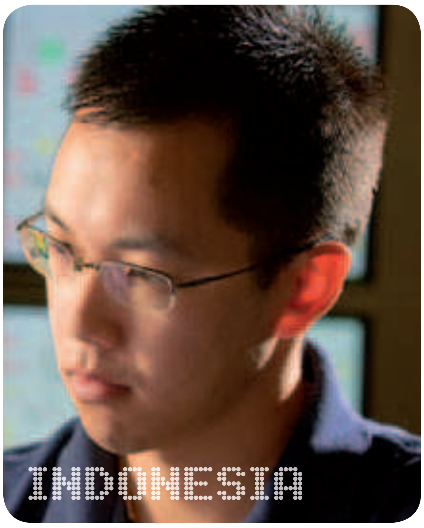
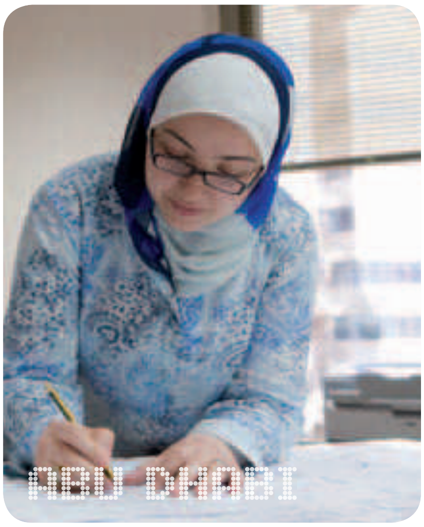
John Wood Group PLC
Annual Report and Accounts 2009





Energy Supporting Energy worldwide

Wood Group is an international energy services company. We provide a range of engineering, production support, maintenance management and industrial gas turbine overhaul & repair services to the oil & gas, and power generation industries worldwide. We have over 28,000 people and operate in 50 countries.

Forward looking statements

The operational review and certain other sections of this annual report contain forward-looking statements. Such forward-looking statements are not guarantees or predictions of future performance and are subject to known and unknown risks, uncertainties and other factors (many of which are beyond our control) associated with, among other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. Although the Group believes that its expectations are based on reasonable assumptions, statements about future outlook may be affected by a wide range of variables which could cause actual results to differ materially from those currently expected or implied by the forward-looking statements. Readers are therefore cautioned not to put undue reliance on forward-looking statements. All forward-looking statements in this document are based on information known to us on the date hereof. Except as required by applicable law, we do not undertake any obligation to publicly update, review or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

An online version of this annual report and accounts 2009 is available at www.woodgroup.com

Energy Supporting Energy

Contents

At a glance

Our performance

Results 2009

Revenue
$4,927m
2008: $5,243m
down 6%

EBITA[1]
$358m
2008: $441m
down 19%

Cash generated from operations
$546m
2008: $354m
up 54%

Adjusted diluted EPS[2] (cents)
41.8c
2008: 52.1c
down 20%

ROCE[3] (%)
26.3%
2008: 33.3%
down 7% points

OCER[4] (%)
16.8%
2008: 18.2%
improved 1% point

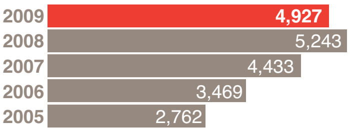
Dividend per ordinary share (cents)
10.0c
2008: 9.0c
up 11%

People[5]
28,200
2008: 28,800
down 2%

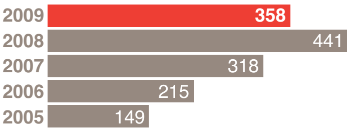
Safety cases[6] (per million man hours)
3.26
2008: 3.33
improved 2%

Five year trading record

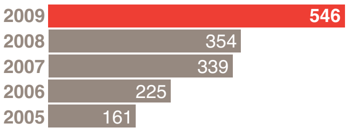
Revenue ($m)



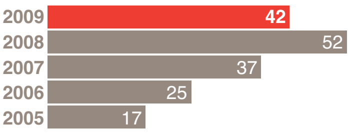
EBITA[1] ($m)



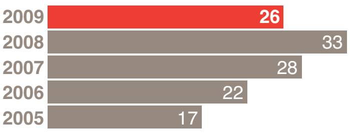
Cash generated from operations ($m)



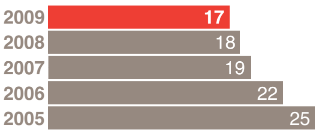
Adjusted diluted EPS[2] (cents)



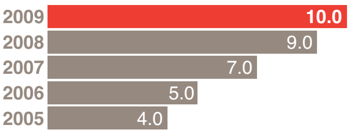
ROCE[3] (%)



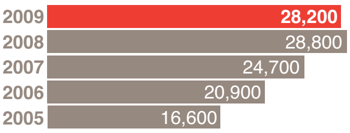
OCER[4] (%)



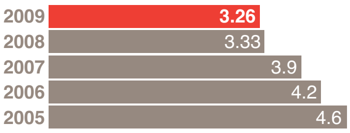
Dividend per ordinary share (cents)



People[5]



Safety cases[6] (per million man hours)



$ refers to US dollar, the functional and reporting currency of the Group

For footnotes turn to **page 20.**

For more information on Financial performance turn to **pages 20-23.**

At a glance

Our vision

Our vision is to be a leading global energy services provider.

We will strive to attract, develop and retain the best people and to keep them safe.

We will consistently seek to provide services and products that are recognised as market leading.

And we will endeavour to exceed our customers' expectations and deliver superior returns.

Nick Rey

Project Manager in our subsea engineering business responsible for technical and commercial delivery on a range of projects.

ABERDEEN

Our 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:

Balance	Leading positions	Customer relationships	Services and presence
to maintain a **balance** between oil & gas development and later cycle production support	to grow and maintain **market leading positions**, based on differentiated know how	to develop long term **customer relationships** often through performance based contracts	to **extend our services** and broaden our **international presence**

How we measure our performance

We use the following Key Performance Indicators "KPIs" in the management of our business and to measure the Group's performance.

KPI and the objective	Why we measure it	How we performed	2009	2008
EBITA				
Long term EBITA growth and margin improvement	We use EBITA and EBITA margin as key indicators of operating profitability	Reduction in EBITA by 19% to $358.4m and EBITA margin by 1.1% points to 7.3%.	**$358.4m** **7.3%**	$441.0m 8.4%
Return on Capital Employed "ROCE"				
Increase ROCE	We use ROCE as a key indicator of the efficiency of our use of total capital	The Group's ROCE decreased from 33.3% to 26.3%.	**26.3%**	33.3%
Operating Capital Employed to Revenue "OCER"				
Reduce OCER	We use OCER as a key indicator of the efficiency of our use of operating capital	The Group's OCER improved from 18.2% to 16.8% in the year.	**16.8%**	18.2%
Adjusted diluted EPS				
Long term adjusted diluted earnings per share growth	We use adjusted diluted EPS as a key indicator of post tax profit attributable to each share	Adjusted diluted EPS has reduced from 52.1c to 41.8c.	**41.8c**	52.1c
Safety cases (per million man hours)				
Reduce incident rate	We use safety cases as a key indicator of safety performance and management	Improved TRCF from 3.33 cases to 3.26 cases per million man hours.	**3.26**	3.33

For more information on Financial performance turn to **pages 20-23.**

At a glance
What we do

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

Our market leading positions and experience provide a strong platform for longer term growth

For more detail on Engineering & Production Facilities' performance turn to **pages 12-15.**

For more detail on Well Support's performance turn to **pages 16-17.**

For more detail on Gas Turbine Services' performance turn to **pages 18-19.**

Engineering & Production Facilities

We deliver a wide range of market leading engineering services to the upstream, subsea & pipelines, downstream & industrial and clean energy 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.

Engineering	% Group revenue [(a)]	
Upstream	11%	EPCM services for deepwater and lightweight topsides, FPSOs, onshore and offshore processing facilities.
Subsea and pipelines	10%	EPCM services for subsea developments and offshore pipelines, floating LNG, plus EPCM and field service for onshore pipelines.
Downstream and industrial	7%	EPCM services, operational enhancements and control systems upgrades for refineries (including clean fuel modifications), petrochemical plants, process and industrial facilities.

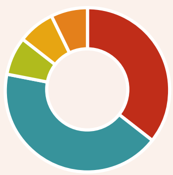
Production Facilities

UK North Sea Modifications and operations support including duty holder	23%	
International Modifications and operations support	15%	

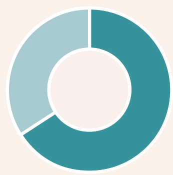
- Brownfield engineering & modifications
- Operations & maintenance
- Production enhancement
- Start-up and commissioning
- Supply chain management
- Human resources management including safety training and competence development programmes
- Decommissioning

Key statistics

Revenue by region

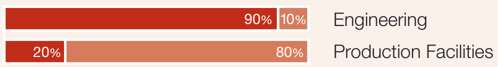


Share of Group revenue



Revenue by nature of customer spend

Capex Opex [(b)]



% Group revenue
66%

Margin
8.2%

20,800 people
up 4%

Operating highlights 2009

Engineering
- Strong performance in subsea and pipelines
- Strategic growth of operations in Middle East

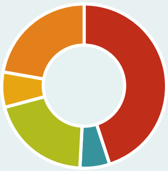
Production Facilities
- Strong growth in North Sea
- Strategic acquisitions in USA and Australia

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" and in surface wellheads and valves. We also provide electric line and slickline services.

	% Group revenue [(a)]	
Electric Submersible Pumps	9%	Provide ESPs and associated systems worldwide. Service and repair for all major western manufacturers.
Pressure Control	6%	Manufacture, supply and service of surface wellheads, valves and wellhead systems that control formation pressures and flow rates.
Logging Services	2%	Cased hole electric line operations to gather information and perform operations in a development or a production well. Slickline mechanical operations to gather information and perform operations in a production well.

Revenue by region



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

Share of Group revenue

- Well Support
- Rest of Group

Revenue by nature of customer spend

Capex ■ Opex ■ [(b)]

% Group revenue **17%**

Margin **9.2%**

3,500 people down **19%**

- Early and effective action minimised effects of weak US gas market
- Strong international performance

Gas Turbine Services

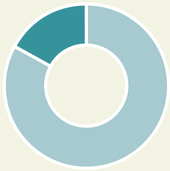
We are a leading independent provider of services and solutions for clients in the power, oil & gas and renewable energy markets. Worldwide these services include power plant engineering, procurement, construction management, facility operations & maintenance, repair & overhaul of gas, wind and steam turbines, pumps, compressors and other high-speed rotating equipment.

	% Group revenue [(a)]	
Oil & Gas Services	6%	Repair & overhaul – field service, shop based repair & overhaul, parts re-engineering and parts supply. Term maintenance – scheduling, technical solutions and advice. Turbine system solutions – retrofits and service for turbine control systems and fuel systems.
Power Plant Services	9%	Rotating equipment – repair and service for compressors, pumps and other rotating equipment. Reliability & availability optimisation and asset integrity. Our power business also provides power station operations & maintenance.
Power Solutions	2%	Power plant engineering, procurement and construction management. Equipment solutions – provision of gas turbine driven packages for power, compression and pumping.

Revenue by region

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

Share of Group revenue



- Gas Turbine Services
- Rest of Group

Revenue by nature of customer spend

Capex ■ Opex ■ [(b)]

% Group revenue **17%**

Margin **8.0%**

3,500 people down **15%**

- Now supporting 17,000MW under longer term contracts
- Increased service differentiation and geographic coverage

(a)(b) The split of Wood Group revenue and the split between customers' capital expenditure (capex) and operating expenditure (opex) is based on management estimates and assumptions. The estimates are subject to variations from year to year dependent on activity in the periods.

Operational review

Chairman's statement

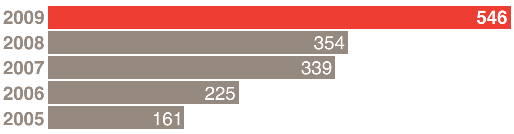
In 2009 we responded well to the more challenging market and continued to develop our services and geographic reach in line with our strategy.

2009 Group performance	2009 $m	2008 $m	% Change	% Change Constant Currency[7]
Revenue	**4,927.1**	5,243.1	(6%)	–
EBITA	**358.4**	441.0	(19%)	(14%)
EBITA margin	**7.3%**	8.4%	(1.1%pts)	(1.2%pts)
Profit before tax	**264.8**	384.1	(31%)	
Basic EPS	**32.1c**	49.6c	(35%)	
Adjusted diluted EPS	**41.8c**	52.1c	(20%)	
Total dividend	**10.0c**	9.0c	11%	
ROCE	**26.3%**	33.3%	(7%pts)	
Cash generated from operations	**545.5**	353.5	54%	

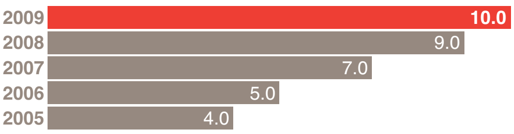
Group revenue decreased by 6% to $4.9bn and EBITA decreased by 19% to $358m. The Group benefited from a robust performance in our production support related businesses but was impacted by reduced volumes and pricing in our development related activities and the translation effect of the stronger US dollar.

The Group generated $546m cash flow from operations, a 54% increase over 2008. We continue to invest in our longer term strategy with $179m in capex and acquisitions in key growth areas. Reflecting the strength of our balance sheet and continuing confidence in our long term growth, we are declaring a second interim dividend of 6.9c. As there will be no further dividend in relation to 2009, the full year dividend will be 10.0c (2008: 9.0c), up 11% on last year. We expect to continue with a progressive dividend policy and, as such, to grow the dividend in 2010.

Cash generated from operations ($m)



Dividend per ordinary share (cents)



Markets

World recession, volatile financial markets and lower oil and gas prices contributed to a reduction in global E&P expenditure of around 15% in 2009. However, oil prices began to recover, and many customers now appear to expect an oil price in the $65 – 85 range over the next one or two years, with surplus OPEC capacity likely to temper any upside to the oil price as global economies recover and energy demand begins to grow again. More recently, we have also seen the US gas price begin to recover and this, together with the potential in non conventional gas deposits, should encourage increased investment in the US gas market. In the medium term, new oil and gas developments will be increasingly focused on harsher environments – deeper water, subsea, arctic regions and oil sands. With our differentiated know how and range of services and products in these sectors, we should be in a good position to benefit. There is also increasing investment by operators to maximise the recovery of hydrocarbons from their existing fields, an area in which we have a strong track record of cost effective and innovative production enhancement on longer term contracts globally.

For footnotes turn to **page 20.**

For more detail about our financial performance turn to **page 20.**

For more detail about corporate governance turn to **pages 35-54.**

Sir Ian Wood,
Chairman

We are also going to see increasing investment in clean energy solutions to complement oil and gas resources. We intend to use our growing knowledge and expertise in this area, including carbon capture and storage and renewables, to help our wide range of customers meet increasing environmental and climate change objectives. Our offshore engineering skills and know how will contribute to the offshore wind, wave and tidal power developments, whilst our significant CO_2 handling experience in West Texas and our recent contract for Masdar, in the Middle East, positions us well in the carbon capture and storage sector. With the increasing recognition of gas as the most environmentally friendly of the hydrocarbons, the growth in the installed base of gas turbines should continue and we are well positioned to benefit from the increased aftermarket service revenue that will arise.

Strategy
Our industry sectors are oil & gas, power & industrial and, increasingly, clean energy. 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:

- to maintain a balance between oil & gas development and later cycle production support
- to grow and maintain market leading positions based on differentiated know how
- to develop long 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 defensive qualities balanced with opportunities for growth. Our strong balance sheet and excellent cash flow generation should allow us to make further value enhancing acquisitions alongside organic investments to enable us to emerge stronger from the downturn.

The Board and People
Roberto Monti retired from the Board with effect from 31 December 2009 after eight years as a non executive director, serving on the remuneration and nominations committees. I would like to thank Roberto for his invaluable contributions and wise counsel and wish him the very best for the future.

Michel Contie joined the Board with effect from 24 February 2010, after a distinguished and successful career with Total, most recently with responsibility for Total's upstream operations in Northern Europe.

In the Chief Executive's statement, Allister Langlands pays tribute to the outstanding commitment and dedication of all our employees in what has been a very difficult year and I would wish to add the Board's endorsement and thanks to all Wood Group people throughout the world.

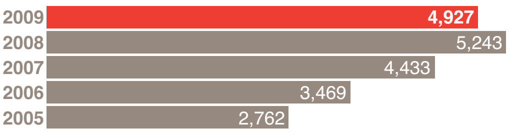
Outlook
Wood Group's focus on production support, the increasing differentiation of our services, our market leading positions and our good international spread will continue to stand us in good stead in 2010. Beyond that, we believe the fundamentals for oil and gas services and gas fired power generation remain strong and we are well positioned to deliver good longer term growth.

Sir Ian Wood,
Chairman
1 March 2010

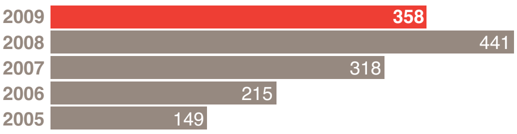
Operational review

Chief Executive's report

Revenue ($m)



EBITA ($m)



Revenue by division

- Engineering & Production Facilities
- Well Support
- Gas Turbine Services

Revenue by region

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

2009 Divisional performance	2009 $m	2008 $m	% Change	% Change Constant Currency
Revenue	**4,927.1**	5,243.1	(6%)	–
Engineering & Production Facilities	**3,241.9**	3,244.7	–	8%
Well Support	**813.7**	1,008.6	(19%)	(18%)
Gas Turbine Services	**825.6**	956.6	(14%)	(10%)
EBITA	**358.4**	441.0	(19%)	(14%)
Engineering & Production Facilities	**266.0**	316.1	(16%)	(11%)
Well Support	**75.1**	105.0	(28%)	(27%)
Gas Turbine Services	**65.7**	72.6	(10%)	(2%)
EBITA margin	**7.3%**	8.4%	(1.1%pts)	(1.2%pts)
Engineering & Production Facilities	**8.2%**	9.7%	(1.5%pts)	(1.8%pts)
Well Support	**9.2%**	10.4%	(1.2%pts)	(1.1%pts)
Gas Turbine Services	**8.0%**	7.6%	0.4%pts	0.7%pts

Operational and financial highlights

Overall, the Group benefited from a robust performance from our production support related activities (Production Facilities, Electric Submersible Pumps "ESP" and the Gas Turbine Services aftermarket activities) offset by reduced volumes and margins in our development related businesses (Engineering, Pressure Control, Logging Services and Power Solutions) and the translation effect of the stronger US dollar.

Group revenue decreased by 6% to $4.9bn but was unchanged in constant currency terms. The revenue movement reflects strong growth in our Production Facilities activities, offset by a reduction in Engineering revenue, lower Well Support revenue principally in the US natural gas market, and lower revenue in Gas Turbine Services.

Group EBITA decreased by 19%, or 14% in constant currency terms, and Group EBITA margin reduced from 8.4% to 7.3%. The Engineering & Production Facilities "E&PF" margin decreased due to a reduction in the underlying Engineering margin and the change in mix towards lower margin Production Facilities activity, which represented 57% of E&PF revenue in 2009 (2008: 52%). In Well Support, the margin reduction reflected significantly lower volumes and pricing in our US natural gas related activities. The relatively small margin reduction reflects a good performance from ESP and early and effective action taken to reduce our cost base. In Gas Turbine Services, we continued the trend of margin improvement and achieved an 8.0% margin.

Allister Langlands,
Chief Executive

Strategy Implementation
During 2009 we continued to progress our strategic objectives.

In Engineering, we expanded our operations in the Middle East and believe we will double our number of people in the region to 500 during 2010. We are also taking steps to grow our engineering activities in Africa and in Asia Pacific.

The acquisition of Baker Energy in Production Facilities established a market leadership position in the US Gulf of Mexico, expanding our deepwater presence and added a further 500 people in Africa. Our acquisitions in Australia significantly enhanced our capability and market position. We also won an important contract with Statoil in Brazil.

In Well Support, we continue to develop our technology to enhance our position in higher growth markets including offshore, US shale and steam assisted gravity design applications "SAGD". We have also continued to extend our involvement in Latin America and the Middle East.

In Gas Turbine Services, we have formed two new industry segment groups, one focused on oil & gas and the other on power & industrial. Our differentiation is helping us to grow the proportion of our revenues from longer term contracts. In Power Solutions, we have strengthened our Eastern Hemisphere execution capability with the acquisition of Shanahan Engineering.

We are developing our capabilities in both renewables and CO_2 handling and storage, which should provide a small but increasing contribution over the coming years.

We are active on a range of operational and engineering excellence initiatives to deliver continuous improvement in our business. Additionally, cost reduction measures were implemented successfully, across the Group, to minimise the profit reduction in this challenging market.

During 2009, we have taken action to reduce our activities in Venezuela. The sale of our interest in a Venezuelan engineering company, the termination of our Simco water injection contract, and the sale or closure of certain other activities, together with the devaluation of the local currency, has resulted in an exceptional charge of $35.8m. Our continuing operations in Venezuela primarily relate to Well Support.

People
2009 has seen a 2% overall decline in our people numbers worldwide. In some of our development related businesses there was a reduction of around 3,300 people, but this was offset by the net impact of acquired and disposed businesses of around 2,600 people. Throughout the period, we continued to invest in training, developing and retaining our key talent and continued to welcome some high calibre additions.

I would like to take this opportunity to extend my thanks, and that of my Executive Team, to all our people for their outstanding commitment and dedication in 2009 to satisfying our customers' needs, by applying their skills and expertise, throughout what has been a very challenging year.

Safety
Since 2004 we have seen year-on-year improvements in our key safety statistics and in 2009 maintained this encouraging trend with a further reduction in our total recordable case frequency.[6] Our lost work case frequency improved by 13% representing a significant decline in more severe injuries. This improvement was achieved through a series of proactive initiatives with a focus on the higher risk areas of our operations. Our commitment to achieving the highest standards of safety in everything we do has been recognised with various awards around the world. Continuous improvement is a key measure of our success and is given the highest priority.

Looking into 2010
We expect that our production related activities, which now account for 56% of Group revenue, should provide a further robust performance in 2010. Within our development related activities, the improving US rig count should help Well Support, although pricing is likely to be slow to recover. Within Engineering, we expect lower volumes with activity beginning to recover in the second half of the year. We expect project awards in Power Solutions to begin in 2010 which should provide good growth in 2011.

We will continue to carefully control costs and manage our working capital and, with our strong balance sheet, are well positioned to take advantage of opportunities in pursuit of our strategy. We remain confident in the fundamentals of our key markets and believe we are well positioned to deliver good longer term growth.

Allister Langlands,
Chief Executive
1 March 2010

For footnotes
turn to **page 20.**

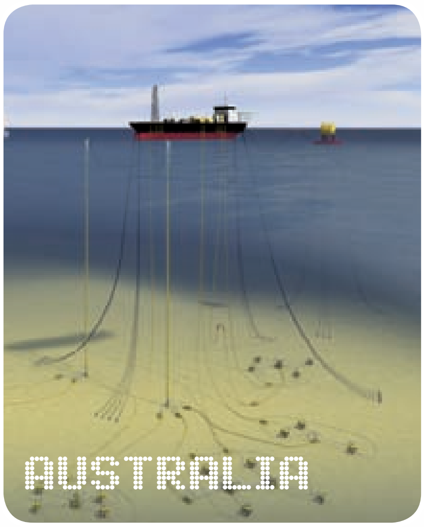
Operational review

Supporting our clients

We are focused on delivering innovative and creative solutions to our wide range of global customers. Examples of some of the projects we worked on in 2009 are opposite.

Subsea & pipelines group

We are the world's leading, solutions independent, engineering & management services provider for subsea systems.



We have around 1,600 specialist personnel around the world with 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.

We have a five-year global agreement to provide engineering and project management services for BP's offshore subsea development projects. In 2009 we were awarded our largest ever FEED contract for the INPEX-operated Ichthys liquefied natural gas project in Western Australia's Browse Basin, our fourth major project on the North West Shelf.

Operations support

We are a global market leader in the provision of facilities management, operations and maintenance services to offshore and onshore oil & gas producers.

We are the leading provider of operations support services in the UK North Sea and have been providing services to the region's leading operators for over 20 years.

In 2009 we continued to develop our relationship with Chevron providing support for their upstream North Sea operations securing both the engineering & construction and operations & maintenance contracts.

Internationally we enhanced our operations support capability with the acquisition of Baker Energy, establishing us as the market leader in the provision of operations and maintenance services in the US Gulf of Mexico market, and enhancing our ability to support clients' deepwater activity.

Surface valves and wellheads

We are the market leader in the USA for surface valves and wellheads and are continuing to develop our international position.

We continued to develop technology to enhance our position in higher growth markets, including offshore and US shale applications.

We are providing wellhead equipment for use by Petróleos Mexicanos "PEMEX" for their onshore and offshore Mexico fields.

The contract covers the supply of 10,000 and 15,000 psi wellhead equipment for use in developing the southern region's Cardenas, Reforma, and Comalcalco fields, and the provision of surface wellhead systems for the marine region, including Cantarell, Ku-Maloob-Zaap and other fields in the Campeche Bay.

We provide field service support from our new manufacturing facility in Monterrey and two service centres located in Reynosa and Villahermosa.

Turbine maintenance solutions

We are a leading provider of turnkey maintenance solutions for power generation and other high speed rotating equipment.

We are providing mobilisation services and onsite personnel to Peru LNG under an 18-year, US$150m contract to support turbines and compressors on the project.

The flexible service agreement covers mobilisation services during EPC and startup, commissioning and initial running of assets.

Additionally, we are supplying gas turbine parts, component repair, field service, monitoring & diagnostic systems, and various maintenance services for gas turbines, generators, compressors and other related auxiliary equipment over the full term.

We have been providing technical personnel to Peru LNG since 2007, covering pipeline and plant construction, plant operations, safety, environmental, engineering, communications and recruiting support for the project.

For full details of our range of services turn to **pages 4-5**

Operational review

Engineering & Production Facilities

Farnaz Ghasemi

An engineer with J P Kenny's renewables team, providing technical support in the overall management and execution of the Wave Hub project.

We deliver a wide range of market leading engineering services to the upstream, subsea & pipelines, downstream & industrial and clean energy sectors. These include conceptual studies, engineering, project and construction management "EPCM" and control systems upgrades.

ABERDEEN

Mike Straughen,
Group Director, Engineering

Our operational and financial review

	2009 $m	2008 $m	% Change	% Change Constant Currency
Revenue	**3,241.9**	3,244.7	No change	8%
EBITA	**266.0**	316.1	(16%)	(11%)
EBITA margin	**8.2%**	9.7%	(1.5%pts)	(1.8%pts)
People	**20,800**	20,000	4%	

Operational and financial highlights

Revenue for the year was flat but up 8% in constant currency terms. The good revenue growth in constant currency reflected strong growth in our Production Facilities activities, offset by reduced activity in our development related Engineering business. The revenue split in the period was 57% Production Facilities to 43% Engineering (2008: 52% to 48%).

The 10% reduction in Engineering revenue reflected ongoing project delays in upstream, downstream and the process & industrial markets offset to some extent by a strong performance in our subsea and pipeline activities. The 10% growth in Production Facilities revenue resulted from a very strong performance in the North Sea which accounts for about 60% of Production Facilities revenue. The proportion of divisional revenue from outside Europe and North America increased from 20% to 22%.

EBITA margin decreased from 9.7% to 8.2% due to a reduction in the underlying Engineering margin and the change in mix towards lower margin Production Facilities. The reduction in Engineering margin was due to lower pricing, a decrease in manpower utilisation and the loss of some scale efficiencies as volumes decreased. Margins in Production Facilities improved slightly due to growth in higher margin activities and an active cost reduction programme.

Divisional headcount at the year end, including contractors, was approximately 20,800 people, an increase of 4% since 2008. Engineering headcount was 6,400 people, a decrease of 26% reflecting adjustments in line with lower volumes and the sale of the Group's interest in an engineering business in Venezuela. Production Facilities, with 14,400 people, rose 27%, with the bulk of the increase arising from the acquisition of Baker Energy and several acquisitions in Australia.

Engineering

Upstream activities represent around 40% of Engineering revenue and 11% of Group revenue. We hold market leading positions in deepwater engineering, including lightweight topsides, and engineering for in situ oil sands markets. The developments on which we work are typically longer term complex projects, predominantly for International Oil Companies "IOCs", National Oil Companies "NOCs" and large independents. During 2009, we saw a reduction in engineering volumes on large projects, while remaining active on projects for BP (Valhall), Chevron (Jack/St Malo), ConocoPhillips (Ekofisk), EnCana (Foster Creek), ExxonMobil (Scarborough), Modec (Ghana) and Shell (Perdido).

Subsea & pipeline engineering represents around 35% of Engineering and 10% of Group revenue. We are the largest subsea & pipeline engineering consultancy in the world, with leading positions in riser & mooring design, and advanced engineering and software solutions to the subsea and pipeline sectors. Activity levels remained strong in the period and we were engaged with a range of customers, including BP (various projects under our global framework agreement), Chevron (Gorgon), Gazprom/Total/Statoil (Shtokman), Inpex (Ichthys), Woodside (Pluto) and onshore with Williams and Kinder Morgan.

Downstream, process and industrial represents around 25% of Engineering and 7% of Group revenue. During 2009, we have seen a significant reduction in volumes as downstream and chemical customers reduced their capital spending. Our automation group remained active for ExxonMobil in Singapore and on various projects for Chevron and ConocoPhillips.

Within Engineering, a key strategic priority is to continue our geographic expansion focused on growth markets in Asia Pacific, the Middle East and Africa. In Asia Pacific, we entered a joint venture with Petronas in Malaysia to develop integrated floating LNG solutions, using our proprietary liquefaction technologies.

To read about our directors turn to **pages 36-37**.

Operational review
Engineering & Production Facilities continued

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.

Graeme Hogg

Mechanical Technician on Tern Alpha, with a responsibility for certain safety and production critical equipment on board the platform.

NORTH SEA

Les Thomas,
Group Director,
Production Facilities

In the Middle East, we agreed to acquire a controlling interest in Al-Hejailan Consulting, a Saudi Arabian engineering company, to give us an engineering and project management services presence in the oil, gas, chemical and power industries in the Kingdom of Saudi Arabia. We have also expanded our presence in Abu Dhabi, where we have been engaged on one of the world's leading carbon capture projects for Masdar. In clean energy, we are also developing our offshore renewables capability in both wind and wave projects in Europe and Australia.

Production Facilities

Our activities in the North Sea, where we are the leading maintenance, modifications and operations contractor, represent around 60% of Production Facilities revenue and 23% of Group revenue. We provide ongoing engineering, operations support, production enhancement and asset integrity services under longer term contracts. With continued customer focus on maintaining production, lowering unit costs and ensuring asset integrity, we extended our North Sea contract with Total, and were awarded two new contracts with Chevron to support engineering & construction and operations & maintenance on their UK North Sea assets. In addition, we had a successful year in our duty holder business providing support to Centrica, Ithaca, Premier and TAQA, and, as planned, successfully transferred duty holder responsibilities to TAQA on 1 September 2009.

Our international activities, which make up around 40% of Production Facilities and 15% of Group revenue, continued to perform well. We enhanced our position in the USA, establishing a market leading position in operations and maintenance services in the Gulf of Mexico, including deepwater, with the acquisition of Baker Energy in October 2009. Outside the USA, we made good progress in some of our newer markets such as Brazil, Colombia, Equatorial Guinea,Trinidad and Brunei, where we recently secured an important contract extension. In addition, Baker Energy's international activities are an excellent strategic fit with our existing operations, extending our position in markets such as Nigeria, Angola and Algeria.

In 2009, we completed several acquisitions in Australia that enhance our capability to deliver engineering and production support services to national and international customers in this important and growing market. Our capabilities were recognised with the award of a multi-year maintenance services contract for ENI and an upgrade contract from Woodside for the Otway gas plant.

We have also continued to invest in our training business with additional facilities being added in the Caspian, North Africa and the USA.

Engineering & Production Facilities outlook

In Engineering, we enter 2010 with headcount 26% lower than at the start of 2009 and, as a result, we expect volumes will be lower than 2009. In upstream, we are beginning to see some signs of higher activity in oil sands but offshore many of our target projects remain at an early stage, with lower volumes of engineering. We expect our subsea and pipeline activities to again see good volumes in 2010. The downstream, process and industrial market is expected to remain soft in 2010 although we are seeing some interesting prospects in Latin America. Overall, we continue to have a good prospect list and believe activity should begin to recover in the second half of the year. We expect the effects of lower volumes and somewhat lower pricing to reduce margins further in 2010, but anticipate that margins will begin to recover in 2011. Within Engineering, we continue to focus on building our international infrastructure to deliver local engineering solutions and we expect further progress in the next six months on our initiatives covering Africa, Asia Pacific and the Middle East.

We expect Production Facilities revenues to be more stable, with around 75% of revenue under longer term contracts. Overall activity should be around 2009 levels with higher revenue in North America (following the Baker acquisition), West Africa and Asia Pacific offsetting reduced volumes in the North Sea. We have a strong international prospect list and see good scope for growth over the next few years.

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” and in surface wellheads and valves. We also provide electric line and slickline services.

Ryan Pritchard

Senior Spooling Technician for ESP, Canada, conducts a safety audit before carrying out the day’s work.

ALBERTA

Jim Renfroe,
Group Director, Well Support

Our operational and financial review

	2009 $m	2008 $m	% Change	% Change Constant Currency
Revenue	**813.7**	1,008.6	(19%)	(18%)
EBITA	**75.1**	105.0	(28%)	(27%)
EBITA margin	**9.2%**	10.4%	(1.2%pts)	(1.1%pts)
People	**3,500**	4,300	(19%)	

Operational and financial highlights

Well Support revenue was down 19% in 2009, principally due to the impact of the weaker US natural gas market (total US rig count fell 55% in the eight months to June) on our Pressure Control and Logging Services businesses. ESP revenues were also lower, reflecting reduced volumes in North America and Russia. We continued to increase the proportion of our business outside the USA and this now represents 55% of total Well Support revenue.

The EBITA margin decreased from 10.4% to 9.2%, reflecting the significantly lower volumes and pricing in our US natural gas related activities. The relatively small margin reduction included a good performance from ESP and the impact of early and effective actions to reduce our cost base.

Electric Submersible Pumps

Our ESP business represents just over 50% of Well Support and around 9% of Group revenue. Approximately 29% of our business comes from the USA, where we have a market leading position in the sale, operation and service of ESPs. International activity represents 71% of revenue, and is typically characterised by longer term contracts with IOCs and NOCs. In the year, we made good progress in newer markets in South America and delivered a strong performance in Africa. Continued work on a range of initiatives, including cost control and a mix change towards higher margin regions, resulted in higher margins.

Pressure Control

Our Pressure Control business represents around 35% of Well Support and around 6% of Group revenue. Our business is driven primarily by the gas development drilling activity of our customers. In the USA (around 62% of our revenue in 2009) we believe we maintained our market leading position in surface wellheads due to continuing focus on customer service and efficient delivery. We have established a strong position in the major shale regions, where we expect to see continuing growth. Internationally, where around 38% of revenue is generated, we continue to expand our business under longer term contracts with IOCs and NOCs. During 2009 we enhanced our manufacturing capability in Mexico where we won a number of contracts with Pemex and IPC.

Logging Services

Our Logging Services business represents under 15% of Well Support and under 2% of Group revenue. Our production-focused US slickline services performed relatively well, while our development-focused US electric wireline activities were significantly impacted by the lower rig count. Our business in Argentina, where we hold a market leading position, had another good performance.

Well Support outlook

Overall, we expect to see modest revenue growth in 2010. The US rig count has significantly improved since June 2009 and this should lead to improved volumes for Pressure Control and Logging Services. The revenue growth in 2010 will be held back by comparison with the strong first quarter 2009 revenue in the US natural gas market and the substantially lower pricing.

Internationally, Pressure Control should continue to benefit from our competitive manufacturing facilities and, during 2010, we will open our new facility in Saudi Arabia to provide an in-Kingdom capability for Saudi Aramco.

ESP's oil production and longer term contract focus should help sustain good activity in existing markets and our growing product range should provide increased revenue. Our ongoing focus on cost reduction through our supply chain initiatives should allow ESP to continue its margin improvement trend.

To read about our directors turn to **pages 36-37**.

Operational review

Gas Turbine Services

We are a leading independent provider of services and solutions for clients in the power, oil & gas and renewable energy markets. Worldwide these services include power plant engineering, procurement, construction management, facility operations & maintenance, repair & overhaul of gas, wind and steam turbines, pumps, compressors and other high-speed rotating equipment.

Ron Lane

Inspects a blade from a General Electric Frame 7FA+e gas turbine at the Alliant Energy Emery Generating Station in Iowa, USA.

IOWA

Mark Papworth,
Group Director, Gas Turbine Services

Our operational and financial review

	2009 $m	2008 $m	% Change	% Change Constant Currency
Revenue	**825.6**	956.6	(14%)	(10%)
EBITA	**65.7**	72.6	(10%)	(2%)
EBITA margin	**8.0%**	7.6%	0.4%pts	0.7%pts
People	**3,500**	4,100	(15%)	

Operational and financial highlights
GTS revenue was down 14%, or 10% in constant currency terms. The reduction in constant currency revenue was principally driven by lower Power Solutions revenue, the disposal of non-core businesses and some maintenance deferrals by oil & gas and power customers.

EBITA was 10% lower but was only down 2% in constant currency terms. The margin improvement from 7.6% to 8.0% was driven by benefits from internal restructuring and cost reduction initiatives, and differentiation leading to increasing work under longer term contracts and new product and service capabilities. We continue to focus on longer term contract opportunities and this is now about 50% of our revenue.

The reduction in headcount from 4,100 to 3,500 primarily reflects the disposal of non-core businesses and our cost reduction initiatives.

Oil & Gas Services
Our oil & gas activities support the gas turbine and other rotating assets used for power generation, gas compression, mechanical drive and transmission, and represent around 35% of GTS revenue and around 6% of Group revenue. Including our OEM licensed joint ventures, we have broad technical capabilities and know how, a strong service culture and a market leading share in the aftermarket for aero-derivative turbines. We are also the leading independent in light industrial 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. Good progress was made in the year in important markets such as Brazil, Iraq and Peru, where we have recently announced the award of an 18-year, $150m major maintenance contract from Peru LNG, SRL.

Our rotating equipment reliability and availability activities continue to develop in the North Sea, where, working in conjunction with Production Facilities, we have been able to provide customers with significantly enhanced uptime and production across their assets.

Power Plant Services
Our power activities provide support for turbines that are used for power generation and industrial facilities, and represent around 55% of GTS revenue and around 9% of Group revenue. Demand for our services is driven by the plant utilisation and maintenance budgets of our customers. This has generally remained robust, although market conditions in some regions led to some price pressure and customers deferring spending. However, operational efficiencies and a focus on supply chain effectiveness have been successful in mitigating the impact on margins. There have been significant contract successes in the Americas and in the Middle East, including the award of a five-year $27m contract with Brick Power Holdings for the operations and maintenance of GE 7FA facilities in Maine and Rhode Island with generation capacity of 265MW. We are now supporting around 17,000 MW in power generation capacity under longer term contracts.

Power Solutions
Power Solutions activities, which represent about 10% of GTS revenue and less than 2% of Group revenue, saw lower volumes in the year as projects were delayed, in part due to funding issues. However, we continue to see excellent long term prospects, particularly in the Eastern Hemisphere. During the year, we strengthened our Eastern Hemisphere execution capability through the acquisition of Shanahan Engineering, a leading provider of power plant installation, commissioning and maintenance services.

Gas Turbine Services outlook
We anticipate that demand for our oil & gas services will remain robust in 2010, due to high production support content and increasing proportion of longer term contracts. We have a good spread of business with NOCs, IOCs and large independents.

In the power market, there may continue to be areas of regional short term weakness, as some customers defer maintenance but in the longer term the 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 expand our business and to deliver longer term margin improvement. This will include increasing our business under longer term contracts, expanding our regional and customer portfolio, cost reduction and efficiency improvements.

In Power Solutions, we expect new project awards to begin in 2010 to provide good growth in 2011.

Overall, we anticipate modest revenue growth and a further modest improvement in EBITA margins in 2010.

To read about our directors turn to **pages 36-37**.

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, exceptional items 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 specific personal objectives, covering strategy, people development and safety measures.

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

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

	2009 $m	2008 $m	% Change
Revenue	**4,927.1**	5,243.1	(6%)
EBITA	**358.4**	441.0	(19%)
EBITA Margin	**7.3%**	8.4%	(1.1%pts)
Amortisation	**24.1**	25.2	
Exceptional items	**35.8**	–	
Operating profit	**298.5**	415.8	(28%)
Net finance expense	**33.7**	31.7	
Profit before tax	**264.8**	384.1	(31%)
Tax	**100.6**	128.7	
Profit for the year	**164.2**	255.4	(36%)
Basic EPS (cents)	**32.1c**	49.6c	(35%)
Adjusted diluted EPS (cents)	**41.8c**	52.1c	(20%)
Dividend per share (cents)	**10.0c**	9.0c	11%

2009 saw a decrease in revenue, EBITA and EBITA margin. Revenue decreased by 6% to $4,927.1m, EBITA by 19% to $358.4m and EBITA margin by 110 basis points to 7.3%.

A detailed review of our trading performance is contained within the Chief Executive's report and the divisional reviews.

The amortisation charge of $24.1m includes $11.0m (2008: $11.9m) of amortisation relating to other intangible assets arising from acquisitions.

During 2009, we recorded an exceptional charge of $35.8m in relation to our Venezuelan operations. The charge included (i) a loss on disposal of our interest in Vepica, an engineering company, (ii) an impairment and restructuring charge in relation to our long term contract to provide water injection services which was terminated and subsequently taken over by PDVSA, and a restructuring charge in relation to certain businesses to be sold or closed, and (iii) the impact of devaluing

Footnotes

1. EBITA represents operating profit of $298.5m (2008: $415.8m) for 2009 before adjusting for exceptional items of $35.8m (2008: $nil), and amortisation of $24.1m (2008: $25.2m). This financial term is provided as it is a key unit of measurement used by the Group in the management of its business.
2. Shares held by the Group's employee share 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 profit for the year excluding the post tax impact of amortisation and exceptional items.
3. Return on Capital Employed "ROCE" is EBITA divided by average equity plus average net debt and excludes a business to be disposed.
4. 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.
5. Number of employees and contractors at 31 December 2009.
6. Safety cases are measured by TRCF. TRCF is Total Recordable Case Frequency (LWC+RWC+MTC) per million man hours.
   LWC Lost Work Case
   RWC Restricted Work Case
   MTC Medical Treatment Case
7. Where a constant currency comparative has been given, 2008 results have been retranslated at 2009 average rates to provide comparative financial information.
8. Dividend cover is adjusted diluted earnings per ordinary share divided by the total dividend per ordinary share for the period.
9. Gearing is net debt divided by total shareholders' equity.
10. Interest cover is EBITA divided by net finance costs.

Alan Semple,
Group Finance Director

Venezuelan Bolivar denominated monetary assets and liabilities as of the end of the year. Our ongoing operations in Venezuela now primarily relate to Well Support.

The net finance expense in the period of $33.7m is made up of a finance charge of $36.2m (2008: $37.7m) and finance income of $2.5m (2008: $6.0m).

The net finance expense increased in 2009 largely due to the amortisation of the arrangement fees associated with renewing the Group's bank facilities and higher non utilisation fees associated with the undrawn amounts available under the facility. The interest charge relating to the Group's borrowings was $22.3m (2008: $28.7m) and reduced in the period due to a lower average net debt.

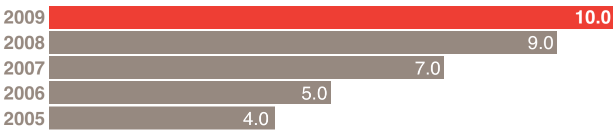
The movement in the tax charge is outlined below:

	2009 $m	2008 $m
Tax charge	**100.6**	128.7
Tax on exceptional items	**–**	–
Adjusted tax charge	**100.6**	128.7
Profit before tax	**264.8**	384.1
Exceptional items	**35.8**	–
Amortisation of other intangible assets on acquisition	**11.0**	11.9
Adjusted profit before tax	**311.6**	396.0
Effective tax rate	**32.3%**	32.5%

The reduction in the Group's effective tax rate from 32.5% to 32.3% included the impact of a change in the geographical mix of our operations and a range of tax efficiency measures implemented.

The second interim dividend is 6.9c and no further dividend is proposed in relation to 2009. This results in a full year dividend of 10.0c, an increase of 11% from last year. Dividend cover [8] for 2009 was 4.2 times (2008: 5.8 times).

Dividend per ordinary share (cents)



Constant Currency Performance

The Group's revenue and EBITA are impacted by movements in foreign exchange rates, including the effect of retranslating the results of subsidiaries with various functional currencies into US dollars at different exchange rates. Given the material strengthening in the US dollar in 2009 compared to 2008, the table below shows the Group's results for 2009 compared to the 2008 results restated at the 2009 average rates.

Engineering & Production Facilities constant currency revenue growth reflects particularly strong growth in the sterling denominated North Sea business. The EBITA and EBITA margin constant currency movements reflect the growth of the relatively lower margin Production Facilities North Sea business.

In Gas Turbine Services, the lower reduction in revenue in terms of constant currency reflects the portion of revenue in Canadian dollars and sterling. The EBITA and EBITA margin constant currency movements reflect the increased contribution from the relatively higher margin Canadian dollar and sterling activities.

Revenue	Actual 2008 $m	2008 at 2009 FX rates $m	Actual 2009 $m	Change %	Change in constant currency %
Engineering & Production Facilities	3,245	3,001	3,242	–	8%
Well Support	1,009	993	814	(19%)	(18%)
Gas Turbine Services	956	919	825	(14%)	(10%)
To be disposed	33	33	46	39%	39%
Group	**5,243**	**4,946**	**4,927**	**(6%)**	**–**
EBITA					
Engineering & Production Facilities	316	299	266	(16%)	(11%)
Well Support	105	102	75	(28%)	(27%)
Gas Turbine Services	73	67	66	(10%)	(2%)
Central/to be disposed	(53)	(50)	(49)	8%	2%
Group	**441**	**418**	**358**	**(19%)**	**(14%)**
EBITA Margin					
Engineering & Production Facilities	9.7%	10.0%	8.2%	(1.5%pts)	(1.8%pts)
Well Support	10.4%	10.3%	9.2%	(1.2%pts)	(1.1%pts)
Gas Turbine Services	7.6%	7.3%	8.0%	0.4%pts	0.7%pts
Group	**8.4%**	**8.5%**	**7.3%**	**(1.1%pts)**	**(1.2%pts)**

For footnotes turn to **page 20.**

To read about divisional performance turn to **pages 10-19**.

Operational review

Financial review continued

Financial performance

Summary balance sheet

	2009 $m	2008 $m
Assets		
Non-current assets	**1,003.8**	958.0
Current assets	**1,850.7**	1,844.1
Liabilities		
Current liabilities	**1,137.1**	1,061.8
Net current assets	**713.6**	782.3
Non-current liabilities	**436.4**	593.3
Net assets	**1,281.0**	1,147.0
Total shareholders' equity	**1,270.2**	1,133.9
Minority interest	**10.8**	13.1
Total equity	**1,281.0**	1,147.0

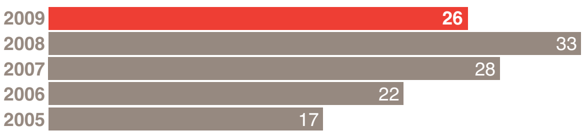
Non-current assets are primarily made up of goodwill and other intangible assets, and property plant and equipment. The increase of $45.8m in the period is as a result of acquisitions, which resulted in goodwill and other intangible assets increasing by $47.1m.

Capital efficiency

The Group's ROCE decreased from 33.3% to 26.3%. The decrease reflects the reduced EBITA in the period and higher capital as a result of acquisitions, offset to some extent by more efficient use of operating capital.

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

ROCE (%)



Net debt and cash generated from operations

	2009 $m	2008 $m
Opening net debt	**(248.8)**	(277.9)
EBITA	**358.4**	441.0
Depreciation and other non cash items	**68.8**	93.5
Cash generated from operations before working capital movements	**427.2**	534.5
Working capital movements	**118.3**	(181.0)
Cash generated from operations	**545.5**	353.5
Acquisitions	**(110.1)**	(112.2)
Capex and intangible assets	**(68.4)**	(102.6)
Disposals	**10.7**	32.5
Sale/(purchase) of trust shares (net)	**4.3**	(23.7)
Tax paid	**(113.9)**	(112.1)
Interest, dividends and other	**(73.7)**	(60.6)
Exchange movements on net debt	**(33.5)**	54.3
Decrease in net debt	**160.9**	29.1
Closing net debt	**(87.9)**	(248.8)
Cash and cash equivalents	**208.6**	176.1

During the year the Group generated $545.5m (2008: $353.5m) of cash from operations, which was used to fund acquisitions and capex and intangible assets of $178.5m (2008: $214.8m) and which contributed to net debt reducing by $160.9m to $87.9m (2008: $248.8m).

Net debt ($m)

Included in the cash generated from operations was a $118.3m inflow (2008: $181.0m outflow) from working capital. This inflow reflected the impact of lower revenue in the period, typical year end seasonality, and a general focus on working capital.

The acquisition spend of $110.1m comprised of $101.0m in relation to acquisitions in the year and $9.1m of deferred consideration in relation to acquisitions from previous years. Capex and intangible assets investment at $68.4m was $34.2m lower than 2008, principally reflecting capital discipline measures in response to market conditions.

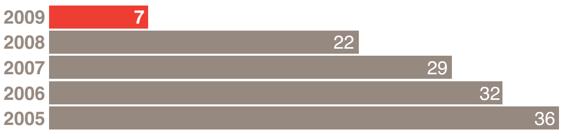
Credit facilities

At 31 December 2009 the Group had unutilised borrowing facilities of $780.8m (2008: $632.0m) representing 72% (2008: 60%) of total borrowing facilities. Total borrowing facilities amount to $1,077.4m. In addition the Group has a number of facilities covering the issue of bonds, guarantees and letters of credit amounting to $327.2m (2008: $236.0m). Since 31 December 2009 the Group has reduced the total level of its principal bilateral borrowing facilities by $150m.

Gearing,[9] Net Debt to EBITDA and Interest Cover[10]

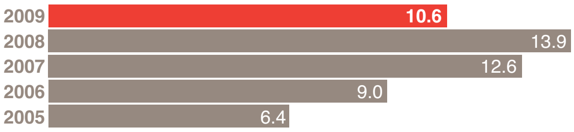
The Group's gearing ratio has reduced from 21.9% to 6.9% and the ratio of net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) fell from 0.5 times to 0.2 times.

Gearing ratio (%)



Interest cover decreased from 13.9 times to 10.6 times, as a result of the lower profit in the year.

Interest cover (times)



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 388 active members and 640 deferred, pensionable deferred or pensionable members at 31 December 2009. At 31 December 2009 the scheme had a deficit of $34.3m (2008: $23.1m). In assessing the potential liabilities, judgment is required to determine the assumptions around future salary and pension increases, inflation, investment returns and member longevity.

The scheme is closed to new members and 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 29 to the Group financial statements.

Acquisitions and disposals

In January 2009, the Group disposed of two small businesses in the Gas Turbine Services Division, and in addition acquired various assets and liabilities as part of the transaction.

In May 2009, the Group acquired a 70% interest in Proteus Global Solutions "Proteus" with an agreement in place to acquire the remaining interest over a prescribed period. Proteus provides commissioning, operations support and engineering services in Australia.

The Group acquired Baker Energy, the energy services business of Michael Baker Corporation in October 2009. Baker Energy provides a broad range of operations and maintenance services, both onshore and offshore, in the USA and in Africa.

Shanahan Engineering, a provider of power plant installation, commissioning and maintenance services to the power and industrial sectors, was acquired in December 2009. The company is active across the Eastern Hemisphere with offices in Ireland, Italy, the UK, Turkey and Japan.

In December 2009, the Group disposed of its interest in Vepica, a Venezuelan engineering company.

In addition a number of smaller acquisitions, principally in the Asia Pacific region, were made during the year.

The cash outflow in relation to acquisitions during the year amounted to $101m. In addition, $9.1m of deferred consideration payouts were made in respect of acquisitions made in prior periods. The net cash inflows in respect of disposals made during the year amounted to $10.7m.

The companies acquired during the period have contributed $108.5m to revenue and $2.2m to EBITA during 2009.

The acquisitions carried out during the year provide the Group with access to new markets and strengthen the Group's capabilities in certain areas. The acquired companies are now able to access the Group's wider client base and use the Group's existing relationships to further grow and develop their business. These factors contributed to the goodwill recognised by the Group on acquisitions during the year.

At a glance
Operational review
Governance
Financial statements

For footnotes
turn to **page 20.**

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 "QRMs" between senior managers and certain of the executive directors, including the Chief Executive and Group Finance Director.

The mitigation set out below is designed to reduce, but may not eliminate, the risk areas identified in the following tables.

Market Risks

	Risk Area and Potential Impact	Mitigation	
Market Risks	**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 and industrial markets, reducing our exposure to one particular market • We seek to maintain 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 with differentiated products and services in many areas, and have developed longer term relationships with customers	• We manage exposure to engineering markets by seeking to maintain a split of oil & gas activities between upstream; subsea engineering, pipelines and midstream; downstream, process & industrial and clean energy sectors • We adjust investment and pricing strategies appropriately to reflect market conditions • Our business strategies are relatively flexible and have relatively low capital intensity
Market Risks	**Risk area** Investment in new service areas and geographic markets **Potential Impact** Investment (capital or operating) in new products & services, territories or acquisitions may fail to generate an adequate return	• We carry out investment reviews of the future areas of focus for the Group • We adjust investment and pricing strategies appropriately to reflect market conditions • We carry out return assessments and due diligence reviews prior to investment	• We have integration plans for acquisitions • We adopt earn-out structures for acquisitions wherever possible • The Group Board undertakes an annual review of the performance of acquisitions made in the preceding three years to identify lessons learned

Strategic and operational risks

	Risk Area and Potential Impact	Mitigation	
Strategic and operational risks	**Risk area** Health, Safety and Environmental "HSE" performance **Potential Impact** Failure to deliver HSE excellence could lead to harm to our people, 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, the annual Group HSE plan, newsletters and the intranet	• 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 • A pilot programme across a sample of businesses measured their carbon footprint For further details – see pages 29-30
Strategic and operational risks	**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 to secure interesting work, and this, in turn, helps to attract and retain talent in the Group • We give management considerable autonomy, within a Group delegated authority structure, while maintaining short lines of communication to senior managers and Group directors	• We use market based compensation, including both short and longer term incentive packages and offer career development and training opportunities • We continue to expand our geographic footprint to provide access to skilled labour resources • We focus on all our businesses worldwide becoming employers of choice For further details – see page 28

	Risk Area and Potential Impact	Mitigation	
Strategic and operational risks	**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 personnel up to	and including Board members • Ethics helplines are available for employees to raise any concerns in confidence • We take action against any breaches of our ethical standards For further details – see page 32
	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, loss of work through damage to our reputation with customers or liability claims	• Businesses maintain quality systems appropriate to their area of activity. These may include third party accreditation and training and competence development programmes	• We have a range of initiatives to help our people develop and enhance their expertise • New product designs undergo prescribed validation and verification testing
Financial and compliance risks	**Risk area** Access to capital **Potential Impact** Inability to obtain funding to take advantage of shareholder value creating opportunities	• We maintain a strong balance sheet, with gearing, as at 31 December 2009, of only 7%	• We have longer term banking facilities providing significant headroom For further details – see pages 20-23
	Risk area A slowing of payments from customers in some markets **Potential Impact** Reduction in profit due to bad debt provisions and write-offs and increased requirement for working capital	• We have procedures in place to check the credit worthiness 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 • We use a number of working capital efficiency measures to promote reduced working capital	• We work with our customers to develop long term relationships and operate effective and timely credit control procedures
	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 • We have a contract policy that provides guidance on the parameters under which we would wish to enter into contracts to provide services and products and derogation from these terms is subject to a range of approvals	• 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 would wish to enter into contracts to provide services and products and derogation from these terms is subject to a range of approvals • 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 **Potential Impact** Requirement to fund uninsured losses	• Prudent levels of insurance cover are maintained across a range of insurers	• We review exposures to areas where it is not 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 framework is in place, which includes preparation and review of monthly financial information, delegation of authority matrix and an annual financial controls self assessment	• We have a 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

Operational review

Corporate social responsibilty

"Creating a safe and ethical culture in which our people can thrive, maintaining a healthy workplace and minimising adverse environmental impacts are among our highest business objectives."

Allister Langlands,
Chief Executive

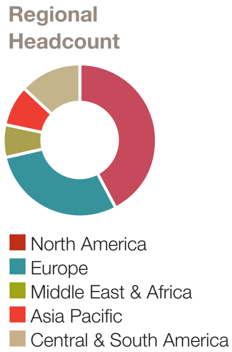
NORTH SEA

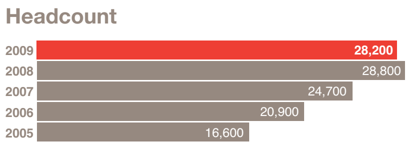
Contents

Corporate social responsibility

Corporate social responsibility

Our people





We will treat all our people fairly, responsibly and with dignity, respecting their individual differences and helping them to achieve their potential.

We are committed to attracting, retaining and developing the highest calibre people. Our many training and development programmes are designed to enable our staff to learn new skills and refine existing ones.

The number of people working for the Group fell by 600 (2%) to 28,200 at 31 December 2009. The net decrease primarily reflects the reductions made in Well Support and Engineering & Production Facilities, offset by the net additions through acquisitions, principally Baker Energy and businesses in Australia.

We were again recognised by the Corporate Research Foundation "CRF" as one of Britain's Top Employers as evidenced by a fall in our annual voluntary turnover to 9% (2008: 11%).

The Group places strong emphasis on involvement and communications and we maintain a regularly updated Group intranet.

Our global graduate development programme grew to over 400 with the addition of over 60 new hires in 2009. In the first graduate trainee attachment programme jointly run by Brunei Shell Petroleum and our joint venture, SKS Wood, six graduates are being supported in learning new skills across different engineering departments.

Our apprenticeship school at Rolls Wood Group supports the Gas Turbine Services division and has over 40 people working towards modern mechanical or aeronautical apprenticeships.

With an alumni of over 500 people worldwide, our in-house Management Development Programme "MDP" helps our senior managers in the development of their skills. As part of the programme delegates work on team projects designed to both broaden their knowledge and skills as well as developing solutions to business challenges across the Group. In 2009 a new Understanding Business Finance "UBF" programme was developed and introduced to improve financial awareness and understanding among our senior management and supplement our MDP.

1. Structural Designers Iain Redmond and Ian Robinson were the first apprentices in Aberdeen to achieve new Modern Apprenticeship in Design & Draughting.

2. Our MDP has been running since 2004 and has alumni of over 500 worldwide. Our UBF programme was introduced in 2009.

3. A team from our apprenticeship school take part in a team building day.

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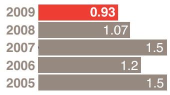
Health and safety

TRCF

LWCF



TRCF is the frequency of all reportable injuries, including medical treatment cases. LWCF is the frequency of all injuries resulting in lost time away from work. Both frequencies are measured per million hours worked.

As an integral part of our business we will maintain a healthy workplace and aim to prevent accidents.

Safety

In 2009 we saw a reduction in TRCF of 2% compared to 2008. Our LWCF reduced by just over 13% compared with 2008, reflecting a reduction in the frequency of more severe incidents. This was achieved through a series of initiatives, with a focus on improving leading performance indicators.

We introduced a Frontline Focus campaign to drive effective implementation of our base safety programmes at the frontline of our operations, where the potential risks to our people are greatest. As part of this, more than 500 people in senior management and health and safety roles engaged in a variety of activities to enhance the quality of our programmes.

Our progress was recognised by a number of external awards including our US-based Power Plant Services business which was named as one of America's Safest Companies for 2009 as listed by EHS Today (a magazine for environment, health and safety leaders) and our joint venture, TransCanada Turbines, which was awarded Best Safety Performer by Work Safe Alberta.

Another area where significant progress was made in 2009 is the application of best practice to asset integrity and process safety. This has become an increasingly important topic for our clients. The Chairman's annual health and safety awards continue to recognise our colleagues who achieve outstanding results in improving performance.

Health

Promoting and enhancing the health and well-being of our employees, their families and the communities in which we work is important. We are committed to reducing instances of occupational illness, sickness, absenteeism and increasing awareness of healthy lifestyle options. We provide guidance, analytical tools, assistance and support to develop health programmes tailored and managed by our local businesses.

1

3

Corporate Alliance on Malaria in Africa

2

1. We participate in a number of inter company health and sport challenges around the world.

2. Our Frontline Focus campaign aims to ensure effective implementation of our base safety programmes at the frontline of our operations.

3. As a board member of the Corporate Alliance on Malaria in Africa "CAMA" we are part of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria "GBC".

Corporate social responsibility

Environment

We will aim to minimise the adverse environmental impact of our activities, work with our customers to minimise their impact, demonstrate our commitment with actions rather than words and remain focused on further improvement.

1

3

2

1. Five companies participated in the Carbon Footprint Pilot.

2. Employees in Perth volunteered to plant 3,500 trees at a planting organised by Men of the Trees.

3. We provided conceptual and detailed design for OCEANLINX's prototype wave energy device, offshore Australia.

As an environmentally responsible organisation, we are striving to increase our efficiency in terms of energy consumption and reduce our carbon emissions.

To better understand carbon management and ways to reduce carbon use in our operations, a Carbon Footprint Pilot was introduced in 2009. Five businesses, comprising offices, repair shops and manufacturing based businesses participated in the programme. The programme adopted the UK Carbon Trust calculator to measure and monitor the carbon footprint of the operations.

The objectives were:

- test how we assess and measure our energy consumption
- identify areas and targets for improvement
- explore potential solutions for saving energy
- analyse the results of the pilot and share our learning across the Group

Following the success of the pilot, it is being expanded in 2010. We are also working to get all our UK businesses ready for the introduction of Carbon Reduction Commitment "CRC" regulations.

As a key element of our 2010 environmental campaign, in June 2010 we will be holding a global environmental week, which will seek to highlight and share best practice initiatives.

In addition, one of the main ways in which we can have a positive effect on the environment is through helping our customers to reduce their impact.

Our existing offshore operations, subsea and pipeline engineering skills mean we are well placed to provide support to offshore wind, wave and tidal energy developments. We are also involved in emerging opportunities for carbon capture and sequestration "CCS". During 2009 we have been involved in several environmental projects including the Beatrice Wind Farm Demonstrator Project, South West Regional Development Agency's Wave Hub renewable energy project, the design and project management of two offshore substations for AREVA T&D on the Sheringham Shoal Offshore Wind Farm, and front end engineering and design for CCS in connection with Masdar in Abu Dhabi.

In 2009 we set up Wood Group Renewable Energy Services to focus on the wind turbine after market and we are also involved in the marine renewable business.

Community

Caring for our communities is important to us and we encourage all our people to engage in community projects at a local level.

We continued to support an extensive range of local and international charities spanning health, education, the arts, and the prevention and reduction of poverty. We have a well established Employee Community Fund supporting charities and fundraising efforts involving our employees.

Children in Equatorial Guinea enjoyed receiving Christmas presents thanks to a toy drive organised by employees in the Malabo and Rebola areas.

In the USA we were involved in a number of initiatives, including the annual MS150 bike ride, to raise money for Multiple Sclerosis "MS" and a new partnership with the Alley Theatre. The Group is also a long term supporter of the Grampian-Houston exchange which provides opportunities for student nurses to experience health care in the UK and USA.

In the UK we have an active community programme including sponsorship of the North East Scotland final of the national K'NEX challenge, a programme designed to introduce primary school children to engineering. We are a long term supporter of the annual Aberdeen International Youth Festival, the world's premiere participatory youth arts festival.

In Australia we supported Melbourne Citymission helping homeless young people rehabilitate into society. In India, a team taking part in the Mumbai Marathon 6k Dream Run helped raise money for Children in Pain "CHiP", supporting the public school system.

In 2010 we look forward to maintaining and developing the partnerships that we have already established with various charities. We encourage our employees to support their local community, and, through them, broaden our approach and find more projects where we can offer longer term commitments to the communities in which we operate.

1. The MS150 team, cycled 80 miles from La Grange to Austin to raise money for Multiple Sclerosis "MS" and raised over $170,000.

2. Employees participating in the Mumbai Marathon 6k Dream Run helped raise money for Children in Pain "CHiP", supporting the public school system.

3. The national K'NEX challenge is a programme designed to introduce engineering to primary school children and encourage them to see it as a potential career in the future.

Corporate social responsibility

Ethics

We expect our people to uphold high ethical standards wherever in the world our business takes them.

The Group has an organisational culture that encourages ethical conduct and a commitment to compliance with the law.

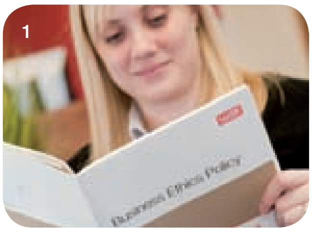
The Group Finance Director chairs the Business Ethics Committee. The Committee comprises senior management representatives drawn from across the Group and is tasked with monitoring the operation of the Business Ethics Policy and working on ways to best promote compliance across the Group.

The Policy was revised and updated in February 2009, translated into nine languages, issued in both hard copy and electronic format and widely publicised. The Policy is available on the Group's website and agents were sent copies and asked to indicate their continued compliance.

New web based Business Ethics training was developed during the year and is being rolled out in 2010. The on-line training is mandatory for the Group's key compliance risk employees, who have been asked to indicate their continued commitment to compliance with the Policy by completing an annual certification. The certification also requires confirmation that all known or suspected violations of the Policy have been reported.

Telephone helplines and an email address, where concerns can be raised confidentially, are used to encourage the reporting of suspected or actual violations of the Policy as well as operating as a forum for employees to ask questions. An ethics register is maintained, and the Board receives regular reports and updates on ethics matters as well as on the implementation of the Policy.

There were a number of internal investigations undertaken into allegations of unethical behaviour during 2009. Appropriate disciplinary action was taken based on the facts and circumstances and this included four terminations for violations of the Policy. We will continue to take prompt action to deal with any known violations.



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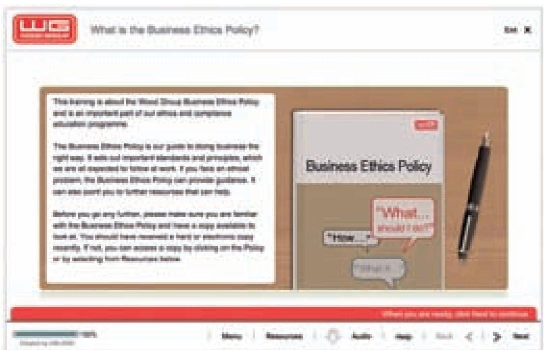


1. The policy was revised in February 2009 and made available in nine languages.

2/3. New on-line web-based training courses, containing hypothetical examples and scenarios tailored to Wood Group businesses is being rolled out. In conjunction with the roll out, more than 20 half-day Business Ethics training seminars were held.

Shareholders

We seek to ensure that shareholders, analysts and financial media are well informed of our strategy, results and financial outlook through clear and timely communication.

The Group maintains open channels of communication with shareholders and analysts.

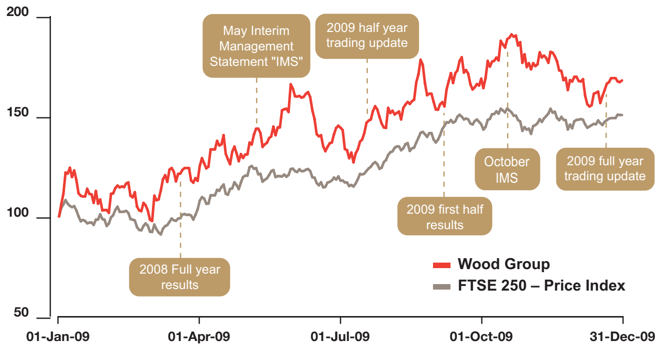
The Group's brokers make an annual presentation to the Board, providing an insight into shareholder needs and perceptions.

During 2009, two investor roadshows were held, each covering the UK, Europe and the USA. Other investor meetings took place through the course of the year, including attendance at a number of investor conferences. In total, over 150 investor meetings were held in the year.

The AGM, which will be held on 12 May 2010, is a valuable opportunity for shareholders to have face to face contact with the Board and to raise any questions they may have. The senior independent director is available throughout the year to meet with shareholders on request.

An investor and analyst presentation is held every two years providing an opportunity for analysts and investors to meet with the Group executive directors and hear an update on their businesses. It is currently planned for the next one to be held in 2010. There will continue to be six formal updates during the course of the year – final and interim results, two interim management statements and two trading updates – providing a regular update on the Group's performance and outlook.

TSR Wood Group and FTSE 250, over the last 12 months, rebased to 100



The Company has been notified, in accordance with s793 of the Companies Act 2006 and DTR 5.1.2R, of the following interests representing 3% or more of the issued ordinary share capital of the Company as of 1 March 2010.

	Number of shares	% of share capital
Trustees of I C Wood's Children's Settlements	59,941,473	11.3%
Blackrock	53,335,477	10.0%
Baillie Gifford	29,856,380	5.6%
Schroder Investments	26,065,805	4.9%
Employee Share Trusts	20,500,306	3.9%

Sir Ian Wood has interests amounting to more than 3% of the share capital as disclosed on page 54.

Syed Alyahya

Regional Business Development Manager, responsible for Production Facilities business development activities across the Asia Pacific region.

PERTH

Governance

Governance

Governance
Board of directors and biographies

Executive directors

Sir Ian Wood (age 67)
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 51)
Chief Executive
Appointed: Chief Executive 2007, Deputy Chief Executive from 1999 to 2006.
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 50)
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 60)
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 52)
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 56)
Group Director, Well Support
Appointed: 2008
Experience: Previously with Halliburton for 33 years in a number of senior roles, latterly as Senior Vice-President, Strategy.
Committee membership: None.

Mark H Papworth (age 45)
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.

Non-executive directors

Dr Christopher Masters (age 62)
Senior Independent Director
Appointed: 2002
Experience: Currently a non-executive Director of 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.

John C Morgan (age 65)
Appointed: 1998
Experience: Formerly 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.

Ian D Marchant (age 49)
Appointed: 2006
Experience: Chief Executive of Scottish and Southern Energy PLC, Chairman of the 2020 Climate Change Delivery 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 66)
Appointed: 2001
Experience: A Director of Core Laboratories N.V., and non-executive Chairman of Deepflex. 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.

Neil H Smith (age 45)
Appointed: 2004
Experience: President & Chief Executive Officer 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.

David Woodward (age 63)
Appointed: 2007
Experience: Currently Senior Management Advisor 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, latterly as President of BP Azerbaijan. In 2006 he was awarded the CMG for services to the international oil industry.
Committee membership: Member of the Audit and Nominations Committees.

Roberto Monti (age 70)
Appointed: 2001 (Retired 31 December 2009)
Experience: Currently a non-executive Director of Petrobras S.A. and Tenaris S.A. and non- executive Chairman of Trefoil Limited.
Committee membership: Member of the Remuneration and Nominations Committees.

Michel Contie (age 62)
Appointed: 24 February 2010
Experience: Formerly with Total for 35 years in a variety of senior positions covering Northern Europe, South America and the Middle East, latterly as a member of the TOTAL E&P Management Committee. He has been president of UKOOA (UK Offshore Operators Association) and currently sits on the Management Committee of the International Oil and Gas Producers' Association.
Committee membership: Member of the Remuneration 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 2009.

Results and dividends

The Group income statement for the year is set out on page 58. In respect of the year ended 31 December 2009 a first interim dividend of 3.1 cents per share was paid on 24 September 2009 and the directors have declared a second interim dividend of 6.9 cents per share to be paid on 1 April 2010. As there will be no final dividend in relation to 2009, the full year dividend will be 10.0 cents per share.

Creditor payment policy

The Group's current policy concerning payment to its trade creditors by UK subsidiaries is to agree the terms up front, include the relevant terms in contracts, and abide by the terms of the contract.

Overseas subsidiaries are encouraged to apply local best practices.

Donations

During the year the Group made charitable donations amounting to $903,000 (2008: $861,000). This sum relates to cash donations and does not recognise donations of time or other resources which have been made during 2009.

No donations of a political nature were made.

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 36 to 37)
Future developments	Operational review (pages 6 to 25)
Principal activities and business review	———— " ————
Principal risks and uncertainties	Principal risks and uncertainties (pages 24 to 25)
Acquisitions and other developments	Note 27 to the financial statements (page 97)
Details of principal subsidiaries and joint ventures	Note 34 to the financial statements (page 104)
Corporate governance	Corporate governance (pages 39 to 44)
Going concern	———— " ————
Statement of directors' responsibilities	———— " ————
Employment policies and employee communications	Corporate social responsibility (pages 26 to 33)
Ethical conduct of our business	———— " ————
Health, safety and the environment	———— " ————
Substantial shareholders	———— " ————
Share Capital	Note 21 to the financial statements (page 92)
Directors' interests in options over ordinary shares	Remuneration report (pages 45 to 54)
Directors' interests in ordinary shares	———— " ————

By order of the board

Ian Johnson
Company Secretary
1 March 2010

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

Company Registration Number: 36219

Governance

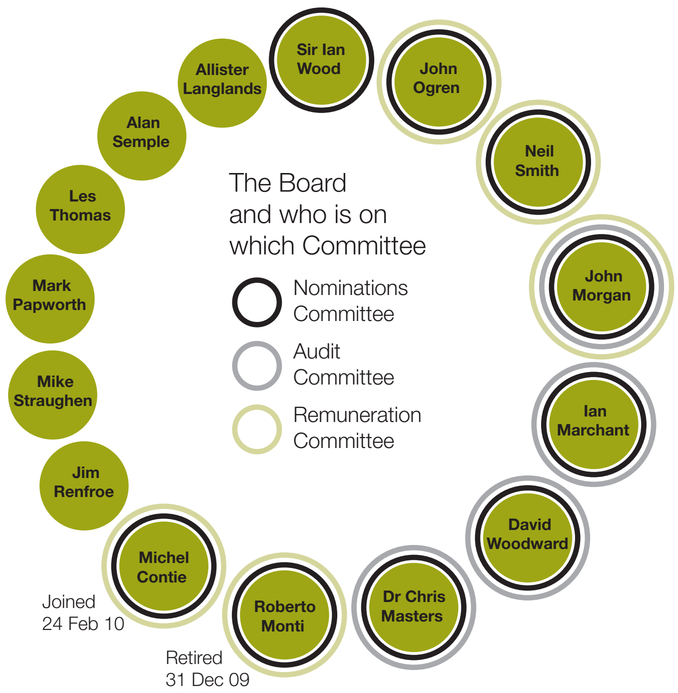
Corporate governance

Statement of Compliance

The Board remains fully committed to maintaining high standards of corporate governance and believes that this is key to overall performance and integrity. The following section explains how the company has applied the main principles outlined in the revised Combined Code on Corporate Governance published in June 2008 "the Code". A copy of the Code is available at www.frc.org.uk.

The directors consider that the company has fully complied with the provisions of the Code during the year ended 31 December 2009. The Board also believes that good corporate governance extends beyond regulatory compliance and consistently monitors developments in best practice, including guidance published by investor groups.

Board of Directors



What is the role of the Board?
The Board has a schedule of matters specifically reserved for its consideration and approval. These include responsibility 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.

What is the composition of the Board?
During the year the Board comprised 14 directors, made up of seven executive and seven non-executive directors. At 31 December 2009 R Monti retired from the Board as a non-executive director and on 24 February 2010 M Contie joined the Board as a non-executive director.

A clear separation of the roles of the Chairman and the Chief Executive has been agreed by the Board, in compliance with the Combined Code. The Chairman is responsible for the leadership and effectiveness of the Board. He chairs the Board meetings, ensures the agendas are appropriate and is responsible for facilitating that all directors actively contribute to the determination of the Group's strategy. The Chief Executive is responsible for the day-to-day management of the Group and implementation of the Group strategy, develops proposals for Board approval, and ensures that a regular dialogue with shareholders is maintained. Executive Board Members report directly to the Chief Executive.

Dr C Masters is the senior independent director. The senior independent director is available to shareholders on request.

Are the Board members independent?
After careful consideration, the Board considers all of its non-executive directors to be independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement. Brief biographies of the directors appear on pages 36 and 37.

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 be considered for re-election at the 2010 AGM.

Governance

Corporate governance continued

The Board believes that independence should not be determined simply by length of tenure. Rather, the Board considers it important for the individual concerned to possess the personal characteristics necessary to demonstrate independent thought and therefore act in the best interests of the Group and its shareholders. In particular, an individual should openly challenge the views of the other directors and senior management. It is also beneficial that each director has an in-depth experience of the relevant sector and a detailed knowledge of the Group's strategy.

Therefore, whilst J C Morgan's length of service exceeds nine years, the Board has carefully reviewed the matter, without J C Morgan being present, and is of the view that J C Morgan should be considered independent. J C Morgan's experience and 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. In addition, 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. The Board believes that there is no indication of his length of service having any adverse impact on his judgement or independence.

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.

How does the Board discharge its responsibilities?
There were seven Board meetings during 2009. Four of the meetings were scheduled as two-day sessions and were held in either Aberdeen or Houston.

Safety is always the first item on the agenda at Board meetings. The Board received detailed presentations from senior management within the Group's businesses during the year, each including updates on health and safety performance. Other presentations included reports on the Group's internal control and risk management systems and a presentation on clean energy.

In addition to Board meetings the Board receives a monthly report which gives a summary of HSE, financial and operational matters and a more detailed quarterly report including reports on HSE, operations, human resources, legal and ethics issues, investor relations and detailed financial information, including financial projections.

The directors have access, via a secure intranet site, to presentations from the Group's brokers which contain investors' feedback, copies of relevant regulations, analyst research and appropriate administrative information.

On a monthly basis the executive directors attend Group Board Executive meetings which include reports and discussions on HSE, operational issues, finance, legal, investor relations and human resources matters. In addition, divisional directors conduct quarterly review meetings with senior managers of all of the businesses within their division. These meetings are also normally attended by the Group Chief Executive and the Group Finance Director.

What training do the Board members receive?
The training needs of directors are periodically discussed at Board meetings and briefings arranged on issues relating to corporate governance. Arrangements are in place for newly appointed directors to 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 under the Companies Act 2006.

All directors are encouraged to attend relevant external seminars.

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.

How is the Board's performance evaluated?
In 2009 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.

How are conflicts of interest dealt with?
The Board requires directors to declare any appointments or other situations which would amount to a possible conflict of interest. The Board has procedures in place to deal with, and if necessary, approve any such conflicts. No such conflicts of interest were declared in 2009.

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 and the report of the Remuneration Committee is included in the Directors' Remuneration Report on pages 45-54.

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 here.

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.

The dates of future Board meetings have now been agreed until the end of 2012.

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held in 2009	7	3	3	3
Executive Directors				
Sir Ian Wood	7	–	–	3
A G Langlands	7	–	–	–
A G Semple	7	–	–	–
M Straughen	7	–	–	–
L J Thomas	6	–	–	–
J B Renfroe	6	–	–	–
M H Papworth	7	–	–	–
Non-executive Directors				
I D Marchant	6	3	–	3
Dr C Masters	7	3	–	3
R Monti	6	–	2	3
J C Morgan	6	3	3	3
D J Ogren	7	–	3	3
N H Smith	6	–	3	3
D Woodward	7	3	–	3

Nominations Committee

The Nominations Committee is responsible for recommending candidates to the Board and ensuring succession plans are in place. The Nominations Committee aims to promote high standards of corporate governance by ensuring that the balance of skills, knowledge and experience of the Board both now and in the future promotes long term value for shareholders.

Sir Ian Wood,
Chairman,
Nominations Committee

Governance

Who is on the Nominations Committee?

The Nominations Committee comprised the Chairman and all of the independent non-executive directors as follows:

- Sir Ian Wood (Chairman)
- I D Marchant
- Dr C Masters
- R Monti
- J C Morgan
- D J Ogren
- N H Smith
- D Woodward

How does the Committee discharge its responsibilities?

The Committee meets at least once a year, and has written terms of reference setting out its roles and responsibilities.

Main responsibilities:

- reviewing Board structure, size and composition
- making recommendations to the Board with regard to any changes
- identifying and nominating candidates for the approval of the Board
- filling Board vacancies
- ensuring succession plans are in place

The Committee met three times during 2009.

Governance

Corporate governance continued

Audit Committee

The Audit Committee is responsible for reviewing the effectiveness of the Group's internal financial controls, monitoring the integrity of the Group's financial statements and internal and external audit functions. The Audit Committee aims to promote high standards of corporate governance by ensuring robust and effective financial and audit controls.

Dr Christopher Masters,
Chairman,
Audit Committee

Who is on the Audit Committee?
The Audit Committee comprises four independent non-executive directors: Dr C Masters (Chairman), J C Morgan, I D Marchant and 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, including:
- reviewing the effectiveness of the Group's 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, in accordance with Group policy
- 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

How does the Committee discharge its responsibilities?
The Committee met three times in 2009. Attendance at Committee meetings is at the invitation of the Chairman of the Committee; and 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 to meet the Committee without management present.

During 2009 the Committee:
- reviewed the Annual Report for 2008 and the Interim Report for 2009
- 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

Re-appointment of external auditors
PricewaterhouseCoopers LLP "PwC" have been the Group's external auditors since the Group became a publicly listed company in 2002. The ongoing effectiveness of the external auditors is considered by the Audit Committee on an annual basis as described below. Notwithstanding the length of their tenure, to date the Committee has been satisfied with the effectiveness of the external auditors and have not considered it necessary to require PwC to tender for the external audit work. The re-appointment of the external auditors is submitted for approval by the shareholders annually at the Annual General Meeting.

To assess the effectiveness of the external auditors, the Committee has reviewed the standing, experience and tenure of the external audit lead partner, the arrangements for ensuring the independence and objectivity of the external auditors, the nature and level of services provided, including the robustness of the external auditors handling of key judgmental areas and the quality of the external auditors' interaction with, and reporting to, the Committee.

There are no contractual obligations that restrict the Group's choice of external auditors.

External auditor independence and non audit services
The Committee 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 2009 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.

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 Review Group 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 are listed to the right.

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

Ongoing procedures

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 Accounting Policies, 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 and third parties to raise ethical concerns in confidence.

For further details please refer to the Ethics section of Corporate Social Responsibility on page 32.

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 Principal risks and uncertainties on pages 24 and 25.

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 holds Quarterly Review Meetings "QRMs" involving discussions with senior managers and certain of the executive directors. The Chief Executive and the Group Finance Director normally attend the QRMs.

Governance

Corporate governance continued

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 Operational Review on pages 6 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 23. In addition, note 17 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 26 to the financial statements. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. 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.

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 2006 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 36 and 37, 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 38 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

* Audited
Unless otherwise noted, the disclosures in the Directors' remuneration report are un-audited.

John Morgan,
Chairman,
Remuneration Committee

Letter from the Chairman of the Remuneration Committee

Dear Shareholder

The effects of the 2009 market downturn, following record performance in 2008, have inevitably been reflected in the area of remuneration. I reported last year that the executive directors had themselves proposed to hold their base salaries at 2008 levels (in one case a temporary reduction was taken). This proposal was endorsed by the Committee. For 2010 the executive directors' base salaries are again being held at 2008 levels. Annual bonuses paid in 2009 (including the deferred element) reflected the excellent 2008 performance. However, bonus levels awarded in 2010 for 2009 performance are on aggregate 31% down for executive directors, reflecting corporate, rather than individual, performance. The annual bonus is paid one half in the year following the performance year, with the other half deferred for a further two years. Full payment of the deferred element had been conditional on profit growth of RPI + 5%. However, following a review of the bonus scheme compared to our peer group, it was considered that this condition resulted in the scheme being materially below market and, as a result, this condition has been removed. In addition, UK based executives have been given the option to bring forward payment of their 2008 deferred bonus to March 2010, to mitigate the impact of proposed tax changes. The Remuneration Committee believes this was fair and reasonable given the high level of cash deferral contained in Wood Group bonus arrangements and has ensured that there is no adverse impact on retention. No such acceleration option was granted in relation to 2009 deferred bonuses.

The area of most focus and difficulty for the Committee has been that associated with the LTIP. This scheme is intended to focus and incentivise the executive directors and an extended team of some 35 key senior managers, and at the same time to function in support of retention. Our fixed three year LTIS finished in 2007 with the final deferred payment due in March 2010. The new three year "rolling" LTIP scheme was introduced with the first cycle covering 2008-2010. It was clear from early in 2009 that the corporate targets, set at the end of 2007 and accounting for 75% of the award potential, would not be met in the current market environment. The Committee discussed the possibility of reducing the corporate targets, in the way that we had increased the targets under the previous scheme in a rising market.

Governance

Directors' remuneration report continued

After careful consideration, the Committee decided that this was not appropriate. However, it was felt that this could expose the company to a potential retention risk between the final payment under the old scheme and a possible payment in 2012 under the second cycle of the existing scheme. In addition it seemed that the scheme members would be receiving very little remuneration recognition for the outstanding 2008 performance and, as a result, LTRP awards were made to the LTIP participants (including the executive directors). There is no additional dilution for shareholders involved since the size of the LTRP pool is unchanged and the decision is purely about distribution.

The other key concern for the Committee during 2009 was the setting of Corporate Objectives for the 2009-2011 cycle of the LTIP. Normally we would expect to set targets by about March of the initial year of the cycle. When the Committee considered the setting of targets for 2011 in the early part of 2009 it quickly concluded that, given market uncertainty, it did not have enough visibility over this period to set targets which would be fair and effective, either from the perspective of participants or shareholders. The targets were subsequently set and are referenced in this report. For the 2010-2012 cycle, we have been able to set the targets in the normal timetable, and these targets are also referenced in this report.

The Committee is conscious of the changing context concerning senior executive remuneration, and believes that the structure for executive pay within the Group remains valid. The balance of base salary, annual bonus and long term incentive, underpinned by a clear and rigorous process for setting both personal and business objectives, an appropriate level of deferral and an internal and external transparency should, we believe, give our shareholders confidence in the process.

During 2009 we have had to be both pragmatic and flexible in seeking to maintain a balance between fairness to employees and proper response to a difficult environment. The Committee will continue to monitor all elements around senior executive remuneration and to act in the interests of the business and its shareholders, and to ensure that executive pay continues to be seen in the context of remuneration actions and policies throughout the Group's businesses. As recovery develops we will keep all of these issues under careful review.

John Morgan
Chairman, Remuneration Committee

Part 1 Executive directors' remuneration

1a) 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:

- J C Morgan (Chairman)
- R Monti
- D J Ogren
- N H Smith

The Committee charter is publicly available on the Group's website.

At the invitation of the Chairman of the Committee, the Chairman and Chief Executive attended meetings in 2009, except when their own remuneration was being discussed, to provide advice on setting remuneration for other executive directors. In addition, the Group Head of Human Resources, provided advice and was Secretary to the Committee.

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

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

During the year ended 31 December 2009, the Committee met three times to discuss the key remuneration issues arising and the operation of the remuneration policy. The following table sets out what the Committee covered at each of the meetings over the course of the year.

What was on the Remuneration Committee Agenda for 2009?

Meeting	Regular Standing items	Other agenda items
23 Feb 2009	• Confirmation of executive directors' salaries for 2009 • Confirmation of executive directors' annual bonuses for 2008 • Review draft DRR 2008 • Review of issue of LTRP and ESOS • Review of LTIP performance targets • Review of Peer group for TSR	• Confirmation of participants for LTIP second cycle (2009-2011) • Setting of maximum award level for LTIP second cycle
19 Aug 2009	• Review of LTIP performance targets	• Discussion of changes in best practice and the outlook for UK executive pay
1 Dec 2009	• Setting of executive directors' salaries for 2010 • Estimate of SMIP bonuses for 2009 • Review of availability of LTRP and stock options for 2010 distribution • Review of LTIP performance targets	

Governance

Directors' remuneration report continued

1b) Remuneration policy

Each year, the Committee reviews the remuneration policy for executive directors and other key senior executive managers, taking into account both the external market and the company's strategic objectives over the short and the medium term. The Committee reviews the level of rewards that are offered by other companies, including those within comparable sectors and geography as well as those 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.

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 and variable performance related elements.

	Component	Purpose	Performance period	Methodology in determining award
Fixed	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
Variable	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 performance targets and personal objectives
	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

1c) Remuneration arrangements for executive directors

The current remuneration arrangements for executive directors are summarised in the table below:

2010 UK executive directors £'000	Sir Ian Wood Chairman	A G Langlands Chief Executive	M H Papworth	M Straughen	L J Thomas
Basic salary from 1 Jan 2010	250	480	305	305	305
On target bonus (% of salary)	80%	80%	80%	80%	80%
Maximum bonus (% of salary)	100%	100%	100%	100%	100%
% of bonus earned deferred for two years	50%	50%	50%	50%	50%
Maximum LTIP award (% of salary)	0%	125%	125%	125%	125%
LTIP award (% of salary) end of three year cycle	0%	100%	100%	100%	100%
LTIP award (% of salary) deferred for further two years	0%	25%	25%	25%	25%
Pension arrangement	No benefits provided since 2007 as beyond normal retirement age	Defined benefit pension scheme	Defined benefit pension scheme	Cash allowance	Defined benefit pension scheme
Benefits	A car allowance, private medical / dental insurance, cash payments in lieu of pension benefits over defined benefit scheme pension cap				

2010 US-based executive directors $'000	A G Semple	J B Renfroe
Basic salary from 1 Jan 2010	575	500
On target bonus (% of salary)	80%	80%
Maximum bonus (% of salary)	100%	100%
% of bonus earned deferred for two years	50%	50%
Maximum LTIP award (% of salary)	125%	125%
LTIP award (% of salary) end of three year cycle	100%	100%
LTIP award (% of salary) deferred for further two years	25%	25%
Pension arrangement	Defined benefit pension scheme	Defined contribution pension scheme
Benefits	A company car / allowance and contributory health and welfare cover	

- **Basic salary and benefits**

Salary levels are reviewed and approved annually by the Committee and remain unchanged at the 2009 (and 2008) levels.

- **Annual bonus**

Executive directors are eligible for annual bonuses to encourage improved performance, with targets established by the Committee to align executive directors' interests with shareholders.

Annual bonuses are payable based on a combination of performance measures:

Measure	Proportion	Objective				
Financial performance	70%	The Group's financial performance is measured against annual budgets, comprising both an EBITA and a capital efficiency measure	**EBITA**	Threshold	Budget	Maximum
			Achievement	85%	100%	115%
			Payment – % of salary	0%	35%	49%
			OCER			
			Achievement	110%	100%	90%
			Payment – % of salary	0%	15%	21%
			Total payment – % of salary	0%	50%	70%
Personal objectives	30%	Performance is measured annually against agreed personal objectives aimed at achievement of the Group's business goals	Typical personal objectives include:			
			Business development		Process improvements	
			Cost control		Strategy	
			HSE targets		Working capital control	
			People development			

During 2009 overall individual bonus payments, including the deferred element, ranged from 51% to 77% of basic salary.

- **Long term incentives**

Long term incentives play an important role in the retention and motivation of executive directors and senior executives, consistent with our goal of maximising shareholder value. In this respect the Group has put in place a number of long term incentive schemes. Details of the schemes follow in section 3c), but the table below summaries the schemes:

Long term incentive	Description
LTIS	Introduced in 2005 for executive directors and around 35 senior executives, the LTIS provided incentives for performance over a three year period to 31 December 2007. The final awards under this scheme vest in March 2010.
LTIP	Introduced in 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.
LTRP	Introduced in 2003, the LTRP is 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 and LTIP this scheme has primarily been aimed at a group of around 390 employees in the layer below those participating in the LTIP.
ESOS	Established in 2002, the ESOS provide for the grant of options to executive directors, senior executives and other employees. There are currently around 580 participants across the Group. No awards have been made to executive directors since 2005.

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

- **Pensions (audited)**

Pension benefits to UK executive directors

The benefits and terms for the UK executive directors who are active members of the John Wood Group PLC Retirement Benefits 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 are 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

Governance

Directors' remuneration report continued

A scheme specific pensionable earnings cap of £126,000 was set in April 2009 (2008: £118,800) 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 basic salary at the date of death.
Benefits provided to A G Langlands in excess of the pension cap are provided by way of an unfunded, unapproved arrangement. Final pensionable salary for A G Langlands is capped from 6 April 2009 at £430,051 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 pension 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.

The UK directors below had the following accrued entitlements under the JWG RBS at 31 December 2009. For A G Langlands the figures include entitlements under an unfunded, unapproved arrangement.

£'000	Age at 31 December 2009	Accumulated total accrued annual pension at 31 December 2008	Increase in accrued annual pension (including inflation)	Increase in accrued pension (excluding inflation)	Accumulated total accrued annual pension at 31 December 2009
A G Langlands	51	186	18	13	**204**
M H Papworth	44	7	3	2	**10**
L J Thomas	52	9	3	2	**12**
£'000	**Transfer value of increase in pension entitlement (excluding inflation)**	**Transfer value of accrued benefit at 31 December 2008**	**Increase in transfer value of pension entitlement less member contributions**	**Member contributions**	**Transfer value of accrued benefit at 31 December 2009**
A G Langlands	232	4,085	292	0	**4,376**
M H Papworth	24	79	19	9	**107**
L J Thomas	31	125	28	9	**162**

Pension benefits to US-based executive directors
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 2009 at $539,179 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 $12,250 (2008: $11,500)

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

A US-based director had the following accrued entitlements:

$'000	Age at 31 December 2009	Accumulated total accrued annual pension at 31 December 2008	Increase in accrued annual pension (including inflation)	Increase in accrued pension (excluding inflation)	Accumulated total accrued annual pension at 31 December 2009
A G Semple	50	116	12	10	**128**
$'000	**Transfer value of increase in pension entitlement (excluding inflation)**	**Transfer value of accrued benefit at 31 December 2008**	**Increase in transfer value of pension entitlement less member contributions**	**Member contributions**	**Transfer value of accrued benefit at 31 December 2009**
A G Semple	202	2,347	97	41	**2,485**

1d) 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. 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 director's fee	£40,000
Committee attendance fee per meeting	£1,000
Nominations committee attendance fee per 3 meetings	£1,000

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 2010.

2c) Remuneration of non-executive directors in 2009 (audited)

£'000	Annual director's fee	Committee attendance	2009 Total	2008 Total
J C Morgan	40	7	**47**	46
I D Marchant	40	4	**44**	43
Dr C Masters	40	4	**44**	44
R Monti	40	3	**43**	41
D J Ogren	40	4	**44**	43
N H Smith	40	4	**44**	43
D Woodward	40	4	**44**	44

The increase in total fees is due to an increased number of Committee meetings in 2009.

Part 3 Additional statutory and other disclosures

3a) Summary of executive directors' emoluments in 2009 (audited)

UK executive directors' emoluments:

£'000	Basic salary (1)		Annual bonus (2) Cash bonus		Deferred bonus		Benefits (3), (4)		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Sir Ian Wood	**250**	250	**76**	110	**76**	110	**14**	14	**416**	484
A G Langlands	**480**	480	**144**	210	**144**	210	**14**	14	**782**	914
M H Papworth	**305**	305	**77**	127	**77**	127	**31**	32	**490**	591
M Straughen	**305**	305	**81**	132	**81**	132	**43**	43	**510**	612
L J Thomas	**305**	305	**117**	134	**117**	134	**31**	32	**570**	605

US-based executive directors' emoluments:

$'000	Basic salary		Annual bonus Cash bonus		Deferred bonus		Benefits		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
A G Semple	**575**	575	**181**	258	**181**	258	**25**	28	**962**	1,119
J B Renfroe (5)	**481**	422	**168**	209	**168**	209	**25**	23	**842**	863

(1) Since 6 April 2002, the only element of remuneration that is pensionable is basic salary.
(2) The bonus figures relate to amounts earned in respect of the year ended 31 December 2009. The cash bonuses will be paid by 31 March 2010. The deferred bonuses will be paid after a two year deferral period and are subject to forfeiture under certain circumstances.
(3) Benefits paid to M H Papworth and L J Thomas included cash payments in lieu of pension benefits above the scheme specific cap.
(4) Benefits paid to M Straughen include a cash allowance in lieu of pension benefits.
(5) J B Renfroe joined the Board on 26 February 2008. Consistent with cost reduction measures introduced in Well Support, he requested a reduction in basic salary from $500,000 to $475,000 from 1 May 2009. This was reinstated from 1 January 2010.

Governance

Directors' remuneration report continued

3b) TSR performance graph

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

TSR Wood Group and FTSE 250, over the last five years, rebased to 100

3c) Long term incentives (audited)

All shares and options issued under the following long term incentives operate, in aggregate, within the ABI dilution limits in terms of the issue of new shares.

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

The 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) Vested and exercised in March 2009
(3) Vest in March 2010

(ii) LTIP

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 "2008-2010 cycle". The second cycle commenced on 1 January 2009 "2009-2011 cycle" and the third cycle on 1 January 2010 "2010-2012 cycle".
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 first, second and third cycles 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. For subsequent performance cycles the Committee has the discretion to increase the maximum level of an award, if this is deemed necessary to maintain a competitive remuneration package, up to a level of 150% of base salary.

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

The measurement criteria for executive directors are as follows:

TSR – 25% of performance incentive

The TSR of the Group for the 2008-2010, 2009-2011 and 2010-2012 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 all three 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. The targets for the 2008-2010 cycle 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. Given the global economic climate since the 2008-2010 targets were set, including very significant movements in the oil price, the Committee considered revising the targets for the 2008-2010 cycle, however elected not to do so. As noted in the 2008 annual report, the Committee did not set the 2009-2011 targets prior to the issue of the 2008 Directors Remuneration Report due to the uncertain market conditions. The 2009-2011 targets have now been set after giving due consideration to a number of internal and market driven factors; for illustrative purposes, when compared to the analysts' consensus of 2010 AEPS as of 1 March 2010 they represent growth of around 8% for 'threshold' and around 18% for 'maximum'. The 2010-2012 targets have again been set after giving due consideration to a number of factors; for illustrative purposes, when compared to the analysts' consensus of 2010 AEPS as of 1 March, 2010 they represent compound growth of around 8% for 'threshold' and 15% for 'maximum'. For all cycles, achievement levels between 'threshold' and 'maximum' result in an allocation on a straight line basis.

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

(iii) LTRP

The LTRP schemes and the proposed parameters of their operation were approved by shareholders at the 2003 AGM. There are currently around 390 participants across the Group.

Awards under the LTRP were made to the executive directors in April 2009 as part of a general grant. Details of the grants made under the LTRP are included in the table at 3d).

The basis of the LTRP scheme is that an overall bonus pool is calculated annually based on growth in the Group's AEPS in the prior year. 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. 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) ESOS

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 operation of the Share Option Schemes are 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.

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

Governance

Directors' remuneration report continued

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 1 January 2009	Granted in 2009	Exercised in 2009	Number as at 31 December 2009
A G Langlands									
Executive	30/09/2003	30/09/2007	30/09/2013	158p	288⅒p	100,000	–	100,000	–
Executive	02/04/2004	02/04/2008	02/04/2014	128½p	288⅒p	200,000	–	200,000	–
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p		–	40,000	–	40,000
						300,000	40,000	300,000	40,000
A G Semple									
Executive	02/04/2004	02/04/2008	02/04/2014	128½p		175,000	–	–	175,000
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p		–	40,000	–	40,000
						175,000	40,000	–	215,000
L J Thomas									
Executive	02/04/2004	02/04/2008	02/04/2014	128½p		100,000	–	–	100,000
LTRP	18/04/2005	18/04/2009	18/04/2010	3⅓p		50,000	–	–	50,000
Executive	19/05/2005	19/05/2009	19/05/2015	145p		100,000	–	–	100,000
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p		–	40,000	–	40,000
						250,000	40,000	–	290,000
M H Papworth									
LTRP	18/04/2005	18/04/2009	18/04/2010	3⅓p	249¾p	50,000	–	50,000	–
LTRP	12/04/2006	12/04/2010	12/04/2011	3⅓p		50,000	–	–	50,000
LTRP	30/03/2007	30/03/2011	30/03/2012	3⅓p		100,000	–	–	100,000
LTRP	25/03/2008	25/03/2012	25/03/2013	3⅓p		100,000	–	–	100,000
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p		–	40,000	–	40,000
						300,000	40,000	50,000	290,000
M Straughen									
LTRP	25/03/2008	25/03/2012	25/03/2013	3⅓p		50,000	–	–	50,000
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p		–	40,000	–	40,000
						50,000	40,000	–	90,000
J B Renfroe									
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p		–	40,000	–	40,000
						–	40,000	–	40,000

The market price of the Company's shares at 31 December 2009 was 309p and the range of closing market prices from 1 January to 31 December 2009 was 184p to 351p. The market price of the LTRP share awards granted on 14 April 2009 was 240p.

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 pages 36 and 37.
Details of directors' interests in the ordinary shares of the Company at 31 December 2009 were:

Beneficial interest	1 January 2009	31 December 2009
Sir Ian Wood	31,154,768	28,194,585
A G Langlands (1)	2,282,539	2,572,539
A G Semple (1)	1,164,743	1,164,743
M H Papworth (1)	478,096	478,096
J B Renfroe	10,000	10,000
M Straughen	23,055	23,055
L J Thomas (1)	586,649	586,649
Dr C Masters	30,000	30,000
R Monti (2)	30,000	30,000
J C Morgan	41,050	41,050
D J Ogren	80,000	80,000
I D Marchant	10,000	10,000
D Woodward	27,000	27,000
N H Smith	–	–
Non-beneficial Interest		
Sir Ian Wood	59,941,473	62,901,656

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

During the year, Sir Ian Wood transferred 2,959,913 shares from his personal holding to the Wood Family Trust, a charity in which he has a non-beneficial interest as a Trustee.

Directors' interests in options over ordinary shares at 31 December 2009 are set out in section 3d) 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 33 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 3c) (i) of this report.
(2) R Monti retired from the Board on 31 December 2009.

Financial statements

Financial statements

Group financial statements

Company financial statements

Additional information

Independent auditor's report
to the members of John Wood Group PLC

We have audited the group financial statements of John Wood Group PLC for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cashflow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement with respect to internal control and risk management systems is consistent with the financial statements.

Independent auditor's report

to the members of John Wood Group PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters: under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the parent company financial statements of John Wood Group PLC for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
1 March 2010

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 2009

	Note	2009 $m	2008 $m
Revenue	1	**4,927.1**	5,243.1
Cost of sales		**(3,870.1)**	(4,071.7)
Gross profit		**1,057.0**	1,171.4
Administrative expenses		**(722.7)**	(755.6)
Exceptional items	4	**(35.8)**	–
Operating profit	1	**298.5**	415.8
Finance income	2	**2.5**	6.0
Finance expense	2	**(36.2)**	(37.7)
Profit before taxation	3	**264.8**	384.1
Taxation	5	**(100.6)**	(128.7)
Profit for the year		**164.2**	255.4
Attributable to:			
Equity shareholders		**163.2**	251.6
Minority interest	25	**1.0**	3.8
		164.2	255.4
Earnings per share (expressed in cents per share)			
Basic	7	**32.1**	49.6
Diluted	7	**31.2**	48.1

The notes on pages 63 to 104 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income
for the year to 31 December 2009

	Note	2009 $m	2008 $m
Profit for the year		**164.2**	255.4
Other comprehensive income			
Actuarial losses on retirement benefit liabilities	**29**	**(8.4)**	(18.7)
Movement in deferred tax relating to retirement benefit liabilities		**2.4**	5.2
Cash flow hedges		**2.4**	(7.5)
Net exchange movements on retranslation of foreign currency net assets		**12.6**	(46.1)
Total comprehensive income for the year		**173.2**	188.3
Total comprehensive income for the year is attributable to:			
Equity shareholders		**172.0**	184.7
Minority interest		**1.2**	3.6
		173.2	188.3

The notes on pages 63 to 104 are an integral part of these consolidated financial statements

Consolidated balance sheet

as at 31 December 2009

	Note	2009 $m	2008 $m
Assets			
Non-current assets			
Goodwill and other intangible assets	**8**	**679.3**	632.2
Property plant and equipment	**9**	**254.2**	263.0
Long term receivables		**8.0**	9.5
Deferred tax assets	**19**	**62.3**	53.3
		1,003.8	958.0
Current assets			
Inventories	**11**	**618.9**	591.4
Trade and other receivables	**12**	**987.4**	1,034.2
Income tax receivable		**29.8**	12.3
Derivative financial instruments	**17**	**6.0**	7.2
Gross assets held for sale	**27**	**–**	22.9
Cash and cash equivalents	**13**	**208.6**	176.1
		1,850.7	1,844.1
Liabilities			
Current liabilities			
Borrowings	**15**	**19.0**	34.2
Derivative financial instruments	**17**	**3.3**	4.1
Trade and other payables	**14**	**1,061.8**	965.3
Income tax liabilities		**53.0**	53.4
Gross liabilities held for sale	**27**	**–**	4.8
		1,137.1	1,061.8
Net current assets		**713.6**	782.3
Non-current liabilities			
Borrowings	**15**	**277.5**	390.7
Derivative financial instruments	**17**	**3.3**	8.1
Deferred tax liabilities	**19**	**7.9**	4.5
Retirement benefit liabilities	**29**	**34.3**	23.1
Other non-current liabilities	**16**	**59.7**	121.9
Provisions	**18**	**53.7**	45.0
		436.4	593.3
Net assets		**1,281.0**	1,147.0
Shareholders' equity			
Share capital	**21**	**26.3**	26.2
Share premium	**22**	**315.8**	311.8
Retained earnings	**23**	**877.6**	760.2
Other reserves	**24**	**50.5**	35.7
Total shareholders' equity		**1,270.2**	1,133.9
Minority interest	**25**	**10.8**	13.1
Total equity		**1,281.0**	1,147.0

The financial statements on pages 58 to 104 were approved by the board of directors on 1 March 2010.

Allister G Langlands, Director Alan G Semple, Director

The notes on pages 63 to 104 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year to 31 December 2009

	Note	Share Capital $m	Share Premium $m	Retained Earnings $m	Other Reserves $m	Total Shareholders' Equity $m	Minority Interest $m	Total Equity $m
At 1 January 2008		26.0	303.6	555.9	89.1	974.6	11.3	985.9
Profit for the year		–	–	251.6	–	251.6	3.8	255.4
Other comprehensive income:								
Actuarial losses on retirement benefit liabilities	**29**	–	–	(18.7)	–	(18.7)	–	(18.7)
Movement in deferred tax relating to retirement benefit liabilities		–	–	5.2	–	5.2	–	5.2
Cash flow hedges		–	–	–	(7.5)	(7.5)	–	(7.5)
Net exchange movements on retranslation of foreign currency assets		–	–	–	(45.9)	(45.9)	(0.2)	(46.1)
Total comprehensive income for the year		**–**	**–**	**238.1**	**(53.4)**	**184.7**	**3.6**	**188.3**
Transactions with owners:								
Dividends paid		–	–	(40.1)	–	(40.1)	(1.9)	(42.0)
Investment by minority shareholders	**25**	–	–	–	–	–	0.1	0.1
Credit relating to share based charges		–	–	13.3	–	13.3	–	13.3
Tax credit relating to share option schemes		–	–	6.2	–	6.2	–	6.2
Allocation of shares to employee share trusts		0.2	8.2	(8.4)	–	–	–	–
Shares purchased by employee share trusts		–	–	(34.2)	–	(34.2)	–	(34.2)
Shares disposed of by employee share trusts		–	–	10.5	–	10.5	–	10.5
Exchange movements in respect of shares held by employee share trusts		–	–	18.9	–	18.9	–	18.9
At 31 December 2008		**26.2**	**311.8**	**760.2**	**35.7**	**1,133.9**	**13.1**	**1,147.0**
Profit for the year		–	–	163.2	–	163.2	1.0	164.2
Other comprehensive income:								
Actuarial losses on retirement benefit liabilities	**29**	–	–	(8.4)	–	(8.4)	–	(8.4)
Movement in deferred tax relating to retirement benefit liabilities		–	–	2.4	–	2.4	–	2.4
Cash flow hedges		–	–	–	2.4	2.4	–	2.4
Net exchange movements on retranslation of foreign currency net assets		–	–	–	12.4	12.4	0.2	12.6
Total comprehensive income for the year		**–**	**–**	**157.2**	**14.8**	**172.0**	**1.2**	**173.2**
Transactions with owners:								
Dividends paid		–	–	(50.3)	–	(50.3)	(0.4)	(50.7)
Minority interest acquired	**25**	–	–	–	–	–	2.7	2.7
Minority interest disposed	**25**	–	–	–	–	–	(5.8)	(5.8)
Credit relating to share based charges		–	–	11.2	–	11.2	–	11.2
Tax credit relating to share option schemes		–	–	7.0	–	7.0	–	7.0
Allocation of shares to employee share trusts		0.1	4.0	(4.1)	–	–	–	–
Shares purchased by employee share trusts		–	–	(1.3)	–	(1.3)	–	(1.3)
Shares disposed of by employee share trusts		–	–	4.3	–	4.3	–	4.3
Exchange movements in respect of shares held by employee share trusts		–	–	(6.6)	–	(6.6)	–	(6.6)
At 31 December 2009		**26.3**	**315.8**	**877.6**	**50.5**	**1,270.2**	**10.8**	**1,281.0**

The notes on pages 63 to 104 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year to 31 December 2009

	Note	2009 $m	2008 $m
Cash generated from operations	**26**	**545.5**	353.5
Tax paid		**(113.9)**	(112.1)
Net cash from operating activities		**431.6**	241.4
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and borrowings acquired)	**27**	**(101.0)**	(85.4)
Deferred consideration payments	**27**	**(9.1)**	(26.8)
Proceeds from disposal of businesses (net of cash and borrowings disposed)	**27**	**10.7**	32.5
Purchase of property plant and equipment		**(54.0)**	(83.5)
Proceeds from sale of property plant and equipment		**6.6**	9.9
Purchase of intangible assets		**(14.4)**	(19.1)
Proceeds from disposal of other intangible assets		**0.6**	0.4
Investment by minority shareholders	**25**	**–**	0.1
Net cash used in investing activities		**(160.6)**	(171.9)
Cash flows from financing activities			
(Repayment of)/proceeds from bank loans		**(155.0)**	105.7
Purchase of shares in employee share trusts		**–**	(34.2)
Disposal of shares in employee share trusts		**4.3**	10.5
Interest received		**2.5**	4.6
Interest paid		**(32.7)**	(33.6)
Dividends paid to shareholders	**6**	**(50.3)**	(40.1)
Dividends paid to minority shareholders	**25**	**(0.4)**	(1.9)
Net cash (used in)/from financing activities		**(231.6)**	11.0
Effect of exchange rate changes on cash and cash equivalents		**(6.9)**	(21.5)
Net increase in cash and cash equivalents		**32.5**	59.0
Opening cash and cash equivalents		**176.1**	117.1
Closing cash and cash equivalents	**13**	**208.6**	176.1

The notes on pages 63 to 104 are an integral part of these consolidated financial statements.

Notes to the financial statements
for the year to 31 December 2009

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 2006 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 (including derivative financial instruments) at fair value through the income statement.

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 Group subsidiaries are eliminated and 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 accounting policies and 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 8), trade receivables (note 12), provisions (note 18), deferred tax balances (note 19) and retirement benefit liabilities (note 29). An explanation of key uncertainties or assumptions used by management in accounting for these items is provided 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:

	2009	2008
Average rate £1 = $	**1.5679**	1.8484
Closing rate £1 = $	**1.6149**	1.4378

Notes to the financial statements
for the year to 31 December 2009

Accounting Policies (continued)

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. Where more than one exchange rate is available, the appropriate rate at which assets can be readily realised and liabilities can be extinguished is used. 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.

Where an entity's functional currency is in a hyperinflationary economy, the income statement and balance sheet of that entity will be translated into US dollars using the exchange rate at the reporting date where the impact of the change in exchange rate due to hyperinflation is material to the Group.

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

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

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

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

Exceptional items
Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include gains and losses on disposal of investments, write-downs or impairments of assets including goodwill, restructuring provisions, litigation settlements and one off gains and losses arising from currency devaluations.

Finance expense/income
Interest income and expense is recorded in the income statement in the period to which it relates. Arrangement fees in respect of the Group's borrowing facilities are amortised over the period to which the facility relates. Interest relating to the discounting of deferred consideration liabilities is recorded as finance expense.

Notes to the financial statements
for the year to 31 December 2009

Accounting Policies (continued)

Dividends
Dividends to the Group's shareholders are recognised as a liability in the period in which the dividends are approved by shareholders.

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.

Notes to the financial statements
for the year to 31 December 2009

Accounting Policies (continued)

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.

Notes to the financial statements

for the year to 31 December 2009

Accounting Policies (continued)

Accounting for derivative financial instruments and hedging activities

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

(c) Net investment hedge

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

(d) Derivatives that are not designated as hedges

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

Fair value estimation

The fair value of interest rate swaps is calculated as the present value of their estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance sheet date. The fair value of currency options is determined using 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.

Notes to the financial statements
for the year to 31 December 2009

Accounting Policies (continued)

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.

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 comprehensive income 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.

Notes to the financial statements

for the year to 31 December 2009

Accounting Policies (continued)

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.

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 trusts, therefore they have been consolidated in the financial statements of the Group. Shares acquired by and disposed of by the employee share trusts are recorded at cost. The cost of shares held by the employee share trusts is deducted from shareholders’ equity.

Segmental reporting
The Group has determined that its operating segments are based on management reports reviewed by the Chief Operating Decision Maker “CODM”. As a result, the Group’s operating segments are its three operating divisions, namely Engineering & Production Facilities, Well Support and Gas Turbine Services. The Group reports central costs and its Gas Turbine Services business to be disposed separately within its management reports. The CODM measures the operating performance of these segments using “EBITA” (Earnings before interest, tax and amortisation). Operating segments are reported in a manner consistent with the internal management reports provided to the CODM who is responsible for allocating resources and assessing performance of the operating segments.

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 (including UK dutyholder services), training, 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.

Notes to the financial statements

for the year to 31 December 2009

Accounting Policies (continued)

Disclosure of impact of new and future accounting standards

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

- IFRS 7 'Financial instruments – Disclosures' (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. The amendment has not had a material impact on the Group's disclosures.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The revised standard only impacts presentational aspects and there is no impact on earnings per share.

- IFRS 2 (amendment), 'Share-based payment' deals with vesting conditions and cancellations. The Group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment has not had a material impact on the Group's financial statements.

- IFRS 8 'Operating Segments'. IFRS 8 replaces IAS 14 'Segment reporting'. The standard defines operating segments as components of an entity about which separate financial information is evaluated by the CODM in deciding how to allocate resources and in assessing performance. It also sets out the required disclosures for operating segments. On adoption, there was no change to the Group's reportable segments or financial measures.

- IAS 23 (revised) 'Borrowing Costs'. The standard requires capitalisation of borrowing costs directly attributable to acquisition or construction of an asset. The amendment has not had a material impact on the Group's financial statements.

- IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements and their interaction'. This amendment has had no impact on the Group's financial statements.

(b) 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 and interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners'.

- IAS 27 (revised), 'Consolidated and separate financial statements'.

- IFRS 3 (revised), 'Business combinations'.

- IAS 38 (amendment), 'Intangible Assets'.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'.

- IAS 1 (amendment), 'Presentation of financial statements'.

The Group will apply these standards from 1 January 2010. 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 2009

1 Segmental reporting

The segment information provided to the CODM for the reportable operating segments for the year ended 31 December 2009 includes the following:

Reportable Operating Segments	Revenue		EBITDA[1]		EBITA[1]		Operating profit	
	Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m
Engineering & Production Facilities	**3,241.9**	3,244.7	**280.3**	336.7	**266.0**	316.1	**229.7**	297.9
Well Support	**813.7**	1,008.6	**102.1**	135.8	**75.1**	105.0	**60.6**	104.9
Gas Turbine Services	**825.6**	956.6	**80.6**	89.6	**65.7**	72.6	**56.8**	66.0
Central costs [4]	**–**	–	**(45.5)**	(47.6)	**(48.0)**	(48.7)	**(48.2)**	(48.8)
	4,881.2	5,209.9	**417.5**	514.5	**358.8**	445.0	**298.9**	420.0
Gas Turbine Services – to be disposed [2]	**45.9**	33.2	**–**	(3.1)	**(0.4)**	(4.0)	**(0.4)**	(4.2)
Total	**4,927.1**	5,243.1	**417.5**	511.4	**358.4**	441.0	**298.5**	415.8
Finance income							**2.5**	6.0
Finance expense							**(36.2)**	(37.7)
Profit before taxation							**264.8**	384.1
Taxation							**(100.6)**	(128.7)
Profit for the year							**164.2**	255.4

Notes
1 EBITDA represents operating profit of $298.5m (2008: $415.8m) before depreciation of $59.1m (2008: $70.4m) amortisation of $24.1m (2008: $25.2m) and exceptional items of $35.8m (2008: nil). 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 USA, along with an element of Group infrastructure costs.

Segment assets and liabilities

	Engineering & Production Facilities $m	Well Support $m	Gas Turbine Services $m	Gas Turbine Services – to be disposed $m	Unallocated $m	Total $m
At 31 December 2009						
Segment assets	**1,239.9**	**570.4**	**891.0**	**27.1**	**126.1**	**2,854.5**
Segment liabilities	**741.1**	**204.2**	**178.4**	**8.7**	**441.1**	**1,573.5**
At 31 December 2008						
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

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 2009

1 Segmental Reporting (continued)

Other segment items

2009	**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	**19.7**	**14.4**	**12.0**	**0.9**	**3.4**	**50.4**
– Intangible assets	**6.6**	**0.1**	**7.4**	**–**	**0.3**	**14.4**
Non-cash expense						
– Depreciation	**14.3**	**27.0**	**14.9**	**0.3**	**2.6**	**59.1**
– Amortisation of other intangible assets	**18.7**	**0.1**	**5.1**	**–**	**0.2**	**24.1**
– Exceptional Items (non-cash element)	**17.6**	**14.4**	**3.0**	**–**	**–**	**35.0**

2008	$m	$m	$m	$m	$m	$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

Geographical segments

	Segment assets		**Revenue**	
	2009 $m	2008 $m	**2009 $m**	2008 Sm
UK	**559.4**	515.8	**1,402.1**	1,343.3
USA	**1,029.7**	1,076.8	**1,818.1**	2,130.3
Rest of the World	**1,265.4**	1,209.5	**1,706.9**	1,769.5
	2,854.5	2,802.1	**4,927.1**	5,243.1

Revenue by geographical segment is based on the geographical location of the customer.

	2009 $m	**2008 $m**
Revenue by category is as follows:		
Sale of goods	**574.6**	688.6
Rendering of services	**4,352.5**	4,554.5
	4,927.1	5,243.1

Notes to the financial statements
for the year to 31 December 2009

2 Finance expense/(income)

	2009 $m	2008 $m
Interest payable on bank borrowings	**32.2**	33.7
Interest relating to discounting of deferred consideration	**3.1**	4.0
Other interest expense – retirement benefit liabilities (note 29)	**0.9**	–
Finance expense	**36.2**	37.7
Interest receivable on short term deposits	**(2.5)**	(4.6)
Other interest income – retirement benefit liabilities (note 29)	**–**	(1.4)
Finance income	**(2.5)**	(6.0)
Finance expense – net	**33.7**	31.7

3 Profit before taxation

	2009 $m	2008 $m
The following items have been charged/(credited) in arriving at profit before taxation:		
Employee benefits expense (note 28)	**1,991.7**	1,982.5
Cost of inventories recognised as an expense (included in cost of sales)	**351.1**	518.1
Impairment of inventories	**7.7**	11.7
Depreciation of property plant and equipment	**59.1**	70.4
Amortisation of other intangible assets	**24.1**	25.2
Loss/(gain) on disposal of property plant and equipment	**2.5**	(4.6)
Other operating lease rentals payable:		
– Plant and machinery	**14.0**	27.4
– Property	**66.6**	55.8
Foreign exchange losses/(gains)	**4.6**	(21.7)
Gain on fair value of unhedged derivative financial instruments	**(2.0)**	(3.8)

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:

	2009 $m	2008 $m
Audit services		
– Fees payable for audit of parent company and consolidated accounts	**0.9**	1.0
– Audit of Group companies pursuant to legislation	**1.5**	1.7
Non-audit services		
Fees payable to the Group's auditor and its network firms for other services		
– Tax services	**0.2**	0.1
– Other services	**–**	0.1
	2.6	2.9

Notes to the financial statements

for the year to 31 December 2009

4 Exceptional items

	2009 $m	2008 $m
Loss on disposal of investment	**10.8**	–
Impairment and restructuring charge	**16.7**	–
Exchange rate devaluation	**8.3**	–
Total exceptional items	**35.8**	–

During the year the Group recorded the following exceptional items in relation to its Venezuelan operations:

Disposal of investment – in December 2009 the Group disposed of its interest in Vepica, a Venezuelan Engineering company, creating a loss on disposal of $10.8m. Further details are provided in note 27 to the financial statements.

Impairment and restructuring charge – in May 2009 the Group terminated its contract to provide water injection services in Venezuela and this contract was taken over by PDVSA. Although the Group is generally in a strong contractual position to recover amounts owed, it may not be in a position to recover the full value of the assets held and the goodwill carried. The Group has therefore recognised an impairment charge of $7.1m in the year. The Group has also decided to exit via sale or closure certain of its Venezuelan businesses and this has resulted in net asset write-downs and closure provisions of $9.6m being recorded in 2009. Included within the impairment and restructuring charge is $3.2m of goodwill impairment and $1.8m impairment of property plant and equipment.

Exchange rate devaluation – taking into account the economic circumstances in Venezuela at 31 December 2009 the Group believes that the appropriate exchange rate to translate its Venezuelan assets and liabilities is the Venezuelan Bolivar Fuerte (BF) parallel rate of BF6 to the US$ rather than the official rate of BF2.15 to the US$. The Group has therefore used this parallel exchange rate for conversion of all BF denominated monetary assets and liabilities at 31 December 2009 and to consolidate its Venezuelan functional currency entities into the Group results. The impact of this is to realise net exchange losses of $8.3m in the year. The decision to use this rate is supported by the announcement on 8 January 2010 from the People's Ministry of Economy, in accordance with the Central Bank of Venezuela, which set out several changes to the exchange rate regime which included a devaluation of the existing official exchange rate and the creation of a second, further devalued, official rate for non essential purchases. In addition to the charge in the income statement, the devaluation resulted in a $10.6m exchange loss being recorded in the currency translation reserve.

5 Taxation

	2009 $m	2008 $m
Current tax		
– Current year	**86.0**	134.7
– Adjustment in respect of prior years	**0.4**	(4.4)
	86.4	130.3
Deferred tax		
Relating to origination and reversal of temporary differences	**14.2**	(1.6)
Total tax charge	**100.6**	128.7

Tax on items credited to equity	**2009 $m**	2008 $m
Tax movement on retirement benefit liabilities	**(2.4)**	(5.2)
Tax relating to share option schemes	**(7.0)**	(6.2)
Total credited to equity	**(9.4)**	(11.4)

Notes to the financial statements
for the year to 31 December 2009

5 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 2009 due to the change in profitability of the Group's subsidiaries in their respective jurisdictions. The tax charge for the year is higher (2008: lower) than the expected tax charge due to the following factors:

	2009 $m	2008 $m
Profit before taxation	**264.8**	384.1
Profit before tax at expected rate of 33.1% (2008: 34.1%)	**87.6**	131.0
Effects of:		
Adjustments in respect of prior years	**1.0**	(3.2)
Non-recognition of losses and other attributes	**4.5**	4.4
Other permanent differences	**7.5**	(3.5)
Total tax charge	**100.6**	128.7

6 Dividends

	2009 $m	2008 $m
Dividends on equity shares		
Final dividend paid – year ended 31 December 2008: 6.2 cents (2008: 5.0 cents) per share	**34.4**	25.6
Interim dividend paid – year ended 31 December 2009: 3.1 cents (2008: 2.8 cents) per share	**15.9**	14.5
	50.3	40.1

The directors are proposing a second interim dividend in respect of the financial year ended 31 December 2009 of 6.9 cents per share. As there will be no further dividend in relation to 2009, the full year dividend will be 10.0 cents per share (2008: 9.0 cents). The second interim dividend will be paid on 1 April 2010 to shareholders who are on the register of members on 12 March 2010. The financial statements do not reflect the second interim dividend, the payment of which will result in an estimated $35.5m reduction in shareholders' funds.

Notes to the financial statements

for the year to 31 December 2009

7 Earnings per share

	2009			2008		
	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	**163.2**	**508.0**	**32.1**	251.6	507.6	49.6
Effect of dilutive ordinary shares	**–**	**15.6**	**(0.9)**	–	15.7	(1.5)
Diluted	**163.2**	**523.6**	**31.2**	251.6	523.3	48.1
Exceptional items, net of tax	**35.8**	**–**	**6.8**	–	–	–
Amortisation, net of tax	**19.8**	**–**	**3.8**	20.9	–	4.0
Adjusted diluted	**218.8**	**523.6**	**41.8**	272.5	523.3	52.1
Adjusted basic	**218.8**	**508.0**	**43.1**	272.5	507.6	53.7

The calculation of basic earnings per share for the year ended 31 December 2009 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 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 exceptional items and amortisation, net of tax.

Notes to the financial statements

for the year to 31 December 2009

8 Goodwill and other intangible assets

	Goodwill $m	Computer software $m	Other $m	Total $m
Cost				
At 1 January 2009	569.0	46.2	82.4	697.6
Exchange movements	27.6	3.1	6.3	37.0
Additions	–	8.6	5.8	14.4
Acquisitions	75.2	–	7.8	83.0
Adjustment to deferred consideration estimates	(43.7)	–	–	(43.7)
Disposals	–	(0.5)	(0.7)	(1.2)
Disposal of businesses	(11.5)	(0.7)	–	(12.2)
At 31 December 2009	**616.6**	**56.7**	**101.6**	**774.9**
Aggregate amortisation and impairment				
At 1 January 2009	3.6	28.2	33.6	65.4
Exchange movements	–	2.3	2.5	4.8
Amortisation charge for the year	–	9.6	14.5	24.1
Impairment	3.2	–	–	3.2
Disposals	–	(0.4)	(0.2)	(0.6)
Disposal of businesses	(0.7)	(0.6)	–	(1.3)
At 31 December 2009	**6.1**	**39.1**	**50.4**	**95.6**
Net book value at 31 December 2009	**610.5**	**17.6**	**51.2**	**679.3**
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

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 2010-11 budgets. Cash flows for 2012-14 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 reflecting expected long term growth rates in the countries in which the Group operates. 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 to assess whether an impairment write down is required. $3.2m of goodwill has been impaired during the year. See note 4 for further details.

Notes to the financial statements
for the year to 31 December 2009

8 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 further CGUs requiring to be impaired.

The carrying amounts of goodwill by division at 31 December 2009 are: Engineering & Production Facilities $455.1m (2008: $453.4m), Gas Turbine Services $123.6m (2008: $78.5m) and Well Support $31.8m (2008: $33.5m). The carrying amounts of goodwill attributable to the principal CGUs within the Engineering & Production Facilities division are Mustang $150.2m, IMV $116.5m, Production Facilities Americas $83.6m and Wood Group Kenny $54.4m. The carrying amounts of goodwill attributable to the principal CGUs within the Gas Turbine Services division are Equipment and Power Solutions $40.7m and Field Service $57.7m.

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 $12.2m (2008: $10.7m) are internally generated intangible assets.

9 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 2009	62.8	24.9	494.1	581.8
Exchange movements	1.9	2.3	10.9	15.1
Additions	8.4	2.7	39.3	50.4
Acquisitions	0.8	0.1	23.0	23.9
Disposals	(1.2)	(1.8)	(21.8)	(24.8)
Disposal of businesses	(6.6)	–	(0.2)	(6.8)
Reclassification to current assets	–	–	(78.1)	(78.1)
At 31 December 2009	**66.1**	**28.2**	**467.2**	**561.5**
Accumulated depreciation and impairment				
At 1 January 2009	26.6	13.1	279.1	318.8
Exchange movements	0.3	1.0	7.1	8.4
Charge for the year	4.0	1.8	53.3	59.1
Impairment	–	–	1.8	1.8
Disposals	(0.9)	(0.2)	(16.2)	(17.3)
Disposal of businesses	(3.9)	–	–	(3.9)
Reclassification to current assets	–	–	(59.6)	(59.6)
At 31 December 2009	**26.1**	**15.7**	**265.5**	**307.3**
Net book value at 31 December 2009	**40.0**	**12.5**	**201.7**	**254.2**

The reclassification to current assets relates mainly to the transfer of plant and equipment to other receivables on termination of the water injection contract in Venezuela (see note 4).

Notes to the financial statements

for the year to 31 December 2009

9 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 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

Plant and equipment includes assets held for lease to customers under operating leases of $41.0m (2008: $36.8m). Additions during the year amounted to $3.5m (2008: $4.5m) and depreciation totalled $11.4m (2008: $14.6m). The gross cost of these assets at 31 December 2009 is $65.3m (2008: $61.8m) and aggregate depreciation is $24.3m (2008: $25.0m).

Property plant and equipment includes assets in the course of construction of $4.9m (2008: $4.7m).

Notes to the financial statements

for the year to 31 December 2009

10 Joint ventures

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

	2009 **$m**	2008 $m
Non-current assets	**39.8**	44.3
Current assets	**233.7**	248.3
Current liabilities	**(122.9)**	(169.6)
Non-current liabilities	**(5.9)**	(6.3)
Net assets	**144.7**	116.7
Income	**375.3**	471.0
Expenses	**(333.3)**	(422.4)
Profit before tax	**42.0**	48.6
Tax	**(10.6)**	(12.1)
Share of post tax results from joint ventures	**31.4**	36.5

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 31. The name and principal activity of the most significant joint ventures is disclosed in note 34.

11 Inventories

	2009 **$m**	2008 $m
Materials	**56.3**	60.7
Work in progress	**141.3**	137.3
Finished goods and goods for resale	**421.3**	393.4
	618.9	591.4

12 Trade and other receivables

	2009 **$m**	2008 $m
Trade receivables	**857.5**	936.9
Less: provision for impairment of trade receivables	**(50.2)**	(62.4)
Trade receivables – net	**807.3**	874.5
Amounts recoverable on contracts	**15.6**	14.2
Prepayments and accrued income	**78.9**	81.8
Other receivables	**85.6**	63.7
	987.4	1,034.2

Notes to the financial statements
for the year to 31 December 2009

12 Trade and other receivables (continued)

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

31 December 2009	**Trade Receivables – Gross $m**	**Provision for impairment $m**	**Trade Receivables – Net $m**	**Receivable days**
Engineering & Production Facilities	**518.4**	**(20.9)**	**497.5**	**53**
Well Support	**142.3**	**(24.1)**	**118.2**	**49**
Gas Turbine Services	**196.8**	**(5.2)**	**191.6**	**57**
Total Group	**857.5**	**(50.2)**	**807.3**	**53**
31 December 2008				
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

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

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

	2009 $m	2008 $m
Up to 3 months	**22.4**	18.6
Over 3 months	**27.8**	43.8
	50.2	62.4

Notes to the financial statements
for the year to 31 December 2009

12 Trade and other receivables (continued)

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

2009	**Engineering & Production Facilities $m**	**Well Support $m**	**Gas Turbine Services $m**	**Total $m**
At 1 January	18.6	32.0	11.8	62.4
Exchange movements	(0.1)	(7.5)	(0.6)	(8.2)
Acquisitions	1.0	–	0.3	1.3
Disposal of businesses	(0.3)	–	–	(0.3)
Charge/(credit) to income statement	1.7	(0.4)	(6.3)	(5.0)
At 31 December	**20.9**	**24.1**	**5.2**	**50.2**
2008				
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

The charge/(credit) to the income statement is included in administrative expenses.

Non-trade receivables do not contain impaired assets.

Included within gross trade receivables of $857.5m above (2008: $936.9m) are receivables of $163.4m (2008: $221.3m) 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:

	2009 $m	2008 $m
Up to 3 months	**137.2**	203.6
Over 3 months	**26.2**	17.7
	163.4	221.3

13 Cash and cash equivalents

	2009 $m	2008 $m
Cash at bank and in hand	**174.3**	149.6
Short-term bank deposits	**34.3**	26.5
	208.6	176.1

The effective interest rate on short-term deposits was 1.0% (2008: 1.9%) and these deposits have an average maturity of 32 days (2008: 32 days).

At 31 December 2009 the Group held $10.8m of cash (2008: $10.5m) as security for standby letters of credit issued by the Group's insurance captive in relation to its reinsurance liabilities.

Notes to the financial statements
for the year to 31 December 2009

14 Trade and other payables

	2009 $m	2008 $m
Trade payables	**277.9**	310.1
Other tax and social security payable	**74.4**	61.7
Accruals and deferred income	**611.7**	544.2
Deferred consideration	**48.7**	9.3
Other payables	**49.1**	40.0
	1,061.8	965.3

15 Borrowings

	2009 $m	2008 $m
Bank loans and overdrafts due within one year or on demand		
Unsecured	**19.0**	34.2
Non-current bank loans		
Unsecured	**277.5**	390.7

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

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

	2009 %	2008 %
US Dollar	**6.18**	4.68
Sterling	**5.47**	4.41
Euro	**4.05**	3.37
Canadian Dollar	**4.46**	3.07

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

	2009 $m	2008 $m
US Dollar	**86.5**	115.4
Sterling	**93.1**	81.5
Euro	**63.0**	71.9
Canadian Dollar	**49.9**	140.0
Other	**4.0**	16.1
	296.5	424.9

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 2009 the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to $327.2m (2008: $236.0m). At 31 December 2009, these facilities were 58% utilised (2008: 65%).

Notes to the financial statements
for the year to 31 December 2009

15 Borrowings (continued)

Borrowing facilities

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

	2009	2008
	$m	$m
Expiring within one year	**106.5**	42.8
Expiring between one and two years	**674.3**	566.4
Expiring in more than two years but not more than five years	**–**	22.8
	780.8	632.0

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review at various dates during 2010.

16 Other non-current liabilities

	2009	2008
	$m	$m
Deferred consideration	**48.9**	112.8
Other payables	**10.8**	9.1
	59.7	121.9

Deferred consideration represents amounts payable on acquisitions made by the Group and is expected to be paid over the next five years. Details of the reduction in deferred consideration during the year are provided in note 27.

17 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 strategy is agreed to ensure that the risk is minimised.

Notes to the financial statements
for the year to 31 December 2009

17 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 2009, post-tax profit for the year would have been $8.3m higher (2008: $9.8m higher). If the average sterling/US dollar rate had been 10% lower during 2009, post-tax profit for the year would have been $8.3m lower (2008: $7.6m lower). If the closing sterling/US dollar rate was 10% higher or lower at 31 December 2009, exchange differences in equity would have been $15.1m (2008: $11.5m) 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 2009, 77% (2008: 39%) of the Group's borrowings were at fixed rates after taking account of interest rate swaps. The increased proportion of fixed rate debt is due mainly to the reduction in total borrowings during 2009.

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 'A' or better, where possible. If average interest rates had been 1% higher or lower during 2009, post-tax profit for the year would have been $1.4m higher or lower respectively (2008: $2.0m).

(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 2009

17 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.

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 12. Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is a relevant metric.

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 credit rating of 'A' or better where possible. 100% of cash held on deposit at 31 December 2009 (2008: 87%) was held with such institutions.

(c) Liquidity risk

With regard to liquidity, the Group's main priority is to ensure continuity of funding. At 31 December 2009, 99% (2008: 97%) of the Group's borrowing facilities (excluding joint ventures) were due to mature in more than one year. Based on the current outlook the Group has sufficient funding in place to meet its future obligations.

(d) Capital risk

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

Gearing is calculated by dividing net debt by shareholders' funds. Gearing at 31 December 2009 was 7% (2008: 22%).

Interest cover is calculated by dividing EBITA by net interest expense. Interest cover for the year to 31 December 2009 was 10.6 times (2008: 13.9 times).

The ratio of net debt to EBITDA at 31 December 2009 was 0.2 times (2008: 0.5 times).

Notes to the financial statements
for the year to 31 December 2009

17 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 2009	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m
Borrowings	**19.0**	**1.8**	**275.7**	**–**
Derivative financial instruments	**3.3**	**1.5**	**1.8**	**–**
Trade and other payables	**1,061.8**	**–**	**–**	**–**
Other non-current liabilities	**–**	**15.3**	**44.4**	**–**
At 31 December 2008				
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 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 2009	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	**322.5**	**9.1**	**1.5**	**–**
Inflow	**324.0**	**9.0**	**1.5**	**–**
Interest rate swaps				
Outflow	**8.0**	**3.0**	**3.2**	**–**
Inflow	**1.1**	**0.6**	**0.7**	**–**
At 31 December 2008				
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	–

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.

Notes to the financial statements
for the year to 31 December 2009

17 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.

	2009		2008	
	Book Value $m	**Fair Value $m**	Book Value $m	Fair Value $m
Fair value of long–term borrowings				
Long–term borrowings (note 15)	**277.5**	**277.5**	390.7	390.7
Fair value of other financial assets and financial liabilities				
Primary financial instruments held or issued to finance the Group's operations:				
Trade and other receivables (note 12)	**987.4**	**987.4**	1,034.2	1,034.2
Cash at bank and in hand (note 13)	**174.3**	**174.3**	149.6	149.6
Short–term bank deposits (note 13)	**34.3**	**34.3**	26.5	26.5
Trade and other payables (note 14)	**987.4**	**987.4**	903.6	903.6
Short–term borrowings (note 15)	**19.0**	**19.0**	34.2	34.2
Other non–current liabilities (note 16)	**59.7**	**59.7**	121.9	121.9

Derivative financial instruments

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

	2009		2008	
	Assets $m	**Liabilities $m**	Assets $m	Liabilities $m
Interest rate swaps – cash flow hedges	**–**	**6.0**	–	8.4
Forward foreign exchange contracts	**2.1**	**0.6**	2.1	3.8
Currency options	**3.9**	**–**	5.1	–
Total	**6.0**	**6.6**	7.2	12.2
Less non–current portion:				
Interest rate swaps – cash flow hedges	**–**	**3.3**	–	8.1
Current portion	**6.0**	**3.3**	7.2	4.1

Derivative financial instruments 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, cash flow hedges or net investment in foreign entity hedges in the current or preceding period.

Notes to the financial statements
for the year to 31 December 2009

17 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 2009 was $322.5m (2008: $124.3m).

(b) Interest rate swaps

The notional principal amount of the Group's outstanding interest rate swap contracts at 31 December 2009 was $227.3m (2008: $166.5m).

At 31 December 2009 the fixed interest rates, including margin, varied from 4.1% to 7.3% (2008: 4.7% to 5.6%) and the floating rates ranged from 2.5% to 2.9%, also including margin (2008: 1.5% to 4.1%). The Group's interest rate swaps are for periods of up to 5 years and they expire between 2010 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 2009 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 2009 was $196.0m (2008: $206.1m). Foreign exchange losses of $22.9m (2008: gains $46.8m) on translation of the borrowings into US dollars have been offset against equivalent gains on retranslation of net assets in the currency translation reserve.

2009			2008		
Foreign currency amount	**$m**	**% of foreign currency net assets hedged**	Foreign currency amount	$m	% of foreign currency net assets hedged
£55.0m	**88.8**	**37%**	£55.0m	79.1	42%
C$47.0m	**44.8**	**45%**	C$67.0m	54.3	63%
–	**–**	**–**	A$5.6m	3.9	25%
€43.5m	**62.4**	**56%**	€49.5m	68.8	97%
	196.0			206.1	

Notes to the financial statements
for the year to 31 December 2009

18 Provisions

	Warranty provisions $m	Other $m	Total $m
At 1 January 2009	18.7	26.3	45.0
Exchange movements	1.1	–	1.1
Charge to income statement	12.1	6.4	18.5
Payments during the year	(8.2)	(4.6)	(12.8)
Acquisitions	6.1	–	6.1
Disposal of businesses	–	(4.2)	(4.2)
At 31 December 2009	**29.8**	**23.9**	**53.7**

Warranty provisions

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

Other provisions

At 31 December 2009, other provisions of $23.9m (2008: $26.3m) 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.

19 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% (2008: 28%).

The movement on the deferred tax account is shown below:

	2009 $m	2008 $m
At 1 January	**(48.8)**	(45.5)
Exchange movements	**(3.1)**	5.0
Charge/(credit) to income statement	**14.2**	(1.6)
Acquisitions	**1.0**	–
Disposal of businesses	**(1.6)**	–
Deferred tax relating to retirement benefit liabilities	**(2.4)**	(5.2)
Deferred tax relating to share option schemes	**(7.0)**	–
Reclassification to current tax	**(6.7)**	–
Reclassification as liabilities held for sale	**–**	(1.5)
At 31 December	**(54.4)**	(48.8)

Deferred tax is presented in the financial statements as follows:

Deferred tax assets	**(62.3)**	(53.3)
Deferred tax liabilities	**7.9**	4.5
	(54.4)	(48.8)

Notes to the financial statements
for the year to 31 December 2009

19 Deferred tax (continued)

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.

The Group has unrecognised tax losses of $55.3m (2008: $68.8m) 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	28.5	(9.6)	(14.2)	(67.0)	(62.3)
Deferred tax liabilities	–	–	–	7.9	7.9
Net deferred tax liability/(asset)	**28.5**	**(9.6)**	**(14.2)**	**(59.1)**	**(54.4)**

20 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 21.

The charge in the Group income statement in 2009 for these schemes amounted to $11.2m (2008: $13.3m)

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

ESOS and LTRP

At 31 December 2009 there were 1,084 employees (2008: 750) 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 2.4%-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 1.0%-2.0% has been used in the calculations.

The fair value of options granted under the ESOS during the year ranged from £0.65 to £0.87 (2008: £1.17 to £1.23). The fair value of options granted under the LTRP during the year ranged from £2.00 to £2.56 (2008: £3.36 to £3.62). The weighted average remaining contractual life of share options at 31 December 2009 is 5.3 years (2008: 5.3 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 for the first cycle and £1.89 for the second cycle. 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.

Notes to the financial statements
for the year to 31 December 2009

21 Share capital

Authorised	2009 shares	2009 $m	2008 shares	2008 $m
Ordinary shares of 3⅓ pence	**900,000,000**	**44.0**	720,000,000	34.9
Issued and fully paid				
Ordinary shares of 3⅓ pence each				
At 1 January	**527,836,720**	**26.2**	524,336,720	26.0
Allocation of new shares to employee share trusts	**2,430,000**	**0.1**	3,500,000	0.2
At 31 December	**530,266,720**	**26.3**	527,836,720	26.2

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 2009	2008	Exercise price (per share)	Exercise period
2000	**138,750**	213,750	17⅓p	2005-2010
2001	**30,000**	230,000	93⅓p	2006-2011
2001	**612,100**	824,380	83⅓p	2006-2011
2002	**174,000**	228,000	83⅓p	2007-2012
2003	**769,215**	1,004,715	158p	2007-2013
2004	**2,211,287**	3,008,942	128½p	2008-2014
2005	**1,073,189**	1,762,917	145p	2009-2015
2006	**852,918**	887,000	265¼p	2010-2016
2007	**1,106,190**	1,186,417	268½p	2011-2017
2008	**1,356,418**	1,439,500	381¾p	2012-2018
2008	**200,937**	210,208	354⅓p	2012-2018
2009	**4,048,545**	–	222p	2013-2019
2009	**110,000**	–	283⅔p	2013-2019
	12,683,549	10,995,829		

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.

Notes to the financial statements
for the year to 31 December 2009

21 Share capital (continued)

5,008,541 options (2008: 5,509,787) were exercisable at 31 December 2009. 4,312,600 options were granted during the year, 2,192,809 options were exercised during the year and 432,071 options lapsed during the year. The weighted average share price for ESOS options exercised during the year was £2.96 (2008: £4.27).

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 2009	2008	Exercise price (per share)	Exercise period
2004	**–**	31,250	3⅓p	2008-2009
2005	**66,502**	121,502	3⅓p	2009-2010
2006	**1,204,360**	1,262,393	3⅓p	2010-2011
2007	**1,571,189**	1,649,063	3⅓p	2011-2012
2008	**1,695,309**	1,780,944	3⅓p	2012-2013
2009	**3,632,819**	–	3⅓p	2013-2014
	8,170,179	4,845,152		

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. The basis of the scheme is that an overall bonus pool is calculated annually based on the growth in the Group's adjusted earnings per share in the prior year. 3,704,150 LTRP options were granted during the year, 120,829 LTRP options were exercised during the year and 258,294 LTRP options lapsed during the year. The weighted average share price for LTRP options exercised during the year was £2.96 (2008: £4.22). 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 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 2009, 7,759,731 shares were potentially issuable under these schemes. Further details of the LTIS and LTIP are provided in the Directors' Remuneration Report.

22 Share premium

	2009 $m	2008 $m
At 1 January	**311.8**	303.6
Allocation of shares to employee share trusts	**4.0**	8.2
At 31 December	**315.8**	311.8

Expenses of share issue and allocation amounted to $nil (2008: $0.1m).

Notes to the financial statements

for the year to 31 December 2009

23 Retained earnings

	2009 $m	2008 $m
At 1 January	**760.2**	555.9
Profit for the year attributable to equity shareholders	**163.2**	251.6
Dividends paid	**(50.3)**	(40.1)
Credit relating to share based charges	**11.2**	13.3
Actuarial loss on retirement benefit liabilities	**(8.4)**	(18.7)
Movement in deferred tax relating to retirement benefit liabilities	**2.4**	5.2
Shares allocated to employee share trusts	**(4.1)**	(8.4)
Shares purchased by employee share trusts	**(1.3)**	(34.2)
Shares disposed of by employee share trusts	**4.3**	10.5
Tax credit relating to share option schemes	**7.0**	6.2
Exchange movements in respect of shares held by employee share trusts	**(6.6)**	18.9
At 31 December	**877.6**	760.2

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investment in own shares represents the cost of 20,626,241 (2008: 21,884,982) of the company's ordinary shares totalling $61.7m (2008: $54.0m). No options have been granted over shares held by the employee share trusts (2008: nil).

Shares acquired by the employee share 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 2009, 2,430,000 shares at a value of $4.1m were allocated to the trusts in order to satisfy the exercise of share options. On 31 December 2009, 270,000 shares were purchased on the open market at a cost of $1.3m. The cash payment in respect of this purchase was made on 5 January 2010. 2,313,638 shares were issued during the year to satisfy the exercise of share options at a value of $4.3m. In addition, 1,645,103 shares were issued during the year to satisfy share awards under the LTIS. Exchange adjustments of $6.6m 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 2009 was $102.9m (2008: $59.2m) based on the closing share price of £3.09 (2008: £1.88). The employee share trusts have waived their rights to receipt of dividends except in relation to those shares used to meet obligations under the LTIS.

Notes to the financial statements
for the year to 31 December 2009

24 Other reserves

	Capital reduction reserve $m	Currency translation reserve $m	Hedging reserve $m	Total $m
At 1 January 2008	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**
Exchange movements on retranslation of foreign currency net assets	–	9.2	–	9.2
Exchange movements recycled to income statement on disposal of businesses	–	3.2	–	3.2
Cash flow hedges	–	–	2.4	2.4
At 31 December 2009	**88.1**	**(31.2)**	**(6.4)**	**50.5**

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.

25 Minority interest

	2009 $m	2008 $m
At 1 January	**13.1**	11.3
Exchange movements	**0.2**	(0.2)
Acquisitions	**2.7**	–
Investment by minority shareholders	**–**	0.1
Share of profit for the year	**1.0**	3.8
Dividends paid	**(0.4)**	(1.9)
Disposal of businesses	**(5.8)**	–
At 31 December	**10.8**	13.1

Notes to the financial statements
for the year to 31 December 2009

26 Cash generated from operations

	2009 **$m**	2008 $m
Reconciliation of operating profit to cash generated from operations:		
Operating profit	**298.5**	415.8
Adjustments for:		
Depreciation	**59.1**	70.4
Loss/(gain) on disposal of property plant and equipment	**2.5**	(4.6)
Amortisation of other intangible assets	**24.1**	25.2
Share based charges	**11.2**	13.3
Increase in provisions	**5.7**	9.8
Exceptional items – non cash impact	**35.0**	–
Changes in working capital (excluding effect of acquisition and disposal of subsidiaries)		
Decrease/(increase) in inventories	**9.2**	(104.1)
Decrease/(increase) in receivables	**154.9**	(298.3)
(Decrease)/increase in payables	**(45.8)**	221.4
Exchange movements	**(8.9)**	4.6
Cash generated from operations	**545.5**	353.5

Analysis of net debt

	At 1 January 2009 $m	Cash flow $m	Exchange movements $m	**At 31 December 2009** **$m**
Cash and cash equivalents	176.1	39.4	(6.9)	**208.6**
Short term borrowings	(34.2)	14.5	0.7	**(19.0)**
Long term borrowings	(390.7)	140.5	(27.3)	**(277.5)**
Net debt	(248.8)	194.4	(33.5)	**(87.9)**

Notes to the financial statements

for the year to 31 December 2009

27 Acquisitions and disposals

Acquisitions

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

	Book value $m	Fair value adjustments $m	Fair value $m
Property plant and equipment	**24.2**	**(0.3)**	**23.9**
Other intangible assets	**–**	**7.8**	**7.8**
Trade and other receivables	**110.7**	**(3.2)**	**107.5**
Inventories	**7.7**	**(0.5)**	**7.2**
Borrowings	**(0.3)**	**–**	**(0.3)**
Trade and other payables	**(78.3)**	**(1.2)**	**(79.5)**
Provisions	**(6.1)**	**–**	**(6.1)**
Income tax	**(2.3)**	**–**	**(2.3)**
Deferred tax	**0.3**	**(1.3)**	**(1.0)**
Net assets acquired	**55.9**	**1.3**	**57.2**
Goodwill			**75.2**
Minority interest			**(2.7)**
Consideration			**129.7**
Consideration satisfied by:			
Cash			**100.2**
Net assets acquired			**12.4**
Deferred consideration			**17.1**
			129.7

The Group has used acquisition accounting for the purchases and, in accordance with the Group's accounting policies, the goodwill arising on consolidation of $75.2m has been capitalised. The table above includes amounts relating to the acquisitions of Proteus Global Solutions Pty Limited "Proteus", Baker Energy "Baker", Bond Personnel Pty Limited "Bond" and Shanahan Engineering Ltd. "Shanahan" which were acquired during the year. The Group acquired 100% of the share capital of each of these companies other than Proteus, where 70% was acquired. The acquisitions are not considered to be material to the Group on an individual basis and therefore have been aggregated in the table above.

Proteus, acquired in May 2009, is a provider of commissioning, operations support and engineering services in the Asia Pacific region. Baker, acquired in October 2009, provides a broad range of operations and maintenance services both onshore and offshore in the USA and in Africa. Bond, acquired in November 2009, is a provider of engineering services to the oil and gas and petrochemical industries in the Asia Pacific region. Shanahan, acquired in December 2009, is a provider of power plant installation, commissioning and maintenance services to the power and industrial sector. The Group also made a number of small acquisitions during the year and the assets and liabilities in respect of these companies are also included above.

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.

Notes to the financial statements
for the year to 31 December 2009

27 Acquisitions and disposals (continued)

Deferred consideration payments of $9.1m 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 a reduction of goodwill of $43.7m. Costs of $0.5m were incurred during the year in respect of acquisitions made in 2008.

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

	$m
Cash consideration	**100.2**
Borrowings acquired	**0.3**
	100.5
Costs incurred in relation to acquisitions in prior period	**0.5**
Cash outflow	**101.0**

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	**5,215.7**
Profit for the year	**167.8**

From the date of acquisition to 31 December 2009, the acquisitions contributed $108.5m to revenue and $0.7m to profit for the year.

Disposals

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

	$m
Goodwill and other intangible assets	**10.9**
Property plant and equipment	**2.9**
Trade and other receivables	**33.4**
Gross assets held for sale	**22.9**
Income tax receivable	**2.0**
Cash and cash equivalents	**11.4**
Borrowings	**(0.2)**
Trade and other payables	**(29.0)**
Gross liabilities held for sale	**(4.8)**
Provisions	**(4.2)**
Deferred tax	**(1.6)**
Minority interest	**(5.8)**
Net assets disposed of	**37.9**
Net proceeds received	**24.1**
Net assets acquired	**12.4**
Exchange movements recycled from currency translation reserve	**(3.2)**
Provision for disposal costs	**(6.2)**
	27.1
Loss on disposals	**(10.8)**

Notes to the financial statements
for the year to 31 December 2009

27 Acquisitions and disposals (continued)

Reconciliation of net proceeds to cash inflow from disposals

	$m
Net proceeds received	24.1
Cash disposed of	(11.4)
Borrowings disposed of	0.2
Disposal costs paid	(2.2)
Cash inflow from disposals	10.7

In January 2009, the Group disposed of two small businesses in its Gas Turbine Services division. The Group acquired net assets of $12.4m as part of the transaction. There was no gain or loss on this disposal. The assets and liabilities relating to this disposal were classified as gross assets/liabilities held for sale in the 2008 consolidated financial statements. During December 2009, the Group disposed of its interest in Vepica, a Venezuelan engineering company. Total disposal proceeds received during the year amounted to $24.1m.

28 Employees and directors

Employee benefits expense	2009 $m	2008 $m
Wages and salaries	1,805.2	1,797.9
Social security costs	138.8	137.5
Pension costs – defined benefit schemes (note 29)	4.1	6.7
Pension costs – defined contribution schemes (note 29)	43.6	40.4
	1,991.7	1,982.5

Average monthly number of employees (including executive directors)	2009 No.	2008 No.
By geographical area:		
Europe	5,670	5,239
North America	9,660	10,035
Rest of the World	7,944	7,495
	23,274	22,769

Key management compensation	2009 $m	2008 $m
Salaries and short-term employee benefits	18.5	20.8
Amounts receivable under long-term incentive schemes	6.7	14.8
Post employment benefits	1.0	1.1
Share based charges	3.7	6.8
	29.9	43.5

The key management figures given above include executive directors.

Notes to the financial statements

for the year to 31 December 2009

28 Employees and directors (continued)

Directors	**2009 $m**	2008 $m
Aggregate emoluments	**5.6**	6.7
Aggregate amounts receivable under long-term incentive schemes	**1.1**	1.8
Aggregate gains made on the exercise of share options	**0.9**	0.6
	7.6	9.1

One director (2008: one) has retirement benefits accruing under a defined contribution pension scheme. Retirement benefits are accruing to six (2008: six) directors under the company's defined benefit pension scheme. Further details of directors emoluments are provided in the Directors' Remuneration Report.

29 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:

	2009 %	2008 %
Rate of increase in pensionable salaries	**5.40**	4.90
Rate of increase in pensions in payment and deferred pensions	**3.40**	2.90
Discount rate	**5.80**	6.20
Expected return on scheme assets	**7.06**	7.06

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 2009 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:

	2009 $m	2008 $m
Present value of funded obligations	**(174.4)**	(124.7)
Fair value of scheme assets	**140.1**	101.6
Net liabilities	**(34.3)**	(23.1)

Notes to the financial statements
for the year to 31 December 2009

29 Retirement benefit liabilities (continued)

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

	2009 %	2008 %
Equity securities	**86.0**	82.7
Corporate bonds	**7.0**	8.4
Gilts	**6.4**	8.7
Cash	**0.6**	0.2

The amounts recognised in the income statement are as follows:

	2009 $m	2008 $m
Current service cost included within employee benefits expense	**4.1**	6.7
Interest cost	**8.8**	10.1
Expected return on scheme assets	**(7.9)**	(11.5)
Total included within finance expense/(income)	**0.9**	(1.4)

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:

	2009 $m	2008 $m
Present value of funded obligations at 1 January	**124.7**	187.5
Current service cost	**4.1**	6.7
Interest cost	**8.8**	10.1
Actuarial losses/(gains)	**24.0**	(25.6)
Scheme participants' contributions	**2.4**	3.0
Benefits paid	**(6.0)**	(8.0)
Exchange movements	**16.4**	(49.0)
Present value of funded obligations at 31 December	**174.4**	124.7

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

	2009 $m	2008 $m
Fair value of scheme assets at 1 January	**101.6**	176.2
Expected return on scheme assets	**7.9**	11.5
Contributions	**7.7**	7.8
Benefits paid	**(6.0)**	(8.0)
Actuarial gains/(losses)	**15.6**	(44.3)
Exchange movements	**13.3**	(41.6)
Fair value of scheme assets at 31 December	**140.1**	101.6

Notes to the financial statements
for the year to 31 December 2009

29 Retirement benefit liabilities (continued)

Analysis of the movement in the balance sheet liability:

	2009 $m	2008 $m
At 1 January	**23.1**	11.3
Current service cost	**4.1**	6.7
Finance expense/(income)	**0.9**	(1.4)
Contributions	**(5.3)**	(4.8)
Net actuarial losses recognised in the year	**8.4**	18.7
Exchange movements	**3.1**	(7.4)
At 31 December	**34.3**	23.1

Cumulative actuarial losses recognised in equity:

	2009 $m	2008 $m
At 1 January	**43.1**	24.4
Net actuarial losses recognised in the year	**8.4**	18.7
At 31 December	**51.5**	43.1

The actual return on scheme assets was $23.7m (2008: $(32.8)m).

History of experience gains and losses:

	2009	2008	2007	2006	2005
Difference between the expected and actual return on scheme assets :					
Gain/(loss) ($m)	**15.8**	(44.3)	10.5	2.9	12.3
Percentage of scheme assets	**11%**	44%	6%	2%	12%
Experience (losses)/gains on scheme liabilities:					
(Loss)/gain ($m)	**(24.0)**	25.6	(7.9)	5.6	(14.8)
Percentage of the present value of the scheme liabilities	**14%**	21%	4%	3%	11%
Present value of scheme liabilities ($m)	**174.4**	124.7	187.5	165.3	137.0
Fair value of scheme assets ($m)	**140.1**	101.6	176.2	140.4	103.7
Deficit ($m)	**34.3**	23.1	11.3	24.9	33.3

The contributions expected to be paid during the financial year ending 31 December 2010 amount to $7.1m.

Pension costs for defined contribution schemes are as follows:

	2009 $m	2008 $m
Defined contribution schemes	**43.6**	40.4

Contributions outstanding at 31 December 2009 in respect of defined contribution schemes amounted to $17.1m (2008: $21.1m).

Notes to the financial statements

for the year to 31 December 2009

30 Operating lease commitments – minimum lease payments

	2009 Property $m	**2009** Vehicles, plant and equipment $m	2008 Property $m	2008 Vehicles, plant and equipment $m
Amounts payable under non-cancellable operating leases due:				
Within one year	**64.6**	**11.0**	48.1	7.6
Later than one year and less than five years	**154.6**	**13.8**	147.8	17.4
After five years	**42.4**	**1.8**	59.7	3.8
	261.6	**26.6**	255.6	28.8

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.

31 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 2009, the Group has outstanding guarantees of $1.2m (2008: $2.7m) in respect of joint venture banking arrangements.

In February 2010, the Group, and several other parties, were notified of a legal claim from a customer in respect of some work carried out in 2008. At this early stage it is not practicable to reliably estimate the financial impact. However, based on our preliminary discussions, we believe that we are in a strong position to defend the claim, and do not believe that it is probable that any material liability will arise as a result.

32 Capital and other financial commitments

	2009 $m	2008 $m
Contracts placed for future capital expenditure not provided in the financial statements	**4.3**	5.9

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

33 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.

	2009 $m	2008 $m
Sale of goods and services to joint ventures	**103.4**	144.9
Purchase of goods and services from joint ventures	**29.4**	55.1
Receivables from joint ventures	**40.7**	48.5
Payables to joint ventures	**7.7**	13.1

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 (2008: $0.1m) for management services provided under normal commercial terms.

Key management compensation is disclosed in note 28.

Notes to the financial statements
for the year to 31 December 2009

34 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
Shanahan Engineering	Ireland	100	Power plant installation services

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

Company financial statements

Financial statements

Company financial statements

Additional information

Independent auditor's report
to the members of John Wood Group PLC

We have audited the parent company financial statements of John Wood Group PLC for the year ended 31 December 2009 which comprise the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Independent auditor's report
to the members of John Wood Group PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the group financial statements of John Wood Group PLC for the year ended 31 December 2009.

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
1 March 2010

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
as at 31 December 2009

	Note	2009 $m	2009 $m	2008 $m	2008 $m
Fixed assets					
Investments	1		**434.3**		398.0
Current assets					
Debtors	2	**1,486.6**		1,353.2	
Derivative financial instruments	6	**3.9**		5.1	
Cash at bank and in hand	3	**13.9**	**1,504.4**	5.2	1,363.5
Creditors: amounts falling due within one year					
Creditors	4	**(733.0)**		(562.3)	
Derivative financial instruments	6	**(2.7)**	**(735.7)**	(0.6)	(562.9)
Net current assets			**768.7**		800.6
Total assets less current liabilities			**1,203.0**		1,198.6
Creditors: amounts falling due after one year					
Borrowings	5	**(275.7)**		(388.5)	
Derivative financial instruments	6	**(3.3)**	**(279.0)**	(8.1)	(396.6)
			924.0		802.0
Capital and reserves					
Share capital	7		**26.3**		26.2
Share premium	8		**315.8**		311.8
Capital reduction reserve	9		**88.1**		88.1
Retained earnings	10		**489.4**		373.9
Other reserves	11		**4.4**		2.0
Equity shareholders' funds	12		**924.0**		802.0

The financial statements on pages 108 to 118 were approved by the Board of Directors on 1 March 2010.

Allister G Langlands, Director Alan G Semple, Director

Notes to the company financial statements
for the year to 31 December 2009

Accounting Policies

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 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:-

	2009	2008
Average rate £1 = $	**1.5679**	1.8484
Closing rate £1 = $	**1.6149**	1.4378

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 assets net realisable value and its value in use, is less than its carrying amount.

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 17 to the Group financial statements.

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

Notes to the company financial statements
for the year to 31 December 2009

Accounting Policies (continued)

Share based charges
The Company has a number of share schemes as detailed in the Group accounting policies and notes 20 and 21 to the Group financial statements. Details relating to the calculation of share based charges are provided in note 20 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
There have been no new standards or amendments to existing standards published during 2009.

Notes to the company financial statements
for the year to 31 December 2009

1 Investments

	Subsidiaries $m
Cost	
At 1 January 2009	464.8
Exchange movements	12.9
Additions	37.3
Disposals	(13.9)
At 31 December 2009	**501.1**
Amounts provided	
At 1 January 2009 and 31 December 2009	66.8
Net book value	
At 31 December 2009	**434.3**
At 31 December 2008	398.0

2 Debtors

	2009 $m	2008 $m
Amounts owed by group undertakings	**1,469.4**	1,347.4
Prepayments and accrued income	**7.4**	0.8
Group relief receivable	**9.8**	5.0
	1,486.6	1,353.2

As at 31 December 2009, amounts owed by group undertakings of $11.6m (2008: $10.3m) 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:

	2009 $m	2008 $m
Over 3 months	**11.6**	10.3

The movement on the provision for impairment is as follows:

	2009 $m	2008 $m
At 1 January	**10.3**	14.3
Exchange movements	**1.3**	(4.0)
At 31 December	**11.6**	10.3

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 2009 or 31 December 2008. The other classes within debtors do not contain impaired assets.

Notes to the company financial statements
for the year to 31 December 2009

3 Cash at bank and in hand

	2009 **$m**	2008 $m
Cash at bank and in hand	**13.9**	5.2

4 Creditors

	2009 **$m**	2008 $m
Bank overdrafts	**110.7**	104.3
Other creditors	**1.0**	–
Amounts due to group undertakings	**607.9**	449.9
Amounts due to joint ventures	**9.5**	6.4
Corporation tax payable	**0.2**	0.2
Accruals and deferred income	**3.7**	1.5
	733.0	562.3

5 Creditors – amounts falling due after more than one year

	2009 **$m**	2008 $m
Bank loans	**275.7**	388.5

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:

	2009 **%**	2008 %
US Dollar	**6.81**	5.11
Sterling	**5.47**	4.41
Euro	**4.05**	3.37
Canadian Dollar	**4.55**	3.06

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

	2009 **$m**	2008 $m
US Dollar	**75.0**	100.0
Sterling	**88.8**	79.1
Euro	**63.0**	71.9
Canadian Dollar	**47.7**	132.4
Other	**1.2**	5.1
	275.7	388.5

Notes to the company financial statements
for the year to 31 December 2009

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 2009, approximately 82% (2008: 43%) 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 'A' or better, where possible.

(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 'A' rating or better where possible. There was no cash held on deposit at 31 December 2009.

Notes to the company financial statements

for the year to 31 December 2009

6 Financial instruments (continued)

(c) Liquidity risk

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2009, 100% (2008: 100%) of the Company's borrowing facilities were due to mature in more than one year. Based on the current outlook the Company has sufficient funding in place to meet its future obligations.

(d) Capital risk

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

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

At 31 December 2009	**Less than 1 year $m**	**Between 1 and 2 years $m**	**Between 2 and 5 years $m**	**Over 5 years $m**
Bank loans	**–**	**–**	**275.7**	**–**
Derivative financial instruments	**2.7**	**1.5**	**1.8**	**–**
Creditors	**733.0**	**–**	**–**	**–**
At 31 December 2008				
Bank loans	–	388.5	–	–
Derivative financial instruments	0.6	4.8	3.3	–
Creditors	562.3	–	–	–

Notes to the company financial statements

for the year to 31 December 2009

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 2009	**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	**178.1**	**–**	**–**	**–**
Inflow	**178.2**	**–**	**–**	**–**
Interest rate swaps				
Outflow	**8.0**	**3.0**	**3.2**	**–**
Inflow	**1.1**	**0.6**	**0.7**	**–**
At 31 December 2008				
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	–

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 2009

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:

	2009		2008	
	Debtor $m	**Creditor $m**	Debtor $m	Creditor $m
Interest rate swaps – cash flow hedges	**–**	**6.0**	–	8.4
Forward foreign exchange contracts	**–**	**–**	–	0.3
Currency options	**3.9**	**–**	5.1	–
Total	**3.9**	**6.0**	5.1	8.7
Whereof due after more than one year:				
Interest rate swaps – cash flow hedges	**–**	**3.3**	–	8.1
Due within one year	**3.9**	**2.7**	5.1	0.6

Trading derivatives are classified as debtors or creditors.

There was no ineffectiveness recorded in the profit and loss account arising from fair value hedges, cash flow hedges or 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 2009 was $178.1m (2008: $51.0m).

(b) Interest rate swaps

The notional principal amount of the Company's outstanding interest rate swap contracts at 31 December 2009 was $222.3m (2008: $166.5m).

At 31 December 2009 the fixed interest rates varied from 4.3% to 7.3% (2008: 4.7% to 5.6%) and the floating rate was 2.5% to 2.9% including margin (2008: 1.5% to 4.1%). The interest rate swaps are for periods of 5 years and they expire between 2010 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 2009

7 Share capital

	2009 **$m**	2008 $m
Authorised		
900,000,000 ordinary shares of 3⅓p each (2008: 720,000,000)	**44.0**	34.9
Allotted, called up and fully paid		
530,266,720 ordinary shares of 3⅓p each (2008: 527,836,720)	**26.3**	26.2

The additional information required in relation to share capital is given in note 21 to the Group financial statements.

8 Share premium

	2009 **$m**	2008 $m
At 1 January	**311.8**	303.6
Allocation of shares to employee share trusts	**4.0**	8.2
At 31 December	**315.8**	311.8

Expenses of share issue and allocation amounted to nil (2008: $0.1m)

9 Capital reduction reserve

	2009 **$m**	2008 $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 2009

10 Retained earnings

	2009 **$m**	2008 $m
At 1 January	**373.9**	364.2
Retained profit for the year	**112.0**	9.6
Shares purchased by employee share trusts	**(1.3)**	(34.2)
Shares allocated to employee share trusts	**(4.1)**	(8.4)
Shares disposed of by employee share trusts	**4.3**	10.5
Foreign exchange in respect of shares held by employee share trusts	**(6.6)**	18.9
Credit relating to share based charges	**11.2**	13.3
At 31 December	**489.4**	373.9

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investments in own shares represents the cost of 20,626,241 (2008: 21,884,982) of the Company's ordinary shares totalling $61.7m (2008: $54.0m).

11 Other reserves

	2009 **$m**	2008 $m
At 1 January	**2.0**	9.5
Fair value gains/(losses)	**2.4**	(7.5)
At 31 December	**4.4**	2.0

12 Reconciliation of movements in shareholders' funds

	2009 **$m**	2008 $m
Profit for the financial year	**162.3**	49.7
Dividends	**(50.3)**	(40.1)
	112.0	9.6
Credit relating to share based charges	**11.2**	13.3
Fair value gains/(losses)	**2.4**	(7.5)
Shares purchased by employee share trusts	**(1.3)**	(34.2)
Shares disposed of by employee share trusts	**4.3**	10.5
Foreign exchange in respect of shares held in employee share trusts	**(6.6)**	18.9
	122.0	10.6
Shareholders' funds at 1 January	**802.0**	791.4
Shareholders' funds at 31 December	**924.0**	802.0

The profit for the financial year for the Company was $162.3m (2008: $49.7m). The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 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 $50,000 (2008: $38,000). Details of dividends paid and proposed are provided in note 6 to the Group financial statements. Further details of share based charges are provided in note 20 to the Group financial statements. The loss on the fair value of unhedged derivative financial instruments charged to the profit and loss account during the year was $0.8m (2008: gain $5.4m).

Five year summary

	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m
Revenue	**4,927.1**	**5,243.1**	**4,432.7**	**3,468.8**	**2,761.9**
EBITA	**358.4**	**441.0**	**318.4**	**215.1**	**149.1**
Amortisation	(24.1)	(25.2)	(10.6)	(7.6)	(4.8)
Non-recurring items	(35.8)	–	(22.6)	–	3.7
Net finance expense	(33.7)	(31.7)	(25.3)	(23.9)	(23.3)
Profit before taxation	**264.8**	**384.1**	**259.9**	**183.6**	**124.7**
Taxation	(100.6)	(128.7)	(91.0)	(62.4)	(41.1)
Profit for the year	**164.2**	**255.4**	**168.9**	**121.2**	**83.6**
Attributable to:					
Equity shareholders	163.2	251.6	165.0	120.5	80.5
Minority Interests	1.0	3.8	3.9	0.7	3.1
	164.2	**255.4**	**168.9**	**121.2**	**83.6**
Shareholders' equity	**1,270.2**	**1,133.9**	**974.6**	**802.3**	**681.3**
Net debt	**87.9**	**248.8**	**277.9**	**257.9**	**245.8**
Gearing ratio	**6.9%**	**21.9%**	**28.5%**	**32.1%**	**36.1%**
Interest cover	**10.6**	**13.9**	**12.6**	**9.0**	**6.4**
Diluted earnings per share (cents)	**31.2**	**48.1**	**31.7**	**23.4**	**16.4**
Adjusted diluted earnings per share (cents)	**41.8**	**52.1**	**36.9**	**24.5**	**16.6**
Dividend per share (cents)	**10.0**	**9.0**	**7.0**	**5.0**	**4.0**

Shareholder information

Payment of dividends

The Company declares its dividends 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 12 March 2010 (£1.00=$1.5177) as published in the Financial Times on 13 March 2010.

Officers and advisers

Secretary and Registered Office
I Johnson
John Wood Group PLC
John Wood House
Greenwell Road
ABERDEEN
AB12 3AX

Tel: 01224 851000

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Tel: 0871 384 2649

Stockbrokers
Credit Suisse
JPMorgan Cazenove Limited

Auditor
PricewaterhouseCoopers LLP
Chartered Accountants

Financial calendar

Ex-dividend date	10 March 2010
Dividend record date	12 March 2010
Dividend payment date	1 April 2010
Annual General Meeting	12 May 2010

The Group's Investor Relations website can be accessed at www.woodgroup.com.

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www.woodgroup.com

John Wood Group PLC
John Wood House
Greenwell Road
East Tullos
Aberdeen
AB12 3AX
UK

Tel +44 1224 851 000

17420 Katy Freeway
Suite 300
Houston
TX 77094
USA

Tel +1 281 828 3500