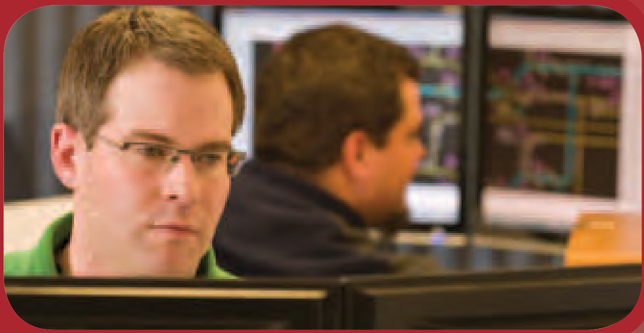
John Wood Group PLC
Annual Report and Accounts 2011



Energy Supporting Energy worldwide

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Energy Supporting Energy

Pictured is Thunder Horse, the world's largest drilling and production semi-submersible platform, and one of four deepwater facilities Mustang designed simultaneously for BP. This strategy allowed for 60,000 tonnes of topsides to be designed at once, which achieved a quicker project delivery and on-stream time than a conventional sequential design. We have recently secured the topsides engineering for Inpex's Ichthys semi-submersible in the Browse Basin offshore Western Australia. Once completed, it will become the largest semi-submersible in the world.

Wood Group is set to grow its position as:

a world-leading **engineering** business with strong market positions in upstream, subsea and pipelines;

the world's leading **production facilities support provider**; and

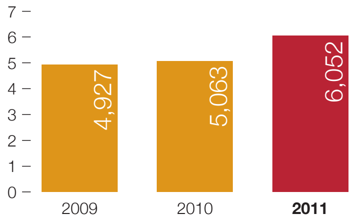
the world-leading independent provider of **integrated maintenance services for industrial gas turbines**.

Our results and how we measure our performance

We use a variety of key performance measures to evaluate the Group's performance.

Total Revenue[1]

$m

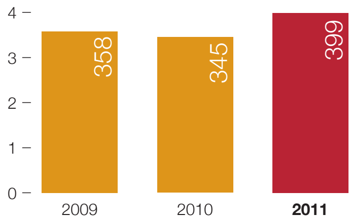


Total Revenue up 19.5% to $6,052m

2010: $5,063m

Total EBITA[1] *

$m

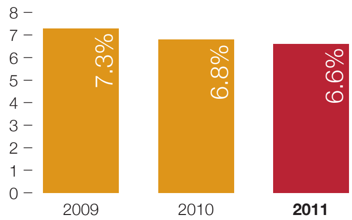


Total EBITA up 15.6% to $399m

2010: $345m

Total EBITA margin

%



Total EBITA margin down by 0.2% points to 6.6%

2010: 6.8%

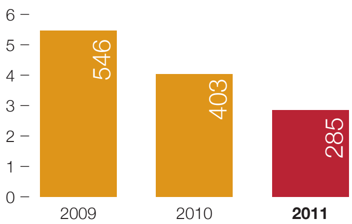
Key performance indicators on growth

We aim to achieve sustainable long-term revenue growth and EBITA margin improvement. We use EBITA and EBITA margin as key indicators of operating profitability.

The results shown include PSN since acquisition and Well Support up to the date of disposal. Revenue increased strongly in all divisions. The margin movement includes the impact of the acquisition of PSN on 20 April 2011 and disposal of the Well Support division on 26 April 2011.

Cash generated from operations

$m

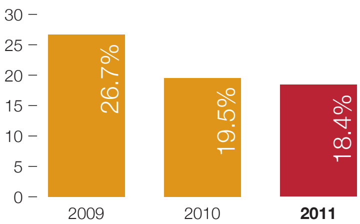


Cash generated from operations down 29.3% to $285m

2010: $403m

ROCE[4]

%

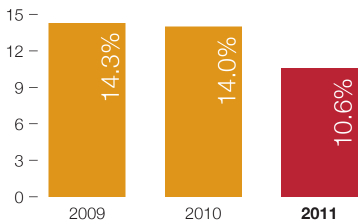


ROCE (%) down 1.1% points to 18.4%

2010: 19.5%

OCER[9] *

%



OCER (%) improved 3.4% points to 10.6%

2010: 14.0%

Cash generated from operations is an indicator of our ability to generate cash flow from the earnings of our business activities.

Cash generated from operations was held back by the increase in net working capital, which included the impact of movements in the businesses disposed and increased revenues, lower advance payments and slightly reduced working capital efficiency.

Key performance indicators on capital efficiency

We aim to obtain a satisfactory return on capital invested and to actively manage the level of operating capital required to support revenue. Both ROCE and OCER provide a measure of the efficiency with which the Group is generating operating profit from its capital.

The decrease in ROCE reflects the higher total capital employed following the acquisition of PSN, partially offset by higher EBITA in the period.

Further reading
Financial review pages 16-21
Risk management page 22
Principal risks and uncertainties pages 23-25

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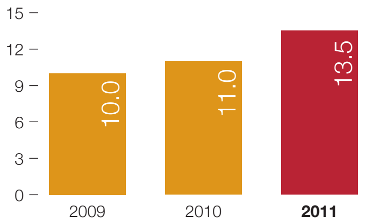
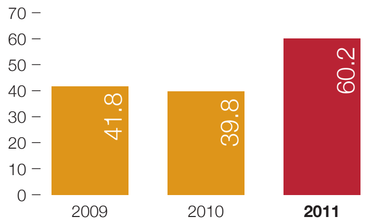
Dividend per ordinary share
Cents



Dividend per ordinary share (cents) up 23% to 13.5c
2010: 11.0c

The Group adopts a progressive dividend policy taking into account its capital requirements, cash flows and earnings. Dividend per share has increased by a CAGR of 18% between 2002-11.

Adjusted diluted EPS[3] *
Cents

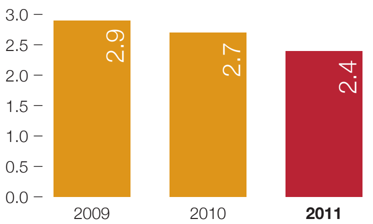


Adjusted diluted EPS (cents) up 51.3% to 60.2c
2010: 39.8c

Key performance indicator on earnings
We aim to generate long-term adjusted diluted earnings per share growth. Adjusted diluted EPS is a widely accepted measure of post-tax shareholder return.

The movement in adjusted diluted EPS reflects the increased EBITA, lower finance expense, the lower effective tax rate and the favourable impact of the share reduction related to the return of cash.

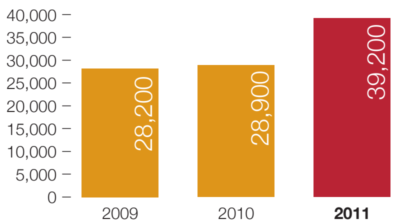
Safety: total recordable case frequency (TRCF)[10] *
per million man hours



TRCF improved 11.1%
2010: 2.7

Key performance indicator on safety
Safety & Assurance is our top priority. We passionately care about the safety of our people and behave as safety leaders. We are committed to preventing injuries and ill health to our people and everyone we work with.

People[5]



People up 35.6% to 39,200
2010: 28,900

People are our business. We are professional, high-performing team players focused on delivering and drawing on our global expertise.

* typically included in how remuneration is determined under the Group's incentive schemes for directors and certain senior managers.

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.

What we do

We are an international energy services company with around $6bn in revenue, employing over 39,000 people and operating in more than 50 countries. We provide **services** to customers engaged in the **Oil & Gas** and **Power markets**. Our activities are in three divisions: Wood Group Engineering, Wood Group PSN and Wood Group GTS. In 2011, we completed the acquisition of PSN and the disposal of the Well Support division which enhanced the Group's **strategic focus** and **market-leading positions**.

Wood Group Engineering

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 system upgrades.

1. Working on FEED studies for Early Production System development options, an approach designed to bring new developments on-stream quickly, while allowing the customer the opportunity to appraise reservoir performance before installing permanent facilities.

2. Control system testing and upgrading for a North American refinery. In 2011 our automation services continued to focus on delivering improvement for our customers.

Wood Group PSN

We provide **life of field support** to producing assets, through brownfield engineering and modifications, production enhancement, operations & maintenance (including UK duty holder services), training, maintenance management and abandonment services.

1. Providing engineering & maintenance services on TAQA's North Sea assets: Tern, Eider, Cormorant Alpha and North Cormorant. In 2011, we further developed our long-term relationship with TAQA with a five-year extension to our contract which has been in place since 2008.

2. Providing maintenance services at the Camisea production facility, onshore Peru. The facility accounts for approx. 95% of all gas produced in Peru and in 2011 we extended our contract to provide services for a further three years.

Wood Group GTS

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

1. Providing maintenance services for New York Power Authority's 500 MW Queens facility under a long-term, 16-year contract.

2. Maximizing the performance of our oil & gas customer's gas compression equipment through the provision of specialist engineering and maintenance solutions from our dedicated workshop facility in Ellon, Scotland.

Further reading

Wood Group Engineering	pages 10-11
Wood Group PSN	pages 12-13
Wood Group GTS	pages 14-15

Revenue	Upstream	Subsea and pipelines	Downstream, process and industrial
24% of pro forma revenue from continuing operations 2010: 24%	**40%** of revenue*	**40%** of revenue*	**20%** of revenue*
People **9,100** 2010: 6,900	• Engineering, project and construction management (EPCM) services and control system upgrades, covering offshore topsides (including FPSOs), and onshore processing facilities for conventional and unconventional projects	• EPCM services for subsea developments and for offshore pipelines • EPCM and field service for onshore pipelines	• EPCM services, operational enhancements and control system upgrades for refineries (including clean fuel modifications), petrochemical plants, process and industrial, and clean energy facilities

Revenue	UK	Americas	International
56% of pro forma revenue from continuing operations 2010: 61%	**40%** of revenue*	**30%** of revenue*	**30%** of revenue*
People **26,200** 2010: 14,500	• 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		

Revenue	Maintenance	Power Solutions
20% of pro forma revenue from continuing operations 2010: 15%	**70%** of revenue*	**30%** of revenue*
People **3,400** 2010: 3,300	• Shop-based maintenance repair and overhaul of gas turbines, compressors, pumps and other rotating equipment • Major maintenance consisting of technical support, field service, parts supply and outage management • Power plant operations & maintenance services including daily operations and routine maintenance • Reliability and availability optimisation and asset integrity • Upgrade and modification of gas turbines to improve reliability, performance and efficiency	• Power plant engineering, procurement and construction (EPC) • Provision of gas turbine-driven packages for power, compression and pumping applications

** Based on management assessment of typical indicative through-cycle activities of the refocused Group.*

Understanding our business

We are focused on long-run growth markets. We support our customers' activities across their operating (**opex**) and capital (**capex**) expenditures.

Market growth

Long-term growth in our markets is driven by hydrocarbon depletion challenges together with **rising long-term** global energy **demand**.

Key growth drivers for our divisions

E&P capex spend

Wood Group Engineering
Growth in capex spend directed towards increasingly complex engineering challenges in deepwater, subsea, oil sands and downstream markets.

E&P opex spend

Wood Group PSN
Customers' ongoing opex spend with increased focus on asset integrity, performance assurance and production enhancement.

Gas turbine opex and capex spend

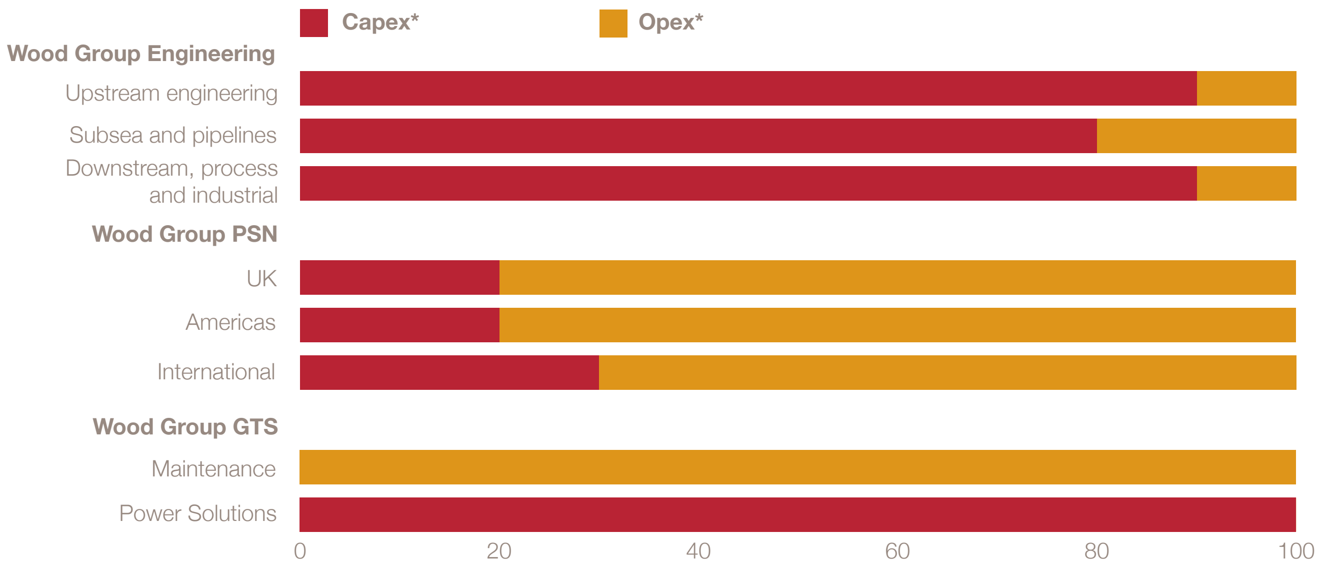
Wood Group GTS
Gas pricing, relative environmental considerations and operational flexibility to contribute to continued growth in gas-fired power-generation market, ahead of global GDP growth.

Divisional characteristics and market drivers

<table>
<tr><th></th><th>Typical contract duration*</th><th>Typical order book range*</th><th>Market characteristics</th></tr>
<tr><td colspan="4">Wood Group Engineering</td></tr>
<tr><td>Upstream</td><td rowspan="3">3 to 24 months</td><td rowspan="3">6 to 9 months</td><td rowspan="2">Significant global reserves in increasingly complex reservoirs developed through large-scale, longer-term, complex projects</td></tr>
<tr><td>Subsea & pipelines</td></tr>
<tr><td>Downstream, process & industrial</td><td>Refining margins together with efficiency and environmental performance challenges impacting upgrades and debottlenecking projects</td></tr>
<tr><td colspan="4">Wood Group PSN</td></tr>
<tr><td>UK</td><td>3 to 5 years</td><td rowspan="3">18 to 36 months</td><td rowspan="3">UK and Americas are characterised by ongoing operations which provide relative revenue stability through longer-term contracts, increased operations, safety and asset integrity spending. Additional growth expected in International markets with limited infrastructure and in the Americas through growth in the shale regions</td></tr>
<tr><td>Americas</td><td>Evergreen</td></tr>
<tr><td>International</td><td>3 to 5 years</td></tr>
<tr><td colspan="4">Wood Group GTS</td></tr>
<tr><td>Maintenance</td><td>Transactional (50%);
3 to 12 years (50%)</td><td rowspan="2">Around 12 months</td><td>Maintenance demand driven by turbine running hours in oil & gas (35%) and power (65%) applications. Technical requirements provide high barriers to entry</td></tr>
<tr><td>Power Solutions</td><td>Transactional (20%);
1 to 3 years (80%)</td><td>Fast-track requirements vs original equipment manufacturer lead times</td></tr>
</table>

Balance

Our activities are focused on our customers' **opex and capex expenditure,** and we seek to maintain a **balance between opex and capex revenues** across the Group.



People business

We are a primarily **reimbursable business**. Across the large majority of our activities, we earn returns through our **people's know-how and expertise.**

** Based on management assessment of typical indicative through-cycle activities of the refocused Group.*

Chairman's and Chief Executive's statement

"Through our market-leading positions in engineering, production facilities support and gas turbine services, we are well positioned to take advantage of strong growth trends in energy markets and we continue to anticipate good growth in the longer-term."

Allister G. Langlands
Chief Executive

Sir Ian Wood
Chairman

Introduction

2011 was a year of successful strategic repositioning for the Group as we completed the acquisition of PSN and the disposal of the Well Support division to focus on our market-leading positions in engineering, production facilities support and gas turbine services.

Overall, it has been a year of strong growth. In Engineering, increased activity in upstream and subsea & pipelines led to higher revenues and improved margins. We have largely completed the integration of the PSN acquisition with Wood Group's Production Facilities business, to create Wood Group PSN, and are on track to deliver expected synergies. The PSN acquisition has performed ahead of expectations. Overall, Wood Group PSN performance benefited from strength in the North Sea and North America, but was held back by previously announced losses on Wood Group Production Facilities contracts in Oman and Colombia. In Wood Group GTS, we saw strong revenue growth and margin improvement in our Maintenance business and good progress in Power Solutions, which recognised significant levels of profit in the second half.

In support of our continued development, we formalised the common values and culture which unite the Group. These Core Values – Safety & Assurance, Relationships, Social Responsibility, People, Innovation, Financial Responsibility and Integrity – define who we are, what we believe in, set out how we act and how we expect to be treated, and provide a sound basis to make decisions.

2011 Group performance	**2011 $m**	2010 $m	**% Change**
Total revenue[1]	**6,052.3**	5,063.1	19.5%
Revenue from continuing operations[2]	***5,666.8***	*4,085.1*	*38.7%*
Total EBITA[1]	**398.7**	344.8	15.6%
EBITA from continuing operations[2]	***341.6***	*218.7*	*56.2%*
Total EBITA margin %	**6.6%**	6.8%	(0.2%pts)
EBITA margin from continuing operations %	***6.0%***	*5.4%*	*0.6%pts*
Profit from continuing operations before tax and exceptional items	**254.1**	156.2	62.7%
Basic EPS	**530.7c**	32.4c	n/m
Adjusted diluted EPS[3]	**60.2c**	39.8c	51.3%
Total dividend	**13.5c**	11.0c	22.7%
ROCE[4]	**18.4%**	19.5%	(1.1%pts)

Note: Total revenue and EBITA figures represent the sum of the Group's continuing operations and Well Support activity up to the date of disposal. Continuing operations revenue and EBITA figures include the results of PSN since acquisition, and exclude the results of Well Support in the period prior to its disposal and those of the Wood Group GTS Aero engine overhaul business.

Total revenue increased by 20% and total EBITA was up 16%. Revenue increased strongly in all divisions, including the impact of PSN results from 20 April 2011. Revenue from continuing operations increased by 39% and EBITA from continuing operations increased by 56% to $341.6m. Continuing operations EBITA margin ('margins') increased by 0.6 percentage points due to improved margins in all divisions.

Adjusted diluted EPS increased by 51% to 60.2c, reflecting the increased EBITA in the period, lower finance expense, the lower effective tax rate and the favourable impact of the share reduction related to the return of cash.

Reflecting our confidence in the longer-term outlook for the Group, we are declaring a final dividend of 9.6 cents which will bring the full year dividend to

Further reading

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Directors' biographies	pages 36-37

Footnotes **page 21**

13.5 cents, up 23% on 2010. This takes the annual compound growth in dividends since our IPO in 2002 to 18%.

Markets

Conditions in oil & gas markets remained strong. Some uncertainty around the global economic outlook remains, but we believe that energy market fundamentals will continue to be driven by supply side challenges coupled with rising global energy demand over the longer-term. In 2011, there was good growth in global E&P spend and this is forecast to increase by around 5% - 10% in 2012. E&P spend has a particular benefit for our Engineering activities focused on clients' development-related capex and we remain encouraged by our order book & prospects list. For Wood Group PSN, we believe the market for our brownfield production support services will expand as the number of assets increases and ages, and operators increasingly focus on asset integrity, process safety, performance assurance and production enhancement.

Economic conditions for our power customers in Europe and North America remained challenging, although our Wood Group GTS maintenance business secured a number of new awards, and levels of interest in our fast-track power solutions offering remain strong, particularly in emerging economies. The growth in global electricity demand over the longer-term, relatively favourable gas prices and environmental considerations continue to support the future prospects for gas-fired power generation.

Strategy

In 2011, we completed the acquisition of PSN for a consideration of around $1bn and the disposal of the Well Support division for $2.8bn and these steps enhanced the Group's strategic focus and market-leading positions. Following completion of the transactions, we returned £1.1bn in cash to shareholders through a tender offer and B/C share scheme.

The strategy of the refocused group has four strands:

- To maintain a balance between development and later cycle production support
- To grow and maintain our market-leading positions, based on differentiated know-how, innovation and technical capabilities
- To develop long-term customer relationships often through performance-based contracts
- To extend our services within our three core businesses and broaden our international presence

In pursuit of this strategy, and in addition to the PSN acquisition, we completed the acquisitions of Dar E&C and Pi-Consult to enhance our Engineering capability in Saudi Arabia. We also established a joint venture in Kuala Lumpur and acquired ISI Solutions in Argentina to provide engineering and consulting services to markets in South East Asia and Latin America. In Angola, we established the Wood Group Kianda joint venture to provide engineering and production facilities support services. In Wood Group GTS we took a number of steps to improve our differentiation, including the acquisitions of IMS and Gas Turbine Efficiency, and the formation of a strategic alliance with Pratt & Whitney Power Systems to service the important frame 7 FA aftermarket.

The Board

Bob Keiller joined the Board on 20 April 2011 as Group Director, Wood Group PSN, following the completion of the PSN acquisition. Jim Renfroe, Group Director, Well Support, resigned from the Board on 26 April 2011 following the sale of the division. We thank Jim for his considerable achievements in leading the Well Support division during his tenure with the Group. John Ogren resigned as a non-executive director after 10 years on the Board at the 2011 AGM. We are immensely grateful for John's contribution, in particular his broad industry knowledge, both as an operator and a contractor, and insight into events and market trends in North America. Jeremy Wilson was appointed as a new non-executive director on 1 August 2011.

Risks and Uncertainties

Risks and uncertainties are inherent features of the oil & gas and power services industries and provide challenges that cannot be completely eliminated. However, we assess risk carefully and mitigate where we can to ensure that we keep our people safe, serve our customers well and, at the same time, achieve acceptable returns for our shareholders.

The Board has overall responsibility for ensuring that, where possible, risk is managed effectively as part of the established governance structure. In 2010, the Board prepared a statement of its attitude to risk which has been updated in 2011 following the sale of Well Support and the acquisition of PSN.

Safety & Assurance

Safety & Assurance is our top priority and first Core Value. Over many years we have reduced injury rates to our people whilst growing our workforce significantly. This continued in 2011 with a 31% reduction in lost time injury rate and an 11% reduction in total recordable injury rate, compared to 2010. However, two incidents provided a stark reminder of the need for a continued focus on safety improvement; two engineers died in a road traffic accident in Saudi Arabia and one technician died following the collapse of a customer crane in the Gulf of Mexico. Lessons have been learned and actions taken to improve risk management as a result. Management remain committed to a relentless focus on Safety & Assurance improvement and continue to invest in appropriate leadership and technical safety training.

Outlook

We anticipate good progress in all divisions in 2012.

In our activities supporting clients' development capex, we are forecasting strong growth in Engineering driven by increased E&P capex spend and have good visibility in our Wood Group GTS Power Solutions business into 2012. In our activities supporting clients' production opex activities, we see performance improvement in Wood Group PSN and further growth in Wood Group GTS Maintenance. Through our market-leading positions in engineering, production facilities support and gas turbine services, we are well positioned to take advantage of strong growth trends in energy markets and we continue to anticipate good growth in the longer-term.

Sir Ian Wood, Chairman	Allister G. Langlands, Chief Executive

Wood Group Engineering

We provide a wide range of engineering services to the upstream, subsea & pipelines, downstream & industrial and clean energy sectors. These include conceptual studies, engineering, project & construction management (EPCM) and control system upgrades.

"Recent contract awards, including the Ichthys detailed engineering scope for Samsung, the Tubular Bells topsides work for Williams Partners and our subsea engineering framework agreements with Shell, support our expectation of further growth in upstream and subsea & pipelines in 2012."

Mike Straughen
Group Director
Wood Group Engineering

	2011 $m	2010 $m	% Change
Revenue	**1,458.6**	1,239.1	17.7%
EBITA	**162.0**	122.0	32.8%
EBITA margin	**11.1%**	9.8%	1.3pts
People[5]	**9,100**	6,900	32%

Engineering revenue increased by 18% reflecting increased activity in upstream and subsea & pipelines, with downstream, process & industrial activity remaining broadly in line with the prior year. EBITA increased 33% with margin increasing from 9.8% to 11.1%, generally reflecting higher volumes and some improvements in utilisation and pricing.

Headcount increased from 6,900 to 9,100 in response to increased demand for our services in upstream and subsea & pipelines, together with the impact of the acquisitions of Dar E&C and Pi-Consult in Saudi Arabia and ISI Solutions in Argentina, which added around 500 people.

Our upstream business accounted for around 40% of Engineering revenue. We delivered good growth in the USA where we remain active on projects including the detailed engineering scope for the Anadarko Lucius and Chevron Jack & St Malo projects in the Gulf of Mexico, the Noble Alen project in Equatorial Guinea and the onshore Hess Tioga gas plant expansion in the USA. In Canada, we secured a two-year framework agreement with Shell covering Western Canada and offshore Alaska, and our activities in support of developments in the oil sands market performed strongly. We made further progress in Saudi Arabia, where we were awarded a multi-year engineering services framework agreement by Saudi Aramco, following the acquisitions of Dar E&C and Pi-Consult. In Malaysia, our newly established joint venture was awarded its first contracts. During the period we also announced the acquisition of ISI Solutions in Argentina, to support the provision of engineering and consulting services to the Latin American market.

Our subsea & pipeline business accounted for around 40% of Engineering revenue and continues to perform strongly. We are currently working on over 20 major subsea projects globally, including key projects for BP in Azerbaijan and Angola, and Shell in Malaysia. Activity remains high in Australia where we were recently awarded the FEED work for the Equus project by Hess and where we continue to work for Chevron on the Gorgon project and Woodside on the Browse development. We also experienced notable growth in the UK where we secured the engineering design and project management work for BP's Quad 204 project. Our onshore pipelines business performed well, benefiting from liquids-focused activity in the US shale regions.

Our downstream, process & industrial activities accounted for around 20% of revenues and performance in 2011 was broadly in line with 2010. The downstream refining market in North America remains flat, although we are beginning to see early signs of improvement in the process & industrial market.

Outlook

Our current order book represents around eight months of forecast revenue following a good increase in the first two months of the year, and we have a strong prospects list. Recent contract awards, including the Ichthys detailed engineering scope for Samsung, the Tubular Bells topsides work for Williams Partners and our subsea engineering framework agreements with Shell, support our expectation of further growth in upstream and subsea & pipelines in 2012. In downstream, process & industrial, we anticipate that performance in 2012 will be largely in line with 2011, due to ongoing weakness in the market in North America.

Forecasts of growing global E&P capex spend underpin our confidence in the longer-term prospects for Engineering. We see good opportunities for further growth and will continue to broaden our international presence and service offering as customers seek to replace and grow reserves in increasingly complex developments.

Further reading

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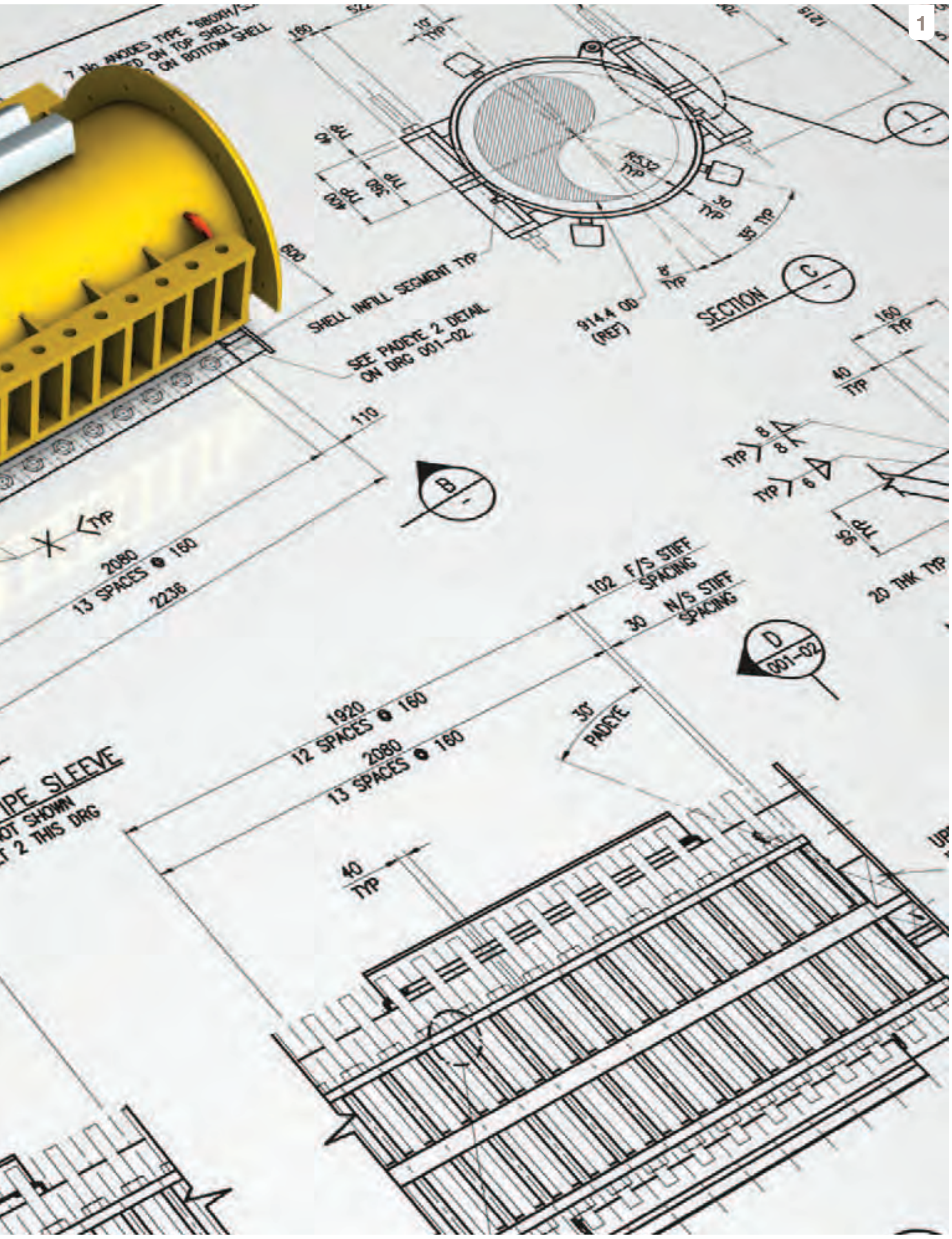
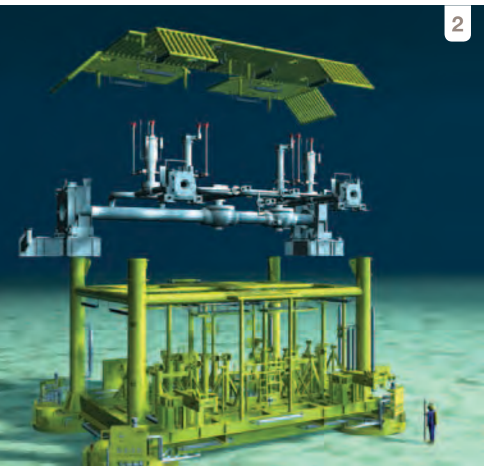
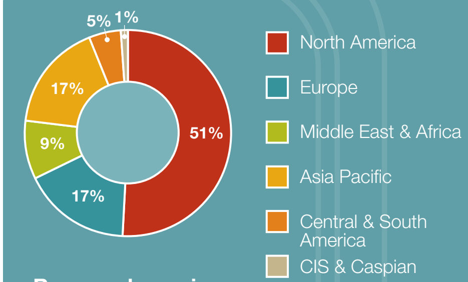




1. Engineering drawings for a UK North Sea pipeline project.

2. Subsea manifold designed by J P Kenny for BP Skarv, currently the largest ongoing field development offshore Norway. The schematic shows a figure to illustrate scale.

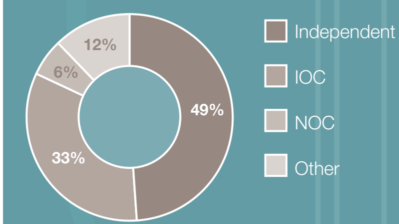
3. We provide front-end engineering design, detailed design, procurement and field engineering support for low sulphur modifications to ensure environmental legislation compliance for our customers.



Revenue by region

up
32%

Headcount



Typical customer profile

Wood Group PSN

We provide life of field support to producing assets through brownfield engineering and modifications, production enhancement, operations & maintenance (including UK duty holder services), training, maintenance management and abandonment services.

"The integration of PSN is largely complete and we are on track to deliver expected synergies. Recent contract wins and extensions demonstrate the strong level of customer support for the merged business which we believe is unique in its international reach."

Bob Keiller
Group Director
Wood Group PSN

	2011 $m	2010 $m	% Change
Revenue	**3,012.7**	2,041.1	47.6%
EBITA	**153.2**	101.4	51.1%
EBITA margin	**5.1%**	5.0%	0.1pts
People[5]	**26,200**	14,500	81%

Revenue and EBITA include the results of PSN from the date of acquisition on 20 April 2011 to 31 December 2011, amounting to revenue of $992.5m and EBITA of $92.8m.

Wood Group PSN was formed through the merger of Wood Group Production Facilities with PSN, to create the global market leader in brownfield production facilities support, which now employs over 26,000 people. The integration programme is largely complete and we are on track to deliver expected synergies.

Revenue increased by 48% and EBITA increased by 51% in the period, due to the contribution of the acquired PSN business which performed ahead of our expectations. Overall performance benefited from strength in the North Sea and North America, but was held back by losses of around $30m on Wood Group Production Facilities work in Oman and Colombia. Losses in Oman will continue to impact in 2012, although we anticipate that this will be at a reduced level compared to 2011.

We experienced strong demand in the North Sea, which remains our largest market and accounted for around 40% of revenue compared to 54% for the Production Facilities business in 2010. During 2011 we secured a number of major contract extensions, including the operations & maintenance contract with Talisman, and our operations, maintenance and engineering contract with Taqa Bratani, both for five years. We also recently extended an onshore contract with Shell and have been awarded a new contract with Premier Oil to support the Balmoral floating production vessel. These contracts provide good earnings visibility and we believe demonstrate the strong level of customer support for the merged business.

The Americas accounted for around 30% of revenue. Our offshore activities in the Gulf of Mexico performed well and we were also awarded the project commissioning work for the Jack & St. Malo development for Chevron. Demand for our US onshore services, including in the shale regions, strengthened through the year and we see good growth prospects for our operations support, consultancy and training services. In Latin America, we have fully provided for anticipated losses to completion on a fixed price downstream project for Ecopetrol in Colombia. We have strengthened the management team in Colombia and expect to complete the project in the second half of 2012, in line with our cost estimates.

International markets, outside the North Sea and the Americas, represent around 30% of revenue. In Oman, difficulties in the start-up and mobilisation of our seven-year engineering and maintenance services contract with PDO resulted in lower than anticipated utilisation and this contributed to losses. We have continued to strengthen the management team in Oman and have now fully taken over responsibility from the previous contractor. We currently anticipate reduced losses in Oman in 2012 and that the contract will become profitable from 2013. In Australia, we delivered good profits from work with customers including Exxon in the Bass Strait. In Africa, we continue to be active on contracts in Cameroon, Chad, Equatorial Guinea, Nigeria and Angola, where our Wood Group Kianda joint venture has recently secured the topsides maintenance scope for BP for Block 31. In Russia, we extended our contract with SEIC in Sakhalin for a further five years and in Kazakhstan, we are working for TengizChevroil.

Outlook

The integration of PSN is largely complete and we are on track to deliver expected synergies. Recent contract wins and extensions demonstrate the strong level of customer support for the merged business which we believe is unique in its international reach. Improved performance in 2012 will be led by the elimination of losses in Colombia, reduced losses in Oman and continued strength in the North Sea, North America and Africa.

Looking further ahead, we believe there are significant opportunities to deliver our high-quality, high-integrity services in good long-term growth markets as the industry increasingly focuses on operational assurance, competency, reliability and asset integrity.

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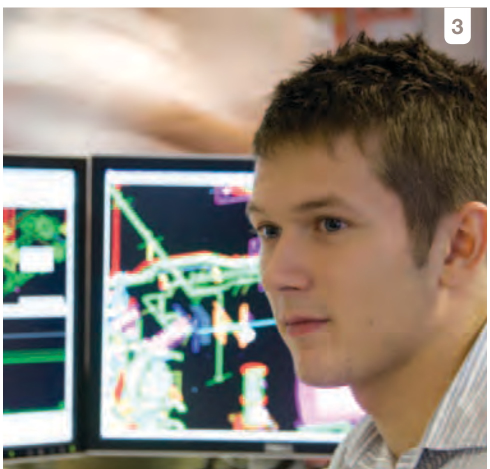
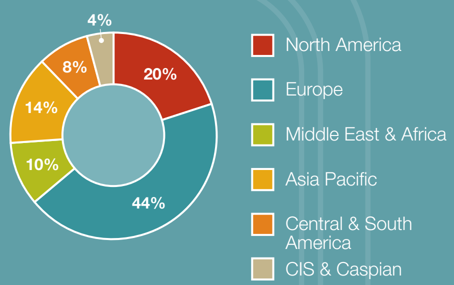


1. Providing pre-commissioning services to an offshore platform prior to its sail away into the Gulf of Mexico, focusing on the client's needs for safety in the operation of their new facilities.

2. Supporting onshore shale gas production in the USA by challenging established practices to provide innovative solutions.

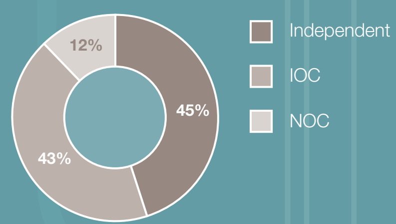
3. Providing engineering & maintenance services on Talisman's North Sea Northern and Central business areas. Our long-term relationship over the past eight years has been continued with a five-year extension to the contract in 2011.



Revenue by region

up 81%

Headcount



Typical customer profile

Wood Group GTS

We are a leading independent provider of rotating equipment services and solutions for clients in the power, oil & gas and clean energy markets. Our aftermarket Maintenance activities include facility operations & maintenance and repair & overhaul of gas, wind and steam turbines, pumps and other high-speed rotating equipment. Our Power Solutions business provides power plant engineering, procurement & construction and construction management services to the owners of power-generation facilities.

> **"2011 saw a strong recovery in our Maintenance activities and, despite a challenging power market, we anticipate further growth in 2012. In Power Solutions, we have good visibility on work and anticipate strong EBITA growth in 2012 as the Dorad and GWF projects progress."**

Mark H. Papworth
Group Director
Wood Group GTS

	2011 $m	2010 $m	% Change
Revenue	**1,195.5**	804.9	48.5%
EBITA	**78.8**	46.1	70.9%
EBITA margin	**6.6%**	5.7%	0.9pts
People[5]	**3,400**	3,300	3%

Revenue increased by 49% and EBITA increased by 71%, reflecting strong revenue growth and margin improvement in Maintenance and the successful progression of our ongoing EPC projects with Dorad and GWF in Power Solutions.

Headcount increased due to higher activity in Power Solutions, offset to some extent by a net reduction in Maintenance headcount as a result of operating efficiency initiatives.

Maintenance revenues increased by 10% to $784m and EBITA increased by over 20%, primarily due to improved performance in our oil & gas related activities, which benefited from steps taken to enhance our operating efficiency and product capability, together with a good contribution from our activities in Iraq.

In our power-related activities, we made a number of strategic moves to enhance our differentiation. We formed a strategic alliance with Pratt & Whitney Power Solutions to better service the GE 7FA turbine aftermarket and also significantly enhanced our combustion technology capability. Overall, the market remained challenging, but we saw good performance on some longer-term contracts and secured a number of new awards including the Associated Electric Cooperative in the USA for 7FA equipment maintenance, the Municipal Utility District Financing Authority in Sacramento, California, EGASA in Peru and PlusPetrol in Argentina.

In Power Solutions, good progress on the Dorad and GWF contracts resulted in the recognition of significant levels of EBITA in the second half. We are pursuing a number of additional prospects in Power Solutions, and Dorad and GWF provide good visibility into 2012.

Outlook

2011 saw a strong recovery in our Maintenance activities and, despite a challenging power market, we anticipate further growth in 2012. In Power Solutions, we have good visibility on work and anticipate strong EBITA growth in 2012 as the Dorad and GWF projects progress. There is good demand for our fast-track EPC Power Solutions offering and, despite constraints in the project financing market, we are pursuing a number of additional prospects.

In the longer-term, forecast growth in global electricity demand, relatively favourable gas prices and environmental considerations all continue to underpin an excellent long-term market for gas-fired power generation.

Further reading

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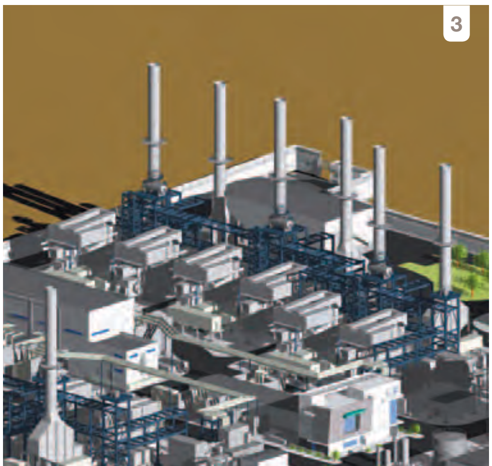
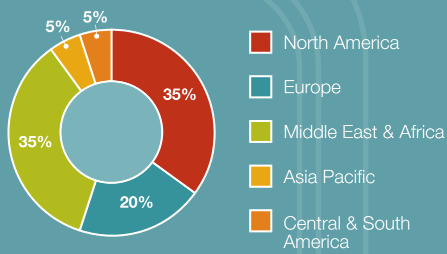


1. Precision-measuring activities located in our testing facility, Houston, ensure quality of service on a wide range of Solar engines.

2. At the Rolls Wood Group Avon 200 turbine workshop in Aberdeen, we have established an Engineering Training Centre to deliver the Modern Apprenticeship Programme and provide skilled operators to help support our testing requirements.

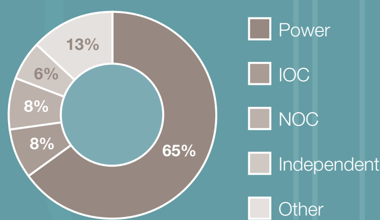
3. Our engineering, procurement and construction (EPC) activities support our clients' power plant requirements with fast-track, flexible solutions around the world.



Revenue by region

up 3%

Headcount



Typical customer profile

Financial review

"Adjusted diluted EPS for the year to 31 December increased by 51% to 60.2c, largely as a result of the increased EBITA in the period, lower net finance charges, a lower effective tax rate and a reduction in the weighted average number of fully diluted shares following the return of cash."

Alan G. Semple
Group Finance Director

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 (AEPS) 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 typically included in the Group's senior management incentive schemes, alongside specific personal objectives covering strategy, people development and safety measures.

Financial Performance

	2011 $m	2010 $m	% Change
Total revenue	**6,052.3**	5,063.1	19.5%
Revenue from discontinued operations[6]	**(385.5)**	(978.0)	
Revenue from continuing operations	**5,666.8**	4,085.1	38.7%
Total EBITA	**398.7**	344.8	15.6%
EBITA from discontinued operations	**(57.1)**	(126.1)	
EBITA from continuing operations	**341.6**	218.7	56.2%
Total EBITA margin	***6.6%***	*6.8%*	*(0.2%pts)*
EBITA margin from continuing operations	***6.0%***	*5.4%*	*0.6%pts*
Amortisation	**(78.7)**	(29.0)	
Operating profit from continuing operations pre-exceptional items	**262.9**	189.7	38.5%
Net finance expense from continuing operations	**(8.8)**	(33.5)	
Profit from continuing operations before tax and exceptional items	**254.1**	156.2	62.7%
Taxation on continuing operations before exceptional items	**(75.0)**	(57.9)	
Profit for year from continuing operations before exceptional items	**179.1**	98.3	82.2%
Profit from discontinued operations, net of tax	**36.1**	89.4	
Profit for year before exceptional items	**215.2**	187.7	14.7%
Exceptional items, net of tax	**2,087.6**	(21.9)	
Profit for the year	**2,302.8**	165.8	n/m
Basic EPS (cents)	**530.7c**	32.4c	
Adjusted diluted EPS (cents)	**60.2c**	39.8c	51.3%
Dividend per share (cents)	**13.5c**	11.0c	22.7%

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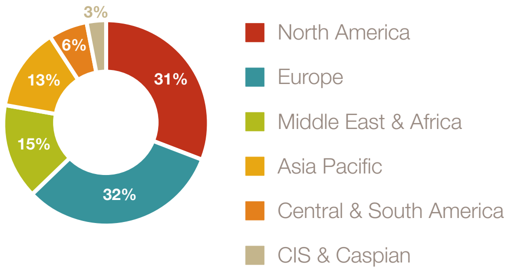
Key Performance Indicator – EBITA
We use earnings before interest, tax, exceptional items and amortisation as a key indicator of operating profit.

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



Revenue from continuing operations by region

The results for the year have been impacted by the acquisition of PSN on 20 April 2011 and the disposal of the Well Support division on 26 April 2011.

A review of our trading performance is contained within the Chairman's and Chief Executive's Statement, along with the Operational Review.

On a pro forma basis, which includes PSN revenue and EBITA for the full year, including the pre-acquisition period, and excludes the results of Well Support, the performance for the continuing Group in 2011 would have been as set out below.

Unaudited	**2011 $m**	**2010 $m**	**% Change**
Engineering	**1,458.6**	1,239.1	17.7%
Wood Group PSN	**3,376.0**	3,215.3	5.0%
Wood Group GTS	**1,195.5**	804.9	48.5%
Pro forma Revenue from continuing operations	**6,030.1**	5,259.3	14.7%
Engineering	**162.0**	122.0	32.8%
Wood Group PSN	**175.2**	198.1	(11.6%)
Wood Group GTS	**78.8**	46.1	70.9%
Central	**(52.4)**	(50.8)	3.1%
Pro forma EBITA from continuing operations	**363.6**	315.4	15.3%

The pro forma result highlights underlying growth in revenue and EBITA of around 15%. On a pro forma basis Wood Group PSN EBITA has reduced by 11.6%, primarily due to the losses recognised in Colombia and Oman as previously announced and noted in the Operational Review.

Commentary on other items relevant in arriving at the Group's financial performance for the year is set out below.

Amortisation

The amortisation charge of $78.7m includes $56.8m (2010: $10.5m) of amortisation relating to intangible assets arising from acquisitions, of which $47.4m relates specifically to the PSN acquisition. The total intangible assets recognised in relation to the acquisition of PSN was $194.5m and will be amortised over a period of five years. The total amortisation charge on intangible assets arising from acquisitions for 2012 is expected to be around $55.0m, of which it is anticipated that around $49.0m will relate to PSN. We regard the amortisation charge relating to intangible assets arising on acquisitions to be a relatively subjective measure, and as a result continue to believe that performance is best measured excluding this figure. This is one of the primary reasons for our key reporting measures for profit and earnings per share excluding the impact of amortisation.

Net finance expense

The net finance expense from continuing operations pre exceptional items of $8.8m is analysed further below:

	2011 $m	**2010 $m**
Interest on debt	**9.0**	20.0
Non utilisation fees	**2.3**	5.1
Non cash charges on pension and deferred consideration	**1.3**	1.8
Bank fees and charges	**1.1**	8.4
Total finance charge from continuing operations pre exceptional items	**13.7**	35.3
Finance income	**(4.9)**	(1.8)
Net finance expense from continuing operations pre exceptional items	**8.8**	33.5

Interest cover[7], based on EBITA from continuing operations was 38.8 times (2010: 6.5 times).

Financial review

Exceptional Items

	2011 $m
Business divested or to be divested	**(2,293.7)**
Acquisition costs	**15.8**
Integration and restructuring charge	**84.2**
Political disruption	**13.0**
Impairment of goodwill	**46.2**
Total exceptional items before tax	**(2,134.5)**
Tax on exceptional items	**46.9**
Total exceptional items after tax	**(2,087.6)**

As set out in the table above we recorded a net exceptional gain of over $2bn in the year, primarily in relation to the gain on divestment of our Well Support division. During the year we also recorded exceptional costs in relation to the strategic repositioning of the Group. The majority of these costs were directly related to the acquisition of PSN, the integration of the resulting Wood Group PSN division, and decisions made to withdraw from certain geographical markets.

As a result of the political disruption earlier in 2011 we also recorded an exceptional charge in relation to some overdue Libyan receivables, and we wrote down the goodwill associated with a GTS power-related business.

Further details are provided in Note 4 to the Group financial statements.

Costs in relation to the return of cash to shareholders of $14.9m were incurred and a foreign exchange loss of $13.4m ($9.8m net of tax) arose on the sterling balances held in anticipation of the return of cash and these have been taken directly to retained earnings.

Taxation

	2011 $m	2010 $m
Profit from continuing operations before tax pre exceptional items	**254.1**	156.2
Add amortisation of intangibles arising on acquisition	**–**	10.5
Adjusted Profit	**254.1**	166.7
Underlying tax charge	**91.8**	57.9
Credit in relation to deferred tax on amortisation of intangibles arising on acquisition	**(16.8)**	–
Tax charge per financial statements	**75.0**	57.9
Effective tax rate on Continuing Operations	**29.5%**	34.7%

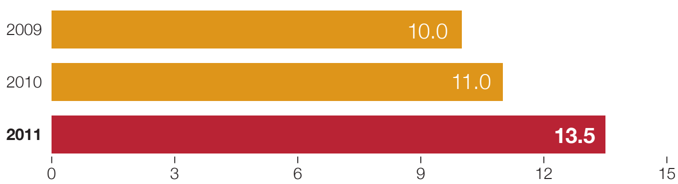
The higher rate in 2010 relates primarily to unrecognised tax losses and the booking of further provisions in overseas jurisdictions. Following the sale of Well Support and acquisition of PSN, we expect the typical rate to be no more than 29.0% with the reduction including the change in geographic mix of the Group, reduced rates in certain jurisdictions and certain management actions taken.

Earnings per share

Adjusted diluted EPS for the year to 31 December 2011 increased by 51% to 60.2c, largely as a result of the increased EBITA in the year, lower net finance charges, a lower effective tax rate and a reduction in the weighted average number of fully diluted shares following the return of cash.

Dividends

The proposed final dividend is 9.6c. This results in a full year dividend of 13.5c, an increase of 23% from last year, and an annual compound growth in dividends since our IPO in 2002 of 18%. Dividend cover[8] for 2011 was 4.5 times (2010: 3.6 times).



Dividend per ordinary share (cents)

Summary balance sheet

	2011 $m	2010 $m
Assets		
Non-current assets	**1,873.9**	1,059.4
Current assets	**2,007.1**	1,921.1
Liabilities		
Current liabilities	**(1,505.2)**	(1,230.7)
Net current assets	**501.9**	690.4
Non-current liabilities	**(401.3)**	(332.6)
Net assets	**1,974.5**	1,417.2
Total shareholders' equity	**1,964.5**	1,406.3
Non-controlling interests	**10.0**	10.9
Total equity	**1,974.5**	1,417.2

Non-current assets are primarily made up of goodwill and intangible assets, and property, plant and equipment. The increase from December 2010 is primarily due to the acquisition of PSN during the year.

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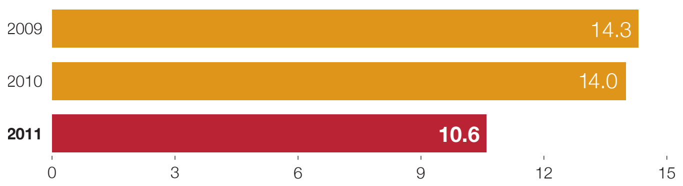
Key Performance Indicator – ROCE
We use ROCE as a key indicator of the efficiency of our use of total capital.

Key Performance Indicator – OCER
OCER is a key indicator of the efficiency of our use of operating capital.

Capital Efficiency

The continuing Group's Return on Capital Employed[4] ('ROCE') decreased from 19.5% to 18.4%. The decrease reflects the higher total capital employed following the acquisition of PSN, partially offset by higher EBITA in the year.

The Group's ratio of Operating Capital Employed to Revenue[9] ('OCER') has improved from 14.0% to 10.6% at 31 December 2011, reflecting the less operating capital intensive nature of the restructured Group.



OCER (%)

Return of cash and share consolidation

In February 2011, we announced that following the completion of the acquisition of PSN and the disposal of our Well Support division to GE, we intended to make a return of cash to shareholders of not less than $1.7bn. In May 2011 we announced that the Board had decided that the most appropriate process for effecting the return of cash was, in the first instance, a Tender Offer of up to £1.1bn, followed by a subsequent B/C Share Scheme.

At the close of the Tender Offer on 1 June 2011, 65.9m Wood Group shares, representing approximately 12.2% of the issued ordinary share capital, had been tendered and were purchased by the Group at a price of 625 pence per share, for a total value of £411.9m ($675.7m). Following completion of the Tender Offer, the Company announced that it would complete the return of cash through a return of 140 pence per share to all shareholders on the register on 1 July 2011. The return was made through a B/C Share Scheme, which was substantially completed on 8 July 2011.

At the date of this report we have successfully completed the return of £1,071.4m ($1,750.8m), with a further £4.7m ($7.7m) expected to be returned when the B shares issued pursuant to the deferred capital option under the B/C Share Scheme are redeemed in April 2012. This will take the total expected return to £1,076.1m ($1,758.5m).

The net cash impact on the Group of the return of cash in 2011 was $1,725.8m reflecting the receipt of $25.0m by the employee share trusts.

Concurrent with the B/C Share Scheme, the Company undertook a share capital consolidation. The purpose of the share capital consolidation was to seek to ensure that, subject to market fluctuations, the market price of Wood Group ordinary shares immediately following the B/C share issue was approximately the same as the market price immediately beforehand. The share capital consolidation also allows historical and future financial information in relation to the Company to be compared on a per share basis before and after the B/C Share Scheme.

The amount returned under the B/C Share Scheme represented approximately 21.9% of the Company's market capitalisation on 10 June 2011. As a result of the share capital consolidation, the number of ordinary shares in issue has been reduced by a broadly equivalent percentage, shareholders having received seven new ordinary shares for every nine existing ordinary shares held. Following the cancellation of the ordinary shares purchased under the Tender Offer, there were 474.9 million ordinary shares in issue. On 4 July 2011, following the completion of the share capital consolidation, there were approximately 369.4 million new ordinary shares in issue.

The weighted average number of fully diluted shares in the year to 31 December 2011 was 448.8m. The table below sets out the impact of these transactions on the weighted average and closing number of shares in 2011.

Reconciliation of number of fully diluted shares

All figures are in million shares	**Closing 31 December 2011**	**Weighted Average FY 2011**
Ordinary shares – opening balance	**530.3**	**530.3**
PSN acquisition	**10.5**	**7.3**
Tender Offer	**(65.9)**	**(38.5)**
B/C share issue and share capital consolidation	**(105.5)**	**(52.6)**
Allocation of shares to employee share trust	**1.9**	**0.1**
Ordinary shares – closing balance	**371.3**	**446.6**
Shares held by employee share trusts	**(14.8)**	**(12.8)**
Basic shares for EPS purposes	**356.5**	**433.8**
Effect of dilutive shares	**12.3**	**15.0**
Fully diluted shares for EPS purposes	**368.8**	**448.8**

Financial review

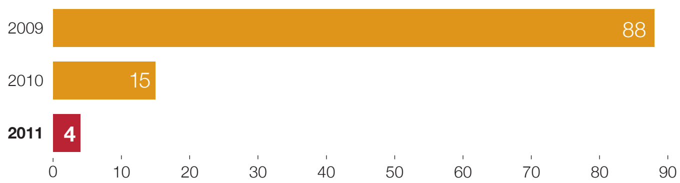
Cash flow and net debt

	2011 $m	2010 $m
Opening net debt	**(15.1)**	(87.9)
Cash generated from operations pre working capital	**471.6**	421.9
Working capital movements (continuing operations)	**(109.5)**	23.5
Working capital movements (discontinued operations)	**(77.6)**	(42.9)
Cash generated from operations	**284.5**	402.5
Acquisitions and capex	**(1,083.8)**	(138.6)
Disposals	**2,793.6**	–
Return of cash to shareholders	**(1,725.8)**	–
Tax paid	**(118.7)**	(99.3)
Interest, dividends and other	**(123.4)**	(97.9)
Exchange movements on net debt	**(15.2)**	6.1
Decrease in net debt	**11.2**	72.8
Closing net debt	**(3.9)**	(15.1)

The funding position of the Group during the year has been impacted significantly by the acquisition of PSN, the disposal of Well Support and the return of cash to shareholders. Throughout the year the Group has maintained a level of debt as set out below.

	2011 $m	2010 $m
Average gross debt	**295.5**	364.3
Closing gross debt	**230.5**	195.2
Closing net debt	**3.9**	15.1

Average net debt since the completion of the return of cash to shareholders has been $128.0m. We have disclosed this average since the return of cash, as the proceeds held following the disposal of Well Support would significantly distort the average net debt for the full year.



Net debt ($m)

Cash generated from operations pre working capital increased by $49.7m to $471.6m and working capital outflows from continuing operations were $109.5m (2010: inflow of $23.5m). The increase in net working capital reflected increased revenues, together with the impact of lower advance payments on Wood Group GTS fixed price contracts and slightly reduced working capital efficiency.

Cash paid in relation to acquisitions, primarily the PSN acquisition, totalled $964.8m (2010: $20.9m), deferred consideration paid in respect of prior period acquisitions decreased to $14.6m (2010: $47.7m) and payments for capex and intangible assets increased to $104.4m (2010: $70.0m). We anticipate an increase in capex and intangible assets spend in 2012 to around $130-$150m to include expenditure on Wood Group GTS turbine test cells and business systems investment.

The increase in tax paid in the year was due to higher profitability in the year, partially offset by a lower rate on continuing operations.

The increase in interest, dividend and other relates primarily to the purchase of shares for the employee benefit trusts.

In February 2011, the Group extended (to April 2014) and renegotiated its $800m bilateral borrowing facilities which resulted in lower pricing.

Foreign exchange and constant currency reporting
The Group's results can be 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. The continuing Group's 2010 EBITA of $218.7m retranslated at 2011 average exchange rates would have been $225.4m resulting in a constant currency growth rate of 51.6% compared to a 56.2% increase in the reported numbers.

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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 284 active members and 909 deferred, pensionable deferred or pensionable members at 31 December 2011. At 31 December 2011 the scheme had a deficit of $45.8m (2010: $33.3m) before recognition of a deferred tax asset of $11.5m (2010: $9.0m). In assessing the potential liabilities, judgement is required to determine the assumptions around future salary and pension increases, inflation, investment returns and member longevity. The increase from 2010 was due in part to lower than expected returns on scheme assets and partly to a reduction in the discount rate used which is based on corporate bond yields. During the year a one-off contribution of £5.0m ($8.0m) was made to the scheme.

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

The Group acquired 100% of the share capital of PSN on 20 April 2011 for a total consideration of $684.9m, of which $569.9m was paid in cash and $115.0m of shares were issued. The Group repaid PSN's borrowings of $370.2m as part of the transaction. The acquisition of PSN advances Wood Group's strategy of maintaining a balance between oil & gas development and later cycle production support, growing and maintaining our market-leading positions, developing long-term customer relationships, extending services and broadening international presence. PSN has been merged with Wood Group's Production Facilities business to create Wood Group PSN. Wood Group PSN is a global leader in brownfield production facilities support and is well positioned for growth across the oil & gas industry.

The Group also made a number of other acquisitions during the year including the acquisition of Dar E&C, Pi-Consult and ISI in the Engineering division and IMS and GTE in the Wood Group GTS division. These other acquisitions 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.

Footnotes

1. Total Revenue and total EBITA are the sum of activity from continuing operations, the activity of the Well Support division up to the date of disposal and the activity of the Aero engine overhaul business for the year ended 31 December 2011. This is a non-GAAP measure.
2. EBITA from continuing operations represents operating profit from continuing operations pre-exceptional items of $262.9m (2010: $189.7m) before the deduction of amortisation of $78.7m (2010: $29.0m) and is provided as it is a key unit of measurement used by the Group in the management of its business.
3. Adjusted diluted earnings per share ('AEPS') is calculated by dividing earnings before exceptional items and amortisation, net of tax, by the weighted average number of ordinary shares in issue during the period, excluding shares held by the Group's employee share ownership trusts and adjusted to assume conversion of all potentially dilutive ordinary shares.
4. Return of Capital Employed ('ROCE') is EBITA divided by average capital employed.
5. Number of people includes both employees and contractors at 31 December 2011.
6. Discontinued operations include the Well Support division and the Wood Group GTS Aero engine overhaul business.
7. Interest cover is EBITA from continuing operations divided by the net finance charge from continuing operations.
8. Dividend cover is AEPS divided by the total dividend per ordinary share for the period.
9. Operating Capital Employed to Revenue ('OCER') is the average operating capital employed divided by revenue. Operating capital employed comprises property, plant and equipment, intangible assets (excluding intangibles recognised on acquisition), inventories and trade and other receivables, less trade and other payables.
10. Safety cases are measured by TRCF. TRCF is Total Recordable Case Frequency (LWC+RWC+MTC) per million man hours. All figures are continuing Group pro forma.

    LWC Lost Work Case

    RWC Restricted Work Case

    MTC Medical Treatment Case

Risk management

Effective risk management is critical to the delivery of the Group's objectives and the achievement of shareholder value. A number of internal and external risks could have an adverse effect on our reputation, operations and financial performance.

	Responsibility
Board	The Board has overall responsibility for ensuring that, where possible, risk is managed effectively as part of the established governance structure. The schedule of matters reserved to the Board ensures that the Board has defined its involvement in the strategic, financial and operational issues. Specific reports covering safety, financial and HR matters are presented to each Board meeting. In addition, reports are presented to the Board on new and emerging risks and other issues requiring escalation to the Board. The Board formally reviews the Group's key risk report at its meetings held in February and August each year. Following these meetings, the Board updates the key risks as appropriate. This review is in accordance with the revised guidance on internal controls published in October 2005 by the Turnbull Review Group. In 2010, the Board prepared a statement of its attitude to risk, which has been updated in 2011 following the sale of Well Support and the acquisition of PSN. The key areas covered in the statement are risks in relation to the Group's market and contracting strategy. The results of this exercise provide a framework for the Group Directors' consideration of risk.
Audit Committee	The Board has delegated to the Audit Committee the responsibility for the review of the effectiveness of financial risk management and the related systems and controls. The Board receives reports from the Chairman of the Audit Committee on a quarterly basis.
Senior management	Each division holds Quarterly Review Meetings (QRMs) between its senior managers and certain of the Group Directors, typically including the Chief Executive and the Group Finance Director. Each of the QRMs includes a review of the risks relevant to the business. Business management is responsible for the identification, evaluation, mitigation, reporting and monitoring of the risks relevant to their business. The QRM process assists the businesses in summarising the impact of the Group's key risks on them and supports the report on risks submitted to the Board twice a year.

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.

The mitigation set out below is designed to reduce, but cannot be relied upon to eliminate, the impact of the risks identified in the following tables.

Key risk	Mitigation
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 decline in the demand for our services	• We operate in both the oil & gas and power markets, reducing our exposure to one particular market • We seek to maintain a broad customer base and geographic spread • We seek to maintain a good balance in our revenue between customers' capital expenditure (capex) and operating expenditure (opex) • We seek to achieve market-leading positions based on differentiated services 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 the upstream, subsea & pipelines, downstream, process & industrial sectors • We adjust operating strategies appropriately to reflect market conditions • Our business strategies are relatively flexible and have relatively low capital intensity
2011 commentary Overall, E&P spending is estimated to have increased by more than 10% in 2011, while power markets have been relatively weak through the course of the year. We completed the disposal of the Well Support division, which reduced the Group's exposure to the US rig count, and the acquisition of PSN, which increased the Group's estimated exposure to our customers' operating expenditure (opex) to around 50-55% of through-cycle EBITA, from approaching 50%.	
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	• The Group Board monitors and has responsibility for HSE performance • HSE commitment is communicated around the Group via our Core Values, 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 safety performance and guide management action plans • Certain of our operations are subject to third party and customer audits
2011 commentary The Group's Core Values outline Safety & Assurance as our top priority. Details of steps taken in 2011 are outlined on page 27. In addition, in order to guide the Safety & Assurance efforts and to help coordinate initiatives across the Group, a Safety & Assurance Committee drawn from across the Group's business units and the Group safety team was formed. The Committee meets quarterly and is chaired by Les Thomas, Group Director.	
Investment in new service areas and geographic markets **Potential impact** Investment (capital or operating) in new services or territories may fail to generate an adequate return	• We carry out investment reviews on potential future areas of focus for the Group • We adjust investment and pricing strategies to reflect market conditions • We carry out return assessments and due diligence reviews prior to investment • We develop, execute and monitor transition and integration plans for acquisitions • The Group Board undertakes annual reviews of completed acquisitions
2011 commentary The Group completed and has now largely integrated its largest ever acquisition (PSN). We also made further investment in developing our service offering in Wood Group GTS, through the acquisitions of Integrated Maintenance Services and Gas Turbine Efficiency (see note 27 to the accounts) and entering into a service agreement with Pratt & Whitney. We are continuing to pursue other extensions to our geographic footprint, including entering into a joint venture in Angola and the acquisitions of Dar E&C and Pi-Consult in Saudi Arabia.	

Principal risks and uncertainties continued

Key risk	Mitigation
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 • Management have appropriate autonomy, within a Group-delegated authority structure • We use market-based compensation, including both short and longer-term incentive packages and offer career development and training • We continue to expand our geographic footprint to provide access to skilled labour resources • We carefully plan succession for Board members and other senior management positions to maintain an appropriate balance of skills, diversity and experience
2011 commentary We have implemented a new long-term incentive scheme for certain senior operational management to improve incentives and help drive retention. This is outlined in the Directors' Remuneration Report on page 45. We also continue to endeavour to attract, develop and retain the best people. Outlines of some of our key initiatives can be found on page 30.	
Compliance with our ethical standards **Potential impact** Failure to operate to high ethical standards could lead to damage to our reputation and regulatory impact	• We have a Business Ethics Committee 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 (including Board members) • Ethics helplines are available for employees to raise any concerns in confidence • We take action in respect of any breaches of our ethical standards
2011 commentary We have confirmed that our existing anti-bribery procedures are at a level consistent with or higher than the requirements of the UK Bribery Act 2010 which came into force in 2011. We focus on ensuring that our training and guidance helps people to comply with the Group's Business Ethics Policy. Further information on our initiatives can be found on page 33.	
Quality of services **Potential impact** Failure to provide services 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 include third party accreditation and training, and competence-development programmes • We have a range of initiatives to help our people develop and enhance their technical expertise
2011 commentary It has been determined that the level of reporting on a range of quality metrics provided to operational management and the Board will be increased. These reports will help in the review of trends in quality performance.	

Further reading

Group performance	pages 2-3
Divisional performance	pages 10-15

Key risk	Mitigation
Contracting strategy and execution **Potential impact** Inappropriate pricing, contract terms, or failure to comply with those terms, could lead to losses, unacceptable risks, reputational damage, warranty claims and/or financial penalties	• A significant proportion of our contracts are reimbursable • We have a policy covering contract terms and derogation from these terms is subject to a range of approvals • For EPC contracts we review scope, pricing, subcontractor management and contract risks • We carry out ongoing commercial reviews of contract performance
2011 commentary In 2011, we continued to carry out the majority of our work on reimbursable contracts. The two major EPC contracts in Wood Group GTS are progressing well, and have made a meaningful contribution to GTS EBITA in 2011. In Wood Group PSN's Colombia business, we recorded losses on a fixed price downstream project and have made appropriate management and process changes.	
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 on net profit	• 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 • We have a policy covering contract terms and derogation from these terms is subject to a range of approvals
2011 commentary In 2011, we broadened our geographic presence through the acquisition of PSN, which has led to the Group expanding its operations in a range of countries and regions around the world, including Australia and Russia. The disposal of our Well Support division led to reduced exposure to a number of countries.	

Core Values

Safety & Assurance | Relationships | Social Responsibility | People | Innovation | Financial Responsibility | Integrity

Our Core Values are at the heart of our business because they define who we are, how we work, what we believe in and what we stand for.

They set out how we act and how we expect to be treated as part of Wood Group and provide a sound basis to make decisions.

To demonstrate that we take our commitment to the Core Values seriously, a member of the Group Board Executive has taken on responsibility for championing each value.

Safety & Assurance

Les Thomas
Group Director, Safety

Safety & assurance is our top priority. We passionately care about the safety of our people and behave as safety leaders. We are committed to preventing injuries and ill health to our people and everyone we work with. We provide our people with the training, knowledge and tools to work safely and prevent accidents. We are focused on assuring the safety of everything we design, construct, operate and maintain.

Relationships

Mark Papworth
Group Director, Wood Group GTS

Our business depends on healthy relationships with customers, business partners and suppliers. We build and nurture strong relationships that are mutually beneficial, making sure that we deeply understand the people we deal with, so that we can anticipate their needs and always aim to exceed their expectations. Everyone in our organisation contributes to the quality of the relationships we build and we actively seek feedback.

Social Responsibility

Bob Keiller
Group Director, Wood Group PSN

Being socially responsible is integral to what we do. We aim to make a positive difference to the communities where we operate and seek ways to assist them. We prioritise the hiring and development of local people and work with local supply chains where we can. We are committed to minimising the impact of our activities on the environment by conserving resources, reducing waste and emissions, and preventing environmental pollution and we work with our customers to provide the best environmental solutions.

People

Peter Nicholson
Group Head of Human Resources

People are our business. We are professional, high performing team players focused on delivering and drawing on our global expertise. We aim to attract, develop and retain the best people, treating each other with honesty, compassion and respect. We create a stimulating and open work culture that encourages personal development, rewards competitively and celebrates success.

Innovation

Mike Straughen
Group Director, Wood Group Engineering

Innovation gives us competitive advantage. We promote collaboration and sharing of ideas across our business. We have a structured approach to recognising innovations, rapidly testing ideas and sharing learnings. We encourage our people to challenge established practices and achieve continuous improvement.

Financial Responsibility

Alan Semple
Group Finance Director

We expect to receive fair reward for our business performance. We are cost aware and carefully manage our own and our customers' costs. We manage financial risk systematically and communicate our financial performance in a clear, concise manner.

Integrity

Robbie Brown
Group Head of Legal

We are proud of our reputation, built over many years, which depends on us doing the right thing. We build trust and act with honesty. We comply with our Business Ethics Policy, management system and all local rules and regulations. We foster a culture of transparency and responsibility. We investigate all violations and complaints and take appropriate action.

Safety & Assurance

As a world-leading services provider to the oil & gas and power industries, safety is vital to our business. It is not optional, it is absolutely integral to everything that we do.

We aim to deliver our services efficiently, while protecting the health of everyone we work with and sustaining a work environment free of incidents and injuries.

For many years we have striven to be leaders in safety performance, with many awards and recognition from clients, regulators and peers around the world. However, we are not complacent and we know that we are not perfect. We aim to achieve the highest standards and are therefore committed to driving continuous improvement.

We have to assure ourselves that we have the people, processes, procedures and skills to deliver excellent safety performance, consistently and reliably, anywhere in the world. This doesn't just mean personal safety, such as slips, trips and falls, it also means dealing with major hazards and excelling at process and technical safety. Major incidents in our industries remind us that we have to deliver services with a clear focus on asset integrity.

Performance
During 2011 the frequency of recordable injuries across our business continued to decrease in line with long-term trends. However, this positive development was overshadowed by three employee fatalities. Two occurred in a road traffic incident in Saudi Arabia and another due to a catastrophic crane failure in the Gulf of Mexico. These tragedies have been a painful reminder of the need for safety to remain our top priority and have caused us to increase our focus on safety training and development.

Initiatives
We launched a new Safety Leadership Programme with the aim of raising senior leaders' awareness of the role that they play and encouraging them to demonstrate their commitment to safety in real and tangible ways throughout the Group. The programme has been led from the top and has been rolled out to key senior managers, starting at Board level. At the end of 2011, we had reached 200 people and the feedback we have received has been so positive that we expect to extend it much deeper into the organisation.

The focus is on preventing major incidents without neglecting the risks associated with occupational safety.

We have introduced a new driving policy focused on reducing the risks associated with distractions, such as a complete ban on the use of mobile phones – including hands free – while driving on company business, and reinforcing the need to wear seat belts at all times when in a vehicle.

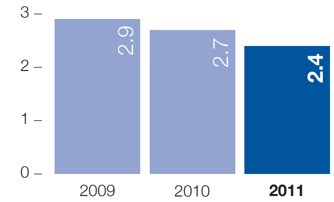
The Group HSE Management System was significantly revised during 2011, giving more emphasis to leadership integrity management, human factors and assurance.

Recognising success
In 2011, many Wood Group individuals and companies were recognised for their contribution to safety by industry bodies. Some examples are (i) David MacKenzie, of Wood Group PSN, was awarded the Most Promising Individual at the UK Oil & Gas Industry Safety Awards; (ii) J P Kenny in Perth received the Platinum Safe Way Achiever Award after being recipient of 5 Gold Awards and 2 Platinum Awards in recent years; and (iii) Colin Bruce of Wood Group PSN received the Offshore Contractors' Association Challenge Award for significant contribution to HSE improvement.

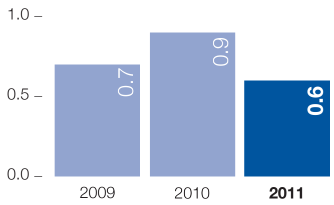
Health
We have continued to implement programmes promoting and enhancing the health and well-being of our employees, their families and the communities in which we work. We provide guidance, tools and support to develop health programmes, tailored and managed by our local businesses. We had 100 teams complete the Global Corporate Challenge (GCC). The teams walked, swam and cycled to create a step count and complete a virtual walk around the world. Through the 16 weeks of the programme, the teams walked 837 million steps, the equivalent of walking round the world 14.3 times and burnt over 36 million calories.

Les Thomas

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 man hours worked. All figures are continuing Group pro forma.

1. We encourage and support our people throughout the business to become safety leaders.

2. Our offshore safety training programmes ensure our people and our clients' teams are trained to industry-leading standards.

Core Values

Relationships

Our business success depends on our relationships with customers, business partners, suppliers and colleagues. We seek out feedback and act on what we receive, constantly striving to exceed expectations.

We have a broad range of customers including major global oil & gas operators, national oil companies and independents, power & industrial companies, plus a diverse range of business partners and suppliers.

We listen to our customers and the organisations that we work with – to understand and satisfy their needs. The strongest relationships are built as a result of spending time in an organisation and, more importantly, the people within it. It's important to invest that time. All relationships grow through good communications, through sharing and delivering on common goals and through trust. Sharing and delivering on common goals is about understanding our customers', business partners' and suppliers' needs, aligning ourselves to meet those needs, then making it happen.

We expect everyone in our organisation to contribute to the quality of relationships that we build and our people are given responsibility for their performance and decisions. We need to add value at all levels of our organisation, adopting a service culture within and across the Group. We need to be flexible and take action to address challenges, and we must adopt innovative and dynamic ways to deliver high-value solutions.

We have several successful joint ventures including Rolls Wood Group, Wood Group Pratt & Whitney and TransCanada Turbines where we work with our partners to provide value-added services for our clients. Wood Group Kianda is a new joint venture in Angola allowing us a strategic alliance to support projects from a local base in the country.

Our relationships also include working closely with government and industry bodies, including health and safety and governmental departments of trade and industry. Our employees and businesses are actively involved in supporting groups which contribute to knowledge sharing and cooperation across industry sectors.

Wood Group Kenny has a close relationship with the University of Aberdeen, advising and supporting their MSc degree in Subsea Engineering. We have other relationships with educational institutions throughout the world, with the Kazakh-British Technical University in Kazakhstan, Heriot-Watt University in Dubai and the Memorial University of Newfoundland in Canada. All these relationships have been established to help develop the next generation of engineers for the oil & gas industry.

Mark Papworth

1. Project Engineers listening to the customers and organisations that we work with.

2. Developing strong relationships with customers to ensure we deliver the cost effective and reliable project delivery our clients expect.

3. Employees taking responsibility for their actions and performance and seeing projects through to completion.

Social Responsibility

Being socially responsible is integral to the way we operate, it means doing the right thing for the right reasons, not just because it enhances our reputation. We nurture local businesses and skills to encourage sustainable community development. We hire local people and work with local supply chains. We provide training to local workers and support to local companies. Social responsibility for us is about creating a safe and ethical environment in which our people can thrive, maintaining a healthy workplace and minimising adverse environmental impacts.

We want our people to be active in their community. We believe in making a positive difference in the communities in which our businesses operate. We support an extensive range of local and international charities and causes spanning health, education, the arts, medical research and the prevention and reduction of poverty. We have well-established employee-giving funds to support the causes that our people care passionately about. During 2011 we have supported the North East of Scotland final of the national K'NEX Young Engineers Challenge, the Aberdeen International Youth Festival, Glencraft and the Aberdeen University Word Festival in the UK. In the USA we supported the Alley Theatre schools project, the Texas Children's Hospital and the MS150 bike ride. In Australia, we supported residents affected by flooding in Queensland by helping move people and their belongings to dry land.

Together with our customers, business partners and suppliers we seek ways to conserve resources, reduce waste and emissions, and prevent environmental pollution.

Our main CO_2 emissions come from energy use in our buildings and business travel by employees: we are committed to improving performance in both these areas and our Carbon Footprint programme has now been extended across all Engineering companies and will continue to be rolled out across the Group. In Houston, Mustang received the Clean Air Champion of the Year award from Houston-Galveston Area Council for their ongoing commitment to improving the region's air quality.

In 2011, we participated for the first time in the Carbon Disclosure Project (CDP) for Carbon Emission. The CDP is an independent not-for-profit organisation holding the largest database of primary corporate climate change information in the world which allows us to set reduction targets and make performance improvements. In the FTSE 350 report, we were ranked 88th and were 6th placed amongst the 20 energy companies participating. We were also the highest-scoring company out of the 37 disclosing their information for the first time. Group companies that have focused on carbon management have improved efficiency, reduced energy costs and, we believe, enhanced their image with clients. UK-based companies participated in the CDP during 2011 and this will be rolled out across the Group in a phased approach with the next region being the USA. We have also entered the Carbon Reduction Commitment, a UK Government scheme to incentivise carbon emissions reduction.

In 2011 we staged a global Environmental Day during which employees were encouraged to organise a wide range of events to raise awareness, share best practice and encourage behavioural change at both work and home. Activities included cleaning beaches in Australia, learning about fuel-efficient driving in Aberdeen and a worldwide competition – 'Be Future Friendly' – to encourage companies to participate in new initiatives.

We have also used our expertise in reducing emissions, improving energy efficiency, carbon capture and storage, and renewable energy to help our customers develop cleaner energy solutions. Numerous firms use our E!CEMS™ software to help them monitor and reduce emissions from their operations. Our specialist renewable energy consultancy, SgurrEnergy, have assessed over 65,000 MW of renewable energy developments internationally. We were awarded work with National Grid Carbon (NGC) to perform study work in relation to development options NGC is investigating to transport and inject carbon dioxide (CO_2) into a prospective offshore saline aquifer storage location in the UK sector of the Southern North Sea.

Robert Keiller

Bob Keiller

1

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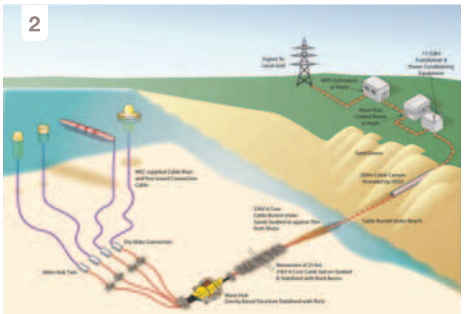


3

1. Supporting Glencraft (a social enterprise) in Aberdeen to promote their new product range locally.

2. Extending our services to clean energy and supporting clients to deliver renewable energy solutions.

3. Supporting the communities we operate in with opportunities for local people.

Core Values

People

With over 39,000 employees globally, we are a people business. We work in an industry that plays a vital role in the world economy, creating and maintaining essential installations from pipelines and platforms to power plants. We aim to have highly skilled and highly motivated people working in effective teams. We are an exciting business that offers a variety of career opportunities around the world to our people.

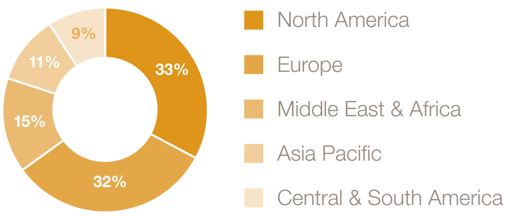
We endeavour to attract, develop and retain the best people – this means treating them fairly and honestly, respecting their individual differences and helping them to achieve their full potential. We strive to create a stimulating work environment and celebrate success.

In 2011 we were again recognised by the Corporate Research Foundation as one of Britain's Top Employers, based on a broad assessment of rewards, development, working conditions and culture. We attach great importance to employee communication and engagement, and continue to look to improve our communication channels. Our Group Communications team uses our intranet to keep people up to date with developments, including messages from the Chief Executive and other Directors.

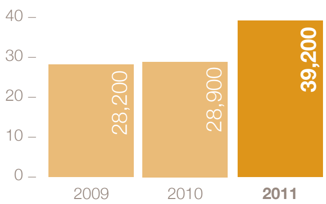
To operate at the highest levels we know that we need to invest in our people wherever they are located and whatever role they hold. Our extensive training and development programmes are designed to help them learn new skills and refine existing ones. Our successful apprenticeships, traineeships, and industry-leading graduate development programmes are an investment in the future of the Group with 66 recruited into these schemes in 2011 (2010: 104). Our management and supervisory development programmes help our senior managers to further develop their own skills and prepare for progression in their own careers. In addition to Group-led programmes, there are a range of other courses provided locally to focus on personal development, specific job-related skills, and vocational and professional qualifications.

We encourage innovation and fresh thinking that embraces our cultural diversity and encourages the kind of effective teamwork that results in tailored solutions to client problems across different environments.

Peter Nicholson



Regional headcount



Headcount (year end)

1. Delivering technical training to develop our people and build their expertise.

2. People are our business and we treat them fairly, honestly and respect their individual differences.

3. Training programmes to develop our people's management skills.

Innovation

Innovation is a powerful force that has helped us to respond successfully to the challenging and changing needs of our customers. We strive to be innovative in all our operations. We promote collaboration across the Group and learning from each other. We encourage our people to challenge established practices and achieve continuous improvement.

We operate in one of the most exciting, dynamic global industries, which provides vital energy around the world and one of the Group's primary objectives is to be a market leader in all our businesses.

We deliver the best all-round solutions for our customers through the combination of the quality of our people, our extensive expertise and a culture of technical innovation.

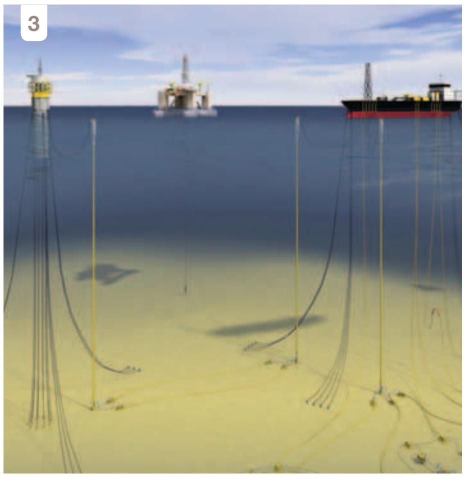
Our culture is to encourage innovation in everything we do. This includes how we operate, the application of the most appropriate technology and our commercial approach. In addition to providing our customers with fit-for-purpose solutions, innovation also motivates our people to reach the best of their potential. We therefore actively encourage new ideas to challenge and exceed existing methodologies.

One of the ways this is achieved is through joint industry projects (JIPs), including Wood Group Kenny's collaborations for subsea, umbilical, riser and flowline integrity management (SURF IM) and Slug Loading and Response in Pipelines (SLARP). Wood Group Kenny was announced in 2011 as Australia's Subsea Company of the year, their commitment to technology initiatives for the future of the subsea industry was specifically mentioned by the judges. Our employees also regularly publish in industry magazines or present papers at technical conferences. These include *Hart's E&P, Pipeline & Gas Journal, Oilfield Technology, Offshore, Hydrocarbon Processing*, Offshore Europe, OTC and Subsea Tieback forum.

For the most part we are technology neutral and our focus is on the application of the most suitable technology. However, we do invest in selective R&D where we see a real business need. The establishment of the Wood Group Chair in Arctic and Harsh Environments Engineering at Memorial University of Newfoundland is a good example of this. Currently the Chair is supporting a series of proposals submitted to the Natural Sciences and Engineering Research Council (NSERC) and the Atlantic Canada Opportunities Agency (ACOA) Atlantic Innovation Fund (AIF) which address two main technical issues including; the effects of large deformation geohazards on buried pipelines and qualification of pipeline mechanical integrity. These two major work scopes include 11 subtasks and four workshops over a four-year programme.

As well as continuously seeking opportunities to acquire new skills and expertise in specialist and niche markets, we are investing in a range of operational and engineering excellence initiatives to deliver continuous improvement in our business. Our specialist renewable energy consultancy, SgurrEnergy, has developed the Galion Lidar Wind Profiler device to measure wind direction and speed. This technology represents a significant advancement in the technical capabilities of capturing wind data and offers many features and benefits compared to other wind Lidar devices including high resolution data capture, remote access to real data, 4km range and pulsed laser device for wind speed and direction measurement.

Mike Straughen



1. Perdido – 8,000ft water depth. We provided engineering services to the world's deepest offshore drilling & production facility and world's deepest spar, challenging established practices and allowing clients to work at greater water depths.

2. Leading the way in Arctic and Harsh Environment Engineering to provide solutions for clients in challenging environments.

3. This diagram shows a typical subsea tie-back. We are the world's leading solutions independent engineering and management service provider for subsea systems providing our customers with solutions tailored to their needs.

Core Values

Financial Responsibility

Our high-quality people allow us to deliver market-leading and differentiated services to our customers at, or above, their expectations. We strive to add significant value to customers' businesses and should expect to be fairly rewarded for this.

In coming to the fair reward for our services consideration should be given to the assets required to provide the services, as it is important we are able to generate an appropriate return on those assets. We also endeavour to be rewarded for the financial, commercial and other risks involved in providing the services, and we manage these risks prudently and systematically.

Another important aspect of financial responsibility is our management of costs, where we have an obligation to manage our own costs and those of our customers carefully. Achieving a fair reward from our customers combined with careful management of costs, allows us to retain a profit margin that is appropriate and reflects the quality of our services.

The profit we make allows us to fairly compensate our people, and to invest in their training and development. It also allows us to invest in the future of Wood Group, and to reward our shareholders for their confidence in us. Our shareholders require an appropriate return for their investment, and delivering this return leads to a strong share price performance and our ability to access capital markets in order to support our future growth.

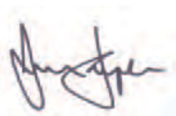
As an employer and public company it is not only important that we perform well, we also have to be able to communicate our financial performance (and future expectations) in a clear and concise manner. This allows our people to understand their contribution to our success, and our shareholders and lending banks to understand our business over the longer-term.

We recognise the importance of maintaining relationships with investors and lenders and understanding their priorities, as well as keeping them informed. During 2011, the Group renegotiated its $800m bilateral banking facilities resulting in lower pricing and non-utilisation fees.

We seek investor feedback throughout the year, both informally through our investor relations team and through investor roadshows and one-to-one sessions involving the Chief Executive and Group Finance Director.

In 2011, we staged two major roadshows and attended a number of investment bank conferences and held a wide range of investor meetings. Over the course of the year, we held approaching 200 meetings. The Chairman and senior independent director met with some of our leading shareholders and made themselves available throughout the year for other meetings.

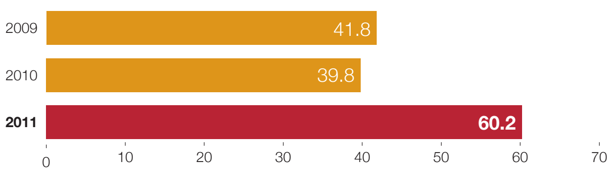
The AGM provides another valuable opportunity for face-to-face contact with the Board, allowing shareholders to raise any questions they may have. The next AGM will be on 10 May 2012. We will continue to publish six formal updates during the course of the year – final and interim results, two interim management statements and two trading updates — in order to provide regular updates on the Group's performance and outlook, and we will discuss these updates with the investor community.



Alan Semple

Adjusted diluted EPS[3] *

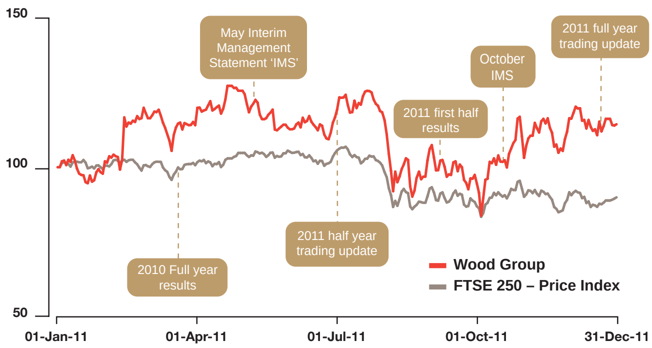
Cents



Adjusted diluted EPS[3] (cents) up 51.3% to 60.2c

2010: 39.8c

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



Integrity

We must act with integrity in everything we do. It helps us to earn the respect of our people, customers and suppliers worldwide. It means always doing the right thing. We expect all our people to comply with our high ethical standards in everything we do.

The Group Finance Director chairs the Business Ethics Committee, which comprises senior management representatives 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.

We promote a positive ethical work environment for all our employees wherever they work. Our Business Ethics Policy sets the high ethical standards that we expect of our business operations, our people and every company that we work with. Our Policy sets out the importance of conducting business ethically and legally throughout our global organisation. The Business Ethics Policy is available in nine languages and is widely communicated to our people and over 3,000 key personnel are required to indicate their continued compliance each year.

We foster a culture of transparency and responsibility. We must consistently apply moral and principled behaviour in all our transactions, which builds trust and honesty. We are law-abiding, wherever we are in the world, and adhere to all organisational policies. We must all be accountable to each other, our customers, shareholders, and partners, by honouring our commitments, delivering results, and striving to provide the highest quality service. The Wood Group Ethics Helpline, where concerns can be raised confidentially, is used to encourage the reporting of suspected violations of the Business Ethics Policy as well as operating as a forum for employees to ask questions. We investigate violations or complaints and take the necessary action. A register of ethics matters is maintained by the Group's Compliance Counsel and the Board receives regular reports and updates on business ethics as well as on the implementation of the Policy.

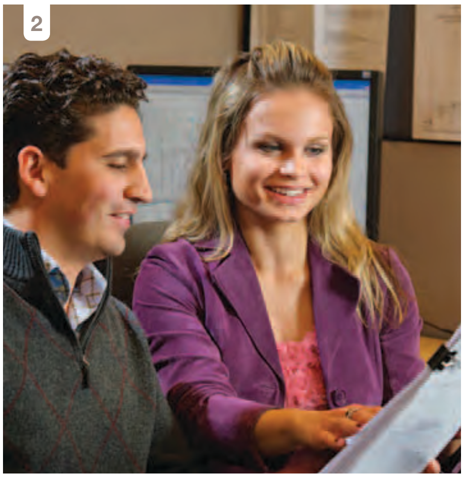
During 2011, a number of internal investigations were undertaken into allegations of unethical behaviour. Appropriate disciplinary action was taken based on the facts and circumstances and this included six terminations for behaviour or actions that violated the Business Ethics Policy. We will continue to take prompt action to deal with any known violations.

The UK Bribery Act 2010 came into force in 2011 and has wide extra-territorial application for UK incorporated companies. The Group provides training and guidance to ensure that the actions and behaviours of our people and companies, as well as intermediaries providing services on behalf of or for the benefit of the Group, comply with the Bribery Act and all other relevant legislation.

Robbie Brown

1

2



1. We promote a positive ethical work environment for all our employees.

2. Our people are expected to uphold our high ethical standards wherever in the world our business takes them.

3. Web-based training courses, containing hypothetical examples and scenarios, have been rolled out across the Group.

3

Governance

Contents

34	**Letter from the Chairman of the Board**
36	**Board of directors and biographies**
38	**Report of the directors**
39	**Corporate governance**
45	**Directors' remuneration report**

Letter from the Chairman of the Board

"How does the Board work as a team?"

"How do we balance the skills and experience of the Board?"

"How did the Board spend its time?"

"How does the Board evaluation process work and what have we learnt from it?"

Dear Shareholder,
I wanted to give you a feel for how the Board operates and how, I believe, it contributes to an effective decision-making process.

There are some key factors that ensure that we operate effectively as a team:

- We make sure that all the meetings are well organised, with material supporting the debates thoroughly prepared and sent out well in advance. Alongside formal meetings, we ensure that all directors have regular access to me, Allister Langlands and Ian Marchant (our senior independent director)
- We expect everyone on the Board to have a strong voice, bringing fresh and challenging views to the Board table
- All of the Board members apply their experience and skills to help develop the Group's understanding of risk and the mitigating steps taken
- We look to balance the skills and experience of the Board members to meet the needs of the business

We carefully plan succession of retiring Board members to maintain an appropriate balance of skills, diversity, experience and personalities to promote incisive debate. We have also looked to add relevant skills as the Group has grown and developed over the period since IPO, including more power sector exposure and more understanding of working practices in the Middle East. The balance of skills and experience among our non executives is key and is summarised on the page opposite.

The Board plays a key role in contributing to the strategic thinking of the Group at a very early stage. We held six scheduled meetings during 2011, alongside a number of meetings to review progress on the acquisition of PSN, sale of Well Support and the return of cash. We look to balance the agenda between the regular items we cover at each meeting, areas that we look at annually and the major developments that arise through the course of the year. The dates of the meetings and the key items covered are set out on the page opposite. Throughout the year, we also look to deepen the Board's understanding of our markets, the diversity of our business and customer relationships through a series of presentations from senior management and site visits.

We look to use the Board evaluation process to assess how the Board and its committees are working. We try to determine whether the right issues are being discussed and that matters are being addressed in a forward-looking way. We also look to ensure that the process of the evaluation leads to improvements in the Board's effectiveness.

Overall, I am confident that we have a strong Board that acts in the long-term interests of the company. I, and all of the directors, value the Board's challenge and the open debate. Details of our governance are contained in the following section (pages 35 to 55).

Sir Ian Wood,
Chairman

Further reading

Board of directors and biographies	pages 36-37
Report of the directors	page 38
Corporate governance	page 39
Directors' remuneration report	page 45

Non-executive directors' skills and experience

Director	Years on the Board	Key experience
Ian Marchant (senior independent director)	5	Public company board, power sector, finance, government and regulation
Michel Contie	1	International oil & gas
Chris Masters (Retiring at AGM)	9	International industrial services sector, public company boards
John Morgan (Retiring at AGM)	13	Oil & gas (major and independent), public company boards, remuneration practice
Neil Smith	7	International power sector
David Woodward	4	International oil & gas (in particular, the Middle East and Caspian)
Jeremy Wilson (Appointed August 2011)	1	Oil & gas advisory, international finance and financial markets

A typical Board agenda

Regular items

The following are covered at each meeting:
HSE report, Chief Executive's report, Divisional updates, HR report, Financial update (including treasury and funding, and investor relations). The Board also receives a series of management presentations and has the opportunity for site visits through the year

Q1	Q2	Q3	Q4
Annual agenda items included			
Acquisition performance review	AGM statement review	Annual HR update	Audit Committee report to the Board
Annual HSE presentation	Audit Committee report to the Board	Audit Committee report to the Board	Corporate Governance review
Audit Committee report to the Board	Corporate Governance review	Ethics update	Remuneration Committee report to the Board
Ethics update	Pre-close trading statement review	Remuneration Committee report to the Board	Strategy update
Remuneration Committee report to the Board	Review of shareholder feedback and strategic positioning (with advisers)	Review of half year results and interim report	
Review of preliminary statement and annual report	Strategy update	Review of risk	
Review of risk		Strategy update	

Additional 2011 business

The Board allows for time on other items where necessary. In 2011, considerable time was spent on the Wood Group PSN integration, the sale of the Well Support division, and the return of cash to shareholders, including the quantum and method.

The Board evaluation process

Matters considered		Observations		Action taken/to be taken
The effectiveness of the Board and committee meetings	→	Committee feedback to the Board appreciated	→	Committee feedback sessions to be formally timetabled
Individual director performance and an assessment of the Chairman	→	Detailed questionnaires analysed by the Company Secretary	→	Results reviewed by the Board and in separate meetings between the Chairman and individual directors
The nature and extent of the Board's interaction with the management of the Group	→	The non executive directors in particular benefit from meetings around the Group, site visits and presentations from management	→	Target of two Board meetings outside UK per year Aim for four presentations from management and offer of site visits as often as practicable

Board of directors and biographies

Sir Ian Wood Chairman

Allister Langlands Chief Executive

Alan Semple Group Finance Director

Bob Keiller Group Director, Wood Group PSN

Mark Papworth Group Director, Wood Group GTS

Mike Straughen Group Director, Wood Group Engineering

Les Thomas Group Director, Safety

Executive directors

Sir Ian Wood
Chairman (age 69)
Appointed: 1961
Chairman since 1982 and Chief Executive from 1982 to 2006. Chairman of J W Holdings Limited, one of Scotland's larger fishing groups, 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
Chief Executive (age 53)
Appointed: 1991
Chief Executive since January 2007 and formerly Deputy Chief Executive from 1999. Served as Group Finance Director from 1991 to 2000. Prior to joining Wood Group was a partner with Coopers & Lybrand Deloitte (now PricewaterhouseCoopers LLP).
Committee membership: None

Alan G Semple
Group Finance Director (age 52)
Appointed: 2000
Group Finance Director since 2000. Served as Finance Director for the Well Support business (sold in 2011) from 1997 to 2000. 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

Bob Keiller
Group Director, Wood Group PSN (age 48)
Appointed: 2011
CEO of Wood Group PSN since April 2011 and CEO of Production Services Network prior to its acquisition by Wood Group. Previously chairman of the Offshore Contractors Association, the Helicopter Issues Task Group, chairman of the Entrepreneurial Exchange and Co-Chair of Oil & Gas UK.
Committee membership: None

Mark H Papworth
Group Director, Wood Group GTS (age 47)
Appointed: 2006
CEO of Wood Group GTS. Joined Wood Group in February 2005 as Chief Operating Officer of Wood Group GTS. Previously Chief Operating Officer and Executive Vice President with Rolls-Royce Energy.
Committee membership: None

Mike Straughen
Group Director, Wood Group Engineering (age 62)
Appointed: 2007
CEO of Wood Group Engineering. 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 Thomas
Group Director, Safety (age 54)
Appointed: 2004
Group Director for Safety and formerly CEO of Wood Group Production Facilities. 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
Resigned from the Board in April 2011.
Was Group Director responsible for the Well Support division.

Ian Marchant
Senior independent director

Michel Contie

Dr Christopher Masters

John Morgan

Neil Smith

Jeremy Wilson

David Woodward

Non-executive directors

Ian D Marchant
Senior independent director (age 51)
Appointed: 2006
Chief Executive of SSE plc, Chairman of the 2020 Climate 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: Chairman of the Audit Committee, member of the Nominations Committee

Michel Contie (age 64)
Appointed: 2010
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

Dr Christopher Masters (age 64)
Appointed: 2002
Currently non-executive chairman of Energy Assets Group plc and a non-executive Director of the Alliance Trust PLC, Speedy Hire plc and The Crown Agents. Chairman of the Festival City Theatres Trust. Also a Fellow of the Royal Society of Edinburgh. Previously served as Executive Chairman of Aggreko plc.
Committee membership: Member of the Audit and Nominations Committees

John C Morgan (age 67)
Appointed: 1998
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

Neil H Smith (age 47)
Appointed: 2004
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

Jeremy R Wilson (age 47)
Appointed: August 2011
Vice Chairman of J.P. Morgan's Energy Group. Joined J.P. Morgan in 1987 and was involved with several prominent energy sector mergers and acquisitions. Appointed Managing Director of J.P. Morgan in 1999 and after various management positions, became the co-head of the global Natural Resources and Diversified Industrials group in 2009.
Committee membership: Member of the Nominations Committee

David K Woodward (age 65)
Appointed: 2007
Currently Senior Management Adviser 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, Remuneration and Nominations Committees

D John Ogren
Resigned from the Board in May 2011.

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 2011.

Results and dividends
The Group income statement for the year is set out on page 58. In respect of the year ended 31 December 2011 an interim dividend of 3.9 cents per share was paid on 23 September 2011 and the directors have proposed a final dividend of 9.6 cents per share to be paid on 16 May 2012. The full year dividend will, therefore, be 13.5 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 $740,000 (2010: $603,000). This sum relates to cash donations and does not recognise donations of time or other resources which have been made during 2011.

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 8 to 25)
Principal activities and business review	Operational review (pages 8 to 25)
Principal risks and uncertainties	Principal risks and uncertainties (pages 22 to 25)
Acquisitions and other developments	Note 27 to the financial statements (page 97)
Principal subsidiaries and joint ventures	Note 34 to the financial statements (page 104)
Corporate governance	Corporate governance (pages 39 to 44)
Going concern	Corporate governance (page 44)
Statement of directors' responsibilities	Corporate governance (page 44)
Employment policies and employee communications	Core Values (page 30)
Ethical conduct of our business	Core Values (page 33)
Health, safety and the environment	Core Values (pages 27 and 29)
Substantial shareholders	Corporate governance (page 40)
Share Capital	Note 21 to the financial statements (page 91)
Directors' interests in options over ordinary shares	Remuneration report (page 55)
Directors' interests in ordinary shares	Remuneration report (page 55)

By order of the board

Robbie M B Brown
Company Secretary
5 March 2012

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 of Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders outlined in the UK Corporate Governance Code (the Governance Code). A copy of the Governance Code is available at www.frc.org.uk. The directors consider that the Company has fully complied with the provisions of the Governance Code during the year ended 31 December 2011. 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 and who served on each committee

	Audit Committee	Remuneration Committee	Nominations Committee
Executive Directors			
Sir Ian Wood	–	–	✔
A G Langlands	–	–	–
A G Semple	–	–	–
R Keiller (appointed April 2011)	–	–	–
M H Papworth	–	–	–
M Straughen	–	–	–
L J Thomas	–	–	–
J B Renfroe (resigned April 2011)	–	–	–
Non-executive Directors			
I D Marchant	✔	–	✓
M Contie	–	✓	✓
Dr C Masters	✓	–	✓
J C Morgan	✓	✔	✓
N H Smith	–	✓	✓
J R Wilson (appointed August 2011)	–	–	✓
D K Woodward	✓	✓	✓
D J Ogren (resigned May 2011)	–	✓	✓

✔ Committee Chairman ✓ Member of committee

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, risk management 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?
Throughout the majority of the year, the Board comprised 14 directors, made up of seven executive and seven non-executive directors.

R Keiller joined the Board on 20 April 2011 following the completion of the PSN acquisition and J B Renfroe resigned from the Board on 26 April 2011 following the sale of the Well Support division.

D J Ogren resigned as a non-executive director after 10 years on the Board at the 2011 AGM and J R Wilson was appointed as a new non-executive director on 1 August 2011.

As previously announced, Dr C Masters and J C Morgan will retire from the Board at the 2012 AGM and it is our intention to appoint a new non-executive director and to make an additional appointment to the Audit Committee in due course.

A clear separation of the roles of the Chairman and the Chief Executive has been agreed by the Board, in compliance with the Governance 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 stepped down as the senior independent director and Chairman of the Audit Committee at the 2011 Annual General Meeting, at which time I D Marchant assumed those roles. The Chairman and the senior independent director are available to shareholders on request.

Governance

Corporate governance continued

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, other than set out below, 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 Governance 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. Dr C Masters and J C Morgan have each served as non-executive directors for more than nine years and the Board has previously set out its reasons for considering them to be independent. As previously announced, Dr C Masters and J C Morgan will retire at the 2012 AGM.

J R Wilson was appointed to the Board in August 2011. J R Wilson is Vice Chairman of the Energy Group at JP Morgan where he advises oil & gas operators, principally the major international and national oil companies.

The Company has a material business relationship with JP Morgan Cazenove, who act as joint corporate broker and adviser to the Company. The Board has considered whether his role at JP Morgan could affect his judgement as a director of the Company. J R Wilson does not advise the Group and no part of his remuneration at JP Morgan is linked to JP Morgan Cazenove's relationship with the Group or advisory services provided to the Group's energy service company peers. The Board believes that he is independent in character and judgement and, accordingly, has determined that he is an independent non-executive director for the purposes of the Governance Code.

Are Board members standing for re-election?
As previously announced, Dr C Masters and J C Morgan will retire from the board at the 2012 AGM and M H Papworth and L J Thomas intend to leave the Group and step down from the board on 29 June 2012. All directors, other than Dr C Masters, J C Morgan, M H Papworth and L J Thomas will seek re-election at the 2012 Annual General Meeting.

How does the Board discharge its responsibilities?
There were six scheduled Board meetings during 2011 as well as five additional meetings convened to consider transactional activity associated with the acquisition of PSN, the sale of the Well Support division and the return of cash. Three of the meetings were scheduled as two-day sessions and were held in Aberdeen, Calgary and 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 Safety.

In addition to Board meetings, the Board receives a monthly report which gives a summary of safety, financial and operational matters and a more detailed quarterly report including reports on safety, operations, human resources, 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.

The executive directors, excluding the Chairman, attended 11 Group Board Executive meetings throughout the year which include reports and discussions on Safety, operational issues, finance, legal, investor relations and human resources matters. In addition, divisional directors conduct Quarterly Review Meetings with senior managers of all 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?
The Board completed a formal evaluation of its own performance and of its committees, individual directors, and of the Chairman for the year. This involved directors completing detailed questionnaires, the results of which were analysed by the Company Secretary and presented for discussion 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.

Who are your shareholders?

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 26 March 2012.

Name of Shareholder	Number of issued shares held	% of issued shares
Blackrock	62,843,537	16.9%
Schroder Investments	16,777,852	4.5%
Wood Group Employee Share Trust	12,618,916	3.4%
Legal & General	11,429,540	3.1%

Sir Ian Wood has interests amounting to more than 3% of the share capital as disclosed on page 55

Committees of the Board

The Board has delegated some of its responsibilities to committees – the Nominations Committee, the Audit Committee and the Remuneration Committee. A summary of the work of the Nominations Committee and the Audit Committee is set out below and the report of the Remuneration Committee is included in the Directors' remuneration report on pages 45-55.

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.

The dates of future Board meetings have now been agreed until the end of 2013.

	Board	Nominations Committee	Audit Committee	Remuneration Committee
Number of meetings held in 2011	11	1	4	3
Executive Directors				
Sir Ian Wood	11	1	–	–
A G Langlands	11	–	–	–
A G Semple	10	–	–	–
R Keiller (appointed April 2011)	2	–	–	–
M H Papworth	11	–	–	–
M Straughen	9	–	–	–
L J Thomas	10	–	–	–
J B Renfroe (resigned April 2011)	3	–	–	–
Non-executive Directors				
I D Marchant	10	1	4	–
M Contie	10	1	–	3
Dr C Masters	10	1	4	–
J C Morgan	10	1	3	3
N H Smith	11	1	–	3
J R Wilson (appointed Aug 2011)	3	–	–	–
D K Woodward	11	1	4	1
D J Ogren (resigned May 2011)	4	1	–	1

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

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
- M Contie
- Dr C Masters
- J C Morgan
- N H Smith
- J R Wilson (appointed August 2011)
- D K Woodward
- D J Ogren (resigned May 2011)

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

Given the high-quality candidates identified, no external consultants were retained or open advertising undertaken in appointments of non-executive directors during 2011.

The Committee met once during 2011.

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.

I D Marchant
Chairman, Audit Committee

Who is on the Audit Committee?
The Audit Committee comprises four independent non-executive directors: I D Marchant (Chairman), Dr C Masters, J C Morgan and D K Woodward. In line with the requirements of the Governance 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 four times in 2011. 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 2011 the Committee:

- reviewed the annual report for 2010 and the interim report for 2011
- 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 judgemental 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 2011 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. 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. The Group Ethics helpline has been established to enable staff and third parties to raise ethical concerns in confidence.

For further details please refer to the Financial Responsibility and Integrity sections of Core Values on pages 32 and 33.

Risk identification and management: The process for risk identification and management is outlined on page 22.

For further details please refer to Principal risks and uncertainties on pages 22 to 25.

Monitoring of the internal control systems: The Board has agreed certain reporting procedures to monitor key risk areas on an ongoing basis, including 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, at least 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 8 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 16 to 21. 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 notes 13, 15 and 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 Governance 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).

John Morgan
Chairman, Remuneration Committee

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

Letter from the Chairman of the Remuneration Committee

Dear Shareholder

Our objective continues to be the provision of a remuneration package to attract and retain executive directors and senior management which is competitive with broadly comparable companies. We aim to do this through a balance of fixed and variable pay which should result in remuneration around the median level for target performance with top quartile potential for exceptional performance.

During 2011 the Remuneration Committee had to consider the implications of the change in Group structure with the disposal of the Well Support Division, the acquisition of PSN, the formation of the Wood Group PSN division and the substantial return of cash to shareholders.

The main issues were in relation to the Long-Term Incentive Plan (LTIP). After consideration of the impact on Adjusted Diluted Earnings per Share (AEPS) of the disposal, acquisition and return of cash, the Remuneration Committee decided that the Group targets for AEPS set for the second cycle (2009-11) and the third cycle (2010-12) of the scheme should remain unchanged. We reported last year that we had deferred setting targets for the fourth cycle (2011-13) until after the deals completed and the AEPS and TSR targets for this cycle, as well as the newly set AEPS and TSR targets for the fifth cycle (2012-14), are set out in the report below.

The Committee also decided to retain the original TSR Peer Group for the second and third cycles and have now adjusted the Peer Group for the fourth and fifth cycles, reflecting the new shape of Wood Group. The revised Peer Group is detailed in the report.

We made one significant change to the mix of LTIP performance measures for Group Divisional Directors from 2011. These measures were originally set at 75% AEPS and 25% on relative TSR. We have reduced the AEPS weighting to 37.5% and introduced a Divisional EBITA target with 37.5% weighting. The Committee believes this better reflects their individual, as well as Group responsibilities. The Chief Executive and Group Finance Director remain on 75% AEPS and 25% TSR for all five cycles.

The divisional targets for the third and fourth cycles for the Wood Group PSN division were set post completion to reflect the new combined business. It was also agreed that for certain executives (mainly those joining from PSN), the third cycle would be a two year cycle covering 2011-12.

Governance

Directors' remuneration report continued

We have made one structural change to the long-term incentives of the group of around 80 senior operational managers reporting to those already participating in the LTIP scheme. These senior managers have historically been eligible to participate in the Group's Long-Term Retention Plan (LTRP). It is our view that these executives should have a more specifically targeted approach to the long-term component of their remuneration, linked to their division or business unit financial performance. For this group we have introduced a Long-Term Cash Incentive Plan (LTCIP) from 2011. The scheme structure closely mirrors the LTIP three-year rolling plan, with maximum annual awards set at 50%-75% of salary. The award amount is indexed to share price movement over the period. The targets, which include EBITA and OCER, are set at business unit (75%) and Divisional (25%) levels and 80% of the award is made in cash at the end of each three-year cycle, with the balance deferred for two years. Employees who do not participate in the LTIP or LTCIP will remain eligible to participate in the LTRP or Employee Share Option Schemes (ESOS).

The LTIP and LTRP schemes were both approved through to 2013. We have decided that we will continue with these existing schemes up to and including 2012. We have now commenced a review of the appropriate remuneration structure for executive directors and senior executives beyond this time scale. This review process is continuing in 2012 and we would expect to bring new proposals to the 2013 AGM after appropriate consultation with shareholders.

The authority for our existing ESOS expires this year. The schemes have primarily been used to grant options to employees across the Group who are not eligible for the other long-term incentive schemes. We believe that this has been important for the motivation and retention of this group and wish to continue with a similar approach. Accordingly a new ESOS proposal will be brought forward for shareholder vote at the 2012 AGM.

We have reviewed the salaries of the executive directors and have approved an across the board increase of 4% for 2012. Bonus awards made in respect of 2011 reflect a strong Group performance with appropriate variability at Divisional and personal level. The range of awards is from 77% to 114% of basic salary (against a potential maximum of 125%).

As reported last year there was a very limited LTIP award under the first cycle, with no award in respect of the AEPS element. The second cycle awards which were made in March 2012 reflect strong AEPS and TSR performance. Participants have been able to significantly benefit from the growth in share price which was £1.89 at the beginning of the cycle. We continue to place a real value on the retention aspects of these awards in a market place which is very competitive for the best people.

Overall we continue to believe that the balance of fixed and variable pay, the focus on performance incentives, the transparency of objective setting and the deferral mechanisms in place give us a remuneration framework which supports the delivery of the Group's business objectives.

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)
- M Contie
- D J Ogren – resigned 11 May 2011
- N H Smith
- D Woodward – appointed 13 Dec 2011

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 2011, 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 was Secretary to the Committee.

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

- attract, retain and motivate 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 in the pursuit of 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 Governance Code and relevant regulations enforced under the Companies Act 2006.

During the year ended 31 December 2011, the Committee met four times and held two conference calls to discuss the 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 2011?

Meeting	Regular Standing items	Other agenda items
17 Feb 2011 (conference call)	• Confirmed executive directors' salaries for 2011 • Confirmed executive directors' annual bonuses for 2010	• Approved incentive arrangements related to the disposal of the Well Support division • Approved LTIP grants for 2008-10 cycle • Confirmed changes to Senior Management Incentive Plan (SMIP) structure for 2011
7 Mar 2011 (conference call)	• Reviewed and approved 2010 Directors' remuneration report • Agreed to defer grant of LTRP and ESOS until September / October 2011 following completion of the Well Support sale and PSN acquisition	• Agreed no adjustment required to AEPS formula for LTIP second and third cycles following the Well Support sale and PSN acquisition • Agreed TSR peer group remain unchanged for LTIP second and third cycles • Agreed to review TSR peer group prior to LTIP fourth cycle • Agreed LTIP fourth cycle targets for senior executives would be more heavily weighted towards the individuals' personal area of responsibility
17 Aug 2011	• Approved participants for LTIP fourth cycle • Approved Group and divisional targets for LTIP fourth cycle • Approved Wood Group PSN divisional targets for LTIP third cycle • Approved October 2011 ESOS and LTRP grants	• Approved LTCIP scheme outline, proposed participants and performance targets • Approved changes to LTIP TSR peer group for the fourth cycle
13 Dec 2011	• Approved executive directors' salaries for 2012 • Estimate of SMIP bonuses for 2011 • Reviewed progress against LTIP performance targets for second and third cycles	• Discussed objectives and design of future incentive schemes • Reviewed executive compensation arrangements for executive directors and other senior executives

1b) Remuneration policy

Each year, the Committee reviews the remuneration policy for executive directors and other senior executives, taking into account both the external market and the company's strategic objectives over the short and the medium term. The Committee considers 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. Remuneration packages comprise fixed and variable performance related elements and are aligned with maximising shareholder value and achieving the long-term strategy of the Group.

The Committee monitors the participation of senior executives in the Group's short-term and long-term incentive arrangements and reviews the levels of compensation for internal equity and external competitiveness.

	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 (LTIP)	Achievement of long-term financial performance against predetermined targets and TSR

Governance

Directors' remuneration report continued

1c) Remuneration arrangements for executive directors

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

2012 UK executive directors £'000	Sir Ian Wood Chairman	A G Langlands Chief Executive	R Keiller	M H Papworth	M Straughen	L J Thomas
Basic salary from 1 Jan 2012	268	514	374	327	327	327
On target bonus (% of salary)	100%	100%	100%	100%	100%	100%
Maximum bonus (% of salary)	125%	125%	125%	125%	125%	125%
% of bonus earned deferred for two years	50%	50%	50%	50%	50%	50%
Maximum LTIP award (% of salary)	0%	125%	125%	125%	125%	125%
LTIP award (% of salary) end of three-year cycle	0%	100%	100%	100%	100%	100%
LTIP award (% of salary) deferred for further two years	0%	25%	25%	25%	25%	25%
Pension arrangement	No benefits provided since 2007 as beyond normal retirement age	Defined benefit pension scheme	Group personal pension plan	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					

2012 US-based executive director $'000	A G Semple
Basic salary from 1 Jan 2012	616
On target bonus (% of salary)	100%
Maximum bonus (% of salary)	125%
% of bonus earned deferred for two years	50%
Maximum LTIP award (% of salary)	125%
LTIP award (% of salary) end of three-year cycle	100%
LTIP award (% of salary) deferred for further two years	25%
Pension arrangement	Defined benefit equivalent pension scheme
Benefits	A company car and contributory health and welfare cover

- **Basic salary and benefits**

Salary levels are reviewed and approved annually by the Committee and in 2011 increased by 3%. The Committee has approved a salary increase of 4% effective from 1 January 2012.

- **Annual bonus**

Executive directors are eligible for annual bonuses to encourage improved performance, with targets approved by the Committee to align executive directors' interests with shareholders. Half of any bonus earned is deferred for payment for two years.

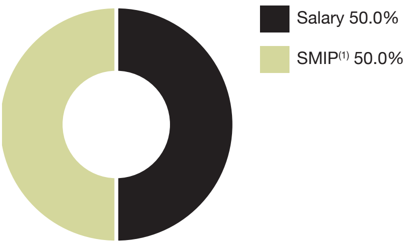
Measure	Proportion of bonus paid or payable	Objective				
Financial performance	70%	The Group's financial performance is measured against annual budget, comprising both an EBITA and a capital efficiency measure	**EBITA** Achievement Payment – % of salary	Threshold 85% 0%	Budget 100% 35%	Maximum 115% 49%
			OCER (see page 21) Achievement Payment – % of salary	 110% 0%	 100% 15%	 90% 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 in line with the Core Values	Typical personal objectives include: Safety objectives Business development Strategy People development		Process improvements Strategy Working capital control	

During 2011 overall individual bonus payments, excluding the special incentive paid to J Renfroe, ranged from 77.4% to 114.0% of basic salary (including the deferred element).

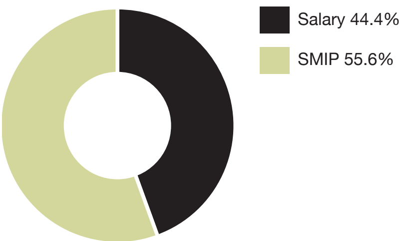
Remuneration arrangements for executive directors from 1 January 2012

SIR IAN WOOD

'On-target' Peformance %

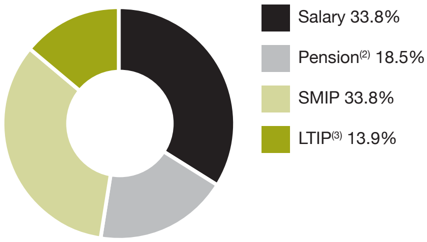


'Maximum' Peformance %

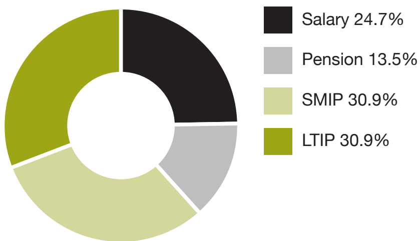


A G LANGLANDS

'On-target' Peformance %

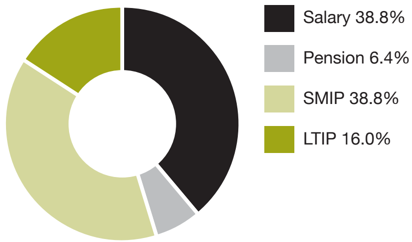


'Maximum' Peformance %

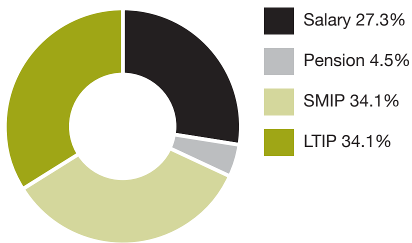


A G SEMPLE

'On-target' Peformance %



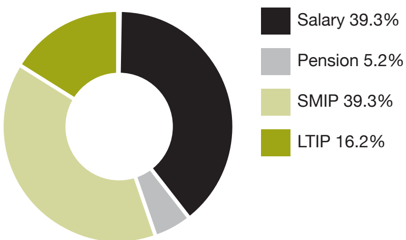
'Maximum' Peformance %



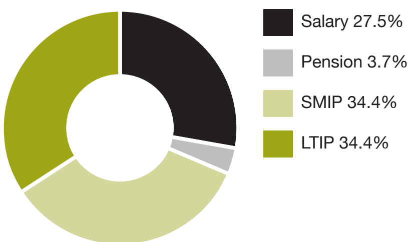
Governance

R KEILLER

'On-target' Peformance %

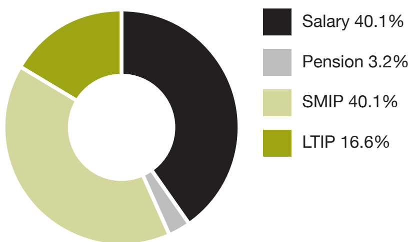


'Maximum' Peformance %

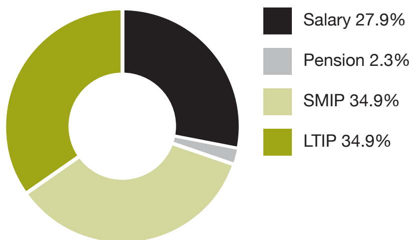


OTHER EXECUTIVE DIRECTORS

'On-target' Peformance %



'Maximum' Peformance %



Notes

(1) SMIP on-target performance assumes achievement of all personal objectives and budgeted financial performance.
(2) Pension is the transfer value of the increase in pension entitlement (excluding inflation) as disclosed on page 51.
(3) LTIP on-target performance is based on the achievement of threshold levels of AEPS and TSR and assumes no change in share price between grant and award.

Governance

Directors' remuneration report continued

- **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 summarises the schemes:

Long-term incentive	Description
LTIP	Introduced in 2007 for executive directors and around 30 senior executives, the LTIP is designed to provide incentives for three-year rolling performance cycles commencing 1 January 2008.
LTCIP	Introduced in 2011 for approximately 80 senior executives, the LTCIP is designed to provide incentives for three-year rolling performance cycles with all awards paid in cash.
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. In 2011 grants were made under the LTRP scheme to 194 employees. No grants were made to executive directors in 2010 and 2011.
ESOS	Established in 2002, the ESOS provide for the grant of options to executive directors, senior executives and other employees. In 2011 grants were made under the ESOS scheme to 470 employees. No grants have been made to the executive directors since 2005.

- **Pensions (audited)**

Pension benefits to UK executive directors

The benefits and terms for the UK-based executive directors who are active members of the John Wood Group PLC Retirement Benefit Scheme (JWG RBS), which is a defined benefit pension scheme, are shown in the table below. Benefits within the JWG RBS are provided on a Career Average Re-valued Earnings (CARE) basis. Following the 2010 Actuarial Valuation, the employee contribution level was increased from 7.5% to 8.5% from 6 April 2011.

	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	8.5% of pensionable salary, subject to pension cap	4 x basic salary	1/60th	One-half
L J Thomas	65	8.5% of pensionable salary, subject to pension cap	4 x basic salary	1/60th	One-half

A scheme specific pensionable earnings cap of £135,000 was set in 6 April 2011 (2010: £127,800) escalating at Retail Price Index (RPI) plus 1.25% per annum. The earnings cap will increase to £144,000 from 6 April 2012.

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 2011 at £472,716 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.
R Keiller joined the John Wood Group PLC Group Personal Pension Plan (JWG GPP) on a non contributory basis from 1 June 2011. During the year the Group's contribution on his behalf to the JWG GPP amounted to £36,000.

R Keiller is provided with life assurance cover of eight times basic salary.

The UK directors below had the following accrued entitlements under the JWG RBS at 31 December 2011.

£'000	Age at 31 December 2011	Accumulated total accrued annual pension at 31 December 2010	Increase in accrued annual pension (including inflation)	Increase in accrued pension (excluding inflation)	Accumulated total accrued annual pension at 31 December 2011
A G Langlands	53	230	22	13	252
M H Papworth	46	12	3	2	15
L J Thomas	54	14	3	2	17
£'000	**Transfer value of increase in pension entitlement (excluding inflation)**	**Transfer value of accrued benefit at 31 December 2010**	**Increase in transfer value of pension entitlement less member contributions**	**Member contributions***	**Transfer value of accrued benefit at 31 December 2011**
A G Langlands	281	5,204	438	0	5,642
M H Papworth	22	130	22	11	152
L J Thomas	30	192	35	11	227

M H Papworth and L J Thomas participate on a salary exchange basis and therefore member contributions are notional.

Pension benefits to US-based executive directors
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 2011 at $611,550 per annum, increasing at RPI plus 1.25%.

A G Semple is provided with life assurance cover of approximately four times basic salary.

A G Semple had the following accrued entitlements:

$'000	Age at 31 December 2011	Accumulated total accrued annual pension at 31 December 2010	Increase in accrued annual pension (including inflation)	Increase in accrued pension (excluding inflation)	Accumulated total accrued annual pension at 31 December 2011
A G Semple	52	143	12	5	155
$'000	**Transfer value of increase in pension entitlement (excluding inflation)**	**Transfer value of accrued benefit at 31 December 2010**	**Decrease in transfer value of pension entitlement less member contributions**	**Member contributions**	**Transfer value of accrued benefit at 31 December 2011**
A G Semple	104	3,084	(82)	49	3,051

J B Renfroe's benefits were provided in defined contribution form. During the year the Group's contribution on his behalf to a 401k plan amounted to $4,083 (2010: $12,250).

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
R Keiller	20 April 2011	6 months
M H Papworth	16 January 2006	12 months
M Straughen	23 April 2007	6 months
L J Thomas	19 May 2004	12 months

It is the Committee's view that these contractual notice periods continue to be appropriate. None of the service contracts provides for predetermined 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.

Governance

Directors' remuneration report continued

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, LTIP, LTCIP, 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 up to 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 annum	£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 2011.

2c) Remuneration of non-executive directors in 2011 (audited)

£'000	Annual director's fee	Committee attendance	2011 Total	2010 Total
I D Marchant	40	5	**45**	45
M Contie	40	4	**44**	37
Dr C Masters	40	5	**45**	45
J C Morgan	40	7	**47**	47
N H Smith	40	4	**44**	42
* J Wilson	20	–	**20**	–
D K Woodward	40	6	**46**	45
** D J Ogren	20	2	**22**	43

* J Wilson commenced 1 August 2011
** D J Ogren resigned 11 May 2011

Part 3 Additional statutory and other disclosures

3a) Summary of executive directors' emoluments in 2011 (audited)

UK executive directors' emoluments:

£'000	Basic salary		Annual bonus (1)				Benefits (2), (3)		Total	
			Cash bonus		Deferred bonus					
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Sir Ian Wood	**258**	250	**142**	105	**142**	105	**13**	14	**555**	474
A G Langlands	**495**	480	**271**	202	**271**	202	**13**	14	**1,050**	898
R Keiller (4)	**240**	–	**137**	–	**137**	–	**8**	–	**522**	–
M H Papworth	**314**	305	**164**	80	**164**	80	**31**	31	**673**	496
M Straughen	**314**	305	**172**	131	**172**	131	**44**	43	**702**	610
L J Thomas	**314**	305	**121**	102	**121**	102	**31**	31	**587**	540

US-based executive directors' emoluments:

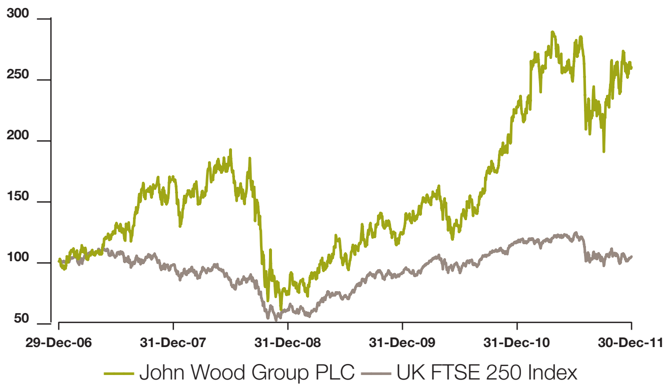
$'000	Basic salary		Annual bonus (1)				Benefits		Total	
			Cash bonus		Deferred bonus					
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
A G Semple	**592**	575	**329**	248	**329**	248	**19**	30	**1,269**	1,101
J B Renfroe (5)	**172**	500	**4,700**	234	**–**	234	**10**	25	**4,882**	993

(1) The bonus figures relate to amounts earned in respect of the year ended 31 December 2011. The cash bonuses will be paid by 31 March 2012. The deferred bonuses will be paid after a two-year deferral period and are subject to forfeiture under certain circumstances.
(2) Benefits paid to M H Papworth and L J Thomas included cash payments in lieu of pension benefits above the scheme specific cap.
(3) Benefits paid to M Straughen include a cash allowance in lieu of pension benefits.
(4) R Keiller's figures are from the date of appointment as Group Director on 20 April 2011.
(5) J B Renfroe's figures are to the date of resignation and include a special incentive payment due on the completion of the Well Support division sale on 26 April 2011, as disclosed in the directors' remuneration report 2010 and circular to shareholders regarding the proposed disposal of the Well Support division of 14 March 2011. Under this arrangement he forewent any entitlement under the second and third cycles of LTIP.

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) LTIP

The LTIP scheme was approved by the shareholders at the 2007 AGM and is based on three-year rolling performance cycles.

- The first cycle began on 1 January 2008 and ended on 31 December 2010 'the 2008-10 cycle'
- The second cycle began on 1 January 2009 and ended on 31 December 2011 'the 2009-11 cycle'
- The third cycle began on 1 January 2010 and ends on 31 December 2012 'the 2010-12 cycle'
- The fourth cycle began on 1 January 2011 and ends on 31 December 2013 'the 2011-13 cycle'
- The fifth cycle began on 1 January 2012 and ends on 31 December 2014 'the 2012-14 cycle'

Participation

Participation in the LTIP scheme is limited to executive directors and those other senior executives who, in the opinion of the Committee, are able to materially influence the achievement of the Group's long-term business goals. The Group executive directors and around 30 senior executives participate.

Awards

Each cycle awards executive directors a combination of shares and restricted shares up to a maximum of 125% of base salary at the start of the cycle. The number of shares awarded is calculated using the share price and exchange rate at the start of the cycle. 20% of any award earned is made in forfeitable restricted shares and deferred for two years.

Performance measures

The performance measures have been chosen in light of their appropriateness to the strategic objectives of the Group, and targets are set against these measures at the commencement of each performance cycle. During the course of a performance cycle, the Committee has 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

2008-10 cycle	75% AEPS	25% TSR	
2009-11 cycle	75% AEPS	25% TSR	
2010-12 cycle	75% AEPS	25% TSR	
2011-13 cycle	37.5% AEPS	25% TSR	37.5% divisional EBITA
2012-14 cycle	37.5% AEPS	25% TSR	37.5% divisional EBITA

* The performance measures for AG Langlands and AG Semple are 75% AEPS and 25% TSR for all five cycles

* The performance measures for R Keiller for the 2010-12 cycle are 75% Wood Group PSN EBITA and 25% Wood Group PSN OCER

Total Shareholder Return (TSR)

The TSR of the Group for the first three cycles is compared to a peer group comprising 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.

Following the sale of the Well Support division, the Committee amended the peer group from cycle four which now comprises Aker Kvaerner, AMEC, Chicago Bridge and Iron Company, Fluor, Foster Wheeler, Halliburton, Jacobs Engineering, KBR, McDermott, Petrofac, Saipem, SBM Offshore, Sulzer, Technip, The Weir Group, Worley Parsons and WS Atkins plc.

In all cycles no awards will be made for less than the 'threshold' performance for AEPS, or 50th percentile for TSR. On reaching the 'threshold' or 50th percentile, one-third of the AEPS or TSR-related element will become payable and on reaching the 'maximum' performance, or 75th percentile, 100% of the AEPS or TSR element will become payable. For achievement level between 'threshold' and 'maximum' or between the 50th and 75th percentile performance the allocation will be on a straight line basis.

The 2008-10 Cycle

For the first cycle the Group was ranked 7th out of 21 companies for TSR purposes, but did not achieve threshold AEPS, resulting in a partial award for all participants.

LTIP 2008-10 Cycle	Total shares awarded	Shares awarded in March 2011	Shares deferred for award until March 2013	
			Original	Restated
A G Langlands	33,372	26,697	6,675	5,191
A G Semple	20,083	16,066	4,017	3,124
M H Papworth	21,205	16,964	4,241	3,298
M Straughen	21,205	16,964	4,241	3,298
L J Thomas	21,205	16,964	4,241	3,298
J B Renfroe*	17,463	13,971	3,492	2,716

*Restated to reflect the 7 for 9 share consolidation carried out as part of the return of cash (see page 19 for details).

Governance

Governance

Directors' remuneration report continued

The 2009-11 Cycle

The AEPS targets for the 2009-11 cycle were set at 40.3 cents at the 'threshold', when one-third of the AEPS element became payable, and 44.1 cents at the 'maximum', when 100% of the AEPS element became payable. The actual AEPS achieved was 60.2 cents and Wood Group was ranked 5th out of 21 companies for TSR purposes resulting in a maximum award for all participants.

LTIP 2009-11 Cycle	Total shares awarded	Shares awarded in March 2012	Shares deferred for award until March 2014
A G Langlands	317,758	254,206	63,552
A G Semple	264,743	211,794	52,949
M H Papworth	201,909	161,527	40,382
M Straughen	201,909	161,527	40,382
L J Thomas	201,909	161,527	40,382

The 2010-12 Cycle

The AEPS targets have been set at 43.8 cents at the 'threshold' and 49.4 cents at the 'maximum'.

The 2011-13 Cycle

The AEPS targets have been set at 82.5 cents at the 'threshold' and 90.0 cents at the 'maximum'. The divisional EBITA targets were set and reflected in the calculation of the AEPS targets.

The 2012-14 Cycle

The targets for the 2012-2014 cycle were set in 2012 and were based on compound growth targets above the 2012 budget. The AEPS targets have been set at 93.2 cents at the 'threshold' and 111.2 cents at the 'maximum', which represents annual compound growth rates from the 2011 actual EPS of 60.2c of 16% and 23% respectively. The divisional EBITA targets were set and reflected in the calculation of the AEPS targets.

(ii) LTCIP

The LTCIP scheme was introduced in 2011 for around 80 senior executives and is based on three-year rolling performance cycles. Awards are made in cash following the end of the performance cycle with 20% of any award earned over the performance cycle deferred for a further two years. Awards are set at a maximum of 50% or 75% of base salary at the start of the performance period, adjusted for the effect of share price growth (or decline) over the performance cycle.

Executive directors are not eligible to participate in the LTCIP.

(iii) LTRP

The LTRP schemes and the proposed parameters of their operation were approved by shareholders at the 2003 AGM and have remained unchanged from previous years. There are currently approximately 400 participants across the Group. Awards are made wholly in shares by way of par value options which are exercisable between the fourth and fifth anniversary of grant and which lapse under certain circumstances. The level of share awards to an individual is limited other than for exceptional circumstances to a maximum of one year's salary although it is the Committee's intention that individual awards would not normally be more than 50% of annual salary.

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

No grants were made to the executive directors under the LTRP schemes in 2010 and 2011.

(iv) ESOS

The Group adopted the John Wood Group PLC Share Option Schemes after approval by the shareholders on the listing of the Group in June 2002. The current schemes expire in 2012 and a proposal for their replacement will be brought for shareholder approval at the 2012 AGM.

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.

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 2011	Granted in 2011	Exercised in 2011	Lapsed in 2011	Number as at 31 December 2011
A G Langlands										
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p	–	40,000	–	–	–	40,000
						40,000	–	–	–	40,000
A G Semple										
ESOS	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
						215,000	–	–	–	215,000
M H Papworth										
LTRP	30/03/2007	30/03/2011	30/03/2012	3⅓p	637¾p	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
						240,000	–	100,000	–	140,000
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
						90,000	–	–	–	90,000
L J Thomas										
ESOS	02/04/2004	02/04/2008	02/04/2014	128½p	642¼p	100,000	–	100,000	–	–
ESOS	19/05/2005	19/05/2009	19/05/2015	145p	642¼p	100,000	–	100,000	–	–
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p	–	40,000	–	–	–	40,000
						240,000	–	200,000	–	40,000
J B Renfroe										
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p	627p	40,000	–	20,833	19,167	–
						40,000	–	20,833	19,167	–
Total						865,000	–	320,833	19,167	525,000

J B Renfroe resigned on 26 April 2011.

The market price of the Company's shares at 31 December 2011 was 641.0p and the range of closing market prices from 1 January to 31 December 2011 was 469.9p to 706.5p.

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 2011 were:

Beneficial interest	1 January 2011	Restated 1 January 2011[4]	31 December 2011
Sir Ian Wood	27,861,163	21,669,793	21,473,637
A G Langlands	500,000	388,889	394,079
A G Semple	1,044,743	812,578	824,441
R Keiller[1]	N/A	N/A	1,569,721
M H Papworth	–	–	3,298
M Straughen	23,055	17,932	27,547
L J Thomas[2]	109,845	85,435	88,732
J B Renfroe[3]	10,000	7,777	N/A
I D Marchant	10,000	7,777	7,777
M Contie	5,959	4,634	4,634
Dr C Masters	30,000	23,333	23,333
J C Morgan	41,050	31,927	31,927
N H Smith	–	–	–
J R Wilson[5]	N/A	N/A	–
D Woodward	27,000	21,000	21,000
D J Ogren[6]	80,000	62,222	N/A
Non-beneficial interest			
Sir Ian Wood	63,235,078	49,182,838	3,888,888
R Keiller	N/A	N/A	392,423

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

Directors' interests in options over ordinary shares at 31 December 2011 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.

Where applicable the December 2011 figures include interest in retained LTIP awards.

(1) R Keiller appointed on 20 April 2011
(2) L J Thomas figures include ICW Trust shares
(3) J B Renfroe resigned on 26 April 2011
(4) Restated to reflect the 7 for 9 share consolidation carried out as part of the return of cash (see page 19 for details)
(5) J R Wilson appointed on 1 August 2011
(6) D J Ogren resigned on 11 May 2011

Financial statements

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Independent auditor's report

to the members of John Wood Group PLC

We have audited the financial statements of John Wood Group PLC for the year ended 31 December 2011 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 Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements 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 financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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 parts 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; 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;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
5 March 2012

Consolidated income statement
for the year to 31 December 2011

	Note	2011 Pre-Exceptional Items $m	2011 Exceptional Items (note 4) $m	2011 Total $m	2010 Pre-Exceptional Items $m	2010 Exceptional Items (note 4) $m	2010 Total $m
Revenue from continuing operations	1	5,666.8	–	5,666.8	4,085.1	–	4,085.1
Cost of sales		(4,684.2)	(29.7)	(4,713.9)	(3,332.5)	–	(3,332.5)
Gross profit		982.6	(29.7)	952.9	752.6	–	752.6
Administrative expenses		(719.7)	(125.7)	(845.4)	(562.9)	(27.6)	(590.5)
Operating profit	1	262.9	(155.4)	107.5	189.7	(27.6)	162.1
Finance income	2	4.9	–	4.9	1.8	–	1.8
Finance expense	2	(13.7)	(3.8)	(17.5)	(35.3)	(0.5)	(35.8)
Profit before taxation from continuing operations	3	254.1	(159.2)	94.9	156.2	(28.1)	128.1
Taxation	5	(75.0)	26.7	(48.3)	(57.9)	6.2	(51.7)
Profit for the year from continuing operations		179.1	(132.5)	46.6	98.3	(21.9)	76.4
Profit from discontinued operations, net of tax	1	36.1	2,220.1	2,256.2	89.4	–	89.4
Profit for the year		215.2	2,087.6	2,302.8	187.7	(21.9)	165.8
Profit attributable to:							
Owners of the parent		214.7	2,087.6	2,302.3	187.9	(21.9)	166.0
Non-controlling interests	25	0.5	–	0.5	(0.2)	–	(0.2)
		215.2	2,087.6	2,302.8	187.7	(21.9)	165.8
Earnings per share (expressed in cents per share)							
Basic	7	49.5	481.2	530.7	36.7	(4.3)	32.4
Diluted	7	47.8	465.2	513.0	35.5	(4.2)	31.3

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 2011

	Note	2011 $m	2010 $m
Profit for the year		**2,302.8**	165.8
Other comprehensive income			
Actuarial (losses)/gains on retirement benefit liabilities	**29**	**(22.6)**	1.0
Movement in deferred tax relating to retirement benefit liabilities		**6.1**	(0.3)
Cash flow hedges	**24**	**(1.6)**	3.3
Net exchange movements on retranslation of foreign currency net assets	**24**	**(31.1)**	2.8
Net exchange movements on retranslation of non-controlling interests	**25**	**(0.2)**	0.3
Total comprehensive income for the year		**2,253.4**	172.9
Total comprehensive income for the year is attributable to:			
Owners of the parent		**2,253.1**	172.8
Non-controlling interests	**25**	**0.3**	0.1
		2,253.4	172.9

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

Consolidated balance sheet
as at 31 December 2011

	Note	2011 $m	2010 $m
Assets			
Non-current assets			
Goodwill and other intangible assets	8	1,621.3	677.5
Property plant and equipment	9	150.0	238.2
Long-term receivables	12	42.0	43.5
Deferred tax assets	19	60.6	100.2
		1,873.9	1,059.4
Current assets			
Inventories	11	404.5	663.8
Trade and other receivables	12	1,320.9	1,052.0
Income tax receivable		28.7	25.2
Gross assets held for sale	27	26.4	-
Cash and cash equivalents	13	226.6	180.1
		2,007.1	1,921.1
Liabilities			
Current liabilities			
Borrowings	15	69.2	30.1
Trade and other payables	14	1,286.2	1,139.8
Gross liabilities held for sale	27	10.6	-
Income tax liabilities		139.2	60.8
		1,505.2	1,230.7
Net current assets		501.9	690.4
Non-current liabilities			
Borrowings	15	161.3	165.1
Deferred tax liabilities	19	5.7	2.3
Retirement benefit liabilities	29	45.8	33.3
Other non-current liabilities	16	98.7	84.7
Provisions	18	89.8	47.2
		401.3	332.6
Net assets		1,974.5	1,417.2
Equity attributable to owners of the parent			
Share capital	21	23.4	26.3
Share premium	22	7.7	315.8
Retained earnings	23	1,469.8	1,007.6
Other reserves	24	463.6	56.6
		1,964.5	1,406.3
Non-controlling interests	25	10.0	10.9
Total equity		1,974.5	1,417.2

The financial statements on pages 58 to 104 were approved by the board of directors on 5 March 2012.

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 2011

	Note	Share Capital $m	Share Premium $m	Retained Earnings $m	Other Reserves $m	Equity attributable to owners of the parent $m	Non-controlling interests $m	Total Equity $m
At 1 January 2010		26.3	315.8	877.6	50.5	1,270.2	10.8	1,281.0
Profit for the year		–	–	166.0	–	166.0	(0.2)	165.8
Other comprehensive income:								
Actuarial losses on retirement benefit liabilities	**29**	–	–	1.0	–	1.0	–	1.0
Movement in deferred tax relating to retirement benefit liabilities		–	–	(0.3)	–	(0.3)	–	(0.3)
Cash flow hedges	**24**	–	–	–	3.3	3.3	–	3.3
Net exchange movements on retranslation of foreign currency net assets		–	–	–	2.8	2.8	0.3	3.1
Total comprehensive income for the year		**–**	**–**	**166.7**	**6.1**	**172.8**	**0.1**	**172.9**
Transactions with owners:								
Dividends paid		–	–	(53.1)	–	(53.1)	(1.1)	(54.2)
Non-controlling interests arising on business combinations	**25**	–	–	–	–	–	0.3	0.3
Investment by non-controlling interests	**25**	–	–	–	–	–	0.8	0.8
Credit relating to share-based charges	**20**	–	–	16.7	–	16.7	–	16.7
Tax credit relating to share option schemes		–	–	12.5	–	12.5	–	12.5
Shares purchased by employee share trusts		–	–	(20.8)	–	(20.8)	–	(20.8)
Shares disposed of by employee share trusts		–	–	6.3	–	6.3	–	6.3
Exchange movements in respect of shares held by employee share trusts		–	–	1.7	–	1.7	–	1.7
At 31 December 2010		**26.3**	**315.8**	**1,007.6**	**56.6**	**1.406.3**	**10.9**	**1,417.2**
Profit for the year		–	–	2,302.3	–	2,302.3	0.5	2,302.8
Other comprehensive income:								
Actuarial losses on retirement benefit liabilities	**29**	–	–	(22.6)	–	(22.6)	–	(22.6)
Movement in deferred tax relating to retirement benefit liabilities		–	–	6.1	–	6.1	–	6.1
Cash flow hedges	**24**	–	–	–	(1.6)	(1.6)	–	(1.6)
Net exchange movements on retranslation of foreign currency net assets		–	–		(31.1)	(31.1)	(0.2)	(31.3)
Total comprehensive income for the year		**–**	**–**	**2,285.8**	**(32.7)**	**2,253.1**	**0.3**	**2,253.4**
Transactions with owners:								
Dividends paid		–	–	(53.4)	–	(53.4)	(0.3)	(53.7)
Non-controlling interests arising on business combinations	**25**	–	–	–	–	–	0.4	0.4
Purchase of non-controlling interests	**25**	–	–	–	–	–	(1.8)	(1.8)
Investment by non-controlling interests	**25**	–	–	–	–	–	0.5	0.5
Credit relating to share-based charges	**20**	–	–	9.7	–	9.7	–	9.7
Tax credit relating to share option schemes		–	–	20.8	–	20.8	–	20.8
Shares issued in respect of the PSN acquisition	**21**	0.6	–	–	114.4	115.0	–	115.0
Adjustments relating to options exercised under share symmetry scheme	**22**	–	6.0	(6.0)	–	–	–	–
Purchase of shares under tender offer	**21**	(3.6)	–	(675.7)	3.6	(675.7)	–	(675.7)
Issue of 'B' shares	**21**	436.1	(321.7)	–	(114.4)	–	–	–
Redemption of 'B' shares	**21**	(436.1)	–	(436.1)	436.1	(436.1)	–	(436.1)
Deferred share dividend	**23**	–	–	(533.3)	–	(533.3)	–	(533.3)
Purchase of 'C' shares by company	**23**	–	–	(113.4)	–	(113.4)	–	(113.4)
Expenses and foreign exchange relating to return of cash, net of tax	**23**	–	–	(24.7)	–	(24.7)	–	(24.7)
Shares purchased by employee share trusts	**23**	–	–	(42.5)	–	(42.5)	–	(42.5)
Shares allocated to employee share trusts	**23**	0.1	7.6	(7.7)	–	–	–	–
Shares disposed of by employee share trusts	**23**	–	–	12.3	–	12.3	–	12.3
Cash received by employee share trusts from the return of cash to shareholders	**23**	–	–	25.0	–	25.0	–	25.0
Exchange movements in respect of shares held by employee share trusts	**23**	–	–	1.4	–	1.4	–	1.4
At 31 December 2011		**23.4**	**7.7**	**1,469.8**	**463.6**	**1,964.5**	**10.0**	**1,974.5**

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 2011

	Note	2011 $m	2010 $m
Cash generated from operations	26	**284.5**	402.5
Tax paid		**(118.7)**	(99.3)
Net cash from operating activities		**165.8**	303.2
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and borrowings acquired)	27	**(979.4)**	(68.6)
Cash impact of exceptional items		**(16.4)**	(8.0)
Proceeds from divestment of subsidiaries (net of cash and borrowings disposed and divestment costs)	27	**2,793.6**	–
Purchase of property plant and equipment		**(72.4)**	(54.4)
Proceeds from sale of property plant and equipment		**3.5**	5.6
Purchase of intangible assets		**(32.0)**	(15.6)
Proceeds from disposal of intangible assets		**0.6**	–
Investment by non-controlling interests	25	**0.5**	0.8
Net cash from/(used in) investing activities		**1,698.0**	(140.2)
Cash flows from financing activities			
Proceeds from/(repayment of) bank loans		**39.9**	(97.3)
Return of cash to shareholders	23	**(1,725.8)**	–
Expenses relating to return of cash to shareholders		**(14.9)**	–
Purchase of shares by employee share trusts	23	**(42.5)**	(22.1)
Disposal of shares by employee share trusts	23	**12.3**	6.3
Interest received		**4.6**	2.3
Interest paid		**(17.4)**	(28.6)
Dividends paid to shareholders	6	**(53.4)**	(53.1)
Dividends paid to non-controlling interests	25	**(0.3)**	(1.1)
Net cash used in financing activities		**(1,797.5)**	(193.6)
Net increase/(decrease) in cash and cash equivalents		**66.3**	(30.6)
Effect of exchange rate changes on cash and cash equivalents		**(19.8)**	2.1
Opening cash and cash equivalents		**180.1**	208.6
Closing cash and cash equivalents	13	**226.6**	180.1

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 2011

General information

John Wood Group PLC, its subsidiaries and joint ventures provide services to the oil and gas and power generation industries around the world. Details of the Group's activities during the year are provided in the Operational Review. John Wood Group PLC is a public limited company, incorporated and domiciled in Scotland and listed on the London Stock Exchange.

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 at fair value through the income statement. Prior year comparatives have been restated to reflect the reclassification of discontinued operations and their presentation in 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 divestment 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 judgements 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. These estimates are based on management's best knowledge of the amount, event or actions and actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

(a) Impairment of goodwill
The Group carries out impairment reviews whenever events or changes in circumstance indicate that the carrying value of goodwill may not be recoverable. In addition, the Group carries out an annual impairment review. An impairment loss is recognised when the recoverable amount of goodwill is less than the carrying amount. The impairment tests are carried out by CGU (Cash Generating Unit) and reflect the latest Group budgets. The budgets are based on various assumptions relating to the Group's businesses including oil and gas prices, resource utilisation, foreign exchange rates, contract awards and contract margins.

(b) Revenue recognition
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 measuring the proportion of costs incurred for work performed to total estimated costs. Use of the percentage of completion method requires the use of estimates in assessing the stage of completion reached.

(c) Income taxes
The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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:

	2011	2010
Average rate £1 = $	**1.6041**	1.5459
Closing rate £1 = $	**1.5541**	1.5657

Notes to the financial statements
for the year to 31 December 2011

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.

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 comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. 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. Revenue is stated net of sales taxes (such as VAT) 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 measuring the proportion of costs incurred for work performed to total estimated costs. 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 divestment of businesses, write downs or impairments of assets including goodwill, restructuring costs or provisions, litigation settlements, acquisition costs 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 and contingent consideration liabilities is recorded as finance expense.

Notes to the financial statements
for the year to 31 December 2011

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. Goodwill is not amortised.

Acquisition costs relating to business combinations prior to 31 December 2009 were treated as part of the cost of the acquisition and capitalised as goodwill. In accordance with IFRS 3 (revised), acquisition costs relating to business combinations completed on or after 1 January 2010 are expensed in the income statement.

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, intangible assets on acquisition 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:

Software and development costs	3 – 5 years
Intangible assets on acquisition	3 – 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 2011

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. 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. 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.

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 and contingent consideration
Where it is probable that deferred or contingent 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 the income statement. Changes in the estimated liability in respect of acquisitions completed before 31 December 2009 are reflected in goodwill. Changes in the estimated liability in respect of acquisitions completed after 31 December 2009 are expensed in the income statement. 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, at 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 2011

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 values of all derivative financial instruments are obtained from valuations provided by financial institutions.

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 2011

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.

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 2011

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 Plan ('LTIP') for executive directors and certain senior executives. Participants are awarded shares dependent on the achievement of performance targets. The charge to the income statement for shares awarded under the 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.

(iv) The Group has a Long-Term Cash Incentive Plan ('LTCIP') for senior management. Participants are paid a cash bonus dependent on the achievement of performance targets. The charge to the income statement is based on the fair value of the awards at the balance sheet date. The charge is spread over the vesting period with the corresponding credit being recorded in liabilities.

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 equity.

Segmental reporting
The Group has determined that its operating segments are based on management reports reviewed by the Chief Operating Decision Maker ('CODM'), the Group's Chief Executive. Following the acquisition of PSN and the divestment of the Well Support division the Group's reportable segments are now Engineering, Wood Group PSN and Wood Group GTS. Management considers these segments to be the most appropriate in light of the change in the structure of the Group. Comparative figures have been restated to reflect the change to operating segments.

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 offers a wide range of services to the upstream, subsea and pipelines, downstream and industrial, and clean energy sectors. These include conceptual studies, engineering, project and construction management ('EPCM') and control system upgrades.

Wood Group PSN offers life of field support to producing assets through brownfield engineering and modifications, production enhancement, operations and management (including UK dutyholder services), training, maintenance management and abandonment services.

Wood Group GTS is an independent provider of rotating equipment services and solutions for clients in the power, oil and gas and clean energy markets. Aftermarket maintenance activities include facility operations and maintenance, repair and overhaul of gas, wind and steam turbines, pumps and other high speed rotating equipment. The Power Solutions business provides power plant engineering, procurement and construction and construction management services to the owners of power generation facilities.

Notes to the financial statements
for the year to 31 December 2011

Accounting Policies (continued)

Disclosure of impact of new and future accounting standards
New and amended standards and interpretations adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2011 that have a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

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 2011 or later periods, but the Group has not early adopted them:

- IAS 19 'Employee benefits' (amended standard)
- IFRS 9 'Financial instruments'
- IFRS 10 'Consolidated financial statements'
- IFRS 11 'Joint arrangements'
- IFRS 12 'Disclosures of interests in other entities'
- IFRS 13 'Fair value measurement'

The Group has yet to assess the full impact of these new standards and amendments but does not expect them to have a material impact on the financial statements.

Notes to the financial statements
for the year to 31 December 2011

1 Segmental reporting

The segment information provided to the CODM for the reportable operating segments for the year ended 31 December 2011 includes the following:

Reportable Operating Segments[1]	Revenue		EBITDA[(2)]		EBITA[(2)]		Operating profit	
	Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m
Engineering	**1,458.6**	1,239.1	**170.6**	130.2	**162.0**	122.0	**128.3**	106.0
Wood Group PSN [(3)]	**3,012.7**	2,041.1	**165.8**	112.2	**153.2**	101.4	**42.0**	88.6
Wood Group GTS	**1,195.5**	804.9	**91.8**	60.0	**78.8**	46.1	**(8.9)**	18.8
Central costs [(4)]	**–**	–	**(49.4)**	(48.1)	**(52.4)**	(50.8)	**(53.9)**	(51.3)
Well Support – divested [(5)]	**347.8**	947.1	**69.5**	165.9	**57.6**	128.1	**57.6**	128.1
Wood Group GTS – to be divested [(6)]	**37.7**	30.9	**(0.5)**	(1.6)	**(0.5)**	(2.0)	**(12.5)**	(2.0)
Total [(7)]	**6,052.3**	5,063.1	**447.8**	418.6	**398.7**	344.8	**152.6**	288.2
Remove divested and to be divested operations	**(385.5)**	(978.0)	**(69.0)**	(164.3)	**(57.1)**	(126.1)	**(45.1)**	(126.1)
Total continuing operations	**5,666.8**	4,085.1	**378.8**	254.3	**341.6**	218.7	**107.5**	162.1
Finance income							**4.9**	1.8
Finance expense							**(17.5)**	(35.8)
Profit before taxation from continuing operations							**94.9**	128.1
Taxation							**(48.3)**	(51.7)
Profit for the year from continuing operations							**46.6**	76.4
Profit from discontinued operations, net of tax [(8)]							**2,256.2**	89.4
Profit for the year							**2,302.8**	165.8

Notes

1 Following the acquisition of PSN and the divestment of the Well Support division the Group's reportable segments are now Engineering, Wood Group PSN and Wood Group GTS. Comparative figures have been restated accordingly.
2 Total continuing EBITDA represents operating profit of $107.5m (2010: $162.1m) before continuing depreciation of property plant and equipment of $37.2m (2010: $35.6m), amortisation of $78.7m (2010: $29.0m) and continuing exceptional items of $155.4m (2010: $27.6m). EBITA represents EBITDA less depreciation. EBITA and EBITDA are provided as they are units of measurement used by the Group in the management of its business.
3 The results of Wood Group PSN include the trading activity of PSN from the date of acquisition, 20 April 2011 to 31 December 2011.
4 Central costs include the costs of certain management personnel in both the UK and the US, along with an element of Group infrastructure costs.
5 The results of the Well Support division represent the trading activity of that division from 1 January 2011 to 26 April 2011, the date the division was divested.
6 The Wood Group GTS business to be divested is an Aero engine overhaul business which the Group is in the process of divesting. The results of the Aero engine overhaul business represent the trading activity for the year ended 31 December 2011.
7 The figures on the total row are the sum of continuing activity, Well Support activity up to the date of disposal excluding the gain on divestment, and the activity of the Aero engine overhaul business referred to at note 6 above.
8 Profit from discontinued operations, net of tax comprises profit before exceptional items of $36.1m (2010: $89.4m) and profit from exceptional items of $2,220.1m (2010: $nil). Profit before exceptional items comprises EBITA of $57.1m (2010: $126.1m), net finance expense of $0.2m (2010: income $0.4m) and tax of $20.8m (2010: $37.1m).
9 Revenue arising from sales between segments is not material.

Notes to the financial statements
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1 Segmental reporting (continued)

Segment assets and liabilities

	Engineering $m	Wood Group PSN $m	Wood Group GTS $m	Well Support - divested $m	Wood Group GTS - to be divested $m	Unallocated $m	Total $m
At 31 December 2011							
Segment assets	**724.9**	**1,897.8**	**1,059.3**	**7.7**	**18.7**	**172.6**	**3,881.0**
Segment liabilities	**328.9**	**615.4**	**373.6**	**1.0**	**9.6**	**578.0**	**1,906.5**
At 31 December 2010							
Segment assets	604.9	740.8	857.1	636.1	23.0	118.6	2,980.5
Segment liabilities	275.6	451.7	212.3	210.9	5.0	407.8	1,563.3

The Well Support segment assets and liabilities at 31 December 2011 represent the assets and liabilities of the Middle Eastern business, the sale of which is expected to be completed in the first half of 2012 (note 27).

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

Other segment items

2011	Engineering $m	Wood Group PSN $m	Wood Group GTS $m	Well Support - divested $m	Wood Group GTS - to be divested $m	Unallocated $m	Total $m
Capital expenditure							
– Property plant and equipment	**16.1**	**18.0**	**18.9**	**15.0**	**0.8**	**2.7**	**71.5**
– Rental inventory	**–**	**–**	**–**	**2.1**	**–**	**–**	**2.1**
– Intangible assets	**10.2**	**2.5**	**12.8**	**–**	**1.3**	**5.2**	**32.0**
Non-cash expense							
– Depreciation of property plant and equipment	**8.6**	**12.6**	**13.0**	**10.0**	**–**	**3.0**	**47.2**
– Depreciation of rental inventory	**–**	**–**	**–**	**1.9**	**–**	**–**	**1.9**
– Amortisation of intangible assets	**15.5**	**54.9**	**6.8**	**–**	**–**	**1.5**	**78.7**
– Continuing exceptional items (non-cash element)	**17.9**	**41.7**	**79.4**	**–**	**–**	**–**	**139.0**
2010	$m	$m	$m	$m	$m	$m	$m
Capital expenditure							
– Property plant and equipment	5.1	13.5	10.9	22.4	0.9	2.3	55.1
– Rental inventory	–	–	–	9.0	–	–	9.0
– Intangible assets	6.3	4.3	4.4	–	–	0.6	15.6
Non-cash expense							
– Depreciation of property plant and equipment	8.2	10.8	13.9	30.3	0.4	2.7	66.3
– Depreciation of rental inventory	–	–	–	7.5	–	–	7.5
– Amortisation of intangible assets	16.0	6.6	5.9	–	–	0.5	29.0
– Continuing exceptional items (non-cash element)	–	6.2	13.4	–	–	–	19.6

Notes to the financial statements
for the year to 31 December 2011

1 Segmental reporting (continued)

Geographical segments

	Segment assets		Continuing revenue	
	2011	2010	**2011**	2010
	$m	$m	**$m**	Sm
UK	**1,017.1**	604.1	**1,586.3**	1,364.1
US	**1,308.2**	1,079.4	**1,517.9**	1,263.4
Rest of the World	**1,555.7**	1,297.0	**2,562.6**	1,457.6
	3,881.0	2,980.5	**5,666.8**	4,085.1

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

	2011	**2010**
	$m	**$m**
Revenue by category is as follows:		
Sale of goods	**100.2**	75.1
Rendering of services	**5,566.6**	4,010.0
Revenue from continuing operations	**5,666.8**	4,085.1

2 Finance expense/(income)

	2011	2010
	$m	$m
Interest payable on bank borrowings	**11.3**	25.1
Bank facility fees expensed	**1.1**	8.4
Interest relating to discounting of deferred and contingent consideration	**1.3**	1.7
Other interest expense - retirement benefit liabilities (note 29)	**–**	0.1
Finance expense pre-exceptional items	**13.7**	35.3
Bank facility fees relating to PSN acquisition	**3.8**	0.5
Finance expense – continuing operations	**17.5**	35.8
Interest receivable on short-term deposits	**(4.4)**	(1.8)
Other interest income - retirement benefit liabilities (note 29)	**(0.5)**	–
Finance income	**(4.9)**	(1.8)
Finance expense – continuing operations - net	**12.6**	34.0

Notes to the financial statements
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3 Profit before taxation

	2011 $m	2010 $m
The following items have been charged/(credited) in arriving at profit before taxation:		
Employee benefits expense (note 28)	**2,626.4**	2,002.4
Cost of inventories recognised as an expense	**78.0**	64.5
Impairment of inventories	**14.2**	21.8
Depreciation of property plant and equipment (note 9)	**47.2**	66.3
Amortisation of intangible assets (note 8)	**78.7**	29.0
(Gain)/loss on disposal of property plant and equipment	**(0.1)**	3.4
Other operating lease rentals payable:		
- Plant and machinery	**21.6**	16.7
- Property	**84.3**	69.8
Foreign exchange losses	**7.3**	3.2

Impairment of inventories is included in cost of sales in the income statement. Depreciation of property plant and equipment is included in cost of sales and administrative expenses in the income statement. Amortisation of intangible assets is included in administrative expenses in the income statement. The amounts disclosed in the above table include both continuing and discontinued operations with the exception of cost of inventories recognised as an expense which is for continuing operations only.

Services provided by the Group's auditor and network firms

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

	2011 $m	2010 $m
Fees payable to the Group's auditors and its network firms for the audit of parent company and consolidated financial statements	**0.8**	0.9
Fees payable to the Group's auditors and its network firms for other services		
- Audit of Group companies pursuant to legislation	**1.6**	1.6
- Other services	**1.2**	1.4
- Tax services	**0.2**	0.2
	3.8	4.1

Other services relates to due diligence and other transactional work in respect of the PSN acquisition (see note 27), the divestment of the Well Support division (see note 27) and the return of cash to shareholders (see notes 21 to 24).

Notes to the financial statements
for the year to 31 December 2011

4 Exceptional items

	2011 $m	2010 $m
Exceptional items included in continuing operations		
Acquisition costs	**12.0**	6.6
Integration and restructuring charges	**84.2**	17.4
Political disruption	**13.0**	–
Impairment of goodwill (note 8)	**46.2**	3.6
	155.4	27.6
Bank facility fees relating to PSN acquisition	**3.8**	0.5
	159.2	28.1
Taxation	**(26.7)**	(6.2)
Continuing operations exceptional items, net of tax	**132.5**	21.9
Exceptional items included in discontinued operations		
Gain on divestment of Well Support (note 27)	**(2,305.7)**	–
Write-down of assets in relation to aero engine overhaul business to be divested	**12.0**	–
	(2,293.7)	–
Taxation	**73.6**	–
Discontinued operations exceptional items, net of tax	**(2,220.1)**	–
Total exceptional items, net of tax	**(2,087.6)**	21.9

Acquisition costs of $12.0m were expensed in the year, including $9.8m relating to the purchase of PSN, $1.6m in respect of acquisitions in the Wood Group GTS division and $0.6m in respect of Engineering acquisitions. The cash impact of acquisition costs in the period was $9.6m. In 2010, $6.6m of costs, mainly relating to PSN, were expensed.

Integration and restructuring charges of $84.2m have been expensed in the year. The majority of these costs, $79.6m, resulted from the integration of the PSN acquisition into the Wood Group PSN division, and decisions made to withdraw from certain geographical markets in the Wood Group PSN and Wood Group GTS divisions. Further restructuring costs of $4.6m have been recorded in the Engineering division. The cash impact of the integration and restructuring costs in the year was $6.8m. The integration and restructuring charge in 2010 related to the closure of a US repair facility in the Wood Group GTS division.

As a result of the political disruption earlier in 2011 the Group recorded an exceptional charge of $13.0m in relation to some overdue Libyan receivables. Due to continued doubts about their recoverability, the outstanding balance has been provided in full.

Goodwill impairment of $45.1m was charged to the income statement in respect of a Wood Group GTS power related business. The goodwill has been written down based on the Group's estimate of current value. A further goodwill impairment charge of $1.1m was made in relation to the Wood Group PSN restructuring referred to above. The 2010 impairment charge related to the closure of the US repair facility in the Wood Group GTS division.

A tax credit of $26.7m was recorded in relation to exceptional items on continuing operations in the year.

Included in exceptional items from discontinued operations was the gain on divestment of Well Support of $2,305.7m (note 27), and a charge of $12.0m in relation to the write-down of the assets of the aero engine overhaul business to their anticipated selling price. The divestment is expected to be completed in the first half of 2012. A tax charge of $73.6m has been recorded in relation to the net gain on discontinued exceptional items.

Notes to the financial statements
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5 Taxation

	2011 $m	2010 $m
Current tax		
– Current year	**117.9**	76.2
– Adjustment in respect of prior years	**(4.8)**	6.2
	113.1	82.4
Deferred tax		
– Current year	**(33.0)**	(27.1)
– Adjustment in respect of prior years	**(5.1)**	2.6
Tax charge – pre-exceptional items	**75.0**	57.9
Tax on exceptional items	**(26.7)**	(6.2)
Tax charge – continuing operations	**48.3**	51.7

Tax on items (credited)/charged to equity	2011 $m	2010 $m
Deferred tax movement on retirement benefit liabilities	**(6.1)**	0.3
Deferred tax relating to share option schemes	**(13.9)**	(8.6)
Current tax relating to share option schemes	**(6.9)**	(3.9)
Current tax relating to foreign exchange on return of cash to shareholders	**(3.6)**	–
Total credited to equity	**(30.5)**	(12.2)

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 2011 due to the change in mix of the tax jurisdictions of the Group's subsidiaries following the change in structure of the Group. The tax charge for the year is higher (2010: higher) than the expected tax charge due to the following factors:

	2011 $m	2010 $m
Profit before taxation from continuing operations pre-exceptional items	**254.1**	156.2
Profit before tax at expected rate of 28.6% (2010: 29.8%)	**72.7**	46.5
Effects of:		
Adjustments in respect of prior years	**(9.9)**	8.8
Non-recognition of losses and other attributes	**5.7**	2.5
Effect of tax on dividends and other foreign taxes	**5.6**	2.0
Other permanent differences	**0.9**	(1.9)
Tax charge pre-exceptional items	**75.0**	57.9

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6 Dividends

	2011 **$m**	2010 $m
Dividends on ordinary shares		
Final dividend paid - year ended 31 December 2010 : 7.6 cents (2010: 6.9 cents) per share	**39.3**	35.7
Interim dividend paid - year ended 31 December 2011 : 3.9 cents (2010: 3.4 cents) per share	**14.1**	17.4
	53.4	53.1

The directors are proposing a final dividend in respect of the financial year ended 31 December 2011 of 9.6 cents per share. The final dividend will be paid on 16 May 2012 to shareholders who are on the register of members on 13 April 2012. The financial statements do not reflect the final dividend, the payment of which will result in an estimated $34.3m reduction in equity attributable to owners of the parent.

7 Earnings per share

		2011			2010	
	Earnings attributable to owners of the parent $m	**Number of shares (millions)**	**Earnings per share (cents)**	Earnings attributable to owners of the parent $m	Number of shares (millions)	Earnings per share (cents)
Basic pre-exceptional	**214.7**	**433.8**	**49.5**	187.9	512.6	36.7
Exceptional items, net of tax	**2,087.6**	**433.8**	**481.2**	(21.9)	512.6	(4.3)
Basic	**2,302.3**	**433.8**	**530.7**	166.0	512.6	32.4
Effect of dilutive ordinary shares	**–**	**15.0**	**(17.7)**	–	17.0	(1.1)
Diluted	**2,302.3**	**448.8**	**513.0**	166.0	529.6	31.3
Exceptional items, net of tax	**(2,087.6)**	**448.8**	**(465.2)**	21.9	529.6	4.2
Diluted pre-exceptional items	**214.7**	**448.8**	**47.8**	187.9	529.6	35.5
Amortisation, net of tax	**55.5**	**–**	**12.4**	23.0	–	4.3
Adjusted diluted	**270.2**	**448.8**	**60.2**	210.9	529.6	39.8
Adjusted basic	**270.2**	**433.8**	**62.3**	210.9	512.6	41.1

The calculation of basic earnings per share is based on the earnings attributable to owners of the parent 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 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

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8 Goodwill and other intangible assets

	Goodwill $m	Software and development costs $m	Intangibles arising on acquisition $m	Total $m
Cost				
At 1 January 2011	626.5	109.5	71.1	807.1
Exchange movements	(23.3)	(2.6)	(13.4)	(39.3)
Additions	–	32.0	–	32.0
Acquisitions	895.3	16.4	194.5	1,106.2
Disposals	–	(10.4)	–	(10.4)
Divestment of business	(33.5)	(1.2)	–	(34.7)
Reclassification as assets held for sale	–	(3.7)	–	(3.7)
At 31 December 2011	**1,465.0**	**140.0**	**252.2**	**1,857.2**
Aggregate amortisation and impairment				
At 1 January 2011	9.7	79.6	40.3	129.6
Exchange movements	0.1	(1.5)	(2.3)	(3.7)
Amortisation charge for the year	–	21.9	56.8	78.7
Impairment	46.2	–	–	46.2
Disposals	–	(9.8)	–	(9.8)
Divestment of business	(1.7)	(1.1)	–	(2.8)
Reclassification as assets held for sale	–	(2.3)	–	(2.3)
At 31 December 2011	**54.3**	**86.8**	**94.8**	**235.9**
Net book value at 31 December 2011	**1,410.7**	**53.2**	**157.4**	**1,621.3**
Cost				
At 1 January 2010	616.6	91.6	66.7	774.9
Exchange movements	2.3	0.6	1.4	4.3
Additions	–	12.6	3.0	15.6
Acquisitions	7.6	3.0	–	10.6
Disposals	–	(0.7)	–	(0.7)
Reclassification from property plant and equipment	–	1.6	–	1.6
Reclassification from current assets	–	0.8	–	0.8
At 31 December 2010	626.5	109.5	71.1	807.1
Aggregate amortisation and impairment				
At 1 January 2010	6.1	60.7	28.8	95.6
Exchange movements	–	0.6	1.0	1.6
Amortisation charge for the year	–	18.5	10.5	29.0
Impairment	3.6	–	–	3.6
Disposals	–	(0.5)	–	(0.5)
Reclassification from current assets	–	0.3	–	0.3
At 31 December 2010	9.7	79.6	40.3	129.6
Net book value at 31 December 2010	616.8	29.9	30.8	677.5

In accordance with IAS 36 'Impairment of assets', goodwill was tested for impairment during the year. The impairment tests were carried out on a Cash Generating Unit ('CGU') basis using the 2012-13 budgets. Cash flows for 2014-16 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. Management believe that 5% is an appropriate growth rate to use for the markets in which the Group operates. Details of other key assumptions used are included in critical accounting judgements and estimates in the Accounting Policies. 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%.

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8 Goodwill and other intangible assets (continued)

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. $46.2m of goodwill has been impaired during the year. See note 4 for further details.

A sensitivity analysis has been performed on the basis that the expected long-term growth rate falls to 2% and that the pre-tax discount rate increases to 12% in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. This analysis did not identify any further CGUs requiring to be impaired. The carrying amounts of goodwill by division at 31 December 2011 are: Engineering $386.9m (2010: $346.3m), Wood Group PSN $928.7m (2010: $122.2m), Wood Group GTS $95.1m (2010: $116.5m) and Well Support $nil (2010: $31.8m). The carrying amounts of goodwill attributable to the principal CGUs within the Engineering division are Wood Group Mustang $199.3m, IMV $126.8m and Wood Group Kenny $55.5m. The carrying amounts of goodwill attributable to the principal CGUs within Wood Group PSN are PSN $801.0m, US Onshore $56.3m and WG PSN Services $44.7m. The carrying amounts of goodwill attributable to the principal CGUs within the Wood Group GTS division are Equipment and Project Solutions $37.7m, Power Plant Services $18.8m and Oil & Gas and Industrial Services $17.1m.

Intangibles arising on acquisition includes the valuation of customer contracts and customer relationships recognised on business combinations.

Development costs with a net book value of $22.9m (2010: $11.7m) 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 2011	68.4	29.4	482.5	580.3
Exchange movements	(0.4)	(0.2)	(2.7)	(3.3)
Additions	8.2	5.8	57.5	71.5
Acquisitions	16.4	–	13.0	29.4
Disposals	(4.4)	(0.9)	(31.7)	(37.0)
Divestment of business	(29.7)	(3.8)	(234.1)	(267.6)
Reclassification as assets held for sale	(3.0)	–	(3.8)	(6.8)
Reclassification to current assets	–	–	(0.5)	(0.5)
At 31 December 2011	**55.5**	**30.3**	**280.2**	**366.0**
Accumulated depreciation and impairment				
At 1 January 2011	28.0	18.1	296.0	342.1
Exchange movements	(0.3)	(0.2)	(2.2)	(2.7)
Charge for the year	4.7	2.5	40.0	47.2
Impairment	1.7	–	3.6	5.3
Disposals	(3.0)	(0.8)	(29.8)	(33.6)
Divestment of business	(11.7)	(1.3)	(126.8)	(139.8)
Reclassification as assets held for sale	(0.1)	–	(0.3)	(0.4)
Reclassification to current assets	–	–	(2.1)	(2.1)
At 31 December 2011	**19.3**	**18.3**	**178.4**	**216.0**
Net book value at 31 December 2011	**36.2**	**12.0**	**101.8**	**150.0**

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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 2010	66.1	28.2	467.2	561.5
Exchange movements	0.7	0.5	1.8	3.0
Additions	6.1	1.4	47.6	55.1
Acquisitions	–	–	0.7	0.7
Disposals	(4.5)	(0.7)	(32.5)	(37.7)
Reclassification to intangible assets	–	–	(1.6)	(1.6)
Reclassification to current assets	–	–	(0.7)	(0.7)
At 31 December 2010	**68.4**	**29.4**	**482.5**	**580.3**
Accumulated depreciation and impairment				
At 1 January 2010	26.1	15.7	265.5	307.3
Exchange movements	(0.3)	0.4	1.9	2.0
Charge for the year	2.1	2.7	61.5	66.3
Impairment	3.5	–	–	3.5
Disposals	(3.4)	(0.7)	(24.7)	(28.8)
Reclassification to current assets	–	–	(8.2)	(8.2)
At 31 December 2010	**28.0**	**18.1**	**296.0**	**342.1**
Net book value at 31 December 2010	**40.4**	**11.3**	**186.5**	**238.2**

Plant and equipment includes assets held for lease to customers under operating leases of $nil (2010: $42.3m). Property plant and equipment includes assets in the course of construction of $17.3m (2010: $9.6m).

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10 Joint ventures

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

	2011 $m	2010 $m
Non-current assets	**58.7**	40.4
Current assets	**268.4**	233.1
Current liabilities	**(175.8)**	(120.8)
Non-current liabilities	**(5.0)**	(4.9)
Net assets	**146.3**	147.8
Income	**445.4**	417.5
Expenses	**(412.2)**	(374.9)
Profit before tax	**33.2**	42.6
Tax	**(11.2)**	(8.1)
Share of post tax results from joint ventures	**22.0**	34.5

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

11 Inventories

	2011 $m	2010 $m
Materials	**46.9**	66.5
Work in progress	**103.1**	122.4
Finished goods and goods for resale	**254.5**	474.9
	404.5	663.8

12 Trade and other receivables

	2011 $m	2010 $m
Trade receivables	**1,010.6**	891.3
Less: provision for impairment of trade receivables	**(50.9)**	(56.5)
Trade receivables – net	**959.7**	834.8
Amounts recoverable on contracts	**171.2**	21.9
Prepayments and accrued income	**104.9**	91.1
Other receivables	**85.1**	104.2
Trade and other receivables – current	**1,320.9**	1,052.0
Long-term receivables	**42.0**	43.5
Total receivables	**1,362.9**	1,095.5

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12 Trade and other receivables (continued)

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

31 December 2011	**Trade Receivables – Gross $m**	**Provision for impairment $m**	**Trade Receivables – Net $m**	**Receivable days**
Engineering	**276.3**	**(27.2)**	**249.1**	**59**
Wood Group PSN	**546.7**	**(15.4)**	**531.3**	**56**
Wood Group GTS	**187.6**	**(8.3)**	**179.3**	**29**
Total Group	**1,010.6**	**(50.9)**	**959.7**	**50**
31 December 2010				
Engineering	203.5	(17.9)	185.6	51
Wood Group PSN	367.2	(6.3)	360.9	51
Wood Group GTS	150.9	(5.2)	145.7	37
Well Support	169.7	(27.1)	142.6	50
Total Group	891.3	(56.5)	834.8	49

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 50 indicates that closing trade receivables represent the most recent 50 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:

	2011 $m	2010 $m
Up to 3 months	**14.0**	26.1
Over 3 months	**36.9**	30.4
	50.9	56.5

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for the year to 31 December 2011

12 Trade and other receivables (continued)

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

2011	**Engineering $m**	**Wood Group PSN $m**	**Well Support $m**	**Wood Group GTS $m**	**Total $m**
At 1 January	17.9	6.3	27.1	5.2	56.5
Exchange movements	(0.6)	(0.2)	–	–	(0.8)
Charge to income statement	9.9	2.2	4.6	3.1	19.8
Acquisitions	–	7.1	–	–	7.1
Divestment of business	–	–	(31.7)	–	(31.7)
At 31 December	**27.2**	**15.4**	**–**	**8.3**	**50.9**
2010					
At 1 January	13.6	7.3	24.1	5.2	50.2
Exchange movements	(0.2)	(0.1)	(0.1)	–	(0.4)
Charge/(credit) to income statement	4.5	(0.9)	3.1	–	6.7
At 31 December	17.9	6.3	27.1	5.2	56.5

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

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

Included within gross trade receivables of $1,010.6m above (2010: $891.3m) are receivables of $209.6m (2010: $176.5m) 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:

	2011 $m	2010 $m
Up to 3 months overdue	**183.0**	147.8
Over 3 months overdue	**26.6**	28.7
	209.6	176.5

Construction contracts

Financial information in respect of EPC contracts carried out by Wood Group GTS is presented below:

	2011 $m	2010 $m
Contract costs incurred and recognised profit for projects to date	**409.3**	43.2
Contract revenue recognised in the year	**366.1**	42.7
Amounts due from customers for work done under these contracts at the balance sheet date	**145.4**	–
Amounts received from customers in excess of revenue earned at the balance sheet date	**–**	6.3

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13 Cash and cash equivalents

	2011 $m	2010 $m
Cash at bank and in hand	**171.6**	163.2
Short-term bank deposits	**55.0**	16.9
	226.6	180.1

The effective interest rate on short-term deposits was 3.5% (2010: 1.3%) and these deposits have an average maturity of 8 days (2010: 20 days). At 31 December 2011, the Group held $8.1m (2010: $14.8m) in subsidiaries which have regulatory restrictions and the cash may not therefore be immediately available for general use by the Group.

At 31 December 2011 the Group held $9.9m of cash (2010: $10.1m) in its insurance captive subsidiary to comply with local regulatory requirements.

14 Trade and other payables

	2011 $m	2010 $m
Trade payables	**520.8**	357.7
Other tax and social security payable	**86.9**	84.6
Accruals and deferred income	**576.4**	642.0
Deferred and contingent consideration	**27.0**	10.7
Other payables	**75.1**	44.8
	1,286.2	1,139.8

15 Borrowings

	2011 $m	2010 $m
Bank loans and overdrafts due within one year or on demand		
Unsecured	**69.2**	30.1
Non-current bank loans		
Unsecured	**161.3**	165.1

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:

	2011 %	2010 %
US Dollar	**2.06**	3.50
Sterling	**2.83**	4.25
Euro	**2.28**	4.14
Canadian Dollar	**2.30**	4.49

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15 Borrowings (continued)

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

	2011 $m	2010 $m
US Dollar	**36.5**	17.0
Sterling	**68.1**	60.1
Euro	**57.8**	58.9
Canadian Dollar	**54.0**	56.4
Other	**14.1**	2.8
	230.5	195.2

The Group is required to issue trade finance instruments to certain customers. These include tender bonds, performance bonds, retention bonds and advance payment bonds. The Group has also issued standby letters of credit as security for local bank facilities. At 31 December 2011 the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to $797.1m (2010: $665.2m). At 31 December 2011, these facilities were 51% utilised (2010: 61%).

Borrowing facilities

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

	2011 $m	2010 $m
Expiring within one year	**101.2**	113.9
Expiring between one and two years	**–**	634.9
Expiring between two and five years	**638.7**	–
	739.9	748.8

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review at various dates during 2012. In April 2011, the Group extended its $800m bilateral facilities to March 2014.

16 Other non-current liabilities

	2011 $m	2010 $m
Deferred and contingent consideration	**37.9**	33.2
Other payables	**60.8**	51.5
	98.7	84.7

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

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17 Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including foreign exchange 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.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currencies. The Group has a number of subsidiary companies whose revenue and expenses are denominated in currencies other than the US dollar. Where practical, the Group hedges part of its net investment in non-US dollar subsidiaries by using foreign currency bank loans. Other strategies, including the payment of dividends, are used to minimise the amount of net assets exposed to foreign currency revaluation.

Some of the revenues 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 revenues 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, except where hedge accounting is used in which case the change in fair value is recorded in equity.

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 or lower during 2011 (2010:10%), post-tax profit for the year would have been $10.6m higher or lower (2010: $6.9m). If the closing sterling/US dollar rate was 10% higher or lower at 31 December 2011 (2010:10%), exchange differences in equity would have been $28.8m (2010: $18.3m) higher or lower respectively. 10% has been used in these calculations as it represents a reasonable possible change in the sterling/US dollar exchange rate.

(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 2011, 47% (2010 : 57%) of the Group's borrowings were at fixed rates after taking account of interest rate swaps.

The Group is also exposed to interest rate risk on cash held on deposit. The Group's policy is to maximise the return on cash deposits whilst ensuring that cash is deposited with a financial institution with a credit rating of 'A' or better, where possible. If average interest rates had been 1% higher or lower during 2011 (2010:1%), post-tax profit for the year would have been $1.3m higher or lower respectively (2010: $1.2m). 1% has been used in this calculation as it represents a reasonable possible change in interest rates.

(iii) Price risk

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

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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, Wood Group PSN and Wood Group GTS – each made up of a number of businesses. Responsibility for managing credit risks lies within the businesses with support being provided by Group and divisional management where appropriate.

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

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

Management review trade receivables across the Group based on receivable days calculations to assess performance. There is significant management focus on receivables that are overdue. A table showing trade receivables and receivable days by division is provided in note 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. 74% of cash held on deposit at 31 December 2011 (2010 : 100%) 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 2011, 91% (2010 : 94%) 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 when applicable, the ratio of net debt to EBITDA.

Gearing is calculated by dividing net debt by equity attributable to owners of the parent. Gearing at 31 December 2011 was 0.2% (2010: 1.1%).

Interest cover is calculated by dividing EBITA from continuing operations by net finance expense from continuing operations before exceptional items. Interest cover for the year to 31 December 2011 was 38.8 times (2010: 6.5 times).

The ratio of net debt to continuing EBITDA at 31 December 2011 was 0.01 times (2010: 0.04 times).

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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. Drawdowns under long-term bank facilities are for periods of three months or less and are not therefore discounted.

At 31 December 2011	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m
Borrowings	**69.2**	**–**	**161.3**	**–**
Trade and other payables	**1,199.3**	**–**	**–**	**–**
Other non-current liabilities	**–**	**28.5**	**70.2**	**–**
At 31 December 2010				
Borrowings	30.1	165.1	–	–
Trade and other payables	1,055.2	–	–	–
Other non-current liabilities	–	27.9	56.8	–

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. Drawdowns under long-term bank facilities are for periods of three months or less and as a result, book value and fair value are considered to be the same.

Details of derivative financial instruments are not disclosed in the financial statements as they are not material.

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18 Provisions

	Warranty provisions $m	Other provisions $m	Total $m
At 1 January 2011	26.7	20.5	47.2
Exchange movements	(0.2)	–	(0.2)
Charge to income statement	4.6	57.7	62.3
Acquisitions	1.2	6.5	7.7
Divestment of business	(10.4)	(9.1)	(19.5)
Payments during the year	(7.7)	–	(7.7)
At 31 December 2011	**14.2**	**75.6**	**89.8**

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 the costs in respect of these provisions will be incurred over the next two years.

Other provisions

At 31 December 2011, other provisions of $75.6m (2010 : $20.5m) have been recognised. This amount includes provisions for future losses on onerous contracts, a provision for non-recoverable indirect taxes and provisions relating to the divestment of businesses. It is expected that any payment required in respect of these provisions would be made within 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 25% (2010: 27%).

The movement on the deferred tax account is shown below:

	2011 $m	2010 $m
At 1 January	**(97.9)**	(54.4)
Exchange movements	**2.3**	(1.0)
Credit to income statement	**(33.9)**	(32.5)
Acquisitions	**69.5**	–
Divestment of business	**25.1**	–
Deferred tax relating to retirement benefit liabilities	**(6.1)**	0.3
Deferred tax relating to share option schemes	**(13.9)**	(8.6)
Reclassification to current tax	**–**	(1.7)
At 31 December	**(54.9)**	(97.9)

Deferred tax is presented in the financial statements as follows:

Deferred tax assets	**(60.6)**	(100.2)
Deferred tax liabilities	**5.7**	2.3
	(54.9)	(97.9)

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19 Deferred tax (continued)

A deferred tax charge of $4.2m (2010: credit $8.0m) relating to discontinued activities is included within the credit to the income statement shown in the above table.

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 $147.6m (2010: $56.2m) 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	Losses $m	Total $m
Deferred tax assets	59.8	(11.5)	(33.4)	(71.5)	(4.0)	(60.6)
Deferred tax liabilities	–	–	–	5.7	–	5.7
Net deferred tax liability/(asset)	**59.8**	**(11.5)**	**(33.4)**	**(65.8)**	**(4.0)**	**(54.9)**

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 Plan ('LTIP') and the Long-Term Cash Incentive Plan ('LTCIP'). Further details of these schemes is provided in the Directors' Remuneration Report and in note 21.

The charge to operating profit in 2011 for these schemes amounted to $19.2m (2010: $16.7m). $16.0m of the total charge is credited to retained earnings and $3.2m, relating to the LTCIP, is included in other long-term liabilities as the LTCIP is a cash settled scheme. The total credit to retained earnings relating to share-based charges in 2011 is $9.7m which comprises the $16.0m mentioned above, $3.6m of accelerated charges relating to the Well Support disposal that have been recorded against the gain on divestment less the fair value of payments made to Well Support employees on the disposal amounting to $9.9m.

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

ESOS and LTRP

At 31 December 2011 there were 1,158 employees (2010: 1,138) 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 1.1%-5.2% is based on the implied yield available on zero coupon gilts with a term remaining equal to the expected lifetime of the options at the date of grant. A dividend yield of 1.0%-2.0% has been used in the calculations.

The fair value of options granted under the ESOS during the year was £1.62 (2010: £1.16). The fair value of options granted under the LTRP during the year ranged from £4.94 to £6.38 (2010: £2.79 to £3.57). The weighted average remaining contractual life of share options at 31 December 2011 is 5.7 years (2010: 5.5 years).

LTIP

The share-based charge for the LTIP was calculated using a fair value of £4.12 for the first cycle, £1.81 for the second cycle, £3.01 for the third cycle and £5.10 for the fourth cycle. The charge for market related performance targets has been calculated using a Monte Carlo simulation model taking account of share price volatility against peer group companies, risk free rate of return, dividend yield and the expected lifetime of the award.

LTCIP

The share-based charge for the LTCIP was calculated using a fair value of £6.18. The fair value is calculated using a Black-Scholes option pricing model using similar assumptions to those used for ESOS and LTRP above.

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21 Share capital

Ordinary shares of 4²⁄₇ pence each (2010: 3⅓ pence)		**2011**		2010
Issued and fully paid	**shares**	**$m**	shares	$m
At 1 January	**530,266,720**	**26.3**	530,266,720	26.3
Shares issued to satisfy option awards	**45,000**	**–**	–	–
Shares issued relating to PSN acquisition	**10,511,413**	**0.6**	–	–
Purchase of shares under tender offer	**(65,911,929)**	**(3.6)**	–	–
New shares issued in advance of share reorganisation	**4**	**–**	–	–
Share reorganisation	**(105,535,824)**	**–**	–	–
Allocation of new shares to employee share trusts	**1,900,000**	**0.1**	–	–
At 31 December	**371,275,384**	**23.4**	530,266,720	26.3

On 5 April 2011, 30,000 shares of 3⅓ pence were issued at 93⅓ pence on exercise of options granted under the 1996 Unapproved Executive Share Option Scheme.

On 20 April 2011, 10,511,413 shares of 3⅓ pence were issued as part of the consideration for the purchase of PSN (note 27). The share price used to record this transaction was £6.67, resulting in a consideration of $115.0m, $0.6m of which was credited to share capital and $114.4m to a newly created merger reserve (note 24).

On 31 May 2011, 15,000 shares of 3⅓ pence were issued at 83⅓ pence on exercise of options granted under the 1994 Approved Executive Share Option Scheme.

On 1 June 2011, the Company purchased 65,911,929 shares at a cost of $675.7m under the tender offer that formed the first part of the return of cash to shareholders. $3.6m, representing the par value of these shares was deducted from share capital and a corresponding amount credited to a capital redemption reserve (note 24). The total cost of $675.7m was deducted from retained earnings (note 23).

On 21 June 2011, 4 new shares were issued prior to the reorganisation of the Company's share capital. The reorganisation of the Company's share capital took place on 2 July 2011, when seven 4²⁄₇ pence shares were issued for each existing nine 3⅓ pence shares. As a result, the number of shares in issue reduced from 474,911,208 to 369,375,384.

On 19 December 2011, 1,900,000 new shares of 4²⁄₇ pence were issued to the employee share trusts at prices ranging from 4²⁄₇ pence to 381¾ pence.

'B' shares		**2011**		2010
	shares	**$m**	shares	$m
At 1 January	**–**	**–**	–	–
Issue of 'B' shares	**191,250,234**	**436.1**	–	–
Redemption of 'B' shares	**(187,883,662)**	**(428.4)**	–	–
Liability in respect of deferred 'B' shares	**(3,366,572)**	**(7.7)**	–	–
At 31 December	**–**	**–**	–	–

On 4 July 2011, 191,250,234 'B' shares were issued at £1.40 each, resulting in a total of $436.1m being credited to the 'B' share capital account. On 8 July 2011, 187,883,662 'B' shares were redeemed at £1.40 each and an amount of $428.4m was deducted from the 'B' share capital account. The balance of 3,366,572 shares will be redeemed in April 2012 at £1.40 per share. $7.7m has been deducted from the 'B' share capital account and a liability for the outstanding payment is included in other payables (note 14).

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21 Share capital (continued)

'C' shares	**2011**		2010	
	shares	**$m**	shares	$m
At 1 January	**–**	**–**	–	–
Issue of 'C' shares	**283,660,974**	**–**	–	–
Reclassification to deferred shares	**(233,924,818)**	**–**	–	–
Purchase of 'C' shares	**(49,736,156)**	**–**	–	–
At 31 December	**–**	**–**	–	–

'C' shares

On 4 July 2011, 283,660,974 'C' shares were issued at 0.001 pence each. An amount of $4,620 was credited to the 'C' share capital account. On 8 July 2011, 233,924,818 'C' shares were reclassified automatically as deferred shares and purchased by the Company for an aggregate consideration of one penny. On the same date, a dividend of £1.40 per deferred share was paid at a total cost of $533.3m. This amount has been recorded as a reduction in retained earnings (note 23). The employee share trusts irrevocably waived their entitlement to receive a dividend in respect of 17,000 'C' shares.

On 8 July 2011, 49,736,156 'C' shares were purchased by the company at £1.40 per share at a total cost of $113.4m and this amount has also been deducted from retained earnings.

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 2011**	2010	**Exercise price (per share)**	**Exercise period**
2001	**–**	30,000	93⅓p	2006-2011
2001	**–**	307,000	83⅓p	2006-2011
2002	**–**	117,000	83⅓p	2007-2012
2003	**162,500**	519,179	158p	2007-2013
2004	**455,584**	1,223,084	128½p	2008-2014
2005	**30,000**	505,689	145p	2009-2015
2006	**109,500**	424,000	265¼p	2010-2016
2007	**231,660**	994,000	268½p	2011-2017
2008	**937,111**	1,255,896	381¾p	2012-2018
2008	**81,460**	175,729	354⅓p	2012-2018
2009	**2,818,105**	3,784,767	222p	2013-2019
2009	**55,836**	100,000	283⅔p	2013-2019
2010	**2,805,667**	3,789,958	377½p	2014-2020
2011	**2,031,500**	–	529½p	2015-2021
	9,718,923	13,226,302		

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.

989,244 options (2010: 3,125,952) were exercisable at 31 December 2011. 2,047,500 options were granted during the year, 3,799,708 options were exercised during the year and 1,755,171 options lapsed during the year. The weighted average share price for ESOS options exercised during the year was £6.49 (2010: £4.03).

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21 Share capital (continued)

Options granted to directors under the executive share option scheme are subject to performance criteria as set out in the Directors' Remuneration Report. No options have been granted to executive directors since 2009. 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 2011	2010	Exercise price (per share)	Exercise period
2006	**–**	114,177	3⅓p	2010-2011
2007	**106,500**	1,450,647	3⅓p	2011-2012
2008	**1,159,959**	1,563,236	3⅓p	2012-2013
2009	**2,502,932**	3,368,090	3⅓p	2013-2014
2010	**1,160,270**	1,576,875	3⅓p	2014-2015
2011	**75,000**	–	3⅓p	2015-2016
2011	**588,000**	–	4²⁄₇p	2015-2016
	5,592,661	8,073,025		

Options are granted under the Group's LTRP at par value. The basis of the scheme is that an overall bonus pool is calculated annually based on performance criteria that consider the growth in the Group's adjusted earnings per share in the prior year. There are no performance criteria attached to the exercise of options under the LTRP. 106,500 options (2010: 114,177) were exercisable at 31 December 2011. 675,000 LTRP options were granted during the year, 2,199,413 LTRP options were exercised during the year and 955,951 LTRP options lapsed during the year. The weighted average share price for LTRP options exercised during the year was £6.52 (2010: £3.87). Further details on the LTRP are provided in the Directors' Remuneration Report.

Long-Term Incentive Plan

The Group's Long-Term Incentive Plan ('LTIP') has been in place since 2008. Under this Scheme, the executive directors (but not the Chairman) and certain other 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, OCER (ratio of operating capital employed to revenue), total shareholder return and adjusted diluted 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 2011, 5,556,856 shares were potentially issuable under this scheme. Further details of the LTIP are provided in the Directors' Remuneration Report.

22 Share premium

	2011 $m	2010 $m
At 1 January	**315.8**	315.8
Adjustment relating to options exercised under share symmetry scheme	**6.0**	–
Issue of 'B' shares	**(321.7)**	–
Allocation of new shares to employee share trusts	**7.6**	–
At 31 December	**7.7**	315.8

In April 2011, the Company received $6.0m proceeds from Group companies relating to the exercise of employee share options under the share symmetry scheme. This amount was credited to share premium. Under the share symmetry scheme subsidiary companies remit share proceeds to the parent company in respect of employee share options granted before the IPO in 2002

On 4 July 2011, 191,250,234 'B' shares were issued at £1.40 each resulting in a total of $436.1m being credited to the 'B' share capital account. At the same time, $321.7m was deducted from share premium and $114.4m was deducted from the merger reserve (note 24).

On 19 December 2011, 1,900,000 new shares of 4²⁄₇ pence were issued to the employee share trusts at prices ranging from 4²⁄₇ pence to 381¾ pence and $7.6m was credited to the share premium account.

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23 Retained earnings

	2011 $m	2010 $m
At 1 January	**1,007.6**	877.6
Profit for the year attributable to owners of the parent	**2,302.3**	166.0
Dividends paid (note 6)	**(53.4)**	(53.1)
Credit relating to share-based charges (note 20)	**9.7**	16.7
Actuarial (loss)/gain on retirement benefit liabilities (note 29)	**(22.6)**	1.0
Movement in deferred tax relating to retirement benefit liabilities	**6.1**	(0.3)
Adjustment relating to options exercised under share symmetry scheme	**(6.0)**	–
Purchase of shares under tender offer	**(675.7)**	–
Redemption of 'B' shares	**(436.1)**	–
Deferred share dividend	**(533.3)**	–
Purchase of 'C' shares by company	**(113.4)**	–
Foreign exchange relating to return of cash to shareholders, net of tax	**(9.8)**	–
Expenses relating to return of cash to shareholders	**(14.9)**	–
Shares allocated to employee share trusts	**(7.7)**	–
Shares purchased by employee share trusts	**(42.5)**	(20.8)
Shares disposed of by employee share trusts	**12.3**	6.3
Cash received by employee share trusts from the return of cash to shareholders	**25.0**	–
Tax credit relating to share option schemes	**20.8**	12.5
Exchange movements in respect of shares held by employee share trusts	**1.4**	1.7
At 31 December	**1,469.8**	1,007.6

In April 2011, the Company received $6.0m of proceeds from Group companies relating to the exercise of employee share options under share symmetry schemes. This amount was credited to share premium and an equivalent amount deducted from retained earnings.

On 1 June 2011, the Company purchased 65,911,929 shares at a cost of $675.7m under the tender offer that formed the first part of the return of cash to shareholders. This amount was deducted from retained earnings.

On 8 July 2011, the second part of the return of cash to shareholders was completed and resulted in the redemption of 'B' shares totalling $436.1m ($428.4m being paid on that date and $7.7m being deferred until April 2012). On the same day, a dividend on deferred shares totalling $533.3m was paid and the Company purchased 'C' shares amounting to $113.4m. The total return of cash to shareholders amounted to $1,758.5m. The net cash impact in 2011 was $1,725.8m reflecting the receipt of $25.0m by the employee share trusts and the $7.7m 'B' share redemption deferred to 2012.

Foreign exchange losses of $13.4m were incurred in relation to the return of cash and have been booked to retained earnings net of $3.6m of tax relief. Expenses of $14.9m incurred in relation to the return of cash have also been booked against retained earnings.

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investment in own shares represents the cost of 14,696,669 (2010: 16,543,702) of the Company's ordinary shares totalling $111.0m (2010: $74.5m). No options have been granted over shares held by the employee share trusts (2010: 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 and the LTIP. During 2011, 5,000,000 shares were purchased on the open market at a cost of $42.5m. 1,900,000 new shares were allocated to the employee share trust at a value of $7.7m. 5,954,121 shares were issued during the year to satisfy the exercise of share options at a value of $12.3m. 285,906 shares were issued during the year to satisfy share awards under the Long-Term Incentive Plan and the number of shares held by the trusts reduced by 2,507,006 following the share reorganisation.

Exchange adjustments of $1.4m (2010: $1.7m) 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 2011 was $146.4m (2010: $144.8m) based on the closing share price of £6.41 (2010: £5.59). The employee share trusts have waived their rights to receipt of dividends on ordinary shares.

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24 Other reserves

	Capital reduction reserve $m	Capital redemption reserve $m	Merger reserve $m	Currency translation reserve $m	Hedging reserve $m	Total $m
At 1 January 2010	88.1	–	–	(31.2)	(6.4)	50.5
Exchange movements on retranslation of foreign currency net assets	–	–	–	2.8	–	2.8
Cash flow hedges	–	–	–	–	3.3	3.3
At 31 December 2010	**88.1**	**–**	**–**	**(28.4)**	**(3.1)**	**56.6**
Shares issued relating to PSN acquisition	–	–	114.4	–	–	114.4
Purchase of shares under tender offer	–	3.6	–	–	–	3.6
Issue of 'B' shares	–	–	(114.4)			(114.4)
Redemption of 'B' shares	–	436.1	–	–	–	436.1
Exchange movements on retranslation of foreign currency net assets	–	–	–	(31.1)	–	(31.1)
Cash flow hedges	–	–	–	–	(1.6)	(1.6)
At 31 December 2011	**88.1**	**439.7**	**–**	**(59.5)**	**(4.7)**	**463.6**

On 20 April 2011, 10,511,413 shares of 3⅓ pence were issued as part of the consideration for the purchase of PSN (note 27) with $0.6m being credited to share capital and $114.4m credited to a newly created merger reserve. On 1 June 2011, the Company purchased 65,911,929 of its own shares at a cost of $675.7m under the tender offer that formed the first part of the return of cash to shareholders with $3.6m, representing the par value of these shares being deducted from share capital and a corresponding amount credited to a capital redemption reserve. On 4 July 2011, 191,250,234 'B' shares were issued at £1.40 each, $436.1m being credited to the 'B' share capital account, $321.7m being deducted from share premium and $114.4m deducted from the merger reserve. On the redemption of the 'B' shares referred to in note 21, $436.1m was credited to the capital redemption reserve.

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 movement during the year largely relates to the retranslation of PSN's foreign currency net assets, including goodwill and intangible assets recognised on acquisition. 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 Non-controlling interests

	2011 $m	2010 $m
At 1 January	**10.9**	10.8
Exchange movements	**(0.2)**	0.3
Non-controlling interests arising on business combinations	**0.4**	0.3
Investment by non-controlling interests	**0.5**	0.8
Purchase of non-controlling interests	**(1.8)**	-
Share of profit/(loss) for the year	**0.5**	(0.2)
Dividends paid to non-controlling interests	**(0.3)**	(1.1)
At 31 December	**10.0**	10.9

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26 Cash generated from operations

	2011 $m	2010 $m
Reconciliation of operating profit to cash generated from operations:		
Operating profit from continuing operations before exceptional items	**262.9**	189.7
Operating profit from discontinued operations before exceptional items	**57.1**	126.1
Adjustments for:		
Depreciation	**47.2**	66.3
(Gain)/loss on disposal of property plant and equipment	**(0.1)**	3.4
Amortisation of other intangible assets	**78.7**	29.0
Share-based charges	**19.2**	16.7
Decrease in provisions	**(3.1)**	(6.2)
Changes in working capital (excluding effect of acquisition and divestment of subsidiaries)		
Increase in inventories	**(51.4)**	(53.9)
Increase in receivables	**(232.1)**	(33.8)
Increase in payables	**96.4**	68.3
Exchange movements	**9.7**	(3.1)
Cash generated from operations	**284.5**	402.5

Analysis of net debt

	At 1 January 2011 $m	Cash flow $m	Exchange movements $m	**At 31 December 2011 $m**
Cash and cash equivalents	180.1	66.3	(19.8)	**226.6**
Short-term borrowings	(30.1)	(39.9)	0.8	**(69.2)**
Long-term borrowings	(165.1)	–	3.8	**(161.3)**
Net debt	(15.1)	26.4	(15.2)	**(3.9)**

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27 Acquisitions and divestments

Acquisitions

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

	PSN $m	Other $m	Total $m
Property plant and equipment	22.2	7.2	29.4
Software and development costs	2.2	14.2	16.4
Intangible assets recognised on acquisition	194.5	–	194.5
Inventories	–	18.3	18.3
Trade and other receivables	289.4	34.5	323.9
Cash and cash equivalents	40.0	9.9	49.9
Borrowings	(370.2)	(2.7)	(372.9)
Trade and other payables	(201.5)	(41.3)	(242.8)
Income tax liabilities	(42.4)	(2.1)	(44.5)
Deferred tax liabilities	(60.4)	(9.1)	(69.5)
Provisions	(6.3)	(1.4)	(7.7)
Total identifiable net (liabilities)/assets acquired	**(132.5)**	**27.5**	**(105.0)**
Goodwill	817.8	77.5	895.3
Non-controlling interests	(0.4)	1.8	1.4
Consideration	**684.9**	**106.8**	**791.7**
Consideration satisfied by:			
Cash	569.9	86.5	656.4
Issue of shares	115.0	–	115.0
Deferred and contingent consideration	–	20.3	20.3
	684.9	**106.8**	**791.7**

The Group has used acquisition accounting for the purchases and, in accordance with the Group's accounting policies, the goodwill arising on consolidation of $895.3m has been capitalised. The table above includes amounts relating to the acquisition of 100% of the share capital of Production Services Network Limited ('PSN') on 20 April 2011 for a total consideration of $684.9m. $569.9m was paid in cash, $115.0m of shares were issued and PSN's borrowings of $370.2m were repaid as part of the transaction. $194.5m of intangible assets were recognised on acquisition. The total identifiable net liabilities of PSN are stated after recording provisional fair value adjustments of $25.1m. The fair value adjustments relate mainly to tax issues.

The acquisition of PSN advances Wood Group's strategy of maintaining an appropriate balance between oil & gas development and later cycle production support, creating global market leading positions, developing long-term customer relationships, extending services and broadening international reach. Wood Group PSN is a global leader in brownfield production services and is well positioned for growth across the oil & gas industry.

The Group also made a number of other acquisitions during the year including the acquisition of 100% of the share capital of Integrated Maintenance Services in the UK, ISI Solutions in Argentina and Gas Turbine Efficiency in the USA. In addition, the Group also acquired the businesses of PI Consult and Dar E&C in Saudi Arabia. The acquisitions are not considered to be material to the Group on an individual basis and therefore have been aggregated in the table above. Provisional fair value adjustments of $9.8m have been booked in relation to the other acquisitions made in the year.

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27 Acquisitions and divestments (continued)

The other 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.

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

	$m
Cash consideration	**656.4**
Cash acquired	**(49.9)**
Borrowings acquired	**372.9**
Cash outflow	**979.4**

Included in the cash outflow above are deferred and contingent consideration payments of $14.6m made during the year in respect of acquisitions made in prior periods and payments of $4.9m to acquire non-controlling interests.

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

	$m
Continuing revenue	**6,063.4**
Continuing EBITA	**365.6**

The profit presented above does not include the losses incurred by GTE in the period prior to acquisition, as this would not be representative of the business acquired by the Group. There have been significant changes to the GTE business during the year and the company has been profitable since acquisition. Post-acquisition profits are included in the EBITA figure below.

From the date of acquisition to 31 December 2011, the acquisitions contributed $1,019.4m to revenue and $96.4m to EBITA.

Divestments

On 26 April 2011, the Group divested its Well Support division to GE for a consideration of $2,850.0m. $28.2m of this amount related to the disposal of the Group's interest in a business in the Middle East, the sale of which is expected to be completed in the first half of 2012. Approximately $2.0m of the agreed proceeds will be paid directly to the minority shareholder in that business. A further $81.0m of proceeds were received from GE in October 2011 as part of the working capital adjustment. Details of the assets and liabilities divested were as follows:

	$m
Property plant and equipment	127.8
Goodwill and other intangible assets	31.9
Inventories	291.4
Trade and other receivables	238.8
Deferred tax assets	25.1
Cash and cash equivalents	44.4
Borrowings	(3.5)
Trade and other payables	(245.7)
Net income tax liabilities	(14.9)
Provisions	(19.5)
Net assets divested	**475.8**
Gross proceeds received	2,902.8
Divestment costs	(121.3)
Gain on divestment	**2,305.7**

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27 Acquisitions and divestments (continued)

The inflow of cash and cash equivalents in relation to the divestment of the Well Support division is analysed as follows:

	$m
Gross proceeds received	**2,902.8**
Divestment costs paid	**(68.3)**
Cash divested	**(44.4)**
Borrowings divested	**3.5**
Net cash inflow from divestment	**2,793.6**

Assets and liabilities held for sale

The assets and liabilities relating to the Middle Eastern business referred to above are disclosed as assets and liabilities held for sale on the face of the balance sheet. Also included in this category are the assets and liabilities of the aero engine overhaul business which the Group expects to divest in the first half of 2012.

28 Employees and directors

Employee benefits expense	**2011 $m**	2010 $m
Wages and salaries	**2,355.2**	1,798.8
Social security costs	**170.9**	129.9
Pension costs – defined benefit schemes (note 29)	**7.8**	6.5
Pension costs – defined contribution schemes (note 29)	**73.3**	50.5
Share-based charges	**19.2**	16.7
	2,626.4	2,002.4

Average monthly number of employees (including executive directors)	**2011 No.**	2010 No.
By geographical area:		
Europe	**7,163**	5,880
North America	**10,090**	9,460
Rest of the World	**10,595**	8,516
	27,848	23,856

Key management compensation	**2010 $m**	2009 $m
Salaries and short-term employee benefits	**25.8**	18.4
Amounts receivable under long-term incentive schemes	**4.1**	9.9
Social security costs	**3.3**	2.4
Post-employment benefits	**1.2**	1.0
Share-based charges	**7.5**	7.4
	41.9	39.1

Key management compensation represents the charge to the income statement in respect of the remuneration of the executive directors and certain senior executives.

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28 Employees and directors (continued)

Directors	2011 $m	2010 $m
Aggregate emoluments	**11.4**	5.8
Aggregate amounts receivable under long-term incentive schemes	**2.1**	1.4
Aggregate gains made on the exercise of share options	**2.8**	0.6
	16.3	7.8

Aggregate emoluments include a special incentive payment to the Well Support executive director, J Renfroe, on completion of the disposal of the business in April 2011. Under this arrangement Mr Renfroe gave up entitlement to awards under the second and third cycles of the LTIP scheme (see the Directors' Remuneration Report for further details).

One director (2010: one) has retirement benefits accruing under a defined contribution pension scheme. Retirement benefits are accruing to four (2010: four) 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 2010 by a professionally qualified actuary.

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

	2011 %	2010 %
Rate of increase in pensionable salaries	**4.90**	5.30
Rate of increase in pensions in payment and deferred pensions	**2.90**	3.30
Discount rate	**4.80**	5.40
Expected return on scheme assets	**7.00**	7.24

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.

At 31 December 2011 the actuary has determined pension liabilities by reference to a standard actuarial mortality table which considered UK-wide mortality data relevant to the Group's pension scheme. Those observed mortality rates have been projected to improve at a specific rate into the future to allow for established trends and expectations in line with normal actuarial practice. Specifically, the actuarial table used was PXA00 and improvements were in line with the long cohort approach with an annual underpin of 1% p.a.

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

	2011 $m	2010 $m
Present value of funded obligations	**(206.7)**	(188.3)
Fair value of scheme assets	**160.9**	155.0
Net liabilities	**(45.8)**	(33.3)

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29 Retirement benefit liabilities (continued)

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

	2011 %	2010 %
Equity securities	**83.4**	84.4
Corporate bonds	**7.7**	9.5
Gilts	**8.6**	5.1
Cash	**0.3**	1.0

The amounts recognised in the income statement are as follows:

	2011 $m	2010 $m
Current service cost included within employee benefits expense	**7.8**	6.5
Interest cost	**10.8**	10.0
Expected return on scheme assets	**(11.3)**	(9.9)
Total included within finance (income)/expense	**(0.5)**	0.1

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:

	2011 $m	2010 $m
Present value of funded obligations at 1 January	**188.3**	174.4
Current service cost	**7.8**	6.5
Interest cost	**10.8**	10.0
Actuarial losses	**7.7**	6.5
Scheme participants contributions	**–**	0.7
Benefits paid	**(5.3)**	(4.8)
Plan curtailment	**(0.5)**	–
Exchange movements	**(2.1)**	(5.0)
Present value of funded obligations at 31 December	**206.7**	188.3

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

	2011 $m	2010 $m
Fair value of scheme assets at 1 January	**155.0**	140.1
Expected return on scheme assets	**11.3**	9.9
Contributions	**16.1**	6.3
Benefits paid	**(5.3)**	(4.8)
Actuarial (losses)/gains	**(14.9)**	7.5
Exchange movements	**(1.3)**	(4.0)
Fair value of scheme assets at 31 December	**160.9**	155.0

Included in the contributions above was a one-off payment of £5.0m ($8.0m) made during the year (2010: nil) to reduce the scheme deficit.

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29 Retirement benefit liabilities (continued)

Analysis of the movement in the balance sheet liability:

	2011 $m	2010 $m
At 1 January	**33.3**	34.3
Current service cost	**7.8**	6.5
Finance (income)/expense	**(0.5)**	0.1
Contributions	**(16.1)**	(5.6)
Plan curtailment	**(0.5)**	–
Net actuarial losses/(gains) recognised in the year	**22.6**	(1.0)
Exchange movements	**(0.8)**	(1.0)
At 31 December	**45.8**	33.3

Cumulative actuarial losses recognised in equity:

	2011 $m	2010 $m
At 1 January	**50.5**	51.5
Net actuarial losses/(gains) recognised in the year	**22.6**	(1.0)
At 31 December	**73.1**	50.5

The actual return on scheme assets was $(3.6)m (2010: $17.4m).

History of experience gains and losses:

	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets :					
(Loss)/gain ($m)	**(14.9)**	7.5	15.6	(44.3)	10.5
Percentage of scheme assets	**9%**	5%	11%	44%	6%
Experience (losses)/gains on scheme liabilities:					
(Loss)/gain ($m)	**(7.7)**	(6.5)	(24.0)	25.6	(7.9)
Percentage of the present value of the scheme liabilities	**4%**	4%	14%	21%	4%
Present value of scheme liabilities ($m)	**206.7**	188.3	174.4	124.7	187.5
Fair value of scheme assets ($m)	**160.9**	155.0	140.1	101.6	176.2
Deficit ($m)	**45.8**	33.3	34.3	23.1	11.3

The contributions expected to be paid during the financial year ending 31 December 2012 amount to $8.8m.

Pension costs for defined contribution schemes are as follows:

	2011 $m	2010 $m
Defined contribution schemes	**73.3**	50.5

Contributions outstanding at 31 December 2011 in respect of defined contribution schemes amounted to $21.5m (2010: $19.4m).

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30 Operating lease commitments – minimum lease payments

	2011 Property $m	**2011** Vehicles, plant and equipment $m	2010 Property $m	2010 Vehicles, plant and equipment $m
Amounts payable under non-cancellable operating leases due:				
Within one year	**72.6**	**10.3**	63.1	12.0
Later than one year and less than five years	**190.3**	**20.3**	159.6	14.8
After five years	**91.0**	**0.3**	69.1	0.6
	353.9	**30.9**	291.8	27.4

The Group leases various offices and facilities under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Group also leases vehicles, plant and equipment 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.

In February 2010, the Group and several other parties were notified of a legal claim from a customer in respect of work carried out in 2008. Management believe that the Group is in a strong position to defend the claim. In addition, the Group is currently cooperating with an investigation in relation to a facility where it previously provided services. Management do not believe that it is probable that a material liability will arise from either of these matters.

32 Capital and other financial commitments

	2011 $m	2010 $m
Contracts placed for future capital expenditure not provided in the financial statements	**17.3**	13.5

The capital expenditure above relates to property plant and equipment. $3.8m of the above amount relates to commitments made by one of the Group's joint venture companies.

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.

	2011 $m	2010 $m
Sale of goods and services to joint ventures	**44.0**	102.2
Purchase of goods and services from joint ventures	**24.6**	49.3
Receivables from joint ventures	**36.8**	43.0
Payables to joint ventures	**5.5**	5.7

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 (2010: $0.1m) for management services provided under normal commercial terms. Key management compensation is disclosed in note 28.

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34 Principal subsidiaries and joint ventures

The Group's principal subsidiaries and joint ventures at 31 December 2011 are listed below.

Name of subsidiary or joint venture	Country of incorporation or registration	Ownership interest %	Principal activity
Engineering			
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	
Wood Group PSN			
Wood Group Engineering (North Sea) Limited	UK	100	Brownfield engineering and modifications, production enhancement, operations management, maintenance management and abandonment services.
Wood Group Production Services, Inc	USA	100	
Wood Group Colombia S.A.	Colombia	100	
Hexagon S.A.	Equatorial Guinea	65	
Wood Group E&PF Australia Pty Limited	Australia	100	
Bond Personnel Pty Limited	Australia	100	
Neal and Massy Wood Group Limited	Trinidad & Tobago	50	
Producers Assistance Corporation	USA	100	
Production Services Network (Aberdeen) Ltd	UK	100	
Production Services Network (UK) Ltd	UK	100	
Production Services Network US Inc	USA	100	
Production Services Network Canada Ltd	Canada	100	
Production Services Network Pty Ltd	Australia	100	
PSN Kastroy JSC	Kazakhstan	50	
Production Services Network Sakhalin LLC	Russia	100	
Sakhalin Technical Services Network LLC	Russia	80	
Wood Group GTS			
Rolls Wood Group (Repair & Overhauls) Limited	UK	50*	Gas turbine repair and overhaul
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	Power plant engineering, procurement and construction
Wood Group Advanced Parts Manufacture AG	Switzerland	100	Provision of gas turbine parts
Shanahan Engineering Ltd	Ireland	100	Power plant installation services
Wood Group Power Plant Services Inc	USA	100	Operations and maintenance

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

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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 2011 which comprise the Company Balance Sheet, the Accounting Policies 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011;
- 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

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 matter

We have reported separately on the group financial statements of John Wood Group PLC for the year ended 31 December 2011.

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
5 March 2012

Company balance sheet
as at 31 December 2011

	Note	2011 $m	2010 $m
Fixed assets			
Investments	1	**1,618.5**	524.4
Current assets			
Debtors	2	**1,439.3**	1,498.8
Cash at bank and in hand	3	**–**	5.5
		1,439.3	1,504.3
Creditors: amounts falling due within one year	4	**(1,061.6)**	(863.5)
Net current assets		**377.7**	640.8
Total assets less current liabilities		**1,996.2**	1,165.2
Creditors: amounts falling due after one year	5	**(809.4)**	(167.5)
		1,186.8	997.7
Capital and reserves			
Share capital	7	**23.4**	26.3
Share premium	8	**7.7**	315.8
Capital reduction reserve	9	**88.1**	88.1
Capital redemption reserve	10	**439.7**	–
Merger reserve	11	**–**	–
Retained earnings	12	**619.4**	559.7
Other reserves	13	**8.5**	7.8
Equity shareholders' funds	14	**1,186.8**	997.7

The financial statements on pages 107 to 116 were approved by the board of directors on 5 March 2012.

Allister G Langlands, Director

Alan G Semple, Director

Notes to the Company financial statements
for the year to 31 December 2011

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:-

	2011	2010
Average rate £1 = $	**1.6041**	1.5459
Closing rate £1 = $	**1.5541**	1.5657

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

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

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 profit 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 2011

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.

Taxation

The current tax charge is based on the taxable profit for the year. Taxable profits differ from the profit reported in the profit and loss account due to timing differences and other items that require adjustment as set out in legislation. The Company's liability for tax is calculated using 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 base of assets and liabilities and their carrying amounts in the financial statements. The deferred tax position is calculated using the rates enacted or substantially enacted at the balance sheet date.

Tax losses are surrendered or claimed in the form of group relief with consideration being received or paid accordingly. The group relief amount is recorded separately within the debtors and creditors amounts in the balance sheet, as applicable, and is calculated by applying the tax rate enacted or substantially enacted at the balance sheet date to the loss amount.

Dividends

Dividends to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by shareholders. Dividend income is credited to the profit and loss account when the dividend has been approved by the board of directors of the subsidiary company making the payment.

Disclosure of impact of new and future accounting standards

There have been no new standards or amendments to existing standards published during 2011 that have impacted these financial statements.

Notes to the Company financial statements
for the year to 31 December 2011

1 Investments

	Subsidiaries $m
Cost	
At 1 January 2011	591.2
Exchange movements	0.3
Additions	2,149.2
Disposals	(1,055.4)
At 31 December 2011	**1,685.3**
Amounts provided	
At 1 January 2011 and 31 December 2011	66.8
Net book value	
At 31 December 2011	**1,618.5**
At 31 December 2010	524.4

The additions to investments include $1,055.4m relating to the acquisition of Production Services Network Limited (‘PSN’) on 20 April 2011 and $1,071.0m relating to shares acquired in JWG USA Holdings Limited on 26 April 2011. Disposals represents the amount received for the transfer of the investment in PSN to JWG USA Holdings Limited on 26 April 2011.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

2 Debtors

	2011 $m	2010 $m
Amounts owed by group undertakings	**1,426.3**	1,490.4
Prepayments and accrued income	**1.8**	2.9
Group relief receivable	**11.2**	5.5
	1,439.3	1,498.8

As at 31 December 2011, amounts owed by group undertakings of $10.8m (2010: $10.9m) 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:

	2011 $m	2010 $m
Over 3 months	**10.8**	10.9

The movement on the provision for impairment is as follows:

	2011 $m	2010 $m
At 1 January	**10.9**	11.6
Credit to profit and loss account	**–**	(0.3)
Exchange movements	**(0.1)**	(0.4)
At 31 December	**10.8**	10.9

The creation and release of the 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 2011 or 31 December 2010. The other classes within debtors do not contain impaired assets.

Notes to the Company financial statements
for the year to 31 December 2011

3 Cash at bank and in hand

	2011 $m	2010 $m
Cash at bank and in hand	**–**	5.5

4 Creditors

	2011 $m	2010 $m
Bank loans and overdrafts	**220.7**	97.3
Amounts due to group undertakings	**817.5**	747.8
Amounts due to joint ventures	**9.5**	9.5
Other creditors	**2.4**	0.5
Corporation tax payable	**0.2**	0.2
Accruals and deferred income	**11.3**	8.2
	1,061.6	863.5

5 Creditors – amounts falling due after more than one year

	2011 $m	2010 $m
Bank loans	**161.3**	164.9
Amounts due to group undertakings	**648.1**	–
Other creditors	**–**	2.6
	809.4	167.5

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:

	2011 %	2010 %
Sterling	**2.83**	4.25
Euro	**2.28**	4.14
Canadian Dollar	**2.30**	4.55

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

	2011 $m	2010 $m
Sterling	**57.8**	54.8
Euro	**54.4**	58.9
Canadian Dollar	**49.1**	50.3
Other	**–**	0.9
	161.3	164.9

Notes to the Company financial statements
for the year to 31 December 2011

6 Financial instruments

Financial risk factors

The Company's activities give rise to a variety of financial risks: market risk (including foreign exchange 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. The Company hedges part of its net investment in non-US dollar subsidiaries by using foreign currency bank loans.

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 2011, approximately 64% (2010: 64%) 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 2011.

Notes to the Company financial statements
for the year to 31 December 2011

6 Financial instruments (continued)

(c) Liquidity risk

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2011, 100% (2010: 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.

Maturity of financial liabilities

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 2011	**Less than 1 year $m**	**Between 1 and 2 years $m**	**Between 2 and 5 years $m**	**Over 5 years $m**
Bank loans	**–**	**–**	**161.3**	**–**
Creditors	**1,061.4**	**–**	**648.1**	**–**
At 31 December 2010				
Bank loans	–	164.9	–	–
Creditors	863.3	0.5	2.1	–

Notes to the Company financial statements
for the year to 31 December 2011

7 Share capital

	2011 $m	2010 $m
Issued and fully paid		
371,275,384 ordinary shares of $4\frac{2}{7}$p each (2010: 530,266,720 shares of $3\frac{1}{3}$p each)	**23.4**	26.3

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

8 Share premium

	2011 $m	2010 $m
At 1 January	**315.8**	315.8
Proceeds from Group companies relating to the exercise of employee share options	**6.0**	–
Issue of 'B' Shares	**(321.7)**	–
Allocation of new shares to employee share trusts	**7.6**	–
At 31 December	**7.7**	315.8

9 Capital reduction reserve

	2011 $m	2010 $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.

10 Capital redemption reserve

	2011 $m	2010 $m
Purchase of shares under tender offer	**3.6**	–
Redemption of 'B' Shares	**436.1**	–
	439.7	–

On 1 June 2011, the Company purchased 65,911,929 shares under the tender offer that formed the first part of the return of cash to shareholders. $3.6m representing the par value of these shares was deducted from share capital and a corresponding amount credited to the capital redemption reserve.

On redemption of the 'B' shares, $436.1m was credited to the capital redemption reserve (see notes 21 and 24 of the Group financial statements).

11 Merger reserve

	2011 $m	2010 $m
Shares issued relating to PSN acquisition	**114.4**	–
Issue of 'B' Shares	**(114.4)**	–
	–	–

On 20 April 2011, 10,511,413 shares of $3\frac{1}{3}$ pence were issued as part of the consideration for the purchase of PSN Ltd. $114.4m was credited to the merger reserve. On issue of the 'B' shares on 4 July 2011, this amount was deducted from the merger reserve (see notes 22 and 24 to the Group financial statements).

Notes to the Company financial statements
for the year to 31 December 2011

12 Retained earnings

	2011 $m	2010 $m
At 1 January	**559.7**	489.4
Retained profit for the year	**1,832.4**	66.4
Credit relating to share-based charges	**22.8**	16.7
Purchase of shares under tender offer	**(675.7)**	–
Redemption of ‘B’ shares	**(436.1)**	–
Deferred share dividend	**(533.3)**	–
Purchase of ‘C’ shares	**(113.4)**	–
Foreign exchange relating to return of cash to shareholders, net of tax	**(9.8)**	–
Expenses relating to return of cash to shareholders	**(14.9)**	–
Cash received by employee share trusts from the return of cash to shareholders	**25.0**	–
Shares purchased by employee share trusts	**(42.5)**	(20.8)
Shares allocated to employee share trusts	**(7.7)**	–
Shares disposed of by employee share trusts	**12.3**	6.3
Foreign exchange in respect of shares held by employee share trusts	**1.4**	1.7
Foreign exchange movements	**(0.8)**	–
At 31 December	**619.4**	559.7

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investments in own shares represents the cost of 14,696,669 (2010: 16,543,702) of the Company’s ordinary shares totalling $111.0m (2010: $74.5m).

On 1 June 2011, the Company purchased 65,911,929 shares at a cost of $675.7m under the tender offer. This amount was deducted from retained earnings.

On 8 July 2011, the second part of the return of cash to shareholders was completed and resulted in the redemption of ‘B’ shares totalling $436.1m, a dividend on deferred shares totalling $533.3m and the purchase of ‘C’ shares amounting to $113.4m. These amounts have all been deducted from retained earnings. See note 23 to the Group financial statements for further details.

13 Other reserves

	2011 $m	2010 $m
At 1 January	**7.8**	4.4
Fair value gains	**0.7**	3.4
At 31 December	**8.5**	7.8

Notes to the Company financial statements

for the year to 31 December 2011

14 Reconciliation of movements in shareholders' funds

	2011 $m	2010 $m
Profit for the financial year	**1,885.8**	119.5
Dividends	**(53.4)**	(53.1)
	1,832.4	66.4
Credit relating to share-based charges	**22.8**	16.7
Fair value gains	**0.7**	3.4
Proceeds from Group companies relating to the exercise of employee share options	**6.0**	–
Shares issued in respect of PSN acquisition	**115.0**	–
Purchase of shares under tender offer	**(675.7)**	–
Redemption of 'B' shares	**(436.1)**	–
Deferred share dividend	**(533.3)**	–
Purchase of 'C' shares	**(113.4)**	–
Foreign exchange relating to return of cash to shareholders, net of tax	**(9.8)**	–
Expenses relating to return of cash to shareholders	**(14.9)**	–
Cash received by employee share trusts from the return of cash to shareholders	**25.0**	–
Shares purchased by employee share trusts	**(42.5)**	(20.8)
Shares disposed of by employee share trusts	**12.3**	6.3
Foreign exchange in respect of shares held in employee share trusts	**1.4**	1.7
Foreign exchange movements	**(0.8)**	–
	189.1	73.7
Shareholders' funds at 1 January	**997.7**	924.0
Shareholders' funds at 31 December	**1,186.8**	997.7

The profit for the financial year for the Company was $1,885.8m (2010: $119.5m). 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 $52,000 (2010: $48,000). 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.

Five-year summary

	2011 $m	2010 $m	2009 $m	2008 $m	2007 $m
Revenue	**6,052.3**	**5,063.1**	**4,927.1**	**5,243.1**	**4,432.7**
EBITA	**398.7**	**344.8**	**358.4**	**441.0**	**318.4**
Amortisation	(78.7)	(29.0)	(24.1)	(25.2)	(10.6)
Non-recurring items	2,138.3	(27.6)	(35.8)	0.0	(22.6)
Net finance expense	(12.8)	(33.6)	(33.7)	(31.7)	(25.3)
Profit before taxation	**2,445.5**	**254.6**	**264.8**	**384.1**	**259.9**
Taxation	(142.7)	(88.8)	(100.6)	(128.7)	(91.0)
Profit for the year	**2,302.8**	**165.8**	**164.2**	**255.4**	**168.9**
Attributable to:					
Owners of the parent	2,302.3	166.0	163.2	251.6	165.0
Non-controlling interests	0.5	(0.2)	1.0	3.8	3.9
	2,302.8	**165.8**	**164.2**	**255.4**	**168.9**
Equity attributable to owners of the parent	**1,964.5**	**1,406.3**	**1,270.2**	**1,133.9**	**974.6**
Net borrowings	**3.9**	**15.1**	**87.9**	**248.8**	**277.9**
Gearing ratio	**0.2%**	**1.1%**	**6.9%**	**21.9%**	**28.5%**
Interest cover	**31.1**	**10.3**	**10.6**	**13.9**	**12.6**
Diluted earnings per share (cents)	**513.0**	**31.3**	**31.2**	**48.1**	**31.7**
Adjusted diluted earnings per share (cents)	**60.2**	**39.8**	**41.8**	**52.1**	**36.9**
Dividend per share (cents)	**13.5**	**11.0**	**10.0**	**9.0**	**7.0**

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 13 April 2012 as published in the *Financial Times* on 14 April 2012.

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Slaughter and May

Financial calendar

Results announced	6 March 2012
Ex-dividend date	11 April 2012
Dividend record date	13 April 2012
Annual General Meeting	10 May 2012
Dividend payment date	16 May 2012

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

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