performance and continuing confidence in our long term growth, we are proposing a final dividend of 6.2c, taking the total dividend for the year to 9.0c, up 29% on last year.

Markets

We used the strength of our oil & gas and power markets in 2008 to enhance our differentiation and further develop and internationalise our activities, and won a number of important new contracts. Engineering & Production Facilities strengthened its position in both its traditional markets, and in some new international markets. Well Support continued to increase revenue and margins in a competitive marketplace, develop new products and services, and increase the efficiency of its manufacturing operations. Gas Turbine Services continued its programme of developing the technology and engineering of new spare parts for the overhaul and repair of additional engine types, thus enhancing our differentiation and developing our market positions in both the oil & gas and power markets.

The world recession, volatile financial markets and exchange rates, and much lower oil and gas prices are expected to lead to a 10-15% reduction in global E&P expenditure and a decrease in service company activity. This, along with the impact of the stronger dollar on our non US dollar earning stream, will affect our shorter term reported performance to some extent. However, there are opportunities and we are working with a number of customers on cost reduction and efficiency improvements, areas in which Wood Group has great experience and strength. Larger customers appear to be continuing to make major project investment decisions based on the strongly prevailing view that oil and gas prices will increase significantly in the medium term. Operators around the world are finding it difficult to grow their reserves with ageing reservoirs, high depletion rates and the growing complexity and cost of new developments. These reserves are often located in countries with higher levels of political and economic uncertainty and we have a long track record of managing operations in such countries. The International Energy Agency "IEA" is forecasting $8 trillion in oil & gas exploration investment between now and 2030. A significant proportion of this will be in large deepwater and subsea developments, areas in which Wood Group is a world leader. We also believe we can use our growing knowledge and expertise in both carbon capture and storage and renewables to help our customers meet their growing environmental and climate change objectives.

Overall, around 55% of our business[(a)] is linked to supporting production and operations which is less sensitive to lower oil prices. The current market provides opportunities as well as challenges. Through innovative and creative solutions, we are working with our customers to meet the challenge of much lower commodity prices in the short term and, at the same time, will be very well placed to support the significant investment that will be applied as commodity prices strengthen.

Strategy

Our strategy is to achieve long term sustainable growth by adding value to our customers' operations with world leading, highly differentiated products and services. Our strategy has four strands which are:

- 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 longer term customer relationships, often through performance based contracts, and
- to extend our services and broaden our international presence.

We believe this strategy positions us well through the oil & gas cycle, with good defensive qualities well balanced with opportunities for growth. Our strong balance sheet position and recently extended bank facilities will enable us to continue to make value enhancing acquisitions and organic investments in order to emerge stronger from the downturn.

People

We continue to make real progress in our objective of being an employer of choice for quality people, providing them with a challenging and interesting work environment in which no one will be hurt. We are a global company with a global employment strategy and policies, and our focus is on employing, encouraging, training, developing and supporting the best quality people, working in a safe environment, around the world.

I believe we significantly achieve this and would like to thank, on behalf of the Board, all our people whose skills, commitment and enthusiasm continue to drive our success and give us confidence in our future. I would also like to extend my personal thanks to my Board, and to Allister Langlands and his executive management team who have led the company very successfully in 2008 and have the skills, commitment and expertise to ensure we continue to perform in the current more challenging environment.

Outlook

Wood Group's strong order book, our focus on production support, our good international spread and our high quality customer base all stand us in good stead in these more challenging markets. The current market provides opportunities as well as challenges and we are focused on delivering innovative and creative solutions to achieve cost reduction and efficiency improvements for our customers. Longer term, we believe the fundamentals for oil & gas services remain strong and we are well positioned to capitalise on our high differentiation and market leading positions to deliver good growth.

Sir Ian Wood, Chairman
2 March 2009

2008 Divisional performance	2008 $m	2007 $m	Change
Revenue	**5,243.1**	**4,432.7**	+18%
Engineering & Production Facilities	**3,244.7**	2,582.8	+26%
Well Support	**1,008.6**	862.1	+17%
Gas Turbine Services	**956.6**	955.7	–
EBITA	**441.0**	**318.4**	+39%
Engineering & Production Facilities	**316.1**	214.5	+47%
Well Support	**105.0**	87.1	+21%
Gas Turbine Services	**72.6**	64.3	+13%
EBITA margin	**8.4%**	7.2%	
Engineering & Production Facilities	**9.7%**	8.3%	
Well Support	**10.4%**	10.1%	
Gas Turbine Services	**7.6%**	6.7%	

Operating and financial highlights

Review of 2008

Group revenue grew 18% to $5.2bn, reflecting strong growth in Engineering & Production Facilities and Well Support, and relatively flat revenue in Gas Turbine Services. The strong growth in Engineering & Production Facilities was driven by increased activity across all sectors in Engineering, and by the continuing strong demand for our Production Facilities activities in the North Sea and in international markets. In Well Support, activity levels were good through 2008 in all three businesses and we continued to grow our international revenue outside the US. In Gas Turbine Services, a good increase in underlying revenue was offset by the divestment of non core businesses and lower revenue from fast track power package contracts.

Group EBITA margin increased from 7.2% to 8.4%, reflecting the strengthening of margins in all divisions. The Engineering & Production Facilities margin increased due to improvements in the underlying margins for both Engineering and for Production Facilities activities, combined with the mix benefit of our higher margin Engineering activities now representing 48% (2007: 44%) of division revenue. In Well Support we saw a continuing increase in overall margin, benefiting from revenue growth and our investment in higher margin products and services. In Gas Turbine Services our ongoing initiatives to increase the amount of work performed under longer term contracts, changes in the mix towards higher margin activities, the divestment of non core activities and a focus on cost reduction and efficiency all contributed to the improvement in margin.

People

2008 has seen a tremendous year of growth in the number of people working at Wood Group. Total headcount increased by 17% to 28,800 people worldwide. We remain focused on striving to become the employer of choice across all of our businesses. We recognise that attracting, developing, and retaining the best talent enables us to provide world class services and products to our customers and growth for our shareholders.

Safety

In 2008 we saw a 15% improvement in the frequency of all injuries to 3.3 cases per million man hours. This was achieved through a series of pro-active initiatives with a focus on leading performance indicators. Our lost work case frequency "LWCF" also improved by 27% to 1.1 cases per million man hours, reflecting a decrease in severity of injuries. We are committed to achieving the highest standards of safety in everything that we do and around the world we have won recognition for the performance that we have achieved. Continuous improvement is a key measure of our success and is given the highest priority. We believe we will be successful when no one is hurt.

Looking into 2009

Engineering & Production Facilities has entered 2009 with a strong order book. In Engineering, we believe that our differentiated capabilities, order book and prospects, market leading positions and high quality customer base help position us well. Production Facilities activity is largely driven by customers' operating expenditure, with around 70% of revenue based on longer term contracts. A number of our new contracts began in the last quarter of 2008 and this will provide a good contribution in 2009. In Well Support we have already taken decisive management action in light of the challenging outlook in the US gas market. International activities outside the US are over 50% of Well Support's revenue, which will also provide support in 2009. Gas Turbine Services continues to be the leading independent maintenance provider for industrial gas turbines, with around 85% of revenue derived from operational support activity, and we anticipate a resilient aftermarket performance in 2009.

2009 will be a more challenging year for our industry due to the weakness in oil and gas prices and global economies. In light of this, we remain flexible, carefully controlling costs and managing our working capital. We have a strong balance sheet, have extended our bank facilities to 2012 and are well positioned to take advantage of opportunities for acquisitions and organic investment which are likely to emerge in this more challenging market.

Our 2009 reported earnings are likely to be impacted by the strength of the US dollar reducing our reported non US dollar earnings stream. However, in overall terms, the majority of the Group's profit is in US dollars, therefore this has a net benefit to shareholders in our currency of listing.

We remain confident in the longer term fundamentals of our key markets and are continuing to execute our long term growth strategy.

Allister Langlands, Chief Executive
2 March 2009

Operational Review
Wood Group in action

Our strategy is to achieve long term sustainable growth by adding value to our customers' operations with world-leading, highly differential products and services.

Our strategy 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 longer term customer relationships, often through performance based contracts

- to extend our services and broaden our international presence

For examples of how we are putting our strategy into action around the world see pages 12 to 19.

Balance
Maintaining a good Balance between field Development ...

We have a broad service offering across a range of complex activities within the oil & gas and power generation industries. This means we can provide our customers with life of field support from the initial concept definition, through the development phase, into production support and decommissioning.

Recent field development projects include:

ConocoPhillips EkoFisk, North Sea
Delivering front end engineering design "FEED" services for the Greater Ekofisk Area Development, a 40-slot wellhead platform located in approximately 70-75 metres of water in the Norwegian sector of the North Sea. We will also provide design services for the subsea flow lines and pipelines across the Greater Ekofisk Area.

Modec Jubilee FPSO, Ghana
Providing the topsides design for Modec for the floating production storage and offloading vessel "FPSO" for the Jubilee field development offshore Ghana, West Africa. The project is targeting first production in the second half of 2010.

Shell Perdido, Gulf of Mexico
Conceptual engineering, detailed design, procurement assistance and fabrication support for what will be the deepest spar platform in the world. This regional drilling and production hub will be installed in ultra deepwater slightly greater than 7,800 feet in the Gulf of Mexico.

BP's Valhall redevelopment projects, offshore Norway (CAD illustration)
We re working on the redevelopment of the Valhall field for BP Norge AS. Our services include FEED, detailed design, procurement and project management services for the new combined production and hotel platform. The scope extends over the full project duration from tThe start of FEED to project completion, including contruction management assistance.
The redevelopment will extend field life by approximately 40 years, until 2050
Illustration courtesy of BP

St Fergus Gas Terminal, Scotland
We are the market leader in operations & maintenance support for UK onshore Facilities and now work on nine terminals, Including the St Fergus Gas Terminal

……. And later cycle production support

Recent production support work includes:

North Sea operations support

We are the leading provider of operations support services in the UK North Sea. We have been providing services to the region's leading operators for over 20 years. Current contracts include Apache, BP, Shell, Total, Talisman and Hess. In 2008 we continued to expand our market share with newer entrants such as TAQA and Ithaca.

Middle East production support

We have recently been awarded two significant contracts for the supply of downhole electric submersible pumping "ESP" equipment and services in the Middle East with two key national oil companies "NOCs", the Kuwait Oil Company "KOC" and Petroleum Development Oman "PDO". In Kuwait we monitor and maintain equipment for KOC to ensure timely well intervention. In Oman we have one of the largest in country ESP infrastructures and this allows us to provide PDO with fast equipment delivery, minimising operational downtime.

SPAR – Deep draft surface piercing
Cylinder type floater, particularly
Well adapted to deepwater, which
Accommodates drilling, top tensioned
Risers and dry completions

Leading positions
Growing and maintaining
Market leading positions

Semi-submersible – a
particular type of floating vessel that is supported
primarily on large pontoon-
like structures submerged
below the sea surface

We focus on achieving market leadership and differentiation in areas where we believe we have, or can build, competitive advantage. We have a track record of building market leading positions both organically and through acquisitions.

Market leading positions across the Group include:

Deepwater topsides
We have a market leading position in the conceptual engineering, FEED and detailed engineering, project and construction management "EPCM" of deepwater topsides around the world. We have worked on over 30% of deepwater topsides installed worldwide.

Subsea and pipeline engineering
We have a reputation built up over 30 years of world class performance and, with the acquisition of MCS during the year, we have consolidated our Subsea & Pipelines Technology group's position as the world's leading solutions independent engineering & management services provider for subsea systems. We have around 1,500 specialist personnel situated in 14 permanent offices. We have strong technical excellence and a reputation for efficient project delivery in subsea and pipeline engineering. We are technology leaders in several areas, such as high pressure/high temperature "HP/HT", cryogenic pipelines, remote sensing, pipeline stabilisation, flow assurance, risers & integrity management and have experience in both greenfield and brownfield arenas.

Downstream

We have a market leading position in EPCM services in the US, operational enhancements and control system upgrades for refineries, including clean fuel modifications.

Surface valves and wellheads

We have a market leading position in the US for surface valves and wellheads. We have developed very responsive distribution networks in the newer shale gas areas and have bundled services together to meet our customers' needs.

Gas turbine operations & maintenance

We are the world's leading independent provider of integrated maintenance solutions (such as for the Al-Rusail power plant in the Sultanate of Oman), and repair & overhaul services for industrial gas turbines. We are also a leader in power station operations & maintenance.

Moorings – Means of connecting the
anchor on the seafloor to a large ship
Or a floating structure at the surface

Relationships
Developing longer term
Relationships with customers

We are focused on developing strong relationships with customers by providing cost effective and reliable project delivery. Our success in this area is demonstrated by the long term relationships we have with major international operators, national oil companies, independents and power companies throughout the world.

Strong relationships we have developed with customers include:

Global subsea agreement
We have been supporting BP in key subsea regions around the world for over 30 years in designing the most up to date subsea facilities to meet the increasing demands for more efficient energy production. We have entered into a five year global agreement to provide engineering and project management services for their offshore subsea development projects.

Equatorial Guinea operations support
We have provided operations, maintenance, project management, construction, logistics and training services in Equatorial Guinea since 2003 when we were awarded our first contract with Marathon. Since establishing our presence in the country we have expanded to provide a broad range of services to ExxonMobil, Hess and Equatorial Guinea LNG. We now provide services to eleven offshore platforms,

two FPSO's, two onshore support bases, two training facilities, one LPG plant, one LNG plant and have over 600 personnel in Equatorial Guinea.

East Texas Electric Cooperative "ETEC"

We are currently working with East Texas Electric Cooperative "ETEC" on a $36 million contract to construct and commission the San Jacinto Generating Facility, which will include two General Electric Frame 7EA gas turbine generators. ETEC comprises ten electric cooperatives in the East Texas region providing low cost, reliable power to more than 300,000 consumers.

The San Jacinto plant will be constructed on a fast track basis to help ETEC meet increased electricity demands within its service territory, commencing in 2009. We believe our strong experience with this type of plant design and equipment was the key differentiator that led ETEC to select us as its preferred partner in this project. We have also been awarded a six year operations & maintenance contract covering full care, custody & control.

Service & reach
Extending our services and broadening our international presence

Our business success comes from serving our customers well. This means recognising their needs and delivering new and innovative solutions. We have a strong focus on both organic growth and acquisitions to expand our service and product lines and provide access to new customers and new geographic markets.

We have extended our services and broadened our international presence to include:

Masdar Carbon Capture & Storage, Abu Dhabi, UAE
We are providing services for Masdar's Carbon Capture and Storage "CCS" project in the United Arab Emirates. The project constitutes the first phase in a series of facilities capturing CO2 emissions from industrial and power generation plants in Abu Dhabi.

The CO2 will be transported in a pipeline network and injected in Abu Dhabi's oil reservoirs for enhanced oil recovery. The objective of the CCS network is to reduce Abu Dhabi's carbon footprint and replace the natural gas currently re-injected into oil reservoirs. The first phase will seek to capture five million tons of CO2 gas per year by the end of 2013 from three emission sources: a gas fired power plant, an aluminium smelter and a steel mill.

UK duty holderships, North Sea
We are providing operations support services for the changing United Kingdom Continental Shelf "UKCS" licensee landscape including many newer entrants. We have built up our capability and now have a significant position in UKCS duty holder services. Our duty holder installations now include the Beatrice offshore complex and wind farm, the onshore terminal at Nigg, Venture's Hummingbird FPSO and the four TAQA platforms – Tern, Eider, North Cormorant and Cormorant Alpha.

Operations & maintenance support, Trinidad
We are providing offshore and onshore maintenance & reliability, modifications engineering and field execution and materials management services for BP's production facilities in Trinidad. We have over 400 personnel in country under a five year, reimbursable, performance based contract.

Deepwater Logging, Gulf of Mexico, USA
We have extended our traditional land and Gulf of Mexico shelf based logging services to provide high pressure/high temperature pipe recovery services in the deepwater Gulf of Mexico. We have successfully built a market leading position in this area.

Gas Turbine Asset Managment Solutions "AMS", the Netherlands
Total has contracted us for the provision of gas turbine and compressor equipment support services for its offshore assets. The agreement means we will provide asset management support services for all critical rotating equipment, including Siemens and Solar turbines, and gas compression units.

We deliver a wide range of market leading engineering services to the upstream, midstream, downstream and industrial sectors. These include conceptual studies, engineering, project and construction management "EPCM" and control systems upgrades. We provide life of field support to producing assets, through brownfield engineering and modifications, production enhancement, operations management (including UK duty holder services), training, maintenance management and abandonment services.

	2008 $m	2007 $m	Change
Revenue	3,244.7	2,582.8	+26%
EBITA	316.1	214.5	+47%
EBITA margin	9.7%	8.3%	
People	20,000	16,800	+19%

Operating and financial highlights

Throughout the year we have benefited from strong demand across the Engineering & Production Facilities division. The revenue split in the period between Engineering and Production Facilities was 48% to 52% (2007: 44% to 56%). Engineering was active across all sectors, and continues to expand its range of services and geographic footprint. Production Facilities continues to be active in the North Sea and a number of international markets.

EBITA margin increased from 8.3% to 9.7%, due to increases in the underlying margins in both Engineering and in Production Facilities along with an increased proportion of higher margin Engineering work.

Divisional headcount, including contractors, is approximately 20,000 people, an increase of 19% since last year. Engineering now has 8,700 people, an increase of 20% on 2007, while Production Facilities, with 11,300 people, rose 19%.

Engineering - services and sectors

Services	Sector	Expertise includes
Engineering, project and construction management, refinery upgrades and operational enhancement	Upstream	• deepwater and lightweight topsides • onshore processing facilities including oil sands
	Subsea and pipelines	• subsea engineering • onshore and offshore pipelines
	Downstream and industrial	• refineries, petrochemical plants, process and industrial facilities

Production Facilities - services and sectors

Exploration	Development	Production	Enhanced Recovery	Abandonment
	Training			
	Pre-operations Commissioning Start-up support			
		Operations and maintenance		
		Modifications (inc. engineering, project management & construction) Production enhancement Life extension		
				Decommissioning

Engineering

Upstream activities represent around 40% of Engineering revenue and 12% of Group revenue. We continue to develop our market leading positions in deepwater engineering and lightweight topsides and in engineering for the in situ oil sands market. The developments on which we work are typically longer term, complex projects and have the potential to add meaningfully to our customers' reserve bases. We work predominantly with International Oil Companies "IOCs", National Oil Companies "NOCs" and large independents and during the period worked on upstream projects for Shell (Perdido), ConocoPhillips (Ekofisk), BP (Valhall and Thunder Horse), ENI (Nikaitchuq, Alaska), Hess Corporation (Pony), Statoil (Peregrino, Brazil and Leismer, Canada), Encana (Foster Creek), Tullow (Uganda) and Modec (Ghana).

Subsea engineering, pipelines and midstream represents around 30% of Engineering and 9% of Group revenue. We consolidated our market leading position with the acquisition of MCS during the year, a global subsea engineering consultancy with a market leading position in riser & mooring design, and a leading offering of advanced engineering and software solutions to the subsea industry. Along with other Group companies J P Kenny, Multiphase Solutions Inc. and Ionik Consulting, MCS is now part of the Subsea & Pipelines Technology business group, which is the largest of its kind in the world. Our customer base includes IOCs, NOCs and large independents and we are working with customers such as BP (various projects under a global framework agreement), Chevron (Gorgon), Shell (Gumusut-Kakap, Malaysia), Total/Statoil/ Gazprom (Shtokman) and Woodside (Pluto) to develop large longer term projects with meaningful reserves. The onshore pipeline group has been busy connecting new oil and gas developments to consumers, working with Williams (various compressor stations), Cairn (Rajasthan, India), Kinder Morgan (various pipelines) and Rocky Mountain Express. During the year we were awarded the FEED contract for Masdar's Carbon Capture and Storage "CCS" project in the United Arab Emirates, which is an area where we see good future growth. We have also been involved in a number of floating LNG studies for Petronras, Teekay and BW Offshore.

Downstream, process and industrial represents around 30% of Engineering and 9% of Group revenue. Environmental legislation, upgrades and heavy oil modifications have meant that our refining business had a successful year performing work for CCRL (Saskatchewan project), Tesoro, Valero and Citgo. The automation group has been active on work for ExxonMobil in Singapore and various projects for Chevron and ConocoPhillips.

Production Facilities

Our activities in the North Sea, where we are the largest maintenance, modifications and operations contractor, represent 60% of Production Facilities revenue and 19% of Group revenue. We operate under long term contracts with customers such as Apache, BP, Hess, Shell, Talisman and Total providing them with ongoing engineering, operations support, production enhancement and asset integrity services. In addition we have grown a significant duty holder business during the year, providing support to the newer entrants to the region. Our duty holder installations now include the Beatrice offshore complex and wind farm, the onshore terminal at Nigg, Venture's Hummingbird FPSO and the four TAQA platforms – Tern, Eider, North Cormorant and Cormorant Alpha. Looking ahead, we will continue to adapt and develop our service provision as the market evolves.

Our international activities, which make up 40% of Production Facilities and 12% of Group revenue, continued to perform well. We continue to be active under longer term contracts in Algeria, Brunei, Colombia, Equatorial Guinea, Indonesia, Peru and Trinidad. We enhanced our position in the US with the acquisition of PAC in January 2008, extending our significant Gulf of Mexico presence into the support of the US onshore production market. In August 2008 we acquired M&O Global, a provider of industrial safety and emergency response training. M&O will help us to further support a broad range of international customers, especially NOCs, in training and developing their local workforces. In the Middle East we entered into a joint venture with Consolidated Contractors Company "CCC", an international construction company with a market leading position in the region, in order to provide operations and maintenance services in the region.

Engineering & Production Facilities outlook

In Engineering & Production Facilities, we entered 2009 with a strong order book. We believe that in upstream the deepwater sector will remain active, although some delays are expected in oil sands developments. Subsea and offshore pipeline spending is expected to be robust and onshore pipeline demand is anticipated to remain high. In our downstream activities the levels of regulatory work are expected to remain strong in 2009, with significant activity required by customers to meet MSAT2 clean air regulations by 2011. Automation, which focuses on efficiency benefits for customers, continues to be very active. We have a high quality flexible resource across Engineering and have already taken action to keep utilisation levels high. Current markets will also provide opportunities for quality FEED work and fit for purpose engineering, as our clients look for efficiency improvements.

Production Facilities, with around 70% of revenue under longer term contracts and a focus on the support of ongoing production, has relatively lower sensitivity to the oil price. We have consolidated our market leading position in the North Sea and expanded our scope with new entrants, which will provide an important contribution in 2009. Internationally, we continue to see good scope for growth and expansion into new markets, particularly where there is limited local capability. We continue to offer performance contracting solutions to add value to our customers and have recently taken a number of steps to respond to cost challenges.

Operational Review
Well Support

We provide solutions, products and services to enhance production rates and efficiency from oil & gas reservoirs. We are among the market leaders in artificial lift using electric submersible pumps "ESPs", in surface wellheads and valves, and electric and slickline services in the Gulf of Mexico.

	2008 $m	2007 $m	Change
Revenue	**1,008.6**	862.1	+17%
EBITA	**105.0**	87.1	+21%
EBITA margin	**10.4%**	10.1%	
People	**4,300**	3,900	+10%

Operating and financial highlights

2008 was a good year for the Well Support division with revenue growth in all three businesses contributing to an overall increase of 17%. The percentage of business performed outside the US continues to increase and is now over 50%. Specific areas of strength in 2008 were Latin America and Middle East & Africa. Activity levels throughout 2008 remained high despite a falling US rig count at the end of the year. The EBITA margin increased from 10.1% to 10.4% benefiting from revenue growth and our investment in higher margin products and services.

Well Support - services and sectors

Electric Submersible Pumps

Our ESP business represents around 50% of Well Support and around 9% of Group revenue. Our business is mainly driven by the operating expenditure of customers and the need for artificial lift in new and mature oil reservoirs. Approximately 25% of our revenue comes from the US where we have a market leading position in the sale, operation and service of ESPs used for production enhancement through artificial lift. The remaining 75% of our revenue comes from outside the US where we typically have longer term contracts and a strong IOC and NOC customer base. Examples of projects worked on in 2008 include pay for performance contracts in Africa and the Middle East.

Pressure Control

Our Pressure Control business represents around 35% of Well Support and around 7% of Group revenue. Our business is driven primarily by the gas drilling activity of our customers. In the US, where we generated around 60% of our revenue in 2008, we believe we are now the largest provider of surface valves and wellheads. Increasing levels of rig activity for most of 2008 and high depletion rates in unconventional gas developments contributed to strong activity levels and demand for our services. Internationally, where around 40% of revenue is generated, we continue to expand our business under longer term contracts with IOC and NOC customers. Examples of key projects worked on in 2008 include for Sinopec in China, Aramco in Saudi Arabia and Pemex in Mexico.

Logging Services

Our Logging Services business represents around 15% of Well Support and 3% of Group revenue. Our development focused electric wireline services and production focused slickline services both performed well. In recent years we have expanded our capacity and opened new bases which have helped us develop a strong position in value added services. During the year we have worked on projects for operators in the deepwater Gulf of Mexico, PanAmerican in Argentina and several US based independents on onshore shale developments.

Well Support outlook

2009 will be a challenging year for Well Support, with the number of active rigs operating in the US significantly reduced. In Pressure Control, which is primarily focused on gas developments, the reduction in drilling activity means the outlook is more demanding and we expect significant volume decreases and pricing pressure. In Logging Services, the market outlook is similarly challenging, although we have an element of production related revenue. In ESP, our strong production related content, good international exposure and flexible approach to market should lead to a robust performance. We have already taken decisive management action to reduce SG&A, achieve supply chain efficiencies and to reduce headcount significantly in all three businesses as market activity has changed, particularly in North America.

Operational Review
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.

	2008 $m	2007 $m	Change
Revenue	**956.6**	955.7	–
EBITA	**72.6**	64.3	+13%
EBITA margin	**7.6%**	6.7%	
People	**4,100**	3,700	+11%

Operating and financial highlights

Gas Turbine Services revenue was unchanged in the period, with a 14% increase in underlying revenue being offset by the divestment of non core businesses and lower fast track power solutions revenue. The increase in EBITA margin from 6.7% to 7.6% was as a result of ongoing initiatives to increase the amount of work performed under longer term contracts, changes in the mix towards higher margin activities, the divestment of non core activities and a focus on cost reduction and efficiency.

We have increased the amount of revenue generated under longer term contracts from 39% to 41%. We continue to focus on increasing the breadth of our core activities, adding further new product capability and providing customer focused solutions. We now have over 4,100 people, serving customers in over 100 countries.

Gas Turbine Services - services and sectors

Oil & gas

Our oil & gas activities support turbines that are used for power generation, gas compression and transmission and represent around one third of Gas Turbine Services revenue. Through our OEM licensed joint ventures we have broad technical capabilities and know how, a strong service culture and a market leading share of the aftermarket for aero-derivative gas turbines. Most of the installed turbines on which we work are linked to existing production and therefore have relatively lower sensitivity to oil and gas prices. During 2008 we were active on an increasing number of turbines for NOCs including Petrobras, Pemex and Petronas and our newly formed Asset Management Solutions "AMS" group secured longer term rotating equipment contracts with TAQA in the North Sea and Total in the Netherlands. Our light industrial turbine activities continued to grow and increased market share through success in developing new products and penetrating new regions.

Power

Our power activities provide support for turbines that are used for power generation and industrial applications, and represent around two thirds of Gas Turbine Services revenues. Demand for our services is driven by the maintenance budgets of customers. Recent reductions in the gas price have made gas a more cost effective input for power generation and in the longer term the environmental benefits of gas relative to other fossil fuels mean that it is forecast to gain an increasing share of generating capacity. During 2008 we were active on a large number of projects including those for NYPA, Suez and Duke.

There are power shortages in the developing world and in parts of the developed world where distribution networks are insufficient to take power to where it is needed. This has led to demand for fast track power solutions where we have a competitive advantage in our ability to locate, refurbish, install, operate, warrant and maintain equipment. During 2008 we made equipment sales into the Middle East and South America and we successfully completed the fast track power projects for American Electric Power "AEP" which commenced in 2007. We also secured three relocation projects in Texas, one for El Paso Electric and two for East Texas Electric Co-operative "ETEC" which will be executed in 2009.

Gas Turbine Services outlook

We anticipate that demand for our oil & gas related maintenance, repair & overhaul services will remain robust in 2009, due to its production focussed nature and the longer term contracts we have in place. We have a good spread of business with NOCs, IOCs and large independents. In the power market there may be some regional short term weakness, as certain customers look to defer maintenance but in the longer term, demand for power, and in particular gas turbine generated power, is expected to increase, leading to strong ongoing demand for our services. We continue to focus on initiatives to increase the amount of business under longer term contracts, expand our regional and customer portfolio, divest of non core businesses and reduce costs. Overall we anticipate a resilient aftermarket performance. The outlook for our fast track power package activities is being impacted by the continuing tight credit markets, although we currently see strong enquiry levels.

Operational Review
Financial review

Financial Performance

Measuring our performance – We use a variety of key performance measures to evaluate the Group's financial performance. These include earnings before interest, tax and amortisation "EBITA" and adjusted diluted earnings per share "EPS" to measure the profitability of the business, along with other metrics such as Return on Capital Employed "ROCE" and Operating Capital Employed to Revenue "OCER" which measure how efficiently we use capital. These metrics are included in the Group's senior management incentive schemes, alongside strategy, people development and safety measures.

Key Performance Indicator
EBITA[1]
We use earnings before interest, tax and amortisation as a key indicator of operating profit.

Key Performance Indicator
Adjusted diluted EPS[4]
We use adjusted diluted EPS as a key indicator of post tax profit attributable to each share.

	2008 $m	2007 $m	Change
Revenue	**5,243.1**	4,432.7	+18%
EBITA	**441.0**	318.4	+39%
EBITA Margin	**8.4%**	7.2%	
Amortisation	**25.2**	10.6	
Impairment and restructuring charges and profit on disposal of interest in joint venture	–	22.6	
Operating profit	**415.8**	285.2	+46%
Net finance expense	**31.7**	25.3	
Profit before tax	**384.1**	259.9	+48%
Tax	**128.7**	91.0	
Profit for the year	**255.4**	168.9	+51%
Basic EPS (cents)	**49.6c**	33.0c	+50%
Adjusted diluted EPS (cents)	**52.1c**	36.9c	+41%
Dividend per share (cents)	**9.0c**	7.0c	+29%

2008 saw another year of strong growth in revenue, EBITA and EBITA margin. Revenue increased by 18% to $5,243.1m, EBITA by 39% to $441.0m and EBITA margin by 120 basis points to 8.4%.

A detailed review of our trading performance is contained within the divisional review: Engineering & Production Facilities, Well Support, Gas Turbine Services.

Amortisation

The amortisation charge of $25.2m includes $11.9m (2007: $2.0m) of amortisation relating to other intangible assets arising from acquisitions, most notably $8.1m from the purchase of IMV in November 2007. There was a full year of IMV amortisation in 2008 compared to only one month in 2007.

Finance expense

The net finance expense in the period of $31.7m is made up of interest expense of $37.7m (2007: $32.7m) (including deemed interest) and interest income of $6.0m (2007: $7.4m).

The net finance expense is higher than 2007 due to higher average levels of net debt in the period, combined with a charge of $4.0m (2007: $1.4m) relating to the accounting treatment of deferred consideration payments.

Taxation

The movement in the tax charge is outlined below –

	2008 $m	2007 $m
Tax charge	**128.7**	91.0
Tax on impairment and restructuring charges and profit on disposal of interest in joint venture	–	3.5
Adjusted tax charge	**128.7**	94.5
Profit before tax	**384.1**	259.9
Impairment and restructuring charges and profit on disposal of interest in joint venture	–	22.6
Amortisation of other intangible assets on acquisition	**11.9**	2.0
Adjusted profit before tax	**396.0**	284.5
Effective tax rate	**32.5%**	33.2%

The reduction in the Group's effective tax rate from 33.2% to 32.5% reflects a change in the geographical mix of our operations and a range of tax efficiency measures implemented.

Dividend

The final dividend of 6.2c results in a full year dividend of 9.0c, an increase of 29% from last year. Dividend cover[7] for 2008 was 5.8 times (2007: 5.3 times).

Returns on Investment

Key Performance Indicator
Return on Capital Employed "ROCE"[2]
We use ROCE as a key indicator of the efficiency of our use of total capital

The Group's ROCE increased from 28.3% to 33.3%. The overall improvement reflects improved performance in all divisions combined with the impact of higher growth in areas of relatively lower capital intensity.

Foreign exchange

The Group's EBITA is impacted in a number of ways by movements in foreign exchange rates, including the effect of retranslating foreign currency results at different average rates year to year. Given the material strengthening in the US dollar over recent months, a number of current foreign exchange rates are significantly different from the average rates for 2008. The table below sets out the impact on 2008 EBITA had current exchange rates applied. Also set out below is the impact of the movement of exchange rates on our Sterling equivalent earnings, as this is the currency in which our shares are traded.

	2008 – translated at actual average rates		**2008 – translated at current rates[8]**	
	Revenue $m	**EBITA $m**	**Revenue $m**	**EBITA $m**
Engineering & Production Facilities	3,244.7	316.1	2,872.2	289.1
Well Support	1,008.6	105.0	983.1	100.6
Gas Turbine Services	956.6	72.6	898.0	63.8
Central / to be disposed	33.2	(52.7)	33.2	(49.0)
Total	**5,243.1**	**441.0**	**4,786.5**	**404.5**
	£m	**£m**	**£m**	**£m**
Sterling equivalent[9]	**2,836.6**	**238.6**	**3,301.0**	**279.0**

As the majority of the Group's profit is generated in US dollars, a stronger US dollar has a net benefit for shareholders in our currency of listing. The impact of retranslating the 2008 reported EBITA at current rates would be to reduce reported EBITA by 8%, but in Sterling equivalent terms EBITA would have increased by 17%.

Balance Sheet and Financial Management

Summary balance sheet	2008 $m	2007 $m
Assets		
Non-current assets	**958.0**	903.1
Current assets	**1,844.1**	1,567.4
Liabilities		
Current liabilities	**1,061.8**	984.6
Net current assets	*782.3*	*582.8*
Non-current liabilities	**593.3**	500.0
Net assets	**1,147.0**	985.9
Total shareholders' equity	**1,133.9**	974.6
Minority interest	**13.1**	11.3
Total equity	**1,147.0**	985.9

The Group balance sheet is strong with net assets of $1,147.0m and net current assets of $782.3m.

Non-current assets is primarily made up of goodwill and other intangible assets, and property plant and equipment. The increase of $54.9m in the period is as a result of acquisitions and capital expenditure in the period, offset by amortisation and depreciation.

The principal movements in current assets and liabilities are discussed in cash generated from operations below.

Cash generated from operations	2008 $m	2007 $m
Opening net debt	(277.9)	(257.9)
EBITA	**441.0**	318.4
Depreciation and other non cash items	**93.5**	75.9
Cash generated from operations before working capital movements	534.5	394.3
Working capital movements	**(181.0)**	(55.3)
Cash generated from operations	353.5	339.0
Acquisitions	**(112.2)**	(125.8)
Capex and intangible assets	**(102.6)**	(92.6)

Cash generated from operations	2008 $m	2007 $m
Disposals	**32.5**	9.0
(Purchase)/issue of shares, net of sale of trust shares	**(23.7)**	16.4
Tax paid	**(112.1)**	(105.9)
Interest, dividends and other	**(60.6)**	(49.5)
Exchange movements on net debt	**54.3**	(10.6)
Decrease/(increase) in net debt	**29.1**	(20.0)
Closing net debt	**(248.8)**	(277.9)

The Group had strong cash flow generation in 2008, with cash generated from operations before working capital increasing by $140.2m, or 36%, to $534.5m. The strong overall revenue growth of $810.4m contributed to working capital outflows during the year of $181.0m (2007:$55.3m) made up of an increase of $104.1m in inventories and of $298.3m in trade and other receivables, partly offset by an increase of $221.4m in trade and other payables. The inventory figure includes a planned increase in Gas Turbine Services turbine parts of around $45m and the increase in trade receivables takes into account lower advance payments from customers of around $20m.

Returns on operating capital

Key Performance Indicator
Operating Capital Employed to Revenue "OCER" [3]
We use OCER as a key indicator of our use of operating capital

The Group's OCER[3], a measure used in the Group's incentive schemes to drive operating capital employed efficiency, improved from 19.0% to 18.2% in the year.

Net debt

Net debt at 31 December 2008 decreased by $29.1m to $248.8m. This represents strong cash flow from operations and the positive impact of the retranslation of foreign currency borrowings, offset by the investment in capex, intangible assets and acquisitions.

Long term borrowings amounted to $390.7m (2007: $349.9m) with interest payable at variable rates. Interest rate swaps have been entered into in respect of $166.5m (2007: $175.0m), or 43% (2007: 50%) of total long term borrowings, and these have the effect of converting the borrowings to fixed rates of interest with maturities ranging from 2009 to 2013.

The Group's borrowings are predominantly denominated in US dollars, Sterling, Euros and Canadian dollars. Whenever practical, foreign currency borrowings are used to hedge the Group's net investment in non US dollar entities.

Credit facilities

At 31 December 2008 the Group had unutilised borrowing facilities of $632.0m (2007: $474.4m) representing 60% (2007: 55%) of total borrowing facilities. Since the year end, our bilateral facilities have been extended to 2012 with the potential for two, one year extensions. This results in total borrowing facilities of $1,056.9m.

In addition the Group has a number of facilities covering the issue of bonds, guarantees and letters of credit amounting to $236.0m (2007: $257.7m).

Gearing

The Group's gearing ratio[10] has reduced from 28.5% to 21.9% and the ratio of net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) fell from 0.7 times to 0.5 times.

Interest Cover

Interest cover[11] increased from 12.6 times to 13.9 times, reflecting the strong profit in the period.

Financial risk management

The Group Treasury department is responsible for managing debt, cash balances and the risks arising from interest rate and currency movements within an approved policy framework. The Group's overall risk management strategy is to hedge exposures wherever practical in order to minimise any potential impact on the Group's financial performance. The policy does not allow speculative transactions to be undertaken. Full details of financial instruments used are provided in note 18 to the financial statements.

Credit risk

The Group's credit risk primarily relates to its trade receivables which are generally with customers who have strong credit ratings assigned by international credit rating agencies. Reflecting in part higher levels of political and economic uncertainty in certain markets and in part the risk that the downturn in the global economy could lead to a slowing of payments from customers and a risk of non payment in the event of customer insolvency, the Group has increased its focus on credit risk and credit management and appropriate measures have been implemented to reduce our risk profile where possible. Further details on receivables and credit risk are provided in notes 13 and 18 to the financial statements.

Pensions

The majority of the Group's pension arrangements are on a defined contribution basis. The Group operates one UK defined benefit scheme which had 404 active members and 828 deferred, pensionable deferred or pensionable members at 31 December 2008. At 31 December 2008 the scheme had a deficit of $23.1m (2007: $11.3m).

In assessing the potential liabilities, judgement is required to determine the assumptions around future salary and pension increases, inflation, investment returns and member longevity. Future benefits under the scheme are provided on a Career Average Revalued Earnings "CARE" basis.

Full details of pension assets and liabilities are provided in note 30 to the Group financial statements.

Acquisitions and disposals

In January 2008 the Group acquired Producers Assistance Corporation "PAC". The acquisition of PAC provides the Group with a wider presence in the support of onshore US production.

The Group completed the acquisition of M&O Global in August 2008, expanding our capability in safety and emergency response training.

In September 2008, the Group acquired MCS, a global subsea engineering consultancy with a market leading position in riser & mooring design, and a leading offering of advanced engineering and software solutions to the subsea industry. The acquisition of MCS is part of our ongoing strategy to expand and enhance our capabilities in subsea and deepwater.

The Group also made small disposals during the year. Further details of the acquisitions and disposals are provided in note 28 of the financial statements.

Footnotes

1. EBITA represents operating profit of $415.8m (2007: $285.2m) for 2008 before adjusting for profit on disposal of interest in joint venture of $ nil (2007:$3.6m), impairment and restructuring charges of $ nil (2007: $26.2m) and amortisation of $25.2m (2007: $10.6m). This financial term is provided as it is a key unit of measurement used by the Group in the management of its business.
2. Return on Capital Employed is EBITA divided by average equity plus average net debt and excludes businesses to be disposed.
3. Operating Capital Employed to Revenue "OCER" 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.
4. 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 earnings 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.
5. 'Cases' refers to TRCF Total recordable case frequency
   (LWC+RWC+MTC) per million manhours
   LWC Lost work case
   RWC Restricted work case
   MTC Medical treatment case
6. Number of employees and contractors at 31 December 2008.
7. Dividend cover is adjusted diluted earnings per ordinary share divided by the total dividend per ordinary share for the period.
8. 2008 US dollar results translated at current exchange rates are calculated by translating the underlying local currency amounts to US dollars at current exchange rates. The exchange rate used for Sterling was £1=$1.45 and other currencies were translated using rates applying in February 2009.
9. The Sterling equivalent of the 2008 actual results is calculated by translating the US dollar results at the average Sterling to US dollar exchange rate for the year of £1=$1.85. The Sterling equivalent of the retranslated 2008 results is calculated by translating the amounts to Sterling at the exchange rate of £1=$1.45.
10. Gearing is net debt divided by total shareholders' equity.
11. Interest cover is EBITA divided by net finance costs.

Operational Review
Principal risks and uncertainties

There are a number of risks and uncertainties which may have an impact on the performance of the Group. These are explained below, along with the approach to managing the risk or uncertainty. In addition to the specific mitigating factors noted below there are some Group wide risk management processes in place which address a wide cross section of risks. These include quarterly review meetings between senior managers and certain of the executive directors, including the Chief Executive.

Market Risks

Risk Area and Potential Impact	**Mitigation**	
Risk area Operating in cyclical oil & gas and power markets **Potential Impact** A cyclical downturn or a prolonged global recession could lead to uncertainty in our customers spending plans and declines in the demand for our services and products	• 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, which includes a mix of IOCs, NOCs, large and small independents; power and industrial companies • We seek to maintain a good balance in our revenue between customers', capital expenditure "capex" and operating expenditure "opex" • We have market leading positions in several significant areas and have developed longer term relationships with customers	• 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 sectors • We maintain focus on identifying any upcoming weaknesses in the market, adjusting investment and pricing strategies appropriately • Our businesses are flexible and have a relatively low capital intensity
Risk area Investment in new service areas and geographic markets **Potential Impact** Investment (capital or operating) 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 investment	• We have detailed integration plans for acquisitions • We adopt earn out structures wherever possible • The Group Board undertakes an annual review of the performance of acquisitions made in the

Market Risks

Risk Area and Potential Impact	Mitigation	
		preceding three years, to identify lessons learned

Strategic and operational risks

Risk Area and Potential Impact	Mitigation	
Risk area Health, Safety and Environmental "HSE" performance **Potential Impact** Failure to deliver HSE excellence could lead to harm to our people, damage to the environment and 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 Group Director responsible 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 HSE conferences	• 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 • We have launched a pilot programme to measure our carbon footprint for a sample of businesses For further details on Group Health, Safety and Environments initiatives – see CSR section
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 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	• We use market based compensation, including appropriate incentive packages and we offer wide ranging career development and training opportunities • We continue to expand our geographic footprint to provide access to highly skilled labour resources • We focus on all our businesses worldwide becoming employers of

Strategic and operational risks

Risk Area and Potential Impact	Mitigation	
		choice
Risk area Compliance with our ethical standards **Potential Impact** Damage to reputation and regulatory impact	• We have a business ethics committee in place, chaired by the Group Finance Director and involving senior operational and functional management from across the Group • Our 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 Quality of services and products **Potential Impact** Failure to provide services and products of the required quality could lead to a requirement for work to be repeated, damage to our reputation or liability claims	• We have extensive quality systems across our businesses • We have a range of initiatives to help our people develop and enhance their expertise • Many of our plants obtain third party accreditation and perform internal audits	• New product designs undergo prescribed validation and verification testing

Financial and compliance risks

Risk Area and Potential Impact	Mitigation	
Risk area Access to capital **Potential Impact** Inability to obtain funding to take advantage of shareholder value creating	• We maintain a strong balance sheet, with shareholders' equity of $1,134m, gearing of 22%, net debt/EBITDA of 0.5 times and interest cover of 14 times as of December	• We have committed longer term banking facilities providing significant headroom recently extended to 2012 For further details – see Financial review

Financial and compliance risks

Risk Area and Potential Impact	Mitigation	
opportunities	2008	section
Risk area A downturn in the economy leads to a slowing of payments from customers in some markets and an increased risk of non payment in the event of customer insolvency **Potential Impact** Reduction in profit due to bad debt provisions and write offs	• We have procedures in place to check the creditworthiness of new customers and credit limits in place for existing customers that are reviewed on a regular basis, including, where appropriate, the use of external reference agencies	• In light of the current economic environment the Group has increased its focus on credit risk and credit management and appropriate measures have been implemented to reduce our risk profile where possible. For further details - see Financial review section
Risk area Contracting strategy and execution **Potential Impact** Inappropriate contract terms, or failure to comply with those terms, could lead to unacceptable risks, reputational damage, warranty claims or financial penalties	• A significant proportion of our contracts are reimbursable and 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 external and peer reviews
Risk area Operating in a range of different legal, political and fiscal regimes **Potential Impact** Changes in the legal and political environment may result in financial loss or the loss of control over operations, while fiscal changes could impact net profit	• We have a contract policy that provides guidance on the parameters under which we will enter into contracts to provide services and products • We monitor and limit the capital allocation to certain countries and maintain a broad geographic spread	• The Board receives presentations on specific countries in which the Group maintains a significant interest
Risk area Adequacy of insurance cover	• Prudent levels of insurance cover are maintained across	• We review exposures to areas where it is not

Financial and compliance risks

Risk Area and Potential Impact	**Mitigation**	
Potential Impact Requirement to fund uninsured losses	a range of insurers	possible to obtain, or we have elected not 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 or inaccurate financial information used to manage the business	• A financial control frameworks is in place, incorporating preparation and review of monthly financial information, delegation of authority and annual financial controls self assessment	• We have a comprehensive system of reporting performance to the Board, including monthly and quarterly reports • We have an internal audit department and an external audit is performed on the financial statements

Governance
Board of directors

Sir Ian Wood (age 66) Chairman
Appointed: Chairman 1982, Chief Executive from 1982 to 2006.
Experience: 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.
Committee membership: Chairman of the Nominations Committee

Allister G Langlands (age 50) Chief Executive
Appointed: Chief Executive 2007, Deputy Chief Executive from 1999 to 2007.
Experience: 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).
Committee membership: None

Alan G Semple (age 49) Group Finance Director
Appointed: 2000
Experience: Served as Finance Director for the Well Support business 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.
Committee membership: None

Mike Straughen (age 59) Group Director, Engineering
Appointed: 2007
Experience: Previously with AMEC plc for 25 years, latterly as Group Managing Director responsible for UK activities across all sectors, including Global Oil & Gas. Previously a member of PILOT, from 2002 to 2008, and Chairman of the Energy Industry Council from 2002 to 2007.
Committee membership: None

Les J Thomas (age 51) Group Director, Production Facilities
Appointed: 2004
Experience: Previously President of Marathon Oil UK and Europe responsible for Marathon's operations in the UK, Ireland and Norway.
Committee membership: None

Jim B Renfroe (age 55) Group Director, Well Support
Appointed: 2008
Experience: Previously with Halliburton for 33 years in a number of senior roles, most recently as Senior Vice-President, Strategy.
Committee membership: None

Mark H Papworth (age 44) Group Director, Gas Turbine Services
Appointed: 2006
Experience: 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.
Committee membership: None

Dr Christopher Masters (age 61) Non-executive Director, Senior Independent Director
Appointed: 2002
Experience: Currently a non-executive Director of British Assets Trust PLC, the Alliance Trust PLC, The Crown Agents and Creative Scotland 2009 Ltd. Chairman of Sagentia Group PLC and the Festival City Theatres Trust. Also a Fellow of the Royal Society of Edinburgh. Previously served as Executive Chairman of Aggreko plc.
Committee membership: Chairman of the Audit Committee, member of the Nominations Committee.

Ian D Marchant (age 48) Non-executive Director
Appointed: 2006
Experience: Chief Executive of Scottish and Southern Energy PLC, Chairman of the Climate Change Business Policy Group in Scotland and non-executive Director of Maggie's Cancer Centres. Also a member of Ofgem's Environmental Advisory Group and the Energy Research Partnership.
Committee membership: Member of the Audit and Nominations Committees.

D John Ogren (age 65) Non-executive Director
Appointed: 2001
Experience: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 and from 1992 until 1994 as Senior Vice President of E.I. Du Pont De Nemours and Company. From 1989 until 1992 was Senior Vice President of Conoco, Inc.
Committee membership: Member of the Remuneration and Nominations Committees.

Roberto Monti (age 69) Non-executive Director
Appointed: 2001.
Experience: Currently a non-executive Director of Petrobras Energia S. A. and Tenaris S. A and non-executive Chairman of Trefoil Limited. 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, he served as President of Dowell, a division of Schlumberger.
Committee membership: Member of the Remuneration and Nominations Committees.

Neil H Smith (age 44) Non-executive Director
Appointed: 2004
Experience: President & Chief Executive Officer since 2006 of InterGen, a global power generation company. Previously held numerous positions within InterGen, including President & Chief Operating Officer. A member of the Dean's Council at Harvard University's John F. Kennedy School of Government.
Committee membership: Member of the Remuneration and Nominations Committees.

John C Morgan (age 64) Non-executive Director
Appointed: 1998
Experience: Non-executive Chairman of Venture Production Company PLC. Joined the Board after 30 years of international experience with BP in a range of management roles, including President of BP Exploration Alaska.
Committee membership: Chairman of the Remuneration Committee, Member of the Audit and Nominations Committees.

David Woodward (age 62) Non-executive Director
Appointed: 2007
Experience: Currently Chief Operating Officer of the Oil and Gas Unit of Mubadala, a leading business development and investment company based in Abu Dhabi. Previously with BP for 36 years, his last appointment was President of BP 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 he was awarded the CMG for services to the international oil industry.
Committee membership: Member of the Audit and Nominations Committees.

Governance
Report of the directors

The directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2008.

Results and dividends
The Group income statement for the year is set out on page 60. In respect of the year ended 31 December 2008 an interim dividend of 2.8 cents per share was paid on 25 September 2008 and the directors have recommended a final dividend of 6.2 cents per share.

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

UK subsidiaries follow this policy and overseas subsidiaries are encouraged to apply local best practices.

Donations
During the year the Group made charitable donations amounting to $861,000 (2007: $790,000).

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.

e-communications
At the Annual General Meeting on 22 May 2008, shareholders passed a resolution to enable the Company to send documents or information to members by making them available on the website or by electronic means.

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

Other information
Other information relevant to and forming part of the Report of the directors is to be found in the following sections of the annual report -

Information	Location in Annual Report
Directors' details	Board of directors (pages 42 to 43)
Future developments	Operational review (pages 6 to 31)
Principal activities and business review	Operational review (pages 6 to 31)
Principal risks and uncertainties	Principal risks and uncertainties (pages 30 to 31)
Acquisitions and other developments	Note 28 to the financial statements (page 97)
Details of principal subsidiaries and joint ventures	Note 35 to the financial statements (page 104)
Corporate governance	Corporate governance (page 45 to 48)
Going concern	Corporate governance (page 45 to 48)
Statement of directors' responsibilities	Corporate governance (page 45 to 48)
Employment policies and employee communications	Corporate social responsibility (pages 32 to 39)
Ethical conduct of our business	Corporate social responsibility (pages 32 to 39)
Health, safety and the environment	Corporate social responsibility (pages 32 to 39)
Substantial shareholders	Corporate social responsibility (pages 32 to 39)
Share Capital	Note 22 to the financial statements (page 92)
Directors' interests in options over ordinary shares	Remuneration report (pages 49 to 56)
Directors' interests in ordinary shares	Remuneration report (pages 49 to 56)

By order of the board

Ian Johnson

Ian Johnson
Company Secretary
2 March 2009

Registered Office:
John Wood House,
Greenwell Road,
Aberdeen AB12 3AX

Company Registration Number: 36219

Governance
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 2008.

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. J C Morgan, who has served as a non-executive director for more than nine years, will offer himself for re-election at the 2009 AGM and annually thereafter in compliance with the Code. After careful review the Board believes that J C 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. The company is not J C Morgan's primary source of income and he does not participate in any of its bonus, option or incentive schemes. J C Morgan's experience, knowledge of the energy sector and long term perspective on the Group's activities and strategy continue to be valuable to the Group and contribute significantly to the Board's deliberations.

Board of Directors

Composition and independence

At 31 December 2008 the Board comprised fourteen directors, made up of seven 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 A G Langlands operates as Chief Executive Officer. Dr C Masters is the senior independent director.

J B Renfroe was elected to the Board as an executive director on 26 February 2008. There is a formal and transparent procedure for the appointment of new directors to the Board which involves an evaluation of the balance of skills, knowledge and experience of the existing Board. Appointments are 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.

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 42 and 43. Other than J C Morgan who is subject to annual re-election, 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 seven times in 2008. Four of the meetings were scheduled as two day sessions.

The Board has a schedule of matters specifically reserved for its consideration and approval. 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 also receives updates on the implementation and enforcement of the Group's Business Ethics Policy.

The Board receives appropriate and timely information from management to enable it to perform its duties, including monthly reports on financial and operational 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. During the year the Board was updated on the new conflicts of interest provisions of the 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 2008 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. 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 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.

Conflicts of interest

The company has procedures in place to deal with conflicts of interest and these procedures have operated effectively throughout the year.

Govenance
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.

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 2008	7	3	2	1
Executive Directors				
Sir Ian Wood	7	–	–	1
AG Langlands	7	–	–	–
AG Semple	7	–	–	–
LJ Thomas	6	–	–	–
MH Papworth	6	–	–	–
M Straughen	7	–	–	–
J B Renfroe	7	–	–	–
Non-executive Directors				
Dr C Masters	7	3	–	1
R Monti	5	–	–	1
JC Morgan	7	3	2	1
DJ Ogren	7	–	2	1
NH Smith	7	–	2	1
ID Marchant	6	2	–	1
D Woodward	7	3	–	1

On each occasion when a director was unable to attend a Board meeting, they provided the reasons in advance to the Chairman and were provided with copies of all Board papers, on which they were given the opportunity to comment.

Audit Committee

Committee composition and responsibilities

The Audit Committee comprises four independent non-executive directors, Dr. C Masters (Chairman), J C Morgan, I D Marchant and Mr D Woodward.

In line with the requirements of the Code, the Board considers that 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 Committee met three times in 2008. 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 2008.

During the year the Committee –

- reviewed the Annual Report for 2007 and the Interim Report for 2008
- reviewed the effectiveness of the Group's internal financial controls
- discussed with management and the external auditors significant issues and areas of financial risk, accounting principles, practices and judgements
- considered with the external auditors the significant matters arising from the annual external audit
- reviewed reports prepared by the internal audit function together with management's response and the actions taken
- focused 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 2008 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 PwC's 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. No such relationships were noted in 2008.

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 once during 2008.

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. 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. For further details please refer to the Ethics section of 'Our business and the community'.

Risk identification and management – The Board formally reviews the Group's exposure to key business risks at least once a year including the controls in place and management action plans. In addition the Board receives regular updates from management on specific risks and actions. 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. For further details please refer to the Principal risks and uncertainties section.

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 and 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 and meet on a monthly basis to discuss financial performance and other operational matters. In addition, each division held Quarterly Review Meetings "QRMS" involving discussions with senior managers and certain of the executive directors, including the Chief Executive.

As a result of these ongoing procedures the Boards' assessment was that the internal control environment was operating effectively.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Operational Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 18 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with the cash inflows generated from its existing activities as set out in note 27 to the financial statements. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Having made the appropriate enquiries including a review of cash flow projections and key sensitivities, 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.

Governance

Corporate governance

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards "IFRSs" as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that 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 that the Group financial statements comply with IFRSs as adopted by the European Union, and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in 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 to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 42 and 43, confirms that, to the best of their knowledge

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the directors' report on page 44 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report." Each director has taken all the steps that he ought to have taken 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.

Governance

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.

Letter from the Chairman of the Remuneration Committee

Dear Shareholder

The Remuneration Committee "the Committee" keeps under regular review the elements of the Wood Group senior management remuneration package. Its aim is to achieve a level and a mix which represents a fair and competitive reward with an appropriate balance between incentive and retention and an ability to attract high quality people. 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.

The remuneration structure 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 and responsibilities in other companies. The annual bonus for executive directors is based on delivery of both corporate and personal objectives. A new rolling three year Long Term Incentive Plan "LTIP" was approved by shareholders in 2007. The first cycle under this LTIP runs from 2008 to 2010. A new three year cycle commences each year.

The Committee will be particularly conscious of changing market and competitive circumstances in considering all aspects of remuneration over the coming period. The executive directors have themselves proposed that their base salary should be unchanged in 2009 and the Committee has accepted this. The Committee will keep under careful review the operation of the LTIP for the 2008-10 and 2009-11 cycles, with the objective of maintaining appropriate incentive and maximising alignment with shareholders' interests.

Additionally, the Committee keeps under review the remuneration policy for around 50 managers below executive director level. The objectives of the policy here are broadly the same as for executive directors, but with targets set to reflect individual manager's sphere of control.

John Morgan
Chairman, Remuneration Committee

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
- consider executive remuneration within the broader setting of pay conditions elsewhere within Wood Group

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, including companies within comparable sectors and geography as well as companies of comparable size and complexity in other sectors. 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 executive 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:

	Purpose	Performance period	Methodology in determining award
Basic salary	Attraction and retention	Not applicable	Individual responsibilities and geographical location
Benefits 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, a portion of which is deferred for a further two years	Achievement of long term financial performance against predetermined targets

1b) Summary of remuneration of executive directors in 2008 (audited)

Summary of remuneration of UK executive directors in 2008

	Basic salary (6)		Annual bonus (1)				Benefits (2), (3), (5)		Total	
			Cash bonus		*Deferred bonus*					
	£'000 2008	£'000 2007	£'000 2008	£'000 2007	£'000 2008	£'000 2007	£'000 2008	£'000 2007	£'000 2008	£'000 2007
Sir Ian Wood	**250**	295	**110**	133	**110**	133	**14**	13	**484**	574
A G Langlands	**480**	420	**210**	188	**210**	188	**14**	13	**914**	809
M H Papworth	**305**	290	**127**	133	**127**	133	**32**	35	**591**	591
M Straughen (4)	**305**	193	**132**	101	**132**	101	**43**	27	**612**	422
L J Thomas	**305**	290	**134**	129	**134**	129	**32**	30	**605**	578

Summary of remuneration of US executive directors in 2008

	Basic salary (6)		Annual bonus (1)				Benefits (2), (3), (5)		Total	
			Cash bonus		*Deferred bonus*					
	$'000 2008	$'000 2007	$'000 2008	$'000 2007	$'000 2008	$'000 2007	$'000 2008	$'000 2007	$'000 2008	$'000 2007
A G Semple	**575**	522	**258**	241	**258**	241	**28**	28	**1,119**	1,032
J B Renfroe (7)	**422**	-	**209**	-	**209**	-	**23**	-	**863**	-

(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 vary between directors but typically include a cash allowance in lieu of a company car, private health and dental coverage.
(3) Benefits paid to MH Papworth and LJ Thomas include cash payments in lieu of pension benefits above the scheme specific cap.
(4) M Straughen joined the Board on 1 May 2007.
(5) Benefits paid to M Straughen include a cash payment in lieu of pension benefits.
(6) The only element of remuneration that is pensionable is salary.
(7) J B Renfroe joined the Board on 26 February 2008.

1c) Basic salary and benefits

Salary levels are reviewed and approved annually by the Committee which has decided to accept the proposal from the executive directors that their 2009 salaries should remain unchanged at the 2008 levels.

The level of benefits typically provided includes a cash allowance in lieu of a company car, private health and dental coverage and some directors receive cash payments in lieu of pension benefits above the UK scheme specific cap. M Straughen has 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, people development and other CSR objectives.

The annual bonus is split into a cash component and a deferred component. The Committee has set the maximum cash bonus potential for executive directors for 2008 and 2009 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 2008, achievement of aggregate financial measures was 11% above budget and overall individual bonus payments including the deferred element ranged from 83% to 91% of base salary.

1e) Long term incentives (audited)

Long term incentive schemes play an important role in the retention and motivation of executive 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 executive directors and around 35 senior executives, the LTIS provided incentives for performance over a three year period to 31 December 2007. Details of the LTIS are provided in note 3c)(i).

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

	Shares awarded March 2006 (1)	Shares awarded March 2007 (2)	Shares awarded March 2008 (3)
A G Langlands	97,598	139,845	392,694
A G Semple	92,701	132,830	281,913
M H Papworth	27,901	105,432	359,818
L J Thomas	97,598	139,845	296,804

(1) Vested and exercised in March 2008
(2) Vest in March 2009
(3) Vest in March 2010

Long Term Incentive Plan "LTIP". Introduced in April 2007 for executive 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. Details of the LTIP are provided in note 3c)(ii).

Long Term Retention Plan "LTRP". Introduced in 2003, the LTRP was designed to align rewards to financial performance and results in the awarding of Wood Group par value options to participants. Since the introduction of the LTIS this scheme has primarily been aimed at a group of around 350 employees in the layer below those participating in the LTIS. 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 executive directors and senior executives. No awards have been made to executive 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.

	Retirement age	Employee contributions	Life assurance	Accrual rate	Death in service benefits
A G Langlands	60	Non Contributory	4 x 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	4 x basic salary	1/60th	One-half

A scheme specific pensionable earnings cap of £118,800 was set in April 2008 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 6 April 2008 at £425,000 per annum increasing at RPI plus 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.
M Straughen receives a cash payment of 10% of base salary in lieu of pension provision.

Sir Ian Wood ceased to be an active member of the Scheme during 2007.

The directors below had the following accrued entitlements under the JWG RBS at 31 December 2008. For A G Langlands the figures include entitlements under unfunded, unapproved schemes

	Age at 31 December 2008	Accumulated total accrued annual pension at 31 December 2007 £'000	Increase in accrued annual pension (including inflation) £'000	Increase in accrued pension (excluding inflation) £'000	Accumulated total accrued annual pension at 31 December 2008 £'000
A G Langlands	50	127	59	55	186
M H Papworth	43	5	2	2	7
L J Thomas	51	7	2	2	9

	Transfer value of increase in pension entitlement (excluding inflation) £'000	Transfer value of accrued benefit at 31 December 07 £'000	Increase in transfer value of pension entitlement less member contributions £'000	Member contributions £'000	Transfer value of accrued benefit at 31 December 08 £'000
A G Langlands	1,160	2,418	1,667	-	4,085
M H Papworth	21	53	17	9	79
L J Thomas	27	88	28	9	125

Pension benefits to US based executive directors

	Age at 31 December 2008	Accumulated total accrued annual pension at 31 December 2007 $'000	Increase in accrued annual pension (including inflation) $'000	Increase in accrued pension (excluding inflation) $'000	Accumulated total accrued annual pension at 31 December 2008 $'000
A G Semple	49	102	14	11	116

	Transfer value of increase in pension entitlement (excluding inflation) $'000	Transfer value of accrued benefit at 31 December 07 $'000	Increase in transfer value of pension entitlement less member contributions $'000	Member contributions $'000	Transfer value of accrued benefit at 31 December 08 $'000
A G Semple	229	2,041	266	40	2,347

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 6 April 2008 at $536,562 per annum, increasing at RPI plus 1.25%.

J B Renfroe's benefits are provided in defined contribution form. During the year the Group's contribution on his behalf to a 401k plan amounted to $11,500 (2007: nil)

A G Semple and J B Renfroe are provided with life assurance cover of approximately four times basic salary.

1g) Service contracts

	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 B Renfroe	28 January 2008	6 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 executive 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. Equity awards on termination are treated in accordance with the plan rules. 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.

Executive directors are not permitted to accept external directorships or other significant appointments without the Chief Executive's prior consent and, in the case of the Chief Executive, the Chairman's 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

Annual directors' fee	£40,000
Committee attendance fee per meeting	£1,000

With effect from 1st January 2008, non-executive directors can elect to be paid in either pounds sterling or in US dollars at the applicable exchange rate at the time of payment. There are no changes to the structure or level of non-executive directors' fees for 2009.

2c) Remuneration of non-executive directors in 2008 (audited)

	Annual directors fee £'000	Committee attendance £'000	2008 Total £'000	2007 Total[2] £'000
Dr C Masters	40	4	44	36
I D Marchant	40	3	43	36
J C Morgan	40	6	46	38
D Woodward [1]	40	4	44	22
R Monti	40	1	41	28
D J Ogren	40	3	43	28
N H Smith	40	3	43	28

(1) Appointed 23 May 2007
(2) In 2007, certain directors were paid an agreed fee in US dollars. These have been converted for comparative purposes at an exchange rate of US$1.99/£1.00.

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 JC Morgan (Chairman), R Monti, DJ Ogren and NH Smith. The Committee charter is publicly available on the Group's website.

At the invitation of the Chairman of the Committee, Sir Ian Wood and AG Langlands attended meetings in 2008, 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.

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.

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 executive 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. Interim share awards were made after the end of the first and second financial years and a final award was made in March 2008.

Share awards were 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.

(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 and is based on three year rolling performance cycles, with the first cycle beginning on 1 January 2008 "2008 cycle". The second cycle commenced on 1 January 2009 "2009 cycle", and 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 Committee, are able to materially influence the achievement of the Group's long term business goals. Initially, the Group executive directors and around 35 key senior executives were invited to 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. The 2008 cycle for executive directors is 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. From the second performance cycle 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 LTIP scheme contains separate performance measures for group 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, but only so that the new levels are considered as demanding as those first set.

The measurement criteria for executive directors are as follows -

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

The TSR of the Group for the 2008 and 2009 cycles is compared to a peer group comprising of Aker Kvaerner, AMEC, Baker Hughes, Cameron International, Fluor, FMC, Foster Wheeler, Halliburton, Jacobs Engineering, KBR, National Oilwell Varco, Petrofac, Saipem, SBM Offshore, Schlumberger, Sulzer, Technip, Weatherford International, The Weir Group and Worley Parsons. The Committee has the discretion to choose and amend the peer group and during 2008 two companies previously included were removed from the peer group following their delisting. In the 2008 and 2009 cycles 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 Diluted 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 2008-2010 cycles were set at RPI plus 5% at the 'threshold', when one third of the AEPS element will become payable, and RPI plus 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. The global economic recession and very significant movement in the oil price are clearly exceptional circumstances and the Committee may consider it appropriate to relook at the targets during 2009, subject always to the reward levels being reduced and any revised targets being as demanding in the changed circumstances as the targets originally set.

In view of the high current level of uncertainty in the market, the Committee has decided to delay setting the performance targets for the 2009-2011 cycle until later in 2009.

No awards will be made under the scheme unless the Committee is satisfied that the underlying competitive 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. There are currently over 750 participants, including executive directors, across the Group.

An LTRP award of 100,000 options was made to M H Papworth in 2008 as part of a pre-employment contractual commitment. An LTRP award of 50,000 options was made to M Straughen in 2008 as he was ineligible to participate in the LTIS scheme. Details of options issued under the LTRP are included in the table at 3d) below.

The basis of the LTRP schemes is that an overall bonus pool is calculated annually based on growth in the Group's AEPS in the prior year. Under the market conditions pertaining up to the end of 2008, there is no bonus pool if the prior year AEPS growth was under the threshold of RPI plus 3%, with the maximum bonus pool paid, at an equivalent value to 5% of EBTA (earnings before tax, amortisation and non-recurring items) if the AEPS meets or exceeds RPI plus 10% in the prior year. The Committee are currently considering reviewing this for the 2009 year, in light of the changed market circumstances.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 executive directors are subject to the achievement of performance criteria.

The current performance criteria for executive directors 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 Committee with regard to eligibility, level of allocation and frequency of issue, taking into account the practice of comparable companies. There are currently around 550 participants across the Group.

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

3d) 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 1st January 2008	Granted in 2008	Exercised in 2008	Number as at 31st December 2008
A G Langlands									
LTRP	02/07/2003	02/07/2007	02/07/2008	3 1/3p	455p	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	128.5 p	–	200,000	–	–	200,000
						345,008	–	45,008	300,000
A G Semple									
Executive	02/04/2004	02/04/2008	02/04/2014	128.5 p	–	175,000	–	–	175,000
						175,000	-	-	175,000
L J Thomas									
Executive	02/04/2004	02/04/2008	02/04/2014	128.5 p	–	100,000	–	–	100,000
LTRP	01/11/2004	01/11/2008	01/11/2009	3 1/3p	240p	50,000	–	50,000	–
LTRP	18/04/2005	18/04/2009	18/04/2010	3 1/3p	–	50,000	–	–	50,000
Executive	19/05/2005	19/05/2009	19/05/2015	145p	–	100,000	–	–	100,000
						300,000	-	50,000	250,000
M H Papworth									
LTRP	18/04/2005	18/04/2009	18/04/2010	3 1/3p	–	50,000	–	–	50,000
LTRP	12/04/2006	12/04/2010	12/04/2011	3 1/3p	–	50,000	–	–	50,000
LTRP	30/03/2007	30/03/2011	30/03/2012	3 1/3p	–	100,000	–	–	100,000
LTRP	25/03/2008	25/03/2012	25/03/2013	3 1/3p	–	–	100,000	–	100,000
						200,000	100,000	-	300,000
M Straughen									
LTRP	25/03/2008	25/03/2012	25/03/2013	3 1/3p	–	–	50,000	–	50,000
						-	50,000	-	50,000

The market price of the Company's shares at 31 December 2008 was 188.25p and the range of closing market prices from 1 January to 31 December 2008 was 155.7p to 494.5p. The market price of the LTRP share awards granted on 25 March 2008 was 383p.

3e) Directors' interests
Details of the directors who held office during the year and up to the date of this report are set out on within the Board of Directors section

Details of directors' interests in the ordinary shares of the Company at 31 December 2008 were:

Beneficial interest	**1 January 2008**	**31 December 2008**
Sir Ian Wood	28,439,387	31,154,768
A G Langlands (1)	1,687,443	2,282,539
A G Semple (1)	925,531	1,164,743
M H Papworth (1)	137,473	478,096
J B Renfroe	–	10,000
M Straughen	3,055	23,055
L J Thomas (1), (2)	337,443	586,649
Dr C Masters	30,000	30,000
R Monti	30,000	30,000
J C Morgan	30,000	41,050
D J Ogren	55,000	80,000
I D Marchant	10,000	10,000
D Woodward	–	27,000
N H Smith	–	–
Non-beneficial Interest		
Sir Ian Wood	59,941,473	59,941,743

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 2008 are set out in section 3(d) of this report.

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, other than disclosed in note 34 to the financial statements. There is no requirement for directors to hold an interest in the company.

(1) Including conditional LTIS awards granted during 2008 as set out in section 1(e) of this report.
(2) 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 had the right to the last third on 9 June 2008.

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 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated 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 2008 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 directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the group'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 the Report of the Directors, the Chairman's Statement, the Operational and Financial Reviews, the Corporate Governance Statement and all other information listed on the contents page. 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 2008 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 Report of the Directors is consistent with the group financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
2 March 2009

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.

Consolidated income statement
for the year to 31 December 2008

	Note	2008 $m	2007 $m
Revenue	1	5,243.1	4,432.7
Cost of sales		(4,071.7)	(3,506.4)
Gross profit		1,171.4	926.3
Administrative expenses		(755.6)	(618.5)
Profit on disposal of interest in joint venture	4	–	3.6
Impairment and restructuring charges	5	–	(26.2)
Operating profit	1	415.8	285.2
Finance income	2	6.0	7.4
Finance expense	2	(37.7)	(32.7)
Profit before taxation	3	384.1	259.9
Taxation	6	(128.7)	(91.0)
Profit for the year		255.4	168.9
Attributable to:			
Equity shareholders		251.6	165.0
Minority interest	26	3.8	3.9
		255.4	168.9
Earnings per share (expressed in cents per share)			
Basic	8	49.6	33.0
Diluted	8	48.1	31.7

The notes on pages 64 to 104 are an integral part of these consolidated financial statements

Consolidated statement of recognised income and expense
for the year to 31 December 2008

	Note	2008 $m	2007 $m
Profit for the year		**255.4**	168.9
Actuarial (losses)/gains on retirement benefit liabilities	30	**(18.7)**	2.6
Movement in deferred tax relating to retirement benefit liabilities		**5.2**	(0.8)
Cash flow hedges		**(7.5)**	(3.5)
Tax on foreign exchange losses recorded in reserves		**–**	0.3
Tax credit relating to share schemes		**6.2**	–
Exchange movements on retranslation of foreign currency net assets		**(45.9)**	7.0
Total recognised income for the year		**194.7**	174.5
Total recognised income for the year is attributable to:			
Equity shareholders		**190.9**	170.6
Minority interest		**3.8**	3.9
		194.7	174.5

The notes on pages 64 to 104 are an integral part of these consolidated financial statements

Consolidated balance sheet
as at 31 December 2008

	Note	2008 $m	2007 $m
Assets			
Non-current assets			
Goodwill and other intangible assets	9	632.2	576.1
Property plant and equipment	10	263.0	272.3
Long term receivables		9.5	2.8
Derivative financial instruments	18	–	0.8
Deferred tax assets	20	53.3	51.1
		958.0	903.1
Current assets			
Inventories	12	591.4	539.2
Trade and other receivables	13	1,034.2	894.9
Income tax receivable		12.3	15.5
Derivative financial instruments	18	7.2	0.7
Gross assets held for sale	28	22.9	–
Cash and cash equivalents	14	176.1	117.1
		1,844.1	1,567.4
Liabilities			
Current liabilities			
Borrowings	16	34.2	45.1
Derivative financial instruments	18	4.1	1.5
Trade and other payables	15	965.3	891.6
Income tax liabilities		53.4	46.4
Gross liabilities held for sale	28	4.8	-
		1,061.8	984.6
Net current assets		782.3	582.8
Non-current liabilities			
Borrowings	16	390.7	349.9
Derivative financial instruments	18	8.1	1.2
Deferred tax liabilities	20	4.5	5.6
Retirement benefit liabilities	30	23.1	11.3
Other non-current liabilities	17	121.9	95.3
Provisions	19	45.0	36.7
		593.3	500.0
Net assets		1,147.0	985.9
Shareholders' equity			
Share capital	22	26.2	26.0
Share premium	23	311.8	303.6
Retained earnings	24	760.2	555.9
Other reserves	25	35.7	89.1
Total shareholders' equity		1,133.9	974.6
Minority interest	26	13.1	11.3
Total equity		1,147.0	985.9

The financial statements on pages 60 to 104 were approved by the board of directors on 2 March 2009.

Allister G Langlands, Director Alan G Semple, Director

The notes on pages 64 to 104 are an integral part of these consolidated financial statements

Consolidated cash flow statement

for the year to 31 December 2008

	Note	2008 $m	2007 $m
Cash generated from operations	27	353.5	339.0
Tax paid		(112.1)	(105.9)
Net cash from operating activities		241.4	233.1
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and borrowings acquired)	28	(85.4)	(112.0)
Acquisition of minority interests		–	(0.2)
Deferred consideration payments	28	(26.8)	(13.6)
Proceeds from disposal of businesses (net of cash and borrowings disposed)	28	32.5	9.0
Purchase of property plant and equipment		(83.5)	(80.8)
Proceeds from sale of property plant and equipment		9.9	4.2
Purchase of intangible assets		(19.1)	(11.8)
Proceeds from disposal of other intangible assets		0.4	0.2
Investment by minority shareholders	26	0.1	1.4
Net cash used in investing activities		(171.9)	(203.6)
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of expenses)		–	0.2
Proceeds from/(repayment of) bank loans		105.7	(18.1)
Purchase of shares in employee share trusts		(34.2)	-
Disposal of shares in employee share trusts		10.5	16.2
Interest received		4.6	5.8
Interest paid		(33.6)	(32.0)
Dividends paid to shareholders	7	(40.1)	(27.6)
Dividends paid to minority shareholders	26	(1.9)	(1.5)
Net cash from/(used in) financing activities		11.0	(57.0)
Effect of exchange rate changes on cash and cash equivalents		(21.5)	4.3
Net increase/(decrease) in cash and cash equivalents		59.0	(23.2)
Opening cash and cash equivalents		117.1	140.3
Closing cash and cash equivalents	14	176.1	117.1

The notes on pages 64 to 104 are an integral part of these consolidated financial statements

Notes to the financial statements
for the year to 31 December 2008

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 on a going concern basis under the historical cost convention as modified by the revaluation of financial assets and liabilities held for trading.

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. Transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. All Group companies apply the Group's accounting policies and prepare financial statements to 31 December.

Critical accounting judgments and estimates
The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where significant estimates or assumptions have been applied in estimating balances in the financial statements, these have been disclosed in the relevant notes to those balances. Significant judgments and estimates in these financial statements have been made with regard to goodwill impairment testing (note 9), trade receivables (note 13), provisions (note 19), deferred tax balances (note 20), share based charges (note 21) and retirement benefit liabilities (note 30). An explanation of key uncertainties or assumptions used by management in accounting for these items is explained where material in the respective notes.

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:

	2008	2007
Average rate £1 = $	1.8484	1.9995
Closing rate £1 = $	1.4378	1.9906

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.

Notes to the financial statements
for the year to 31 December 2008

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. 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 CGUs are aligned to the structure the Group uses to manage its business. Cash flows are discounted in determining the value in use.

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for the year to 31 December 2008

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.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

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).

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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.

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for the year to 31 December 2008

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 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 has a Long Term Incentive Scheme ('LTIS') and a Long Term Incentive Plan ('LTIP') 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 and LTIP 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.

Notes to the financial statements
for the year to 31 December 2008

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. The Group measures the operating performance of these segments using 'EBITDA' (Earnings before interest, tax, depreciation and amortisation) and 'EBITA' (Earnings before interest, tax and amortisation).

Engineering & Production Facilities offers a wide range of engineering services to the upstream, midstream, downstream and industrial sectors. These include conceptual studies, engineering, project and construction management and control system upgrades. 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 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

(a) *Interpretations effective and relevant in 2008*
The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008:
IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'
IFRIC 11, 'IFRS 2 – Group and treasury share transactions'

(b) *Interpretations effective in 2008 but not relevant*
The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:
- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 13, 'Customer loyalty programmes'.

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*
The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:
- IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009)
- IAS 1 (revised), 'Presentation of financial statements' (effective from 1 January 2009)
- IFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009)
- IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009)
- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009)
- IFRS 3 (revised), 'Business combinations' (applies to accounting periods beginning on or after 1 July 2009). This standard will impact on any acquisitions the Group undertakes from 1 January 2010.
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations', (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009)
- IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009)
- IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2009)
- IAS 38 (amendment), 'Intangible assets' (effective from 1 January 2009)
- IAS 19 (amendment), 'Employee benefits' (effective from 1 January 2009)
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009)
- IFRS 8 'Operating Segments' (effective from 1 January 2009)

It is not anticipated that the application of these standards and amendments will have any material impact on the Group financial statements.

Notes to the financial statements

for the year to 31 December 2008

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	
	2008	2007	2008	2007	2008	2007	2008	2007
	$m	$m	$m	$m	$m	$m	$m	$m
Engineering & Production Facilities	3,244.7	2,582.8	336.7	229.3	316.1	214.5	297.9	209.1
Well Support	1,008.6	862.1	135.8	113.0	105.0	87.1	104.9	87.0
Gas Turbine Services	956.6	955.7	89.6	82.5	72.6	64.3	66.0	44.1
Central costs [4]	–	–	(47.6)	(44.8)	(48.7)	(45.5)	(48.8)	(45.5)
	5,209.9	4,400.6	514.5	380.0	445.0	320.4	420.0	294.7
Gas Turbine Services – to be disposed [2]	33.2	32.1	(3.1)	(1.3)	(4.0)	(2.0)	(4.2)	(9.5)
Total	5,243.1	4,432.7	511.4	378.7	441.0	318.4	415.8	285.2
Finance income							6.0	7.4
Finance expense							(37.7)	(32.7)
Profit before taxation							384.1	259.9
Taxation							(128.7)	(91.0)
Profit for the year							255.4	168.9

Notes
1 EBITDA represents operating profit of $415.8m (2007 : $285.2m) before profit on disposal of interest in joint venture of $nil (2007 : $3.6m), impairment and restructuring charges of $nil (2007 : $26.2m), depreciation of $70.4m (2007 : $60.3m) and amortisation of $25.2m (2007 : $10.6m). 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 Gas Turbine Services business to be disposed is 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 2008	Engineering & Production Facilities $m	Well Support $m	Gas Turbine Services $m	Gas Turbine Services – to be disposed $m	Unallocated $m	Total $m
Segment assets	1,184.6	663.1	778.1	26.7	149.6	2,802.1
Segment liabilities	619.9	226.7	228.1	4.3	576.1	1,655.1
At 31 December 2007						
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

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

Notes to the financial statements
for the year to 31 December 2008

1 **Segmental Reporting (continued)**

Other segment items

2008	Engineering & Production Facilities $m	Well Support $m	Gas Turbine Services $m	Gas Turbine Services – to be disposed $m	Unallocated $m	Total $m
Capital expenditure						
- Property plant and equipment	20.3	43.7	18.6	1.0	2.6	86.2
- Intangible assets	12.8	0.1	5.3	–	0.9	19.1
Non-cash expense						
- Depreciation	20.6	30.8	17.0	0.9	1.1	70.4
- Amortisation of other intangible assets	18.2	0.1	6.6	0.2	0.1	25.2

2007	$m	$m	$m	$m	$m	$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 2007 was $1.2m and related to the charge in the Gas Turbine Services division.

Secondary format – geographical segments

	Revenue		Segment assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007
	$m	$m	$m	$m	$m	$m
Europe	1,480.4	1,324.0	713.8	546.2	16.9	17.1
North America	2,345.1	1,950.6	1,333.1	1,270.0	56.7	50.0
Rest of the World	1,417.6	1,158.1	755.2	654.3	31.7	26.8
	5,243.1	4,432.7	2,802.1	2,470.5	105.3	93.9

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.

	2008 $m	2007 $m
Revenue by category is as follows:		
Sale of goods	688.6	643.4
Rendering of services	4,554.5	3,789.3
	5,243.1	4,432.7

Notes to the financial statements
for the year to 31 December 2008

2 Finance expense/(income)

	2008 $m	2007 $m
Interest payable on bank borrowings	33.7	31.3
Interest relating to discounting of deferred consideration	4.0	1.4
Finance expense	37.7	32.7
Interest receivable on short term deposits	(4.6)	(5.8)
Other interest income (note 30)	(1.4)	(1.6)
Finance income	(6.0)	(7.4)
Finance expense – net	31.7	25.3

3 Profit before taxation

	2008 $m	2007 $m
The following items have been charged/(credited) in arriving at profit before taxation:		
Employee benefits expense (note 29)	1,982.5	1,618.0
Cost of inventory recognised as an expense (included in cost of sales)	518.1	413.8
Impairment of inventory	11.7	19.0
Depreciation of property plant and equipment	70.4	60.3
Amortisation of other intangible assets	25.2	10.6
Gain on disposal of property plant and equipment	(4.6)	(1.2)
Other operating lease rentals payable:		
- Plant and machinery	27.4	23.3
- Property	55.8	46.1
Foreign exchange gains	(21.7)	(3.9)
(Gain)/loss on fair value of unhedged derivative financial instruments	(3.8)	0.7

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:

	2008 $m	2007 $m
Audit services		
- Fees payable for audit of parent company and consolidated accounts	1.0	0.9
- Audit of Group companies pursuant to legislation	1.7	1.4
Non-audit services		
Fees payable to the Group's auditor and its network firms for other services		
- Tax services	0.1	0.3
- Other services	0.1	0.1
	2.9	2.7

Notes to the financial statements
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4 Profit on disposal of interest in joint venture

	2008 $m	2007 $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 was booked in respect of this transaction and tax of $1.1m was provided.

5 Impairment and restructuring charges

	2008 $m	2007 $m
Impairment and restructuring charges	–	26.2

In 2007, 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. In addition, an impairment charge of $7.2m was booked in the Gas Turbine Services division – to be disposed in respect of property plant and equipment and other intangible assets. The Group also impaired goodwill of $2.5m in the Engineering & Production Facilities division. The 2007 tax charge (see note 6) included a tax credit of $4.6m in relation to the impairment and restructuring charges.

6 Taxation

	2008 $m	2007 $m
Current tax		
- Current year	134.7	115.8
- Adjustment in respect of prior years	(4.4)	(8.4)
	130.3	107.4
Deferred tax		
Relating to origination and reversal of temporary differences	(1.6)	(16.4)
Total tax charge	128.7	91.0

Tax on items (credited)/charged to equity	2008 $m	2007 $m
Deferred tax movement on retirement benefit liabilities	(5.2)	0.8
Current tax credit on exchange movements offset in reserves	–	(0.3)
Current tax relating to share option schemes	(6.2)	–
Total (credited)/charged to equity	(11.4)	0.5

Notes to the financial statements

for the year to 31 December 2008

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 2008 due to the change in profitability of the Group's subsidiaries in their respective jurisdictions. The tax charge for the year is lower (2007 : lower) than the expected tax charge due to the following factors:

	2008 $m	2007 $m
Profit before taxation	384.1	259.9
Profit before tax at expected rate of 34.1% (2007: 35.3%)	131.0	91.7
Effects of:		
Adjustments in respect of prior years	(3.2)	(8.4)
Non-recognition of losses and other attributes	4.4	1.9
Other permanent differences	(3.5)	5.8
Total tax charge	128.7	91.0

7 Dividends

	2008 $m	2007 $m
Dividends on equity shares		
Final dividend paid - year ended 31 December 2007 : 5.0 cents (2007: 3.5 cents) per share	25.6	17.6
Interim dividend paid - year ended 31 December 2008 : 2.8 cents (2007: 2.0 cents) per share	14.5	10.0
	40.1	27.6

The directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 6.2 cents per share. The final dividend will be paid on 18 May 2009 to shareholders who are on the register of members on 17 April 2009. The financial statements do not reflect the final dividend, the payment of which will result in an estimated $32.0m reduction in shareholders' funds.

Notes to the financial statements
for the year to 31 December 2008

8 **Earnings per share**

	2008			2007		
	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	**251.6**	**507.6**	**49.6**	165.0	500.6	33.0
Effect of dilutive ordinary shares	**–**	**15.7**	**(1.5)**	–	19.2	(1.3)
Diluted	**251.6**	**523.3**	**48.1**	165.0	519.8	31.7
Amortisation, net of tax	**20.9**	**–**	**4.0**	7.7	–	1.5
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	**272.5**	**523.3**	**52.1**	191.8	519.8	36.9
Adjusted basic	**272.5**	**507.6**	**53.7**	191.8	500.6	38.3

The calculation of basic earnings per share for the year ended 31 December 2008 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 and Long Term Incentive Plan. Adjusted basic and adjusted 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.

Notes to the financial statements
for the year to 31 December 2008

9 Goodwill and other intangible assets

	Goodwill $m	Computer software $m	Other $m	Total $m
Cost				
At 1 January 2008	516.8	36.0	70.5	623.3
Exchange movements	(41.6)	(6.6)	(9.0)	(57.2)
Additions	–	15.9	3.2	19.1
Acquisitions	110.0	0.2	18.3	128.5
Disposals	–	(2.7)	(0.6)	(3.3)
Disposal of businesses	(11.0)	–	–	(11.0)
Reclassification as assets held for sale	(5.2)	(0.3)	–	(5.5)
Reclassification from current assets	–	3.7	–	3.7
At 31 December 2008	**569.0**	**46.2**	**82.4**	**697.6**
Aggregate amortisation and impairment				
At 1 January 2008	2.9	23.3	21.0	47.2
Exchange movements	–	(4.3)	(3.1)	(7.4)
Amortisation charge for the year	0.7	8.2	16.3	25.2
Disposals	–	(2.3)	(0.6)	(2.9)
Reclassification as assets held for sale	–	(0.2)	–	(0.2)
Reclassification from current assets	–	3.5	–	3.5
At 31 December 2008	**3.6**	**28.2**	**33.6**	**65.4**
Net book value at 31 December 2008	**565.4**	**18.0**	**48.8**	**632.2**
Cost				
At 1 January 2007	355.7	29.1	32.8	417.6
Exchange movements	14.8	0.5	3.3	18.6
Additions	–	6.7	5.1	11.8
Acquisitions	146.5	0.5	28.7	175.7
Reclassification from property plant and equipment	(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 movements	–	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

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 2009-10 budgets. Cash flows for 2011-13 are assumed to grow at a rate of 5% per annum and subsequent cash flows have been assumed to grow at 3% per annum for a further 15 years. In total, a 20 year period has been used for the impairment tests reflecting the expected long term growth in the market. The cash flows have been discounted using a pre-tax discount rate of 10%. The value in use has been compared to the net book value of goodwill for each CGU and no impairment write down is required.

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9 Goodwill and other intangible assets (continued)

A sensitivity analysis has been performed in order to assess the impact of reasonable possible changes in the key assumptions due to the current economic environment. This analysis did not identify any impaired CGUs.

The impairment charge for 2007 is included in the 'impairment and restructuring charges' line in the income statement.

The carrying amounts of goodwill by division are: Engineering & Production Facilities $453.4m (2007 : $392.0m), Gas Turbine Services $78.5m (2007 : $88.4m) and Well Support $33.5m (2007 : $33.5m). At 31 December 2008, the carrying amounts of goodwill attributable to the principal CGUs within the Engineering & Production Facilities division are Mustang $148.7m, IMV $132.0m, Production Facilities Americas $71.5m and Subsea & Pipeline $57.3m.

The other heading in the above table includes development costs, licences and customer contracts and relationships arising on acquisitions. Development costs with a net book value of $10.7m (2007 : $11.6m) 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 2008	60.9	23.1	505.2	589.2
Exchange movements	(5.2)	(1.8)	(30.3)	(37.3)
Additions	7.5	4.4	74.3	86.2
Acquisitions	2.4	–	3.2	5.6
Disposals	(2.5)	–	(28.1)	(30.6)
Disposal of businesses	(0.7)	–	(8.8)	(9.5)
Reclassification as assets held for sale	(0.3)	(0.8)	(13.8)	(14.9)
Reclassification from/(to) current assets	0.7	–	(7.6)	(6.9)
At 31 December 2008	**62.8**	**24.9**	**494.1**	**581.8**
Accumulated depreciation and impairment				
At 1 January 2008	26.2	11.7	279.0	316.9
Exchange movements	(2.1)	(0.2)	(19.7)	(22.0)
Charge for the year	3.8	1.8	64.8	70.4
Disposals	(0.5)	–	(23.4)	(23.9)
Disposal of businesses	(0.7)	–	(5.2)	(5.9)
Reclassification as assets held for sale	(0.1)	(0.2)	(8.1)	(8.4)
Reclassification to current assets	–	–	(8.3)	(8.3)
At 31 December 2008	**26.6**	**13.1**	**279.1**	**318.8**
Net book value at 31 December 2008	**36.2**	**11.8**	**215.0**	**263.0**

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for the year to 31 December 2008

10 Property plant and equipment (continued)

	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 movements	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)
Disposal 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 movements	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)
Disposal 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

Plant and equipment includes assets held for lease to customers under operating leases of $36.8m (2007: $40.0m). Additions during the year amounted to $4.5m (2007 : $9.7m) and depreciation totalled $14.6m (2007 : $13.2m). The gross cost of these assets at 31 December 2008 is $61.8m (2007 : $62.0m) and aggregate depreciation is $25.0m (2007 : $22.0m).

Impairment of property plant and equipment in 2007 was 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 $4.7m (2007 : $12.3m).

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11 Joint ventures

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

	2008 $m	2007 $m
Non-current assets	44.3	53.5
Current assets	248.3	222.7
Current liabilities	(169.6)	(139.5)
Non-current liabilities	(6.3)	(15.3)
Net assets	116.7	121.4
Income	471.0	422.8
Expenses	(422.4)	(379.8)
Profit before tax	48.6	43.0
Tax	(12.1)	(11.9)
Share of post tax results from joint ventures	36.5	31.1

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. The name and principal activity of the most significant joint ventures is disclosed in note 35.

12 Inventories

	2008 $m	2007 $m
Materials	60.7	71.5
Work in progress	137.3	130.7
Finished goods and goods for resale	393.4	337.0
	591.4	539.2

13 Trade and other receivables

	2008 $m	2007 $m
Trade receivables	936.9	799.7
Less: provision for impairment of trade receivables	(62.4)	(44.2)
Trade receivables – net	874.5	755.5
Amounts recoverable on contracts	14.2	14.9
Prepayments and accrued income	81.8	59.5
Other receivables	63.7	65.0
	1,034.2	894.9

Notes to the financial statements
for the year to 31 December 2008

13 Trade and other receivables (continued)

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

31 December 2008	Trade Receivables – Gross $m	Provision for impairment $m	Trade Receivables – Net $m	Receivable days
Engineering & Production Facilities	550.3	(18.6)	531.7	51
Well Support	196.6	(32.0)	164.6	52
Gas Turbine Services	190.0	(11.8)	178.2	50
Total Group	**936.9**	**(62.4)**	**874.5**	**52**
31 December 2007				
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

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 52 indicates that closing trade receivables represent the most recent 52 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. The change in the economic environment has contributed to the increase in the provision for impairment during the year.

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

	2008 $m	2007 $m
Up to 3 months	18.6	6.1
Over 3 months	43.8	38.1
	62.4	44.2

Notes to the financial statements
for the year to 31 December 2008

13 **Trade and other receivables (continued)**

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

2008	Engineering & Production Facilities $m	Well Support $m	Gas Turbine Services $m	Total $m
At 1 January	9.3	27.5	7.4	44.2
Exchange movements	(1.1)	(0.1)	(0.3)	(1.5)
Charge to income statement	10.4	4.6	4.7	19.7
At 31 December	**18.6**	**32.0**	**11.8**	**62.4**
2007				
At 1 January	7.0	11.1	5.5	23.6
Exchange movements	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

The charge to the income statement is included in administrative expenses. The change in the economic environment during the year has contributed to the increase in the provision for impairment of trade receivables.

Non-trade receivables do not contain impaired assets.

Included within gross trade receivables of $936.9m above (2007 : $799.7m) are receivables of $221.3m (2007: $199.6m) 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:

	2008 $m	2007 $m
Up to 3 months	**203.6**	174.6
Over 3 months	**17.7**	25.0
	221.3	199.6

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14 Cash and cash equivalents

	2008 $m	2007 $m
Cash at bank and in hand	**149.6**	98.8
Short-term bank deposits	**26.5**	18.3
	176.1	117.1

The effective interest rate on short-term deposits was 1.9% (2007 : 6.2%) and these deposits have an average maturity of 32 days (2007 : 12 days).

At 31 December 2008 the Group held $10.5m of cash (2007: $10.7m) 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

	2008 $m	2007 $m
Trade payables	**310.1**	325.0
Other tax and social security payable	**61.7**	50.7
Accruals and deferred income	**544.2**	454.6
Deferred consideration	**9.3**	17.7
Other payables	**40.0**	43.6
	965.3	891.6

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16 Borrowings

	2008 $m	2007 $m
Bank loans and overdrafts due within one year or on demand		
Unsecured	34.2	45.1
Non-current bank loans		
Unsecured	390.7	349.9

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:

	2008 %	2007 %
US Dollar	4.68	5.35
Sterling	4.41	6.40
Euro	3.37	5.08
Canadian Dollar	3.07	5.26

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

	2008 $m	2007 $m
US Dollar	115.4	116.0
Sterling	81.5	78.6
Euro	71.9	21.9
Canadian Dollar	140.0	151.5
Other	16.1	27.0
	424.9	395.0

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 has also issued standby letters of credit as security for local bank facilities. At 31 December 2008 the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to $236.0m (2007: $257.7m). At 31 December 2008, these facilities were 65% utilised (2007: 66%).

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16 Borrowings (continued)

Borrowing facilities

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

	2008 $m	2007 $m
Expiring within one year	42.8	38.1
Expiring between one and two years	566.4	-
Expiring in more than two years but not more than five years	22.8	436.3
	632.0	474.4

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review at various dates during 2009. The financial covenants applicable to the bilateral borrowing facilities are the ratio of net debt to EBITDA, which must not exceed 3.5:1, and the interest cover ratio, which must not be less than 3.5:1. The measurement of the Group's performance against these covenants is provided in note 18 under the capital risk heading. In February 2009, the Group renewed its bilateral borrowing facilities for a further 3 years. The bank facilities have been arranged to finance the Group's activities.

17 Other non-current liabilities

	2008 $m	2007 $m
Deferred consideration	112.8	85.4
Other payables	9.1	9.9
	121.9	95.3

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.

Notes to the financial statements

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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 2008, post-tax profit for the year would have been $9.8m higher (2007: $2.4m higher). If the average sterling/US dollar rate had been 10% lower during 2008, post-tax profit for the year would have been $7.6m lower (2007: $5.4m lower). If the closing sterling/US dollar rate was 10% higher or lower at 31 December 2008, exchange differences in equity would have been $11.5m (2007: $10.9m) 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 2008, 39% (2007 : 44%) 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, where possible. If average interest rates had been 1% higher or lower during 2008, post-tax profit for the year would have been $2.0m higher or lower respectively (2007: $1.5m).

(iii) Price risk

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

Notes to the financial statements
for the year to 31 December 2008

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. The Group has increased its focus on credit risk and credit management in light of the current economic environment and appropriate measures have been implemented to reduce the risk profile where possible. The change in the economic environment has contributed to the increase in the provision for impaired receivables as disclosed in note 13.

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. 41% of cash held on deposit at 31 December 2008 (2007 : 100%) was held with such institutions, the reduced percentage being due, in part, to the downgrading in ratings of certain institutions.

(c) Liquidity risk

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2008, 97% (2007 : 93%) of the Group's borrowing facilities (excluding joint ventures) were due to mature in more than one year. In February 2009, the Group renewed its bilateral borrowing facilities for a further 3 years. 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 2008 was 22% (2007: 29%).

Interest cover is calculated by dividing EBITA by net interest expense. Interest cover for the year to 31 December 2008 was 13.9 times (2007: 12.6 times).

The ratio of net debt to EBITDA at 31 December 2008 was 0.5 (2007: 0.7).

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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 2008	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m
Borrowings	34.2	390.7	–	–
Derivative financial instruments	4.1	4.8	3.3	–
Trade and other payables	965.3	–	–	–
Other non-current liabilities	–	45.5	43.7	32.7

The Group's bilateral borrowing facilities which are included in the 'between 1 and 2 years' category above were renewed for a further 3 years in February 2009.

At 31 December 2007				
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

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 2008	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	124.3	0.8	–	–
Inflow	126.6	0.9	–	–
Interest rate swaps				
Outflow	6.3	7.7	3.1	–
Inflow	5.6	4.4	1.7	–

At 31 December 2007				
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	–

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.

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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.

	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
	$m	$m	$m	$m
Fair value of long-term borrowings				
Long-term borrowings (note 16)	390.7	390.7	349.9	349.9

Fair value of other financial assets and financial liabilities

Primary financial instruments held or issued to finance the Group's operations:

	2008 Book Value $m	2008 Fair Value $m	2007 Book Value $m	2007 Fair Value $m
Trade and other receivables (note 13)	1,034.2	1,034.2	894.9	894.9
Cash at bank and in hand (note 14)	149.6	149.6	98.8	98.8
Short-term deposits (note 14)	26.5	26.5	18.3	18.3
Trade and other payables (note 15)	965.3	965.3	891.6	891.6
Short-term borrowings (note 16)	34.2	34.2	45.1	45.1
Other non-current liabilities (note 17)	121.9	121.9	95.3	95.3

Derivative financial instruments

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

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
	$m	$m	$m	$m
Interest rate swaps – cash flow hedges	–	8.4	0.8	1.6
Forward foreign exchange contracts	2.1	3.8	0.7	0.5
Currency options	5.1	–	–	0.6
Total	7.2	12.2	1.5	2.7
Less non-current portion:				
Interest rate swaps – cash flow hedges	–	8.1	0.8	1.2
Current portion	7.2	4.1	0.7	1.5

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 recorded in the income statement from fair value hedges in the current or preceding period. There was no ineffectiveness recorded in the income statement from cash flow hedges in the current or preceding period. There was no ineffectiveness recorded in the income statement from net investment in foreign entity hedges in the current or preceding period.

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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 2008 was $120.5m (2007: $163.7m).

(b) *Interest rate swaps*

The notional principal amount of the Group's outstanding interest rate swap contracts at 31 December 2008 was $166.5m (2007 : $175.0m).

At 31 December 2008 the fixed interest rates excluding margin varied from 4.3% to 5.2% (2007 : 2.7% to 5.2%) and the floating rate was 2.9% also excluding margin (2007 : 5.3%). The Group interest rate swaps are for periods of up to 5 years and they expire between 2009 and 2013. 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 2008 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 2008 was $206.1m (2007 : $158.4m). Foreign exchange gains of $46.8m (2007 : losses $7.6m) on translation of the borrowings into US dollars have been recognised in the currency translation reserve.

2008			2007		
Foreign currency amount	**$m**	**% of foreign currency net assets hedged**	Foreign currency amount	$m	% of foreign currency net assets hedged
£55.0m	**79.1**	**42%**	£35.0m	69.7	42%
C$67.0m	**54.3**	**63%**	C$63.0m	63.8	67%
A$5.6m	**3.9**	**25%**	A$5.6m	4.9	34%
€49.5m	**68.8**	**97%**	€13.7m	20.0	74%
	206.1			158.4	

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19 Provisions

	Warranty provisions $m	Other $m	Total $m
At 1 January 2008	17.7	19.0	36.7
Exchange movements	(1.4)	(0.1)	(1.5)
Charge to income statement	12.0	10.7	22.7
Payments during the year	(9.6)	(3.3)	(12.9)
At 31 December 2008	**18.7**	**26.3**	**45.0**

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 2008, other provisions of $26.3m (2007 : $19.0m) 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% (2007: 28%).

The movement on the deferred tax account is shown below:

	2008 $m	2007 $m
At 1 January	**(45.5)**	(29.3)
Exchange movements	**5.0**	(0.6)
Credit to income statement	**(1.6)**	(16.4)
Deferred tax relating to retirement benefit liabilities	**(5.2)**	0.8
Reclassification as liabilities held for sale	**(1.5)**	–
At 31 December	**(48.8)**	(45.5)

Deferred tax is presented in the financial statements as follows:

	2008 $m	2007 $m
Deferred tax assets	**(53.3)**	(51.1)
Deferred tax liabilities	**4.5**	5.6
	(48.8)	(45.5)

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 $22.1m (2007 : $20.0m) would be payable.

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20 Deferred tax (continued)

The Group has unrecognised tax losses of $68.8m (2007 : $39.8m) 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	9.2	(6.5)	(8.0)	(48.0)	(53.3)
Deferred tax liabilities	–	–	–	4.5	4.5
Net deferred tax liability/(asset)	9.2	(6.5)	(8.0)	(43.5)	(48.8)

21 Share based charges

The Group currently has four share schemes that give rise to share based charges. These are the Executive Share Option Scheme ('ESOS'), the Long Term Retention Plan ('LTRP'), the Long Term Incentive Scheme ('LTIS') and the Long Term Incentive Plan ('LTIP'). The LTIP replaced the LTIS on 1 January 2008. Details of each of the schemes are given in the Directors' Remuneration Report and in note 22.

The charge in the Group income statement in 2008 for these schemes amounted to $13.3m (2007 : $13.7m)

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

ESOS and LTRP

At 31 December 2008 there were 750 employees (2007 : 618) participating in these schemes. For the purposes of calculating the fair value of the share 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 in the calculation 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 4.0%-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 approximately 1.0% has been used in the calculations.

The fair value of options granted under the ESOS during the year ranged from £1.17 to £1.23 (2007 : £0.91). The fair value of options granted under the LTRP during the year ranged from £3.36 to £3.62 (2007 : £2.54 to £3.92). The weighted average remaining contractual life of share options at 31 December 2008 is 5.3 years (2007: 5.7 years).

LTIS/LTIP

The share based charge for the LTIS was calculated using a fair value of £1.40. The charge for the LTIP was calculated using a fair value of £4.12. The charge for market related performance targets has been calculated using a Monte Carlo simulation model using similar assumptions to the ESOS and LTRP calculations.

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22 Share capital

Authorised	2008 $m	2007 $m
720,000,000 (2007: 720,000,000) ordinary shares of 3⅓ pence	34.9	34.9

Issued and fully paid	2008 shares	2008 $m	2007 shares	2007 $m
Ordinary shares of 3⅓ pence each				
At 1 January	524,336,720	26.0	516,632,930	25.5
Issue of new shares	–	–	203,790	–
Allocation of new shares to employee share trusts	3,500,000	0.2	7,500,000	0.5
At 31 December	527,836,720	26.2	524,336,720	26.0

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

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 2008	2007	Exercise price (per share)	Exercise period
2000	213,750	326,250	17⅓p	2005-2010
2001	230,000	315,000	93⅓p	2006-2011
2001	824,380	1,260,070	83⅓p	2006-2011
2002	228,000	327,000	83⅓p	2007-2012
2003	1,004,715	1,645,413	158p	2007-2013
2004	3,008,942	6,269,517	128½p	2008-2014
2005	1,762,917	1,807,917	145p	2009-2015
2006	887,000	919,667	265¼p	2010-2016
2007	1,186,417	1,215,500	268½p	2011-2017
2008	1,439,500	–	381¾p	2012-2018
2008	210,208	–	354⅓p	2012-2018
	10,995,829	14,086,334		

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.

5,509,787 options (2007 : 3,873,733) were exercisable at 31 December 2008. 1,692,500 options were granted during the year, 4,553,985 options were exercised during the year and 229,020 options lapsed during the year. The weighted average share price for ESOS options exercised during the year was £4.27 (2007 : £3.27).

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22 Share capital (continued)

Options granted to directors under the executive share option scheme 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:

Year of Grant	Number of ordinary shares under option 2008	2007	Exercise price (per share)	Exercise period
2003	–	390,520	3⅓p	2007-2008
2004	**31,250**	81,250	3⅓p	2008-2009
2005	**121,502**	121,502	3⅓p	2009-2010
2006	**1,262,393**	1,317,104	3⅓p	2010-2011
2007	**1,649,063**	1,684,938	3⅓p	2011-2012
2008	**1,780,944**	–	3⅓p	2012-2013
	4,845,152	3,595,314		

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%. 1,806,944 LTRP options were granted during the year, 442,615 LTRP options were exercised during the year and 114,491 LTRP options lapsed during the year. The weighted average share price for LTRP options exercised during the year was £4.22 (2007 : £3.59). Further details on the LTRP are provided in the Directors' Remuneration Report.

Long Term Incentive Scheme/Long Term Incentive Plan

The Group's Long Term Incentive Scheme ('LTIS') which had been in place since 2005 was replaced by the Long Term Incentive Plan ('LTIP') in 2008. Under these Schemes, 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 for the LTIP are EBITA, return on capital employed, total shareholder return and adjusted earnings per share. The total shareholder return and adjusted earnings per share performance measures apply to the executive directors only. The LTIP awards are in the form of shares and restricted shares. 20% of any award earned over the three year performance cycle are deferred for a further two years in the form of forfeitable restricted shares. At 31 December 2008, 7,035,534 shares were potentially issuable under these schemes. Further details of the LTIS and LTIP are provided in the Directors' Remuneration Report.

23 Share premium

	2008 $m	2007 $m
At 1 January	**303.6**	294.1
Arising on issue of new shares, net of expenses	**–**	0.2
Allocation of shares to employee share trusts	**8.2**	9.3
At 31 December	**311.8**	303.6

Expenses of share issue and allocation amounted to $0.1m (2007 : $0.1m).

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24 Retained earnings

	2008 $m	2007 $m
At 1 January	555.9	397.4
Profit for the year attributable to equity shareholders	251.6	165.0
Dividends paid	(40.1)	(27.6)
Credit relating to share based charges	13.3	13.7
Actuarial (loss)/gain on retirement benefit liabilities	(18.7)	2.6
Movement in deferred tax relating to retirement benefit liabilities	5.2	(0.8)
Shares allocated to ESOP trusts	(8.4)	(9.8)
Shares purchased by ESOP trusts	(34.2)	-
Shares disposed of by ESOP trusts	10.5	16.2
Tax credit relating to share option schemes	6.2	-
Exchange movements in respect of shares held by ESOP trusts	18.9	(0.8)
At 31 December	**760.2**	555.9

Retained earnings are stated after deducting the investment in own shares held by ESOP trusts. Investment in own shares represents the cost of 21,884,982 (2007 : 19,518,329) of the company's ordinary shares totalling $54.0m (2007 : $40.8m). No options have been granted over shares held by the ESOP trusts (2007 : nil).

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, the LTIS and the LTIP. During 2008, 3,500,000 shares at a value of $8.4m were allocated to the trusts in order to satisfy the exercise of share options. 5,000,000 shares were purchased during the year on the open market at a cost of $34.2m. 4,996,600 shares were issued during the year to satisfy the exercise of share options at a value of $10.5m. In addition, 1,136,747 shares were issued during the year to satisfy share awards under the LTIS. Exchange adjustments of $18.9m 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 2008 was $59.2m (2007 : $168.2m) based on the closing share price of £1.88 (2007 : £4.33). The ESOP trusts have waived their rights to receipt of dividends except in relation to those shares used to meet obligations under the LTIS.

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25 Other reserves

	Capital reduction reserve $m	Currency translation reserve $m	Hedging reserve $m	Total $m
At 1 January 2007	88.1	(5.0)	2.2	85.3
Exchange movements 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**
Exchange movements on retranslation of foreign currency net assets	–	(45.9)	–	(45.9)
Cash flow hedges	–	–	(7.5)	(7.5)
At 31 December 2008	**88.1**	**(43.6)**	**(8.8)**	**35.7**

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

	2008 $m	2007 $m
At 1 January	**11.3**	7.7
Exchange movements	**(0.2)**	–
Acquisition of minority interest	–	(0.2)
Investment by minority shareholders	**0.1**	1.4
Share of profit for the year	**3.8**	3.9
Dividends paid	**(1.9)**	(1.5)
At 31 December	**13.1**	11.3

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27 Cash generated from operations

	2008 $m	2007 $m
Reconciliation of operating profit to cash generated from operations:		
Operating profit	**415.8**	285.2
Adjustments for:		
Depreciation	**70.4**	60.3
Gain on disposal of property plant and equipment	**(4.6)**	(1.2)
Amortisation of other intangible assets	**25.2**	10.6
Share based charges	**13.3**	13.7
Impairment and restructuring charges – non-cash impact	**–**	25.0
Profit on disposal of interest in joint venture	**–**	(3.6)
Increase in provisions	**9.8**	12.8
Changes in working capital (excluding effect of acquisition and disposal of subsidiaries)		
Increase in inventories	**(104.1)**	(112.7)
Increase in receivables	**(298.3)**	(74.4)
Increase in payables	**221.4**	131.8
Exchange movements	**4.6**	(8.5)
Cash generated from operations	**353.5**	339.0

Analysis of net debt

	At 1 January 2008 $m	Cash flow $m	Exchange movements $m	At 31 December 2008 $m
Cash and cash equivalents	117.1	80.5	(21.5)	**176.1**
Short term borrowings	(45.1)	–	10.9	**(34.2)**
Long term borrowings	(349.9)	(105.7)	64.9	**(390.7)**
Net debt	(277.9)	(25.2)	54.3	**(248.8)**

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28 Acquisitions and disposals

Acquisitions

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

	Fair value $m
Property plant and equipment	5.6
Other intangible assets	18.5
Trade and other receivables	17.7
Cash	7.8
Trade and other payables	(11.1)
Net assets acquired	38.5
Goodwill	88.4
Consideration	126.9
Consideration satisfied by:	
Cash	91.8
Deferred consideration	35.1
	126.9

The Group has used acquisition accounting for the purchases and, in accordance with the Group's accounting policies, the goodwill arising on consolidation of $88.4m has been capitalised. The amounts disclosed in the table above relate to the acquisitions of Producers Assistance Corporation ('PAC'), Netlink Inspection Pty ('Netlink'), Marine & Offshore Group ('M&O') and Marine Computation Services Group ('MCS'), which were acquired during the year. The fair values in the above table are equivalent to the book values with the exception of goodwill and other intangible assets. The acquisitions are not considered to be material to the Group on an individual basis and therefore have been aggregated in the table above.

PAC, acquired in January 2008, provides technical operations and maintenance support services to the US onshore oil and gas industry. Netlink, acquired in May 2008, provides customised software products and services relating to asset integrity management. M&O, acquired in August 2008, provides safety and emergency response training services to the international offshore, maritime and mining industries. MCS, acquired in September 2008, is a global subsea engineering consultancy and provides riser and mooring design services and advanced engineering and software solutions to the subsea industry. The Group acquired 100% of the share capital of all four companies acquired during the year.

The acquisitions during the year provide the Group with access to new markets and strengthen the Group's capabilities in certain areas. The acquired companies 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 acquisitions.

Deferred consideration payments of $26.8m 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 $21.6m. Costs of $1.4m were incurred during the year in respect of acquisitions made in 2007.

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28 Acquisitions and disposals (continued)

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

	$m
Cash consideration	91.8
Cash acquired	(7.8)
	84.0
Costs incurred in relation to acquisitions in prior period	1.4
Cash outflow	85.4

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

	$m
Revenue	5,272.5
Profit for the year	258.8

The acquired businesses earned cumulative revenue of $29.4m from the beginning of the year to the acquisition date. From the date of acquisition to 31 December 2008, the acquisitions contributed $65.6m to revenue and $3.7m to profit for the year.

Disposals

Details of the assets and liabilities disposed of during the year were as follows:

	$m
Goodwill and other intangible assets	11.0
Property plant and equipment	3.6
Inventories	11.0
Trade and other receivables	20.1
Cash and cash equivalents	6.8
Borrowings	(0.6)
Trade and other payables	(18.3)
Net assets disposed of	33.6
Net proceeds received	38.7
Provision for disposal costs	(5.1)
Profit/(loss) on disposals	–

Reconciliation of net proceeds to cash inflow from disposals

	$m
Net proceeds received	38.7
Cash disposed of	(6.8)
Borrowings disposed of	0.6
Cash inflow from disposals	32.5

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28 Acquisitions and disposals (continued)

During 2008, the Group disposed of an Engineering & Production Facilities business in Europe, a small Gas Turbine Services business in North America and partly disposed of a Well Support business in South America.

In January 2009, the Group disposed of two small businesses in its Gas Turbine Services division. The assets and liabilities relating to these businesses have been reclassified as assets/liabilities held for sale in the Group balance sheet. Initial proceeds received in January 2009 amounted to $11.6m. In addition, the Group acquired various assets and liabilities as part of the transaction. It is not anticipated that there will be a material gain or loss on the disposals.

29 Employees and directors

Employee benefits expense	2008 $m	2007 $m
Wages and salaries	**1,797.9**	1,467.1
Social security costs	**137.5**	111.4
Pension costs – defined benefit schemes (note 30)	**6.7**	6.5
Pension costs – defined contribution schemes (note 30)	**40.4**	33.0
	1,982.5	1,618.0

Average monthly number of employees (including executive directors)	2008 No.	2007 No.
By geographical area:		
Europe	**5,239**	4,739
North America	**10,035**	9,001
Rest of the World	**7,495**	6,964
	22,769	20,704

The average number of employees for 2007 has been restated to exclude contractors which were included in the figure originally reported.

Key management compensation	2008 $m	2007 $m
Salaries and short-term employee benefits	**20.8**	19.3
Amounts receivable under long-term incentive schemes	**14.8**	12.2
Post employment benefits	**1.1**	1.1
Share based charges	**6.8**	7.6
	43.5	40.2

The key management figures given above include executive directors.

Directors	2008 $m	2007 $m
Aggregate emoluments	**6.7**	6.6
Aggregate amounts receivable under long-term incentive schemes	**1.8**	1.8
Aggregate gains made on the exercise of share options	**0.6**	2.3
Company contributions to defined contribution pension schemes	**–**	0.1
	9.1	10.8

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29 Employees and directors (continued)

One director (2007: one) has retirement benefits accruing under a defined contribution pension scheme. Retirement benefits are accruing to six (2007: 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:

	2008 %	2007 %
Rate of increase in pensionable salaries	**4.90**	5.40
Rate of increase in pensions in payment and deferred pensions	**2.90**	3.40
Discount rate	**6.20**	5.60
Expected return on scheme assets	**7.06**	7.00

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. At 31 December 2008 the actuary has used the PXA92 (YOB) with medium cohort improvements and a further improvements reserve of 3% of liabilities.

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

	2008 $m	2007 $m
Present value of funded obligations	**(124.7)**	(187.5)
Fair value of scheme assets	**101.6**	176.2
Net liabilities	**(23.1)**	(11.3)

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

	2008 %	2007 %
Equity securities	**82.7**	85.4
Corporate bonds	**8.4**	2.6
Gilts	**8.7**	11.2
Cash	**0.2**	0.8

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30 Retirement benefit liabilities (continued)

The amounts recognised in the income statement are as follows:

	2008 $m	2007 $m
Current service cost included within employee benefits expense	6.7	6.5
Interest cost	10.1	8.9
Expected return on scheme assets	(11.5)	(10.5)
Total included within finance income	(1.4)	(1.6)

The employee benefits expense is included within administrative expenses in the income statement.

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

	2008 $m	2007 $m
Present value of funded obligations at 1 January	187.5	165.3
Current service cost	6.7	6.5
Interest cost	10.1	8.9
Actuarial (gains)/losses	(25.6)	7.9
Scheme participants contributions	3.0	3.3
Benefits paid	(8.0)	(2.1)
Plan curtailment	–	(5.0)
Exchange movements	(49.0)	2.7
Present value of funded obligations at 31 December	124.7	187.5

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

	2008 $m	2007 $m
Fair value of scheme assets at 1 January	176.2	140.4
Expected return on scheme assets	11.5	10.5
Contributions	7.8	14.6
Benefits paid	(8.0)	(2.1)
Actuarial (losses)/gains	(44.3)	10.5
Exchange movements	(41.6)	2.3
Fair value of scheme assets at 31 December	101.6	176.2

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30 Retirement benefit liabilities (continued)

Analysis of the movement in the balance sheet liability:

	2008 $m	2007 $m
At 1 January	**11.3**	24.9
Current service cost	**6.7**	6.5
Finance income	**(1.4)**	(1.6)
Contributions	**(4.8)**	(11.3)
Plan curtailment	**–**	(5.0)
Net actuarial losses/(gains) recognised in the year	**18.7**	(2.6)
Exchange movements	**(7.4)**	0.4
At 31 December	**23.1**	11.3

2007 contributions include a one-off payment of $4m made by the Group in April 2007 as part of the CARE transition arrangements.

Cumulative actuarial (gains) and losses recognised in equity:

	2008 $m	2007 $m
At 1 January	**24.4**	27.0
Net actuarial losses/(gains) recognised in the year	**18.7**	(2.6)
At 31 December	**43.1**	24.4

The actual return on scheme assets was $(32.8)m (2007 : $21.0m).

History of experience gains and losses:

	2008	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets :					
(Loss)/gain ($m)	**(44.3)**	10.5	2.9	12.3	4.9
Percentage of scheme assets	**44%**	6%	2%	12%	6%
Experience gains/(losses) on scheme liabilities:					
Gain/(loss) ($m)	**25.6**	(7.9)	5.6	(14.8)	(9.7)
Percentage of the present value of the scheme liabilities	**21%**	4%	3%	11%	8%
Present value of scheme liabilities ($m)	**124.7**	187.5	165.3	137.0	122.2
Fair value of scheme assets ($m)	**101.6**	176.2	140.4	103.7	88.3
Deficit ($m)	**23.1**	11.3	24.9	33.3	33.9

The contributions expected to be paid during the financial year ending 31 December 2009 amount to $4.3m.

Pension costs for defined contribution schemes are as follows:

	2008 $m	2007 $m
Defined contribution schemes	**40.4**	33.0

Contributions outstanding at 31 December 2008 in respect of defined contribution schemes amounted to $21.1m (2007 : $15.0m).

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31 Operating lease commitments – minimum lease payments

	2008		2007	
	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	**48.1**	**7.6**	40.4	13.3
Later than one year and less than five years	**147.8**	**17.4**	110.9	14.5
After five years	**59.7**	**3.8**	59.3	0.7
	255.6	**28.8**	210.6	28.5

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 allocation of the property lease commitments reported for 2007 has been restated.

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 2008, the Group has outstanding guarantees of $2.7m (2007 : $1.7m) in respect of joint venture banking arrangements.

33 Capital and other financial commitments

	2008 $m	2007 $m
Contracts placed for future capital expenditure not provided in the financial statements	**5.9**	7.1

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.

	2008 $m	2007 $m
Sale of goods and services to joint ventures	**144.9**	143.5
Purchase of goods and services from joint ventures	**55.1**	16.5
Receivables from joint ventures	**48.5**	14.7
Payables to joint ventures	**13.1**	10.5

In addition to the above, the Group charged JW Holdings Limited, a company in which Sir Ian Wood has an interest, an amount of $0.1m (2007 : $0.1m) for management services provided under normal commercial terms.

Key management compensation is disclosed in note 29.

Notes to the financial statements
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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	Conceptual studies, engineering, project and construction management and control system upgrades.
Alliance Wood Group Engineering L.P.	USA	100	
J P Kenny Engineering Limited	UK	100	
IMV Projects Inc	Canada	100	
Marine Computation Services Group Limited	Ireland	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	
Deepwater Specialists Inc	USA	100	
Well Support:			
Wood Group ESP, Inc.	USA	100	Electric submersible pumps
Wood Group Products & Services SA	Argentina	100	
Wood Group ESP (Middle East) Ltd	Cyprus	100	
Wood Group Pressure Control, L.P.	USA	100	Valves and wellhead equipment
Wood Group Pressure Control Limited	UK	100	
Wood Group Logging Services Inc.	USA	100	Logging services
Gas Turbine Services:			
Wood Group Engineering Services (Middle East) Limited	Jersey	100	Gas turbine repair and overhaul
Rolls Wood Group (Repair & Overhauls) Limited	UK	50*	
TransCanada Turbines Limited	Canada	50*	
Wood Group Field Services, Inc.	USA	100	
Wood Group Gas Turbine Services Limited	UK	100	
Wood Group Pratt & Whitney Industrial Turbine Services, LLC	USA	49*	
Wood Group Power Solutions, Inc.	USA	100	Provision of gas turbine packages
Wood Group Advanced Parts Manufacture AG	Switzerland	100	Provision of gas turbine parts

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

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 2008 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 2008.

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 the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Operational and Financial Reviews and all other information listed on the contents page. 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 2008;
- 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
2 March 2009

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 2008

	Note	2008 $m	2008 $m	2007 $m	2007 $m
Fixed assets					
Investments	1		398.0		379.1
Current assets					
Debtors	2	1,353.2		1,217.9	
Financial assets – derivative financial instruments	6	5.1		0.8	
Cash at bank and in hand	3	5.2	1,363.5	13.7	1,232.4
Creditors: amounts falling due within one year					
Creditors	4	(562.3)		(477.9)	
Financial liabilities – derivative financial instruments	6	(8.7)	(571.0)	(2.3)	(480.2)
Net current assets			792.5		752.2
Total assets less current liabilities			1,190.5		1,131.3
Creditors: amounts falling due after one year	5		(388.5)		(339.9)
			802.0		791.4
Capital and reserves					
Share capital	7		26.2		26.0
Share premium	8		311.8		303.6
Capital reduction reserve	9		88.1		88.1
Retained earnings	10		373.9		364.2
Other reserves	11		2.0		9.5
Equity shareholders' funds	12		802.0		791.4

The financial statements on pages 108 to 118 were approved by the board of directors on 2 March 2009.

Allister G Langlands, Director

Alan G Semple. Director

Notes to the company financial statements

for the year to 31 December 2008

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:-

	2008	2007
Average rate £1 = $	1.8484	1.9995
Closing rate £1 = $	1.4378	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 2008

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 and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the company has not early adopted them:
- FRS 8 (amendment), 'Related party disclosures' (effective for financial years beginning on or after 6 April 2008)
- FRS 20 (amendment), 'Share-based payment' (effective retrospectively in annual periods beginning on or after 1 January 2009)
- FRS 25 (amendment), 'Financial instruments: Presentation - Puttable financial instruments and obligations arising on liquidation' (effective for accounting periods beginning on or after 1 January 2010. Early adoption is permitted for accounting periods beginning on or after 1 January 2009)

Notes to the company financial statements
for the year to 31 December 2008

1 Investments

	Subsidiaries $m
Cost	
At 1 January 2008	445.9
Exchange movements	(33.9)
Additions	52.8
At 31 December 2008	**464.8**
Amounts provided	
At 1 January 2008 and 31 December 2008	66.8
Net book value	
At 31 December 2008	**398.0**
At 31 December 2007	379.1

2 Debtors

	2008 $m	2007 $m
Amounts owed by group undertakings	1,347.4	1,206.6
Amounts owed by joint ventures	–	3.7
Prepayments and accrued income	0.8	0.9
Group relief receivable	5.0	6.7
	1,353.2	1,217.9

As at 31 December 2008, amounts owed by group undertakings of $10.3m (2007: $14.3m) 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:

	2008 $m	2007 $m
Over 3 months	10.3	14.3

The movement on the provision for impairment is as follows:

	2008 $m	2007 $m
At 1 January	14.3	14.0
Exchange movements	(4.0)	0.3
At 31 December	10.3	14.3

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 2008 or 31 December 2007. The other classes within debtors do not contain impaired assets.

Notes to the company financial statements
for the year to 31 December 2008

3 Cash at bank and in hand

	2008	2007
	$m	$m
Cash at bank and in hand	5.2	13.3
Short-term bank deposits	–	0.4
	5.2	13.7

The company had no cash on deposit at 31 December 2008. The effective interest rate on short-term deposits at 31 December 2007 was 5.5% and these deposits had an average maturity of 3 days.

4 Creditors

	2008	2007
	$m	$m
Bank overdrafts	104.3	50.4
Amounts due to group undertakings	449.9	421.8
Amounts due to joint ventures	6.4	3.0
Corporation tax payable	0.2	-
Accruals and deferred income	1.5	2.7
	562.3	477.9

5 Creditors amounts falling due after more than one year

	2008	2007
	$m	$m
Bank loans	388.5	339.9

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:

	2008	2007
	%	%
US Dollar	5.11	5.33
Sterling	4.41	6.40
Euro	3.37	5.08
Canadian Dollar	3.06	5.22

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

	2008	2007
	$m	$m
US Dollar	100.0	100.0
Sterling	79.1	69.7
Euro	71.9	21.7
Canadian Dollar	132.4	141.9
Other	5.1	6.6
	388.5	339.9

Notes to the company financial statements
for the year to 31 December 2008

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 2008, approximately 43% (2007: 50%) 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. There was no cash held on deposit at 31 December 2008.

Notes to the company financial statements
for the year to 31 December 2008

6 Financial instruments (continued)

(c) Liquidity risk

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2008, 100% (2007: 100%) of the Company's borrowing facilities were due to mature in more than one year. In February 2009, the company extended its bilateral borrowing facilities for a further 3 years. 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 2008	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m
Bank loans	–	388.5	–	–
Derivative financial instruments	0.6	4.8	3.3	–
Creditors	562.3	–	–	–

The Group's bilateral borrowing facilities which are included in the 'between 1 and 2 years' category above were renewed for a further 3 years in February 2009.

At 31 December 2007				
Bank loans	–	–	339.9	–
Derivative financial instruments	1.2	0.4	0.7	–
Creditors	477.9	–	–	–

Notes to the company financial statements
for the year to 31 December 2008

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 2008	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	51.0	–	–	–
Inflow	50.7	–	–	–
Interest rate swaps				
Outflow	6.3	7.7	3.1	–
Inflow	5.6	4.4	1.7	–
At 31 December 2007				
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	–

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 2008

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:

	2008		2007	
	Debtor	**Creditor**	Debtor	Creditor
	$m	**$m**	$m	$m
Interest rate swaps – cash flow hedges	**–**	**8.4**	0.8	1.6
Forward foreign exchange contracts	**–**	**0.3**	–	0.1
Currency options	**5.1**	**–**	–	0.6
Total	**5.1**	**8.7**	0.8	2.3

Trading derivatives are classified as debtors or creditors.

There was no ineffectiveness recorded in the profit and loss account arising from fair value hedges in either period. There was no ineffectiveness recorded in the profit and loss account arising from cash flow hedges in either period. There was no ineffectiveness recorded in the profit and loss account 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 2008 was $51.0m (2007: $92.7m).

(b) Interest rate swaps

The notional principal amount of the Company's outstanding interest rate swap contracts at 31 December 2008 was $166.5m (2007: $170.0m).

At 31 December 2008 the fixed interest rates varied from 4.3% to 5.2% (2007: 3.6% to 5.2%) and the floating rate was 2.9% also excluding margin (2007: 5.3%). The interest rate swaps are for periods of 5 years and they expire between 2009 and 2013. 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.

Notes to the company financial statements
for the year to 31 December 2008

7 Share capital

	2008 $m	2007 $m
Authorised		
720,000,000 ordinary shares of 3⅓p each (2007 :720,000,000)	34.9	34.9
Allotted, called up and fully paid		
527,836,720 ordinary shares of 3⅓p each (2007 :524,336,720)	26.2	26.0

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

8 Share premium

	2008 $m	2007 $m
At 1 January	303.6	294.1
Arising on issue of new shares	–	0.2
Allocation of shares to employee share trusts	8.2	9.3
At 31 December	311.8	303.6

Expenses of share issue and allocation amounted to $0.1m (2007 : $0.1m)

9 Capital reduction reserve

	2008 $m	2007 $m
At 1 January and 31 December	88.1	88.1

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.

Notes to the company financial statements

for the year to 31 December 2008

10 Retained earnings

	2008 $m	2007 $m
At 1 January	364.2	89.8
Retained profit for the year	9.6	255.1
Shares purchased by ESOP trusts	(34.2)	–
Shares allocated to ESOP trusts	(8.4)	(9.8)
Shares disposed of by ESOP trusts	10.5	16.2
Foreign exchange in respect of shares held by ESOP trusts	18.9	(0.8)
Credit relating to share based charges	13.3	13.7
At 31 December	**373.9**	364.2

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investments in own shares represents the cost of 21,884,982 (2007: 19,518,329) of the Company's ordinary shares totalling $54.0m (2007: $40.8m).

11 Other reserves

	2008 $m	2007 $m
At 1 January	9.5	12.8
Fair value losses	(7.5)	(3.3)
At 31 December	**2.0**	9.5

12 Reconciliation of movements in shareholders' funds

	2008 $m	2007 $m
Profit for the financial year	49.7	282.7
Dividends	(40.1)	(27.6)
	9.6	255.1
Issue of new shares	–	0.2
Credit relating to share based charges	13.3	13.7
Fair value losses	(7.5)	(3.3)
Shares purchased by ESOP trusts	(34.2)	–
Shares disposed of by ESOP trusts	10.5	16.2
Foreign exchange in respect of shares held in ESOP trusts	18.9	(0.8)
	10.6	281.1
Shareholders' funds at 1 January	791.4	510.3
Shareholders' funds at 31 December	**802.0**	791.4

The profit for the financial year for the Company was $49.7m (2007 : $282.7m). 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 $38,000 (2007: $43,000). 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 gain on the fair value of unhedged derivative financial instruments charged to the profit and loss account during the year was $5.4m (2007: loss $0.2m).

Five year summary

	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Revenue	**5,243.1**	**4,432.7**	**3,468.8**	**2,761.9**	**2,288.1**
EBITA	441.0	318.4	215.1	149.1	117.4
Amortisation	(25.2)	(10.6)	(7.6)	(4.8)	(5.6)
Non-recurring items	–	(22.6)	–	3.7	(26.2)
Net finance expense	(31.7)	(25.3)	(23.9)	(23.3)	(19.4)
Profit before taxation	**384.1**	**259.9**	**183.6**	**124.7**	**66.2**
Taxation	(128.7)	(91.0)	(62.4)	(41.1)	(26.8)
Profit for the year	**255.4**	**168.9**	**121.2**	**83.6**	**39.4**
Attributable to:					
Equity shareholders	251.6	165.0	120.5	80.5	37.3
Minority interest	3.8	3.9	0.7	3.1	2.1
	255.4	168.9	121.2	83.6	39.4
Shareholders' equity	**1,133.9**	**974.6**	**802.3**	**681.3**	**529.9**
Net debt	**248.8**	**277.9**	**257.9**	**245.8**	**354.3**
Gearing ratio	**21.9%**	**28.5%**	**32.1%**	**36.1%**	**66.9%**
Interest cover	**13.9**	**12.6**	**9.0**	**6.4**	**6.1**
Diluted earnings per share (cents)	**48.1**	**31.7**	**23.4**	**16.4**	**7.8**
Adjusted diluted earnings per share (cents)	**52.1**	**36.9**	**24.5**	**16.6**	**12.9**
Dividend per share (cents)	**9.0**	**7.0**	**5.0**	**4.0**	**3.6**

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 17 April 2009 as published in the Financial Times on 18 April 2009.

Ex-dividend date	15 April 2009
Dividend record date	17 April 2009
Dividend payment date	18 May 2009

Annual General Meeting

The 2009 AGM will be held on Wednesday 13 May 2009 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