John Wood Group PLC

Annual Report and Accounts 2012

"I believe Wood Group makes a positive contribution by improving the quality of life of those that we do business with. I believe this effect is far reaching. It affects not only our clients, but our clients' clients."

"It's refreshing to be designing plants that contribute more directly to people's lives in ways they understand."

"Shareholder value is very important and we need to continue to do a good job so that we continue to put this at the forefront. The little things we do, however, hold great value too. I am so very proud to work for a company with such amazing Core Values where people not only talk the talk, they also walk the talk."

"If you work for Wood Group and put a bit of effort in, you will be rewarded which is a great feeling. Worldwide, employees are part of the same team, which encourages people to continue working with Wood Group."

"Wood Group is very good about encouraging growth and allowing companies to thrive."

"With a company like ours anything is possible if you really want it."

"Getting people energy in all forms is what we do."

Who we are

Wood Group is an international energy services company with $6.8 billion sales, employing around 43,000 people worldwide and operating in 50 countries. The Group has three businesses – Wood Group Engineering, Wood Group PSN and Wood Group GTS – providing a range of engineering, production support, maintenance management and industrial gas turbine overhaul and repair services to the oil & gas, and power generation industries worldwide.

Our Core Values

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

"Wood Group's Core Values define who we are, how we work, what we believe in and what we stand for. They set out how we act and expect to be treated as part of Wood Group and provide a sound basis on which to make decisions. Our Core Values strip was inspired by DNA fingerprinting – our seven Core Values represent our very own DNA fingerprint and make us who we are. Each of the bars in the strip has a different colour to help people remember them and identify them – so every time we talk about our Social Responsibility Value we use green for instance. At either end are Safety & Assurance and Integrity – the Core Values that hold them all together – and right in the middle, in the heart of our business is the gold one: our People Core Value.

Last year we launched our Living our Values Awards programme which recognises our people from around the world. Throughout this report you will see featured the stories behind the awards finalists who bring our Core Values to life and demonstrate that they are at the very heart of our business."

Robert Keiller

Bob Keiller, CEO

Our Values
Visit our website to learn more about our Core Values and the Living our Values Awards programme.

http://www.woodgroup.com/about-us/our-values/pages/default.aspx

Highlights of 2012

Financial summary

- Revenue from continuing operations of $6,821.3 million (2011: $5,666.8 million) up 20%
- EBITA from continuing operations[1] of $461.1 million (2011: $341.6 million) up 35%
- Profit from continuing operations before tax and exceptional items of $362.7 million (2011: $254.1 million) up 43%
- Adjusted diluted EPS of 85.2 cents (2011: 60.2 cents) up 42%
- Total dividend of 17 cents per share (2011: 13.5 cents) up 26%

Group highlights

- Leadership changes position Wood Group for the next phase of growth
- Increasing contribution from oil-producing US shale regions
- Overall market conditions expected to remain favourable
- Anticipate progress in all divisions in 2013

Wood Group Engineering

- Second consecutive year of 30%+ EBITA growth
- Strength in upstream and subsea & pipelines
- Revenue growth and margin improvement anticipated in 2013

Wood Group PSN

- Good performance in the North Sea and strong growth in North America
- Progress in Oman; confident of a significant improvement in 2013
- Well placed to deliver strong performance in 2013

Wood Group GTS

- Increased revenues in Maintenance and EBITA up around 10%
- Power Solutions EBITA slightly up on 2011
- Anticipate improvement in Maintenance in 2013

The footnotes to pages 01 to 25 can be found on page 17

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Our business

An overview of Wood Group, our key highlights and how we have performed this year.

Operational review

This section gives detail on our operations and how we have performed during 2012.

Governance

Our approach to corporate governance and how we have applied this in 2012.

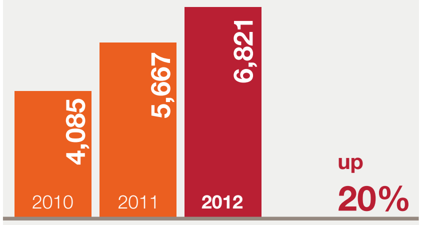
Financial statements

The audited financial statements of Wood Group for the year ended 31 December 2012.

Our results and how we measure our performance

Revenue
Revenue earned from continuing operations is derived from the price and volume of services and products we provide to customers.

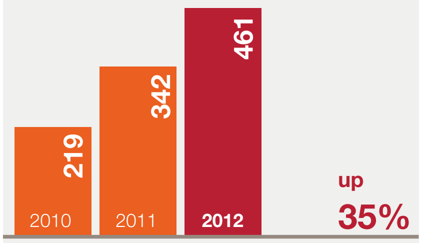
Revenue from continuing operations $m



Progress in the year
Revenue increased in all three divisions in 2012, leading to growth in revenue from continuing operations of 20%.

Earnings before interest, tax and amortisation (EBITA)
EBITA is a key profit measure and excludes exceptional items.

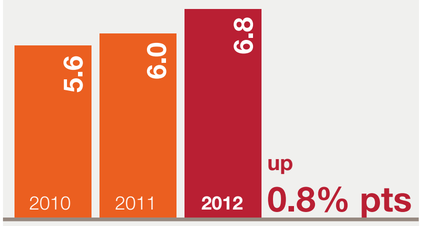
EBITA from continuing operations $m



Growth in 2012 includes a full year contribution from the PSN business acquired in 2011. EBITA increased in all three divisions.

EBITA margin
EBITA margin demonstrates our ability to convert revenue into profit.

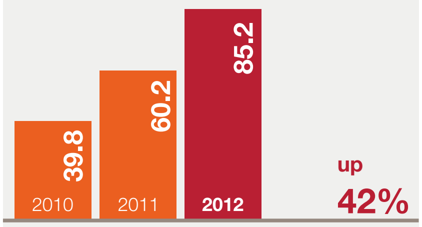
EBITA margin from continuing operations %



EBITA margin increased by 0.8% points in 2012. Margin increased in Wood Group Engineering and Wood Group PSN, and remained flat in Wood Group GTS.

Adjusted diluted EPS (AEPS)
Earnings before exceptional items and amortisation, net of tax, divided by the weighted average number of ordinary shares in issue during the year. AEPS demonstrates the value we create on a per share basis.

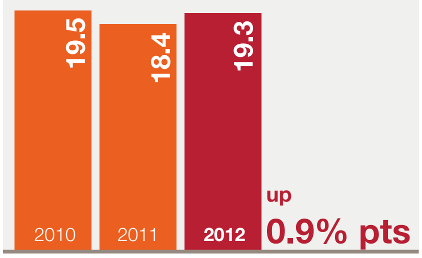
Adjusted diluted EPS[2] Cents



The increase in AEPS for 2012 reflects the increase in underlying profitability and a reduction in the average number of fully diluted shares in the period subsequent to our return of capital in 2011.

Return on capital employed (ROCE)
EBITA divided by average capital employed measures our ability to generate profits relative to the capital required to support our business.

ROCE[6] %



The increase in ROCE reflects an increase in Wood Group Engineering due to higher profitability, offset to some extent by lower ROCE in Wood Group PSN, which in 2012 included the full year impact of higher goodwill and intangible assets arising on acquisition.

Further reading

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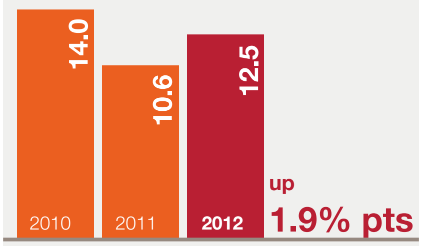
Operating capital employed to revenue (OCER)
Average operating capital employed divided by revenue measures the efficiency of our operating capital relative to our revenue.

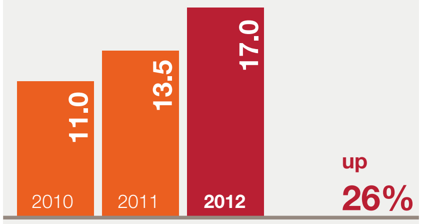
OCER[7] %



Progress in the year
OCER worsened in 2012 due principally to an increase in average receivable days in Wood Group Engineering.

Dividend per ordinary share
The share of AEPS distributed to shareholders.

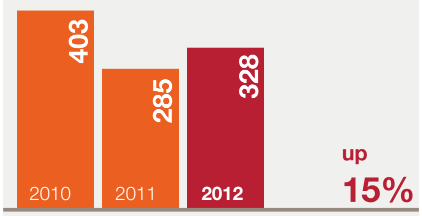
Dividend per ordinary share Cents



The Group adopts a progressive dividend policy taking into account its capital requirements, cash flows and earnings. Dividend per share has increased by a compound annual growth rate of 19% between 2002 and 2012.

Cash generated from operations
Cash inflows which we use to maintain and grow our operations.

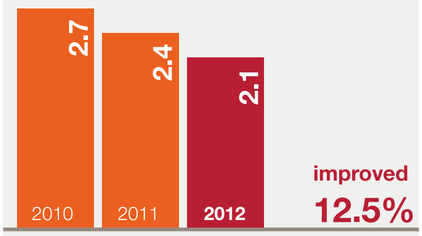
Cash generated from operations $m



Cash generated from operations increased mainly due to higher EBITA in the period.

Total recordable case frequency
We aim to deliver the highest standards of health and safety. Total recordable case frequency is the total of lost work cases, restricted work cases and medical treatment cases, per million man hours.

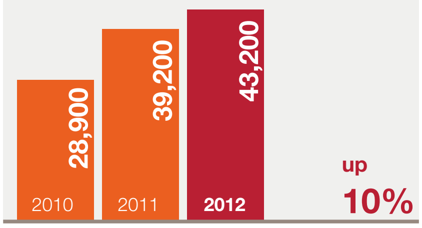
Safety: total recordable case frequency (TRCF) per million man hours



Over many years we have reduced the recordable injury rates to our people whilst growing our workforce. This continued in 2012 with a 12.5% reduction in TRCF.

People
Attracting and retaining people helps support our continued growth.

People[3]



Headcount increased significantly in both Wood Group Engineering and Wood Group PSN during the period due to higher activity levels.

Our business
Operational review
Governance
Financial statements

Understanding our business in 2012

Wood Group Engineering

Wood Group Mustang and Wood Group Kenny 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.

People

10,200

2011: 9,100

Upstream Engineering, project & construction management (EPCM) services and control system upgrades, covering offshore topsides (including FPSOs), and onshore processing facilities for conventional and unconventional projects.

Subsea & pipelines EPCM services for subsea developments, offshore and onshore pipelines. Field service for onshore pipelines.

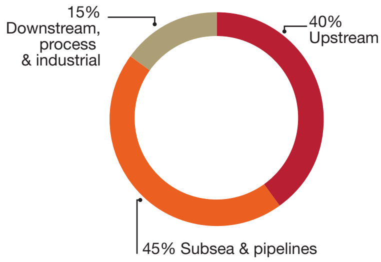
Downstream, process & industrial
EPCM services, operational enhancements and control system upgrades for refineries, petrochemical plants, process and industrial, and clean energy facilities.

Revenue

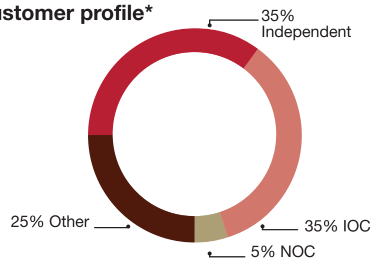
26%

of revenue from continuing operations
2011: 24%

Business split*



Customer profile*

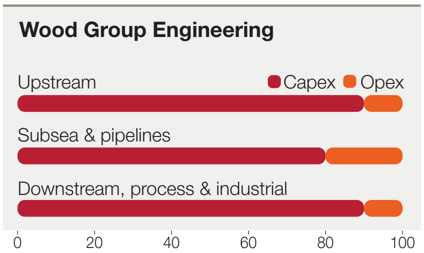


Typical project duration*

3-24 months

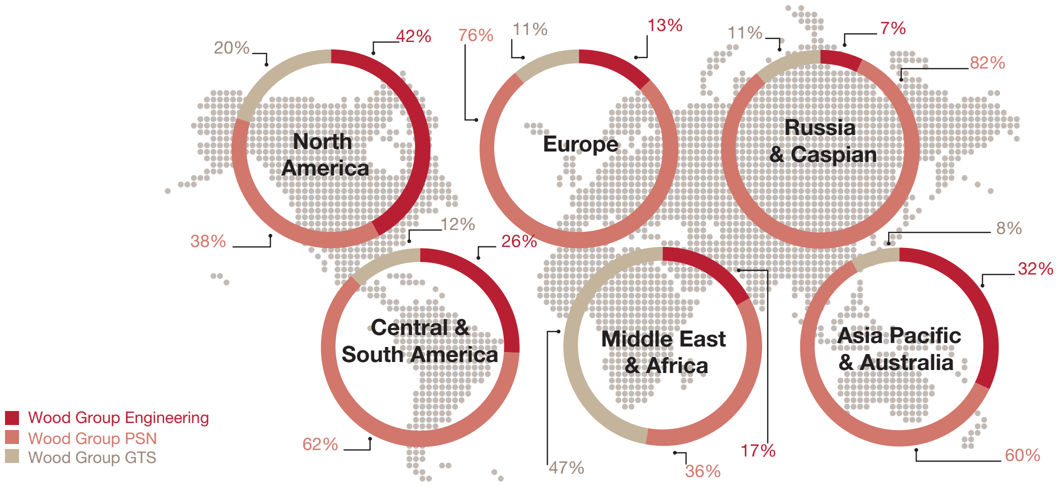
Typical order book range*

6-9 months



Growth drivers and market characteristics
Growth in capex spend directed towards increasingly complex engineering challenges in deepwater, subsea, oil sands and downstream markets. Global reserves increasingly developed through large-scale, longer-term, complex projects.

2012 continuing Group revenue by region, split by division



Wood Group PSN

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

People

29,200

2011: 26,200

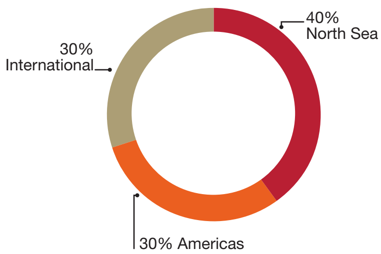
- Brownfield engineering & modifications
- Operations & maintenance
- Production enhancement
- Start-up and commissioning
- Supply chain management
- Human resources management, including safety training and competence development programmes
- Decommissioning

Revenue

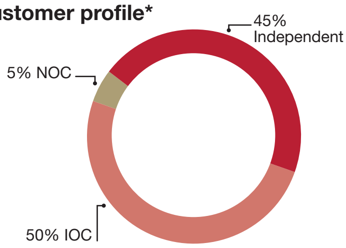
54%

of revenue from continuing operations
2011: 56%

Business split*



Customer profile*



Typical project duration*

North Sea

3-5 years

Americas

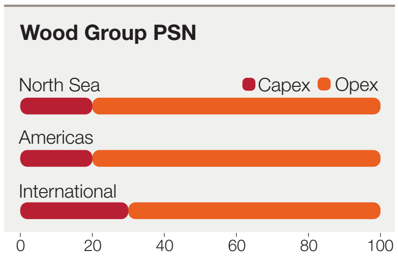
evergreen

International

3-5 years

Typical order book range*

18-36 months



Growth drivers and market characteristics
Customers' ongoing opex spend with increased focus on asset integrity, performance assurance and production enhancement. Growth in the US shale regions in North America and from new developments in areas with limited infrastructure.

Further reading

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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 facility operations & maintenance, repair & overhaul of gas turbines and other rotating equipment, power plant engineering, procurement & construction and construction management services to owners of power generation facilities.

People

3,400

2011: 3,400

Revenue

20%

of revenue from continuing operations
2011: 20%

Typical project duration*

Maintenance

3 to 12 years (50%)
transactional (50%)

Power Solutions

1 to 3 years (80%)
transactional (20%)

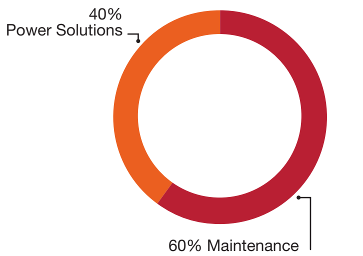
Maintenance

- 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

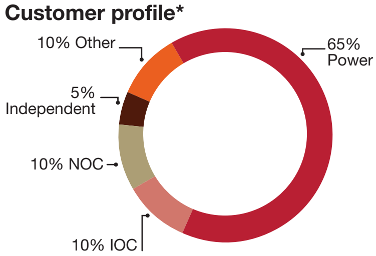
Power Solutions

- Power plant engineering, procurement and construction (EPC)
- Provision of gas turbine-driven packages for power, compression and pumping applications

Business split*



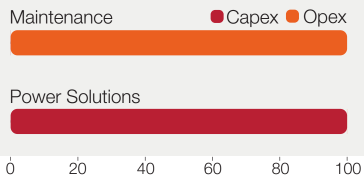
Customer profile*



Typical order book range*

around 12 months

Wood Group GTS



Growth drivers and market characteristics

Gas pricing, relative environmental considerations and operational flexibility are expected to contribute to continued growth in gas-fired power generation market, expected to be somewhat ahead of global GDP growth.

* **'Understanding our business'** data contains a number of management estimates and approximations (with the exception of 2012 and 2011 People and Revenue).

Our business model

We are a focused global energy services provider and deliver a range of leading solutions on a primarily reimbursable basis in markets with strong long-term fundamentals.

Living our Values

Integrity

Mark Breen,
Wood Group GTS, USA

Mark acts professionally and with honesty, building trust amongst his colleagues. He stepped into the Regional Manager's role at a power plant to address operational and cultural challenges, taking this on in addition to his other work and ensuring that we delivered with integrity to the customer.

Chairman's statement

"In November, Sir Ian Wood retired as Chairman and from the Board. Sir Ian has been an extraordinary leader, guiding Wood Group from its roots in the North Sea to its position today as a major global oil & gas services business. The Group and its shareholders owe a huge debt to him."

Allister G Langlands, Chairman

Introduction

The Group delivered strong growth in 2012 and we completed a number of changes in the executive leadership team. In November, Sir Ian Wood retired as Chairman and from the Board. Sir Ian has been an extraordinary leader, guiding Wood Group from its roots in the North Sea to its position today as a major global oil & gas services business. The Group and its shareholders owe a huge debt to him.

On 1 November, I succeeded Sir Ian as Chairman and Bob Keiller became Group CEO. Bob has taken over a strong business in good long-term growth markets and is supported by an excellent management team.

Markets

During the period we benefited from an increase in global E&P spend, estimated by commentators to have been around 9%. Looking forward, conditions in our end markets are anticipated to remain favourable. We continue to see strong longer-term energy fundamentals, supported on the demand side by developing economies, and on the supply side by increasingly complex field developments and the shale-led pick-up in oil & gas and industrial activity in the USA. The Group is well positioned in end markets with a balance of opex and capex related activities across key geographical areas of industry growth and we have a robust balance sheet.

Financial results

The Group's results reflected growth in all three divisions. Revenue from continuing operations increased by 20% and EBITA from continuing operations was up 35%. EBITA margin increased from 6.0% to 6.8%. Adjusted diluted EPS increased by 42% to 85.2 cents.

Dividends

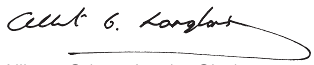
Reflecting our confidence in the longer-term outlook for the Group, we are declaring a final dividend of 11.3 cents which will bring the full year dividend to 17.0 cents, in line with our stated intention at the half year, and up 26% on 2011.

Board changes

In June, Les Thomas, Group Director of Health and Safety, and Mark Papworth, Chief Executive of Wood Group GTS, stepped down from the Board and depart with our best wishes for the future. Robin Watson, Chief Executive of Wood Group PSN, and Mark Dobler, Chief Executive of Wood Group GTS, were appointed to the Board in January 2013. The Board will benefit from their significant operational experience and leadership.

As announced last year, two of our longer-serving non-executive directors, John Morgan and Dr Christopher Masters, retired at the 2012 AGM and we thank them both for their considerable contribution. Mary Shafer-Malicki and Thomas Botts joined the Board as non-executive directors in June 2012 and January 2013 respectively.

Wood Group is well placed to further develop our leading positions across engineering, production support and gas turbine services and I look forward to the Group's continued success under Bob's leadership and direction.



Allister G Langlands, Chairman

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CEO's review

"Our 2012 financial results represent another year of strong growth with EBITA up 35%. Wood Group is a great company and I believe we can be even better if we harness our collective strengths more effectively and operate in a more joined-up manner.

We are set to make progress in all divisions in 2013, and I look forward to leading our further development in good long-term growth markets."

Bob Keiller, CEO

2012 Group performance	2012 $m	2011 $m	Change
Revenue from continuing operations	**6,821.3**	5,666.8	20.4%
EBITA from continuing operations[1]	**461.1**	341.6	35.0%
EBITA margin from continuing operations	**6.8%**	6.0%	0.8pts
Profit from continuing operations before tax and exceptional items	**362.7**	254.1	42.7%
Basic EPS	**71.4c**	530.7c	n/m
Adjusted diluted EPS[2]	**85.2c**	60.2c	41.5%
Total dividend	**17.0c**	13.5c	25.9%
ROCE[6]	**19.3%**	18.4%	0.9pts

Note: Continuing operations revenue and EBITA figures include the results of PSN since acquisition on 20 April 2011, and exclude the results of Well Support in the period prior to its disposal on 26 April 2011 and those of the Wood Group GTS Aero engine overhaul business disposed of on 5 April 2012.

Bob Keiller answers questions on the Group's performance in 2012, his role as incoming CEO and thoughts on strategy for the future:

Q: It's been a year of good growth across the Group. What are the highlights?

Our 2012 financial results represent another year of strong growth with EBITA up 35%, a fitting tribute to Sir Ian and Allister's leadership and the focus and hard work of our people around the world.

Wood Group Engineering delivered very strong growth. Revenue increased by 23% and EBITA increased by 36%, principally reflecting increased activity in upstream and subsea & pipelines. In Wood Group PSN, revenue and EBITA growth of 23% and 34% benefited from good performance in the North Sea, strong growth in North America, and the full 12 month contribution from the PSN business acquired in April 2011. In GTS, revenue and EBITA increased by 12% reflecting growth in both Maintenance and Power Solutions.

Q: What are your priorities as CEO?

Firstly, I am looking to build on what Sir Ian and Allister have created; a Group which has achieved significant growth both organically and by acquisition over many years, and I am pleased that Allister will be able to support me from his new position as Chairman. Wood Group is a great company, one I have known as a customer, a competitor, a divisional CEO and now as a leader. And, based on what I've seen since joining the Group, I believe we can be even better.

I believe that the Group can be stronger if we harness our collective strengths more effectively and operate in a more joined-up manner. There are further opportunities for cross-selling and pull-through, making better use of the depth of resources we have. The component parts of the Group have cultures that foster pride and entrepreneurship and my task is to protect that while increasing collaboration. We have significantly ramped up internal communication across the Group. This includes regular messages from the Executive Committee that now represents all key areas of the business.

I'm looking to continue to build the business based around our Core Values 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 on which to make decisions.

I will also be working with my teams to further develop the combined Group strategy. This will drive our tactical choices in terms of the range of services we provide and the markets and customers that we provide them to.

Q: Strategically, what progress did the Group make this year?

We continued to pursue long-term and sustainable growth, retaining a balance across opex and capex driven markets in oil & gas and power. Looking at some of the operational highlights, we made good progress in broadening our international footprint in

Wood Group Engineering in Saudi Arabia and the Far East, and developing relationships with a number of customers including IOCs and EPC contractors. In Wood Group PSN we have been focusing on expansion in the oil-rich shale regions both organically and through the acquisitions of Mitchell's and Duval. In Wood Group GTS we maintained our focus on driving improved margins in Maintenance and delivering returns in Power Solutions. I am keen to ensure that all parts of the business contribute to the Group's longer-term growth ambitions and benefit from being part of the Group.

Q: What about safety performance in 2012?

We don't want anyone suffering injury or ill health when they work for us or if they are affected by the work we do. It could be tempting to cite improvements we have made in many areas but the stark fact is that one of our team died in 2012 in a vehicle incident. We are not complacent and are working hard to ensure the safety of our people.

Safety & Assurance is our top priority and first Core Value. In our 2011 Annual Report, we talked about lessons learned from incidents and actions taken to improve risk management as a result. Our Safety Leadership programme was launched at the end of 2011 with the aim of raising leaders' awareness of the role that they play in delivering and improving the safety performance of the Group and encouraging them to demonstrate their commitment to safety in real and tangible ways. The programme has been led by the Board and has been rolled out to around 1,200 managers to date. We are continuing to develop the programme further and to extend it deeper into the organisation.

We recognise that often 'near misses' can provide extremely valuable lessons even if no physical harm was suffered. In 2013, we will be trying even harder to recognise events that have a high loss potential and to ensure that we learn from them. Over many years we have reduced the recordable injury rates to our people whilst growing our workforce significantly.

Q: Any change in the Group's approach to and appetite for risk?

Taking account of our skills, our customer base and our markets, it is clear to me that we need to remain a lower-risk, predominantly reimbursable business.

I do, however, want to tighten up our controls around contracts that contain fixed-price elements to ensure that we keep our overall risk profile well within our comfort levels. Typically, these contracts together represent less than 10% of revenues. I commissioned a team of senior operations and commercial managers from across the Group to analyse, define and categorise different types of contracts with fixed-price elements. We have defined five discrete categories, some being relatively low risk where we have control over every element of the contract delivery, and others such as EPC contracts that include site works and third parties for instance, which represent a higher risk. We are updating our review and control requirements and have defined contract-size thresholds for each category.

Q: What's the outlook for the Group?

Overall, we anticipate progress in all divisions in 2013.

In 2012, Wood Group Engineering delivered a second consecutive year of over 30% EBITA growth as the division recovered from the trough in 2010. Looking ahead to 2013, we anticipate revenue growth and margin improvement to lead to EBITA growth of around 15%. This is supported by our current order book, prospects in a number of key regions, including the Gulf of Mexico, the Middle East, the Norwegian North Sea and Asia Pacific, and our view on the overall market which should benefit from the forecast increase in E&P capex in 2013 of around 7%.

Wood Group PSN is well placed to deliver a strong performance in 2013. In 2012 we signed new contracts and renewals worth around $3.6bn in revenue, which position us well for the future. Looking ahead, the North Sea should benefit from spending on integrity management, operational assurance and production initiatives. In North America we expect further growth from our US shale activities, and in international markets we expect to see a significant improvement from the progress we are making in Oman.

Living our Values

Social Responsibility

Community team, Wood Group PSN, Trinidad

One of our initiatives in Trinidad is the Successful Women Towards Self-Reliance programme – which focuses on the issues faced by women and their children in the community. Through forums, weekly sessions and community outreach activities in remote villages, the programme offers learning experiences which facilitate empowerment, self-development and self-reliance.

In GTS we anticipate continued improvement in Maintenance in 2013, principally due to operational improvement initiatives. The European power-related Maintenance market is expected to remain soft but we believe that we will see some improvement in the US. In Power Solutions, we remain on course to complete the Dorad contract in 2013 together with the smaller contracts awarded in 2012. We are pursuing a number of good near term Power Solutions opportunities in the Americas and elsewhere, although these are smaller in scale. Having experienced delays in project awards, we anticipate a lower contribution from Power Solutions in 2013.

As I said earlier, Wood Group is a great company and I believe we can be even better. We have a strong business set to make progress in all divisions in 2013, and I look forward to leading our further development in good long-term growth markets.

Robert Keiller

Bob Keiller, CEO

Chris Johnson, Mechanical Engineer for Wood Group Mustang's IMV business. Supporting our clients with innovative solutions, IMV are recognised as industry leaders for project execution services in the thermal heavy oil sector.

Living our Values

Innovation

Integrity management group, Wood Group Kenny, Australia

This year the integrity management and solutions software business of Wood Group Kenny introduced an innovative software product to the market which provides us with a competitive advantage in the world of asset data and integrity management. This 'all-of-facility' integrity management system is the culmination of a two-year development and testing programme.

Wood Group Engineering

	2012 $m	2011 $m	Change
Revenue	1,787.3	1,458.6	22.5%
EBITA	220.0	162.0	35.8%
EBITA margin	12.3%	11.1%	1.2pts
People	10,200	9,100	12%

Wood Group Engineering delivered very strong growth. Revenue increased by 23% and EBITA increased by 36%, principally reflecting increased activity in upstream and subsea & pipelines. EBITA margin increased from 11.1% to 12.3%, largely as a result of higher volumes and improvement in pricing in some areas.

Headcount increased by 12% from 9,100 to 10,200. The increase was heavily weighted to the first half of the year, reflecting the timing of significant contract awards in upstream.

Our upstream business accounted for just under 40% of divisional revenue. Detailed engineering work continues on the Ichthys and Mafumeira Sul projects in Australia and Angola, which are scheduled to complete in the second half of 2013. Strength in the Gulf of Mexico was driven by FEED and detailed engineering work on projects including Anadarko Lucius, Exxon Hadrian, Chevron Jack & St Malo and Williams Partners Tubular Bells. We have visibility on prospects including detailed engineering following from ongoing and executed FEEDs, along with additional projects with existing customers. In Canada we have seen good growth over the last two years, but experienced a slowdown in activity in the last quarter which is continuing in 2013.

Our subsea & pipeline business accounted for almost 45% of revenue. Our subsea activities remained strong in the North Sea and Australia where we continue to work on projects including BP Quad 204 and Chevron Gorgon. Elsewhere, we continue to work on the next phase of ACG in the Caspian and on Block 18 in Angola, and have recently been awarded the subsea FEED work on the Abadi FLNG project in Indonesia for Inpex. Our onshore pipelines business has performed well in the USA, benefiting from the award of the Shell pipeline and terminals EPCM contract and general activity levels in the shale regions.

Downstream, process & industrial activities accounted for just over 15% of revenue. Performance in the second half improved, although the market remains highly competitive.

Outlook

In 2012, Wood Group Engineering delivered a second consecutive year of over 30% EBITA growth as the division recovered from the trough in 2010. Looking ahead to 2013, we anticipate revenue growth and margin improvement to lead to EBITA growth of around 15%. This is supported by our current order book, prospects in a number of key regions including the Gulf of Mexico, the Middle East, the Norwegian North Sea and Asia Pacific, and our view on the overall market which should benefit from the forecast increase in E&P capex in 2013 of around 7%.

Living our Values

Safety & Assurance

Hummingbird team,
Wood Group PSN, UK

The opportunity arose to perform the annual major shutdown of Hummingbird earlier than scheduled, and with very limited planning time available – just six weeks. The team members all demonstrated that they are living the Safety & Assurance Core Value by delivering a safe and efficient project against tight timescales and in adverse weather conditions.

Claire Buchanan, Production Operator Improver for Wood Group PSN. On our duty holder services contract for the Hummingbird FPSO, we are focused on meeting our customers' needs for safe asset operation.

Wood Group PSN

	2012 $m	2011 $m	Change
Revenue	3,690.7	3,012.7	22.5%
EBITA	205.0	153.2	33.8%
EBITA margin	5.6%	5.1%	0.5pts
People	29,200	26,200	11%

In Wood Group PSN, revenue and EBITA growth of 23% and 34% respectively, include a full 12 month contribution from the PSN business acquired in April 2011.

Headcount increased by 11% from 26,200 to 29,200 due to increases in Oman, the North Sea and the USA, together with the impact of acquisitions.

We saw a good performance in the North Sea, which accounted for around 40% of Wood Group PSN revenue. Activity on our operations & maintenance and brownfield engineering scopes on longer-term contracts, including with BP, Shell, Talisman and TAQA, contributed to growth in 2012.

During the year we negotiated contract renewals and extensions worth over $800 million. We were also awarded the operations & maintenance contract for Premier Oil's Balmoral FPV, the brownfield engineering work on Total's Franklin field and the hook-up and commissioning scope for Nexen's Golden Eagle project.

The Americas accounted for around 30% of revenue. Growth in North America was strong, particularly in the US shale regions where we saw good organic growth and benefited towards the end of the year from the Duval and Mitchell's acquisitions in the oil-rich Eagle Ford and Bakken regions respectively. Our offshore activities in the Gulf of Mexico also performed well.

International markets, outside the North Sea and the Americas, represent around 30% of revenue. In Oman, the loss for the year was around $20 million. Despite this poor performance, we made good progress on a number of matters and are increasingly confident of seeing a significant improvement in 2013, and that 2014 will be profitable. Elsewhere in the Middle East we announced our first contract award in Kurdistan with DNO for engineering and support services on the Tawke field. In Australia, we were awarded significant new maintenance work in Melbourne and continue to work for clients including Exxon Mobil and Woodside. In Africa, we remain active in Chad, Equatorial Guinea, Nigeria and Angola. In the Caspian, we are providing facilities engineering and commissioning services to customers including Tengizchevroil and Agip KCO.

Outlook

Wood Group PSN is well placed to deliver a strong performance in 2013. In 2012 we signed new contracts and renewals worth around $3.6 billion in revenue, which positions us well for the future. Looking ahead, the North Sea should benefit from spending on integrity management, operational assurance and production initiatives. In North America we expect further growth from our US shale activities, and in international markets we expect to see a significant improvement from the progress we are making in Oman.

Wood Group GTS

	2012 $m	2011 $m	Change
Revenue	**1,343.3**	1,195.5	12.4%
EBITA	**88.6**	78.8	12.4%
EBITA margin	**6.6%**	6.6%	–
People	**3,400**	3,400	–

Revenue and EBITA increased by 12% reflecting growth in both Maintenance and Power Solutions. Headcount was in line with the position at December 2011.

Maintenance revenues were up on 2011 and EBITA increased by around 10%. Our aero derivative joint ventures, which are predominantly oil & gas related, made a strong contribution. EBITA margins improved, largely due to our increased focus on operating efficiency initiatives across our Maintenance activities. During the year, we were also awarded multi-year maintenance contracts covering Sakhalin island for SEIC, the Brent assets in the North Sea for Shell and the Sacramento Power Authority's industrial facility in California.

Power Solutions delivered EBITA slightly up on 2011. We have now completed our GWF contract, recognising a profit on the contract overall. The Dorad contract has progressed largely as anticipated and is due to complete in the fourth quarter of 2013. Towards the end of 2012, we commenced work on our smaller contracts with NRG and Pasadena Water and Power.

Outlook
In GTS we anticipate continued improvement in Maintenance in 2013, principally due to operational improvement initiatives. The European power-related Maintenance market is expected to remain soft but we believe that we will see some improvement in the USA. In Power Solutions, we remain on course to complete the Dorad contract in 2013 together with the smaller contracts awarded in 2012. We are pursuing a number of good near term Power Solutions opportunities in the Americas and elsewhere, although these are smaller in scale. Having experienced delays in project awards, we anticipate a lower contribution from Power Solutions in 2013.

Don Cramer and Philip Booth, Wood Group GTS. Our test centres ensure quality of service to our customers.

Living our Values

Relationships

Marcelle Yee Keow,
Wood Group GTS, USA

Marcelle manages all projects for a major client. She is responsible for supporting the requirements for gas turbine auxiliary equipment, such as lube oil, water injection and pumping systems.

Marcelle has built up a strong relationship with the customer, and received plaudits from them for her commitment and support, while supporting them for the past three years.

Further reading

p2 Group performance
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Financial review

"The Group performed strongly in 2012, achieving growth in all three divisions. Adjusted diluted EPS increased by 42%."

Alan Semple, CFO

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. Certain of these metrics are included in the Group's senior management incentive schemes alongside specific personal objectives.

Trading performance	2012 $m	2011 $m	Change
Revenue from continuing operations	**6,821.3**	5,666.8	20.4%
EBITA from continuing operations	**461.1**	341.6	35.0%
EBITA margin from continuing operations %	***6.8%***	*6.0%*	*0.8pts*
Amortisation	**(85.5)**	(78.7)	
Operating profit from continuing operations before tax and exceptional items	**375.6**	262.9	42.9%
Net finance expense	**(12.9)**	(8.8)	
Profit from continuing operations before tax and exceptional items	**362.7**	254.1	42.7%
Taxation on continuing operations before exceptional items	**(103.9)**	(75.0)	
Profit for the period from continuing operations before exceptional items	**258.8**	179.1	44.5%
(Loss)/profit from discontinued operations, net of tax	**(1.2)**	36.1	
Profit for the period before exceptional items	**257.6**	215.2	19.7%
Exceptional items, net of tax	**0.6**	2,087.6	
Profit for the period	**258.2**	2,302.8	
Basic EPS (cents)	**71.4c**	530.7c	
Adjusted diluted EPS (cents)	**85.2c**	60.2c	41.5%
Dividend per share (cents)	**17.0c**	13.5c	25.9%

A review of our trading performance is contained within the CEO's Q&A, along with the Operational review.

Financial performance

The performance of the continuing Group on a pro forma basis is set out below. The pro forma includes the pre-acquisition results of PSN and other acquisitions in 2011, and excludes the post-acquisition results of Mitchell's and Duval in 2012.

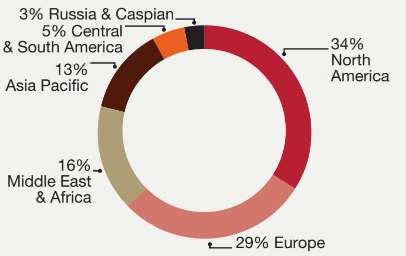
Unaudited	2012 $m	2011 $m	Change
Wood Group Engineering	**1,787.3**	1,462.4	22%
Wood Group PSN	**3,638.6**	3,376.0	8%
Wood Group GTS	**1,343.3**	1,225.0	10%
Pro forma revenue from continuing operations	**6,769.2**	6,063.4	12%
Wood Group Engineering	**220.0**	162.7	35%
Wood Group PSN	**193.5**	175.2	10%
Wood Group GTS	**88.6**	80.1	11%
Central	**(52.5)**	(52.4)	–
Pro forma EBITA from continuing operations	**449.6**	365.6	23%

The pro forma result shows underlying growth in revenue of 12% and in EBITA of 23%. On a pro forma basis, all divisions delivered growth in revenue and EBITA.

Share performance
Follow Wood Group's recent share performance and use our historical price look-up to review past performance.

http://www.woodgroup.com/investors/share-performance/pages/default.aspx

Revenue by region



Amortisation

The amortisation charge for the year of $85.5 million (2011: $78.7 million) includes $57.1 million (2011: $56.8 million) of amortisation relating to intangible assets arising from acquisitions, of which $46.0 million (2011: $47.4 million) is in relation to the PSN acquisition. The total amortisation charge for 2013 is expected to be around $85 million of which it is anticipated around $40 million will relate to PSN.

Net finance expense

	2012 $m	2011 $m
Interest on debt	**9.8**	9.0
Other fees and charges	**4.6**	4.7
Total finance expense from continuing operations	**14.4**	13.7
Finance income	**(1.5)**	(4.9)
Net finance expense from continuing operations	**12.9**	8.8

Interest on debt is driven by the average gross debt balance for the year, as shown below. Interest cover[4], based on EBITA from continuing operations, remains strong at 35.7 times (2011: 38.8 times).

Exceptional items

	2012 $m	2011 $m
Businesses divested	**(27.2)**	(2,293.7)
Integration and restructuring charge	**14.6**	84.2
Impairment of goodwill	**1.9**	46.2
Bad debt provision/write-off	**10.0**	13.0
Acquisition costs	**–**	15.8
Total exceptional items before tax	**(0.7)**	(2,134.5)
Tax on exceptional items	**0.1**	46.9
Total exceptional items after tax	**(0.6)**	(2,087.6)

As set out in the preceding table a pre-tax exceptional gain of $0.7 million was recognised in the period, $0.6 million after tax.

In May 2012, the Group recorded a pre-tax net exceptional gain of $27.2 million in relation to the disposal of the Well Support Middle Eastern business.

The restructuring and integration charge of $14.6 million and the goodwill impairment of $1.9 million were mainly in respect of decisions to withdraw from certain markets.

The $10.0 million bad debt provision/write-off is made up of a charge of $16.8 million in relation to work done for ATP Oil & Gas Corporation, who filed a voluntary petition for reorganisation under Chapter 11 of the US Bankruptcy Code in August 2012, offset by recoveries of $6.8 million in relation to receivables due from a Libyan customer which were fully provided in 2011. We will continue to make every effort to recover all amounts due.

A net tax charge of $0.1 million has been recognised in respect of the exceptional items in the period.

Taxation

	2012 $m	2011 $m
Profit from continuing operations before tax and exceptional items	**362.7**	254.1
Tax charge per financial statements	**103.9**	75.0
Effective tax rate on continuing operations	**28.6%**	29.5%

The effective tax rate on continuing operations in 2012 was 28.6% (2011: 29.5%). Going forward we expect the effective tax rate to be no more than 27.5% for the foreseeable future, with the reduction including the net impact of a number of factors such as reducing corporate tax rates in certain jurisdictions, the impact of losses and the changing geographic mix of our business.

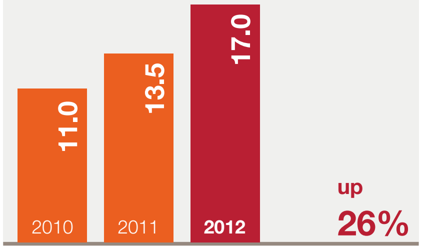
Earnings per share

Adjusted diluted EPS for 2012 increased by 42% to 85.2 cents per share (2011: 60.2 cents), due to the increase in underlying profitability and a reduction in the average number of fully diluted shares in the period subsequent to our return of capital in 2011.

Dividends

Reflecting our confidence in the longer-term outlook for the Group, the directors have proposed a final dividend of 11.3 cents per share. This results in a total dividend for 2012 of 17.0 cents per share, a 26% increase on 2011 and an annual compound growth in dividends since IPO in 2002 of 19%. Dividend cover[5] for 2012 is 5.0 times (2011: 4.5 times).

Dividend per ordinary share Cents



Reconciliation of number of fully diluted shares

(All figures are in million shares)	Closing 2012	Weighted average 2012
Ordinary shares	**373.2**	371.3
Shares held by employee trusts	**(11.6)**	(11.3)
Basic shares for EPS purposes	**361.6**	360.0
Effect of dilutive shares	**11.5**	12.6
Fully diluted shares for EPS purposes	**373.1**	372.6

Living our Values

Financial Responsibility

Contracts team, Wood Group PSN, Canada

Wood Group PSN's contracts team has been commended by a client for having successfully identified multiple areas of value generation.

The team conducted a review of each service Wood Group PSN provides to the client in relation to its work in an oil field located 315km east-south-east of St John's.

They implemented a cost-reduction strategy which led to total savings to the client of $3.8 million.

Further reading
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Financial review continued

Summary balance sheet

Summary balance sheet	2012 $m	2011 $m
Assets		
Non-current assets	**2,131.8**	1,873.9
Current assets	**2,029.3**	2,007.1
Liabilities		
Current liabilities	**(1,335.6)**	(1,505.2)
Net current assets	**693.7**	501.9
Non-current liabilities	**(590.2)**	(401.3)
Net assets	**2,235.3**	1,974.5
Equity attributable to owners of the parent	**2,227.1**	1,964.5
Non-controlling interests	**8.2**	10.0
Total equity	**2,235.3**	1,974.5

Non-current assets are primarily made up of goodwill and intangible assets, and property, plant and equipment.

The increase in net current assets since December 2011 is primarily due to lower trade and other payables, higher trade receivables and inventory, partly offset by lower net cash.

The increase in non-current liabilities is primarily due to the increase in longer-term borrowings since December 2011.

Capital efficiency

The continuing Group's pre tax Return on average Capital Employed[6] (ROCE) increased from 18.4% to 19.3%. This reflects an increase in ROCE in Wood Group Engineering following higher profitability in the period, offset to some extent by lower ROCE in Wood Group PSN which in 2012 has had the full year impact of higher goodwill and intangible assets arising on acquisition.

The continuing Group's ratio of average Operating Capital Employed to Revenue[7] (OCER) worsened from 10.6% to 12.5%. The movement was due principally to a general increase in average receivable days in Wood Group Engineering.

OCER[7] %

Cash flow and net debt

	2012 $m	2011 $m
Opening net debt	**(3.9)**	(15.1)
Cash generated from operations pre-working capital	**520.6**	471.6
Working capital movements (continuing operations)	**(192.9)**	(109.5)
Working capital movements (discontinued operations)	**–**	(77.6)
Cash generated from operations	**327.7**	284.5
Acquisitions, deferred consideration, capex and intangibles	**(315.9)**	(1,083.8)
Disposals	**40.6**	2,793.6
Return of cash to shareholders	**(7.7)**	(1,725.8)
Tax paid	**(134.7)**	(118.7)
Interest, dividends and other	**(60.6)**	(138.6)
(Increase)/decrease in net debt	**(150.6)**	11.2
Closing net debt	**(154.5)**	(3.9)

Throughout the period the Group has maintained a level of debt as set out below.

	2012 $m	2011 $m
Average net debt	**140.7**	*
Average gross debt	**356.5**	295.5
Closing net debt	**154.5**	3.9
Closing gross debt	**326.7**	230.5

*Average net debt figures for 2011 do not provide a meaningful comparison as a result of the cash received from the Well Support disposal and the subsequent return of cash to shareholders.

Cash generated from operations pre-working capital increased by $49.0 million to $520.6 million and post-working capital increased by $43.2 million to $327.7 million. The working capital outflow of $192.9m relates primarily to higher trade receivables as a result of increased activity in the period, along with higher inventory in GTS and the timing of payments and customer receipts on Power Solutions EPC contracts.

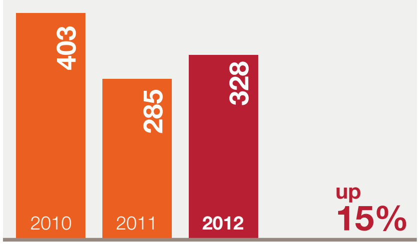
Cash paid in relation to acquisitions totalled $158.3 million (2011: $964.8 million), deferred consideration paid in respect of prior period acquisitions amounted to $30.4 million (2011: $14.6 million) and payments for capex and intangible assets increased to $127.2 million (2011: $104.4 million). We anticipate spend on capex and intangible assets to be in the region of $120 million to $140 million in 2013.

The increase in tax paid in the year was due to higher profitability in the period and tax payments arising from the Well Support disposal in 2011.

The reduction in interest, dividend and other largely relates to the 2011 purchase of shares for the employee benefits trust and 2011 expenses relating to the return of cash to shareholders.

In February 2013, the Group renewed and extended its bilateral borrowing facilities from $800 million to $950 million with the maturity date being extended to February 2018.

Cash generated from operations $m



Foreign exchange and constant currency reporting

The Group's revenue and EBITA 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. Given there were no significant movements in the average US dollar to other major currencies in which we operate between 2011 and 2012, our results in constant currency terms are materially the same as those presented on the preceding page.

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 258 active members and 933 deferred, pensionable deferred or pensionable members at 31 December 2012. At 31 December 2012 the scheme had a deficit of $55.0 million (2011: $45.8 million) before recognition of a deferred tax asset of $12.7 million (2010: $11.5 million). 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 in the deficit from 2011 was due primarily to a reduction in the discount rate used, which is based on corporate bond yields.

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

During the year the Group completed the acquisitions of Mitchell's and Duval which are providers of maintenance, installation and fabrication services to the Bakken and Eagle Ford shale regions respectively. The total initial consideration for these acquisitions was $158.3 million, net of cash and borrowings acquired. Both these acquisitions now form part of the Wood Group PSN division and will significantly strengthen our position in those regions.

Living our Values

People

Kathryn Petrie,
Wood Group, UK

Kathryn is a corporate communications coordinator and is in her second year as captain of our Aberdeen Corporate Decathlon team. In this event different companies compete in a range of disciplines, fostering teamwork, building relationships, celebrating success and encouraging personal development.

Footnotes

1. EBITA from continuing operations represents operating profit from continuing operations pre-exceptional items of $375.6 million (2011: $262.9 million) before the deduction of amortisation of $85.5 million (2011: $78.7 million) and is provided as it is a key unit of measurement used by the Group in the management of its business.
2. Adjusted diluted earnings per share 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 ownership trusts and adjusted to assume conversion of all potentially dilutive ordinary shares.
3. Number of people includes both employees and contractors at 31 December 2012.
4. Interest cover is EBITA from continuing operations divided by the net finance charge.
5. Dividend cover is AEPS divided by the total dividend per ordinary share for the period.
6. Return on Capital Employed (ROCE) is EBITA divided by average capital employed.
7. Operating Capital Employed to Revenue (OCER) is the average operating capital employed (property, plant and equipment, intangible assets (excluding intangibles recognised on acquisition), inventories and trade and other receivables less trade and other payables) divided by revenue.

Principal risks and uncertainties

Wood Group's Values provide a sound basis on which to make decisions and assist us in considering the broad spectrum of risks and uncertainties that can impact operational and financial performance across the Group. The risks below were included in the Board review process carried out in accordance with the guidance on internal controls published by the Turnbull Review Group.

Safety and assurance	Operations	Financial	Environmental
Failure to deliver safety excellence and process assurance could harm people, and damage assets and result in customers no longer selecting the Group as a supplier of services.	Failure to deliver expected operational performance could lead to a requirement for work to be repeated, loss of work through damage to our reputation, or liability claims.	An internal or external event could cause a breakdown in our financial controls, hampering management's ability to make effective decisions and to report on our financial position. Inability to obtain funding could impact our ability to pursue commercial opportunities.	An environmental incident could lead to legislative or regulatory action, harm to the environment and associated reputational damage.
Mitigation, monitoring and assurance	**Mitigation, monitoring and assurance**	**Mitigation, monitoring and assurance**	**Mitigation, monitoring and assurance**
Safety and assurance continues to be our top priority and is underpinned by the Group HSE management system. We use indicators to monitor and measure personal and process safety performance. Our internal review process includes self assessment and certification. Our safety leadership programme has been extensively deployed across the Group.	We have a review and approval process for new work aligned to formal delegations of authority. We have start-up and execution plans for key projects supported by monitoring and reporting. We seek to deliver high-quality project execution and operational performance.	We have Group-wide accounting, treasury and tax policies that underpin our approach to managing financial risk. We execute a regular budgeting, forecasting and monitoring process. We carry out a review and approval process in relation to capital commitments, acquisitions and disposals. We have internal audit, quarterly self-certification and annual financial risk self-assessment processes embedded across the Group. We have longer-term banking facilities, with appropriate headroom.	We seek to deliver high-quality project execution and operational performance. A large number of our business units have ISO 14001 certified or equivalent environmental management systems. We drive heightened environmental awareness through HSE alerts and environment initiatives.
2012 Update	**2012 Update**	**2012 Update**	**2012 Update**
We strengthened our safety management team. We also continued to develop integrity management controls. Over 1,200 senior managers have now attended our safety leadership programme.	We are investing in the development of new business management systems and also began to further develop business continuity plans.	In February 2013, the Group renewed and extended its bilateral borrowing facilities from $800 million to $950 million, with the maturity date being extended to February 2018.	Our integrity management focus contributes to process integrity, which helps mitigate against spills and pollution. We also continue to focus on expanding our carbon footprint reduction activities.

Further reading

p2	Group performance
p11-13	Divisional performance
p31	Corporate governance – Risk management

Commercial

Inappropriate pricing, contract terms, or failure to comply with contract terms could lead to unacceptable risk, reputational damage, or poor financial performance.

Mitigation, monitoring and assurance

We have a rigorous approach to the review and approval of price, scope, subcontractor management and contract risk on contracts with fixed price elements.

Derogation from the Group's contracting policy is subject to a range of approvals.

Senior management undertake commercial reviews of performance on selected contracts and report to the Board.

We monitor the adequacy of our insurance cover.

We negotiate appropriate protections in relation to acquisitions, typically including warranties and indemnities.

2012 Update

Enhancements to our control structure for contracts with fixed price elements are being rolled out across the Group. This follows the establishment of a Commercial Contract Risk Committee.

Compliance

A substantial ethical breach or non-compliance with laws could lead to reputational damage, associated regulatory or legislative action, loss of business and claims for compensation.

Mitigation, monitoring and assurance

We have a business ethics policy with identified responsible officers, training and a certification programme.

We maintain a business ethics committee involving senior operational and functional management that meets regularly and provides updates to the Board.

We maintain across the Group the business ethics register, ethics helplines, investigation process and protocol.

We monitor export controls, trade compliance and intellectual property risk.

2012 Update

In July we appointed a new Group Chief Compliance Officer who is further developing our approach to the training, reporting and communication of ethical matters.

People

The availability of appropriately skilled personnel remains a challenge for our industry. Failure to attract or retain key personnel could lead to a lack of necessary expertise or continuity.

Mitigation, monitoring and assurance

Businesses measure their performance against established human resources practices.

We operate competitive and performance based reward practices.

We offer appropriate training and development programmes.

We carry out a Board succession planning process, led by the Nomination Committee. We maintain detailed line management succession plans which are monitored by the Group's HR teams.

2012 Update

We recruited over 170 people into our apprenticeship and graduate development programmes in 2012 and were recognised by the Corporate Research Foundation as one of Britain's Top Employers.

Markets and relationships

A cyclical downturn or prolonged recession could lead to uncertainty, impacting customers' spending plans, leading to a decline in demand for our services. Over-exposure to any one customer, geographic market or loss of a significant business partner could impact our performance.

Mitigation, monitoring and assurance

We seek to diversify risk by maintaining a broad customer and geographic spread across the oil & gas and power sectors.

We seek a balance of business between customers' capital and operating expenditure. We also monitor and report customer concentration.

We maintain relationship management programmes across certain customers and business partners.

2012 Update

We are looking at opportunities for cross-selling and pull-through which should make better use of our resources and deepen and improve relationships with key customers across the Group.

Further reading
p26 Governance
p28 – 29 Board of directors and biographies

Living our Values

"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 on which to make decisions.

Last year we launched the Living our Values Awards programme which recognises Wood Group's people around the world who bring our Core Values to life and actively demonstrate that they are at the very heart of our business."

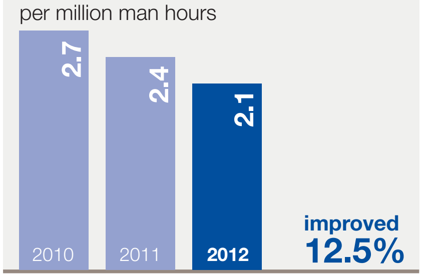
Bob Keiller, CEO

Safety & Assurance

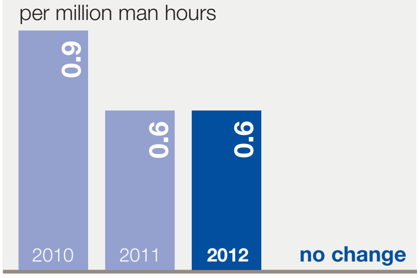
Safety & Assurance is our top priority because lives depend on it. We passionately care about the safety of our people and behave as safety leaders. We are committed to preventing injuries and ill health to our people and everyone we work with. We provide our people with the training, knowledge and tools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

For many years we have striven to be leaders in safety performance, and this has been recognised with awards and recognition from clients, regulators and peers around the world. However, we are not complacent and we know that we need to keep working at this. We aim for the highest standards and are committed to driving continuous improvement.

TRCF: total recordable case frequency
per million man hours



LWCF: lost work case frequency
per million man hours



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.

It is essential that we focus on the safety associated with process design and operation, as well as personal safety due to slips, trips and falls and we have developed KPIs in our businesses to allow performance in each of these areas to be tracked.

Initiatives

Our Safety Leadership programme was launched at the end of 2011 with the aim of raising senior leaders' awareness of the role that they play in delivering and improving our safety performance and encouraging/requiring them to demonstrate their commitment to safety in real and tangible ways. The programme has been led by the Board and has been rolled out to key senior managers. At the end of 2012 we had reached 1,200 people. We are continuing to develop it further to extend it much deeper into the organisation.

Living our Values

Safety & Assurance

Bass Strait offshore construction team, Wood Group PSN, Australia

The Wood Group PSN Bass Strait offshore construction team in Australia has sustained five years and more than 1.5 million man hours without a recordable injury during a period when the workforce increased from 80 to 200 personnel. The safety programme reduced the risks to new personnel, which contributed to the team's recognition as leaders in their field.

Living our Values

Relationships

Sheneela Khan, Wood Group Mustang, Canada

Sheneela joined as a Project Controller and, because of her good understanding of customer needs, was invited to join the business development team. She has developed key relationships with prospective clients, earned their trust and been instrumental in securing significant projects. Sheneela is also a member of the Canadian Heavy Oil Association (CHOA) and manages and participates in CHOA events.

Driving remains the biggest contributor to fatalities in the organisation; we have worked to embed our driving policy, which was rolled out across the Group in November 2011, to reinforce the expectation of safe driving by all employees at all times. We are focused on reducing the risks associated with distractions, such as a complete ban on the use of mobile phones whilst driving on company business and reinforcing the need to wear seat belts at all times.

To assist in delivering continuous improvement, the incident reporting systems used within the Group were reviewed and upgraded. This provides a consistent approach to reporting all safety incidents, ensures they are being assessed in a consistent manner and attract appropriate focus to drive improvements.

Performance and initiatives

During 2012 the frequency of recordable injuries continued to decrease in line with long-term trends. However, we saw one driving fatality at the start of the year in Algeria when no seat belt was worn. This continues to remind us that driving remains a high-risk activity and that we can never be complacent.

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 operate in areas where malaria is a concern and recorded three cases of malaria in 2012. We continue to be members of the Corporate Alliance on Malaria in Africa (CAMA) whose goal is “to maximise malaria intervention benefits through the optimisation of in-country co-operation, information sharing and private sector advocacy.”

Over 600 employees completed 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 822 million steps, the equivalent of walking round the world 13 times.

Recognising success

In 2012 many Wood Group individuals and businesses were recognised for their contribution to safety by industry bodies and you will find examples of our Safety & Assurance Core Value award winners throughout this report.

Relationships

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.

We listen to our customers and the organisations that we work with – to understand and satisfy their needs. Often that can involve fostering better relationships within the Group, across our divisions. As a Group we perform better by being more joined-up, collaborating more and selling our collective capabilities. For example, this year we combined the best in class offerings of our businesses in a range of locations, including Newfoundland, Kazakhstan and Sakhalin Island.

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 be flexible and take action to address challenges and deliver high-value solutions to customers. Our commitment to our Relationships Core Value helps us to overcome challenges and break down barriers to change. Brought in to drive changes to culture and behaviours with Caltex in Australia, we didn’t want to convey a ‘we know best’ attitude, but by forming a strong relationship with our customer and taking the time to develop a deep understanding of their needs, we were able to apply Wood Group PSN best practices and deliver a number of tangible maintenance improvements over the course of the contract.

We have several joint ventures across the Group. In Wood Group GTS, we continue to work well with our partners in Rolls Wood Group, Wood Group Pratt & Whitney and TransCanada Turbines. The success of these long-term relationships is a testimony to our alignment and focus on communication, and our ability to work well with partners.

We also work 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 co-operation across industry sectors.

We have a number of relationships with educational institutions throughout the world, including the University of Aberdeen, the Kazakh-British Technical University in Kazakhstan, Heriot-Watt University in Dubai, the University of Western Australia and the Memorial University of Newfoundland in Canada. All these relationships are helping us to develop the next generation of engineers for the oil & gas industry.

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Living our Values continued

Social Responsibility

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.

We support a range of 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 2012 we have supported the K'NEX Young Engineers Challenge, the Aberdeen International Youth Festival, Glencraft and the Maggie's Centres Appeal in the UK. In the USA we supported a number of initiatives including the Alley Theater schools project, the Texas Children's Hospital and the MS150 bike ride for multiple sclerosis. We have been successful with initiatives to encourage the employment of female engineers in Saudi Arabia, and in Angola we have established university positions to develop the local workforce.

Our environmental strategy has three key elements. Firstly we develop and implement sound management systems. We have enhanced the use of management systems aligned to ISO 14001 and ensure compliance with the CTC Energy Efficiency Scheme reporting requirements. We identify and monitor environmental impacts of our main areas of environmental risk; this includes platforms where we are the duty holder; where we operate power plants and facilities, and the design and integrity of topside facilities.

Secondly, we seek to reduce the environmental impact of our operations. Our main CO_2 emissions come from energy use in our buildings and business travel by employees and we are committed to improving performance in both these areas. Our Carbon Footprint programme has now been extended across all of Wood Group Engineering and Wood Group GTS, and UK-based Wood Group PSN businesses and will continue to be rolled out across the Group. We continue to participate in the independent Carbon Disclosure Project (CDP) for Carbon Emission reporting and we were ranked 97th in the FTSE 350. We also participate in the Carbon Reduction Commitment, a UK Government scheme to incentivise carbon emissions reduction and have improved performance in 2012.

Thirdly, and most importantly, we use our expertise to provide solutions to customers which reduce their environmental impacts and help develop renewable energy solutions. It is in this area that we can make the biggest contribution to the environmental objectives of our Social Responsibility Value.

We aim to directly and positively impact the environmental performance of our customers by designing processes and facilities which monitor and limit emissions, use fewer materials in fabrication and contribute to more efficient operation. We are also focused on industry-specific initiatives. We have worked on well containment projects for not-for-profit industry bodies and IOCs aimed at establishing containment and control systems in the event of well control accidents. Elsewhere, we were awarded work for a number of windfarms.

In 2012 we also staged our third annual global Environment Day during which employees were encouraged to organise a wide range of events to continue to raise awareness and focus on how we can continue to make a difference to the environment through our work for customers.

Living our Values

Social Responsibility

Wood Group PSN's socio-economic committee, Chad

Wood Group PSN's socio-economic committee in Chad, has helped support a local orphanage in the city of Doba, leading to the number of children being cared for increasing from 55 to over 250. Wood Group PSN was credited with helping to enable this and improve the life, care and wellbeing of these children.

Living our Values

People

Katie Elder,
Wood Group GTS, UK

Katie Elder is Financial Controller for Wood Group GTS, whose passion for people, awareness of others and coaching skills are seen through her mentoring. Katie is also a keen participant in the Corporate Decathlon in Aberdeen and was voted 'Players' Player' in 2011. She promotes good teamwork at every opportunity and is an excellent manager of people at all levels.

People

People are the heart of 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, fun and open work culture that promotes personal development and work/life balance, rewards competitively and celebrates success.

When we state in our Core Values that "people are the heart of our business" it's not just a hollow corporate strapline. With around 43,000 employees working in over 50 countries worldwide, our competitive edge is delivered through the quality of our people. We pride ourselves on the character, energy and diversity of our employees and we work hard to attract and retain the best. This means that everyone is treated fairly, honestly and individual differences are respected.

We aim to attract, retain and mobilise the right people to the right place at the right time. This involves a continuous and strategic focus on resourcing, succession planning and making sure we have the right balance of new entrants, graduates and apprentices entering our business.

To operate at the highest levels we know that we need to develop our talent and invest in our people regardless of career stage, location and role. Our extensive training and development portfolio covers the whole organisation and provides blended development opportunities designed to equip all levels of the organisation with new skills as well as refine and update existing ones.

Our successful Design Academy, apprenticeships, traineeships and industry-leading graduate development programmes are an investment in the future of the Group with over 170 recruited into these schemes in 2012. We feed the industry with new highly skilled workers to lead the business into the future.

We recognise the influence highly skilled managers have on others so our leadership, management and supervisory development programmes support their own skills development and career progression. In addition to Group-led programmes, there are a range of courses provided locally to focus on personal development, specific job-related skills and vocational and professional qualifications.

In 2012 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 huge importance to employee communication and engagement and continue to strive to improve our communication channels.

We recognise the significant advantage in working together across divisions and geographies to harness our collective strengths. 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.

Ours is an exciting business that offers a diverse mix of career development opportunities around the world to our people. 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.

Innovation

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. We are committed to delivering thorough and sound solutions to every challenge.

Innovation has helped us to respond successfully to the developing 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 question established practices and achieve continuous improvement.

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). Our employees also regularly publish in industry magazines or present papers at technical conferences.

Living our Values

Innovation

Martin Sweeney,
Wood Group GTS, South Africa

Martin (pictured far left), is a Field Co-ordinator and part of the project team working on the Medupi Project for Hitachi Power Africa in South Africa. Martin modified and improved our welding process leading to a significant reduction in welding failure rates from 17.6% to 1%. This increased efficiency and contributed to a testing schedule which was four months ahead of schedule.

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Living our Values continued

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 & Harsh Environments Engineering at Memorial University in 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.

As well as seeking opportunities to acquire new skills and expertise in specialist and niche markets, we invest in a range of operational and engineering excellence initiatives to deliver continuous improvement. For example, our specialist renewable consultancy, SgurrEnergy, has deployed its Galion Lidar Wind Profiler device to measure wind direction and speed. This technology represents an advancement in the technical capabilities of capturing wind data and offers benefits compared to other devices.

Financial Responsibility

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.

Our ability to generate fair reward is influenced by the markets we operate in, the value we provide, our systematic management of exposure to financial, commercial and other risks, the capital we employ and the quality of the provision of our services.

The fair rewards and profits that are generated allow 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 achieving this return leads to a strong share price performance and our ability to access capital markets in order to support our future growth. Achieving fair reward for our services also allows us to fairly compensate our people, and to invest in their training and development.

Another important aspect of financial responsibility is our management of costs, where we have an obligation to carefully manage our own costs and those of our customers to allow us to generate an appropriate level of profit which reflects the quality of our services.

As an employer and public company we believe that we must 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 and strategy over the longer term.

We recognise the importance of maintaining relationships with investors and lenders and understanding their priorities. 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 CEO and the CFO. In 2012, we held a capital markets day covering our Wood Group Engineering division which provided valuable insight for lenders, investors and analysts and allowed them to hear directly from operational management to gain a better understanding of our business. We held two major roadshows, attended a number of investment bank conferences and over the course of the year held a number of other meetings. Overall, we held approaching 200 investor meetings. The Chairman and senior independent director also met with some of our leading shareholders through the consultation process around the CEO and Chairman appointments and made themselves available throughout the year for other meetings.

In 2012 we also started to provide analyst consensus forecasts on our website, in line with investor relations best practice, and this has been well received.

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 15 May 2013. 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.

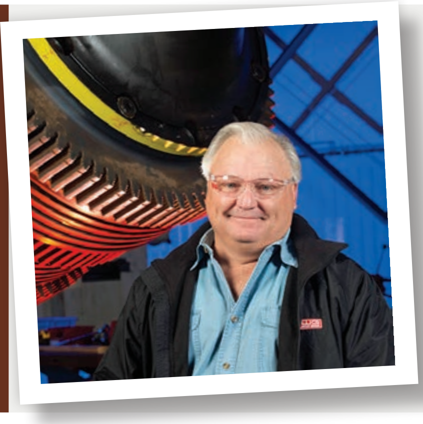
Living our Values

Financial Responsibility

BP Focus,
Wood Group PSN, UK

The BP Focus contract has worked to make improvements to the commercial model incentive mechanism. The new system is better aligned to BP's business drivers and delivers improved performance.

Living our Values



Integrity

Kale Dreymala,
Wood Group GTS, USA

Kale remains positive, creates an atmosphere of trust and encourages others to continue to do their best. He demonstrated his commitment to quality of service by refusing to use a cheaper supplier where the quality could not be verified.

Integrity

We are proud of our reputation, built over many years, which depends on us doing the right thing. Integrity is our cornerstone and character is as important as ability. 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.

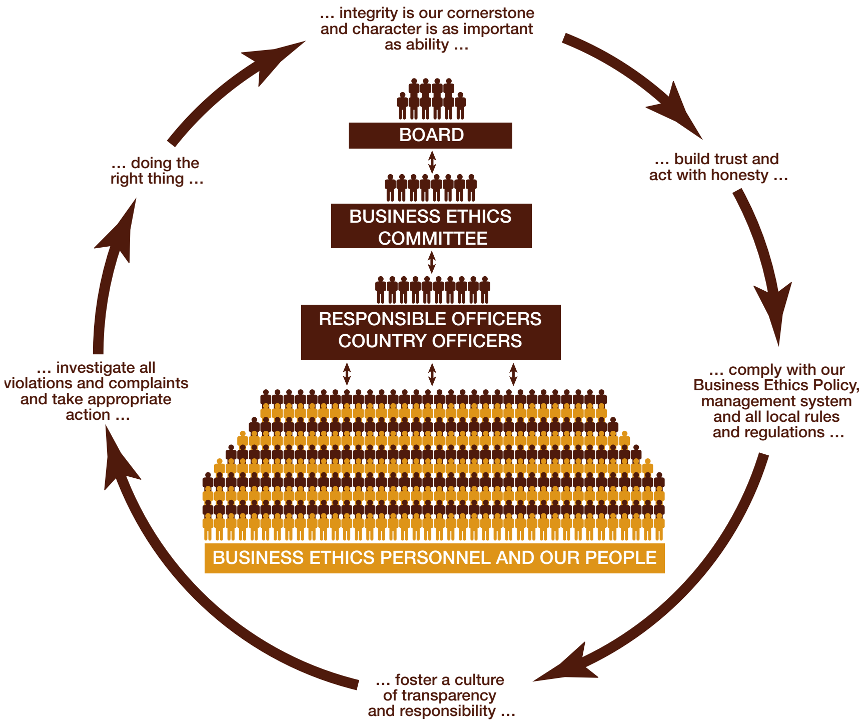
The Board, via the Group Excom, tasks the Business Ethics Committee with monitoring the operation of the Business Ethics Policy and working on ways to best promote ethical conduct across the Group. Following on from the leadership of Alan Semple (CFO), the chair of the Business Ethics Committee, which comprises senior managers from across the Group, was taken up by Robbie Brown, Company Secretary. The Committee members appoint the Group's Responsible Officers who, liaising with a number of designated Country Officers, are responsible for driving engagement across all the businesses and locations in their area of responsibility.

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. In 2012 around 5,000 (2011: around 3,000) business ethics personnel were required to undergo bespoke training and confirm their continued compliance. Business ethics personnel are identified based on a range of roles and responsibilities, including those that liaise with customers and third parties.

The Business 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 Chief Compliance Officer and the Board receives regular reports and updates on business ethics as well as on the implementation of the Policy.

During 2012, 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 two terminations for behaviour or actions that violated the Business Ethics Policy. We will continue to take prompt action to deal with any known violations.

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. In spite of this, we know that errors of judgement can happen and therefore we are never complacent and are relentlessly focused on adhering to our Core Values.



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Governance

Our approach to corporate governance and how we have applied this in 2012.

Governance

"The Board came to the unanimous decision that Allister is the outstanding candidate to succeed Sir Ian as Chairman and is the right person to lead the Board as Bob and the operational management team take the Group through the next stage of its development. In reaching this decision, the Board has considered carefully the UK Corporate Governance Code recommendation that a chief executive should not normally go on to be chairman of the same company and we have thus consulted with representatives of our major shareholders holding in excess of 40% of the equity in the Company. They recognised that Allister has been with the Group for over 20 years, has been a successful CEO and provides the necessary continuity at the top level for our people and customers and, in these circumstances, they unanimously supported the Board changes."

Ian D Marchant, senior independent director
19 July 2012

Further reading

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Letter from the Chairman of the Board

"I have enjoyed taking on the Chairman's role and working closely with Bob Keiller. Bob has taken over the leadership of a strong business, with an excellent management team and an established strategy. Under his leadership and direction I am confident that the Group will continue its successful growth."

Dear Shareholder
In my first Chairman's letter, I want to take the opportunity to give you some background to the Wood Group Board changes and how this will contribute to continued challenge, debate and effective decision-making in the long-term interests of the Group. These changes were heavily influenced by the recognition of our customers' and employees' need for continuity in a leadership team that has been one of the most stable in the industry, together with the Board's careful consideration of the UK Corporate Governance Code and the results of an extensive consultation with shareholders.

In November, Sir Ian Wood retired as Chairman and from the Board. Sir Ian has been an extraordinary leader for the Group, guiding the company from its roots in the North Sea to its position today as a major global oil & gas services company. The Group and its shareholders owe a huge debt to him and to the executives who have worked so closely with him over the years.

The Board reached the unanimous decision that I should succeed Sir Ian as Chairman and that Bob Keiller should take over as Group CEO, effective 1 November 2012. The succession plan had the full support of the Nomination Committee, who recognised both the need for continuity and Bob's significant prior experience as CEO of PSN and his leadership of the Wood Group PSN division since acquisition. A clear separation of my own role in running the Board and Bob Keiller's executive responsibility for the running of the Company's business has been established. These responsibilities have been agreed by the Board and are available on our website.

In reaching its decision, the Board remained fully cognisant of the UK Corporate Governance Code recommendation that a chief executive should not normally go on to be chairman of the same company. Ian Marchant, the senior independent director, led a consultation process with representatives of our major shareholders holding in excess of 40% of the equity who unanimously supported the Board changes. Ian Marchant will continue to play a vital role in ensuring that division of CEO and Chairman responsibilities remains upheld.

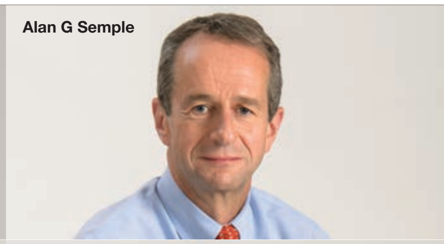
The Board plays a key role in shaping the strategy of the Group and it is expected that everyone brings a strong voice and fresh, challenging views to the Board table. The appointment to the Board of Robin Watson, Chief Executive of Wood Group PSN and Mark Dobler, Chief Executive of Wood Group GTS on 1 January 2013, following the departure of Les Thomas and Mark Papworth, will help ensure that this remains the case and the Board will benefit from their significant operational experience and leadership. Two of our longer-serving non-executive directors, John Morgan and Dr Christopher Masters, retired from the Board at the 2012 AGM. Both sat on a number of committees and contributed significantly to important Board discussion around the Group's expansion strategy and in doing so added significant value; their contribution will be missed.

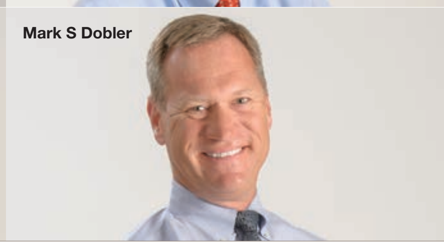
David Woodward has taken over John's role as Chairman of the Remuneration Committee. During the year, we welcomed Mary Shafer-Malicki to the Board as a non-executive director and we are already benefiting from Mary's positive contribution. In January 2013, we also appointed Thomas Botts as a non-executive director who will lead a new Safety & Assurance Committee to be established in 2013. Following these changes, I am confident that the Board has maintained the appropriate balance of skills, diversity, experience and personalities required to ensure the long-term interests of the Company are met. I also place considerable trust in the various Board committees bringing appropriate insight to the Board's deliberations.

To lead the Board and ensure its effectiveness presents me with an exciting new challenge and I look forward to supporting the Group's continued success under Bob's leadership.

Allister G Langlands, Chairman
5 March 2013

Board of directors and biographies





Allister G Langlands
Chairman
Appointed: 1991
Chairman since November 2012, formerly CEO since January 2007 and Deputy CEO 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: Chair of Nomination Committee

Bob Keiller
CEO
Appointed: 2011
Group CEO since November 2012, formerly Chief Executive 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, the Entrepreneurial Exchange and Co-Chair of Oil & Gas UK.
Committee membership: Will join the Board's new Safety & Assurance Committee

Alan G Semple
CFO
Appointed: 2000
CFO 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

Mark S Dobler
Group Director, Wood Group GTS
Appointed: 2013
Chief Executive of Wood Group GTS since July 2012. Served as President of Wood Group's Power Solutions business from 2006 to 2012, having joined the GTS division in 2002. Prior to joining Wood Group was Vice President, Operations for Enron and President of Operational Energy Corporation.
Committee membership: None

Mike Straughen
Group Director, Wood Group Engineering
Appointed: 2007
Chief Executive of Wood Group Engineering since 2007. Previously with AMEC plc for 25 years, latterly as Group Managing Director responsible for UK activities across all sectors, including Global Oil & Gas. Currently also serves as a board member of both the Scottish Energy Advisory Board and the Energy Technology Partnership, Industrial Advisory Board.
Committee membership: None

Robin Watson
Group Director, Wood Group PSN
Appointed: 2013
Chief Executive of Wood Group PSN since January 2013. Previously Managing Director of Wood Group PSN in the UK, having joined Wood Group in 2010. Prior to joining Wood Group served in a variety of leadership and management positions with Petrofac and Mobil. Serves as non-executive director of Oil & Gas UK, the Oil & Gas UK Contractors Council and the Scottish Business Board. Work Group Co-Chair on the Step Change in Safety Leadership Team.
Committee membership: None

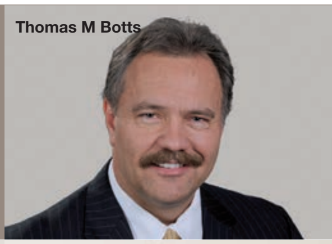
Sir Ian Wood
Chairman
Retired from the Board in November 2012.
Was CEO from 1982 to 2006 and Chairman until 2012.

Les J Thomas
Left the Board on 29 June 2012.
Was Group Director of Health & Safety, previously Chief Executive of Wood Group's Production Facilities business.

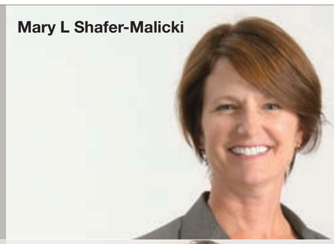
Mark H Papworth
Left the Board on 29 June 2012.
Was Group Director responsible for Wood Group GTS.

Non-executive directors

Thomas M Botts



Mary L Shafer-Malicki



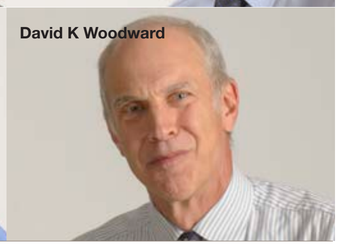
Jeremy R Wilson

Ian D Marchant

Michel Contie

Neil H Smith

David K Woodward



Ian D Marchant
Senior independent director
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 the Council of the Energy Institute, Ofgem's Environmental Advisory Group and the Energy Research Partnership.
Committee membership: Chair of the Audit Committee and member of the Nomination Committee

Thomas M Botts
Appointed: 2013
Formerly with Shell for 35 years, latterly as Global head of Shell's manufacturing business. He is a non-executive director of EnPro Industries, Inc., and is a member of Council at the Jones Graduate School of Business.
Committee membership: Member of the Nomination Committee and will Chair the Board's new Safety & Assurance Committee

Michel Contie
Appointed: 2010
Formerly with Total for 35 years in a variety of senior positions, 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. He is also a non-executive director of Expro International Group Holdings Ltd and Oryx Petroleum Company PLC.
Committee membership: Member of the Remuneration and Nomination Committees and will join the Board's new Safety & Assurance Committee

Dr Christopher Masters
Retired from the Board on 10 May 2012.

John C Morgan
Retired from the Board on 10 May 2012.

Mary L Shafer-Malicki
Appointed: 2012
Worked for Amoco and BP for 26 years, latterly a Senior Vice President and CEO for BP Angola, with previous appointments in Vietnam, Aberdeen, Holland and the USA, principally in upstream activities. She is currently a non-executive director of McDermott International, Inc. and of Ausenco Limited and is a member of industry councils at Oklahoma State University and the University of Wyoming.
Committee membership: Member of the Nomination and Audit Committees and will join the Board's new Safety & Assurance Committee

Neil H Smith
Appointed: 2004
President & Chief Executive Officer of InterGen, a global power generation company. Previously held numerous positions within InterGen, including President & Chief Operating Officer.
Committee membership: Member of the Remuneration and Nomination Committees

Jeremy R Wilson
Appointed: 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 Remuneration and Nomination Committees

David K Woodward
Appointed: 2007
Currently Senior Management Adviser of Mubadala Petroleum LLC, a wholly owned subsidiary of Mubadala Development Company, 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: Chair of the Remuneration Committee and member of the Audit and Nomination Committees

Non-executive directors' skills and experience

Director	Key experience
Ian Marchant (senior independent director)	Public company boards, power sector, finance, government and regulation
Thomas Botts	International oil & gas (including North America, Europe, South America, Middle East and Downstream)
Michel Contie	International oil & gas (including South America, Europe and the Middle East)
Mary Shafer-Malicki	Public company boards, international oil & gas (including Asia and Africa)
Neil Smith	International power sector
David Woodward	International oil & gas (including North America, Middle East and the Former Soviet Union)
Jeremy Wilson	Oil & gas advisory, international finance and financial markets

Report of the directors

The directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2012.

Results and dividends

The Group income statement for the year is set out on page 51. In respect of the year ended 31 December 2012 an interim dividend of 5.7 cents per share was paid on 28 September 2012 and the directors have proposed a final dividend of 11.3 cents per share to be paid on 22 May 2013. The full year dividend will, therefore, be 17 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 $835,000 (2011: $740,000). This sum relates to cash donations and does not recognise donations of time or other resources which have been made during 2012.

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:

Further reading	Location in annual report	Pages
Board of directors and biographies	Board of directors and biographies	28 to 29
Principal activities and business review	Operational review	08 to 19
Principal risks and uncertainties	Principal risks and uncertainties	18 to 19
Acquisitions and divestments	Note 27 to the financial statements	87
Principal subsidiaries and joint ventures	Note 34 to the financial statements	94
Corporate governance	Corporate governance	26 to 37
Going concern	Corporate governance	36
Statement of directors' responsibilities	Corporate governance	37
Employment policies and employee communications	Living our Values	23
Ethical conduct of our business	Living our Values	25
Health, safety and the environment	Living our Values	20 to 22
Substantial shareholders	Corporate governance	33
Share capital	Note 21 to the financial statements	83
Directors' interests in options over ordinary shares	Remuneration report	48
Directors' interests in ordinary shares	Remuneration report	48

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. Save as set out in the Chairman's letter on page 27, the directors consider that the Company has fully complied with the provisions of the Governance Code during the year ended 31 December 2012. 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.

How does the Board manage risk?

Effective risk management

The Board is responsible for the Group's system of internal control and risk management which is fundamental to the achievement of the Group's strategic objectives. Clear risk management is required in all aspects of our activities as outlined and represented below.

Our Core Values

The effective management of risk is necessary across all aspects of our business model and our Core Values provide our people, customers and suppliers with a clear view on how we operate which helps frame the risk culture across the Group.

Operations

Our people across our business operations are at the forefront of effective risk management. The risk profile across each of our divisions varies through the nature of our activities, specific customer contracts and geographic spread, and each division operates under an established policy and procedural framework which supports our corporate attitude to risk.

Oversight

The Board formally reviews risk management arrangements twice a year, usually in February and August, and through the course of the year the Board will consider current and emerging risks facing the Group. In addition, the Board monitors the Group's attitude to risk.

Our leadership teams provide oversight through specific mechanisms designed to monitor key risks in such areas. This is an ongoing and evolutionary process and we are continually seeking to enhance our risk monitoring and reporting tools.

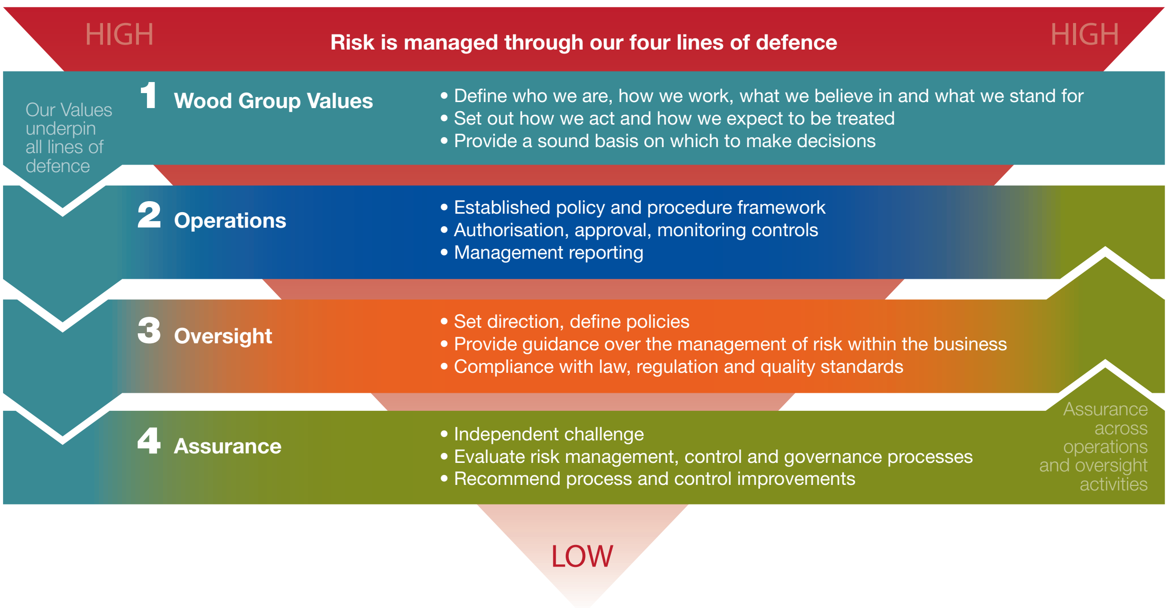
Assurance

Various assurance mechanisms are utilised across the Group such as peer reviews on certain significant or higher risk contracts, audits performed by the Group Internal Audit function and contracts audits undertaken by Group Legal. This work complements business specific activity in areas such as Safety, HR, and Quality.

We continue to review our approach to risk management and seek to continuously improve associated internal control processes. Some of the more recent developments introduced in 2012 include:

- a specific exercise to consider information security risks across the Group commenced during Q4. The output from this exercise will help inform any necessary changes to IT security policies and associated processes and controls
- a two-day workshop involving participants from across the Group was held to review current Joint Venture processes and associated risks
- further development of our commercial contract risk management system
- increasing emphasis on a 'bottom up' approach to risk identification to improve the consistency of risk information reported across the Group

Risk management



Corporate governance continued

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. A typical Board agenda is set out below.

What is the composition of the Board?

The Board comprised between 10 and 14 directors during the year. Other than during the period 11 May to 30 June (pending the previously announced resignations of L J Thomas and M H Papworth), the non-executive directors comprised a majority of the Board (excluding the Chairman) as recommended by the Governance Code.

J C Morgan and C Masters resigned as a non-executive directors at the 2012 AGM after 14 and 10 years on the Board, respectively. M L Shafer-Malicki was appointed as a new non-executive director on 1 June 2012.

On 1 January 2013, M S Dobler and R Watson joined the Board as executive directors. T M Botts joined the Board as a non-executive on 8 January 2013.

A clear separation of the roles of the Chairman and the CEO 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 CEO 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 CEO.

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 28 and 29.

J R Wilson is Vice Chairman of the Energy Group at J.P. Morgan where he advises oil & gas operators, principally the major international and national oil companies. The Company has a material business relationship with J.P. Morgan Cazenove, who act as joint corporate broker, adviser and lender to the Company. The Board has considered whether his role at J.P. 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 J.P. Morgan is linked to their 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?

All directors will seek election or re-election at the 2013 Annual General Meeting.

Typical Board agenda

Reports covered at each meeting

Safety & Assurance report, CEO's report, Divisional updates, HR report, Audit Committee report, Financial updates (including tax & treasury and investor relations).The Board also receives a series of management presentations and has the opportunity for site visits through the year.

Annual agenda items included

Q1	Q2	Q3	Q4
Acquisition performance review	AGM statement review	Annual HR update	Corporate Governance review
Annual Safety & Assurance presentation	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			

Additional 2012 business

The Board allows for time on other items where necessary. In 2012, six Board calls were also held, during which considerable time was spent on the Board succession planning and strategy & potential acquisitions were discussed.

How does the Board discharge its responsibilities?

There were six scheduled Board meetings during 2012 as well as four additional meetings convened to consider transactional activity and Board appointments. Four of the meetings were scheduled as two-day sessions and were held in Aberdeen and Houston. Safety & Assurance 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 & Assurance.

The executive directors, excluding the Chairman, attended 11 Group Executive Committee meetings throughout the year which include reports and discussions on Safety & Assurance, operational issues, finance, legal & ethics, 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 CEO and the CFO.

In addition to Board meetings, the Board receives a monthly report which gives a summary of safety, financial and operational matters.

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.

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 and 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 during 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. An independent consultant has been retained to facilitate the evaluation of the Board in 2013.

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.

Stewardship – how do you engage with your shareholders?

Our investor relations activities are led by the Group's CEO and CFO, supported by the investor relations team. We arrange for significant shareholders to meet with the CEO and CFO twice a year around the interim and final results announcements. Our investor relations team organises ad-hoc meetings with management, manages capital markets day presentations for investors and analysts and maintains an ongoing dialogue with the financial community through analyst relationships. Further details can be found in the Financial Responsibility section of the Living Our Values section of this report on page 24.

The Chairman and the senior independent director are also available to shareholders on request.

The Company has been notified, in accordance with DTR 5 of the following major shareholdings in the Company as of 15 March 2013.

Name of shareholder	Number of issued shares held	% of issued shares
BlackRock, Inc.	55,822,209	15.0%
Aberdeen Asset Management	18,696,597	5.0%
Schroder Investments	16,777,852	4.5%

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 A minimum of four presentations from management and offer of site visits as often as practicable

Corporate governance continued

Committees of the Board

The Board has delegated some of its responsibilities to committees – the Nomination Committee, the Audit Committee and the Remuneration Committee. A summary of the work of the Nomination 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 38-48.

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

Attendance by directors at the meetings of the Board and its committees is summarised here.

The dates of future Board meetings have now been agreed until the end of 2014.

Board and Committee meeting attendance 2012

	Board	Committee membership	Nomination Committee	Audit Committee	Remuneration Committee
Key N Chairman N N Retired member N Member			N	A	R
Number of meetings held	10		3	4	4
Executive directors					
Sir Ian Wood (resigned 31 October)	9	N	2	–	–
A G Langlands	10	N	1	–	–
A G Semple	9	–	–	–	–
R Keiller	9	–	–	–	–
M H Papworth (resigned 30 June)	3	–	–	–	–
M Straughen	10	–	–	–	–
L J Thomas (resigned 30 June)	6	–	–	–	–
Non-executive directors					
I D Marchant	9	N A	3	4	–
M Contie	9	N R	3	–	4
Dr C Masters (resigned 10 May)	3	N A	–	2	–
J C Morgan (resigned 10 May)	4	N A R	–	1	2
N H Smith	9	N R	3	–	4
J R Wilson	10	N R	3	–	2
D K Woodward	10	N A R	3	4	4
M L Shafer-Malicki (appointed 1 June)	6	N A	3	2	–

Nomination Committee

Members of the Nomination Committee

Allister G Langlands Ian D Marchant Thomas M Botts Michel Contie Mary L Shafer-Malicki Neil H Smith Jeremy R Wilson David K Woodward

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

Who is on the Nomination Committee?
The Nomination Committee comprised the Chairman and all of the independent non-executive directors. T M Botts was appointed to the Committee following the year end, on appointment as a non-executive director in January 2013.

How does the Committee discharge its responsibilities?
The Committee meets at least once a year, and has written terms of reference (which are available on the Group's website) 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

An external consultant was retained to advise the Nomination Committee in connection with the appointment of M L Shafer-Malicki as a non-executive director in 2012.

The Committee met three times during 2012.

Audit Committee

Members of the Audit Committee

Ian D Marchant Mary L Shafer-Malicki David K Woodward

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.

Who is on the Audit Committee?

The Audit Committee comprises the pictured Board members above. During the period, J C Morgan and Dr C Masters also served until their resignation at the 2012 AGM. The Committee 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 2012. Attendance at Committee meetings is at the invitation of the Chairman of the Committee; and the CFO, 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 2012 the Committee:

- reviewed the annual report for 2011 and the interim report for 2012
- 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.

During the year we received confirmation from the external auditors regarding their independence. In accordance with UK regulations and to help ensure independence, our auditors adhere to a rotation policy based on best practice accounting standards. Accordingly, there will be a change of audit partner for the 2013 audit. 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 2012 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.

Corporate governance continued

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 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 24 and 25.

Risk identification and management: The process for risk identification and management is outlined on page 31.

For further details please refer to Principal risks and uncertainties on pages 18 and 19.

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 CEO and the CFO normally attend the QRMs.

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 11 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 14 to 17. 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 28 and 29, 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 30 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.

Directors' remuneration report

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

Contents

* Audited

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

Letter from the Chairman of the Remuneration Committee

Dear Shareholder

I assumed Chairmanship of the Remuneration Committee in May 2012, following the retirement of John Morgan who had chaired the Committee very effectively for many years.

Our objective continues to be the provision of a remuneration package to attract and retain executive directors and senior management of the necessary calibre to support the future growth of the business. We do this through a balance of fixed and variable pay, which we intend will result in total remuneration around the market median for target performance and approaching top quartile for exceptional performance. After consideration of both the external market and salary increases across the wider workforce, the Remuneration Committee has determined increases of 3% to base salary for existing executive directors for 2013.

Over the first three cycles of the Long-Term Incentive Plan (LTIP) Wood Group has ranked 7th out of 21 (2008 – 2010), 5th out of 21 (2009 – 2011) and 2nd out of 21 (2010 – 2012) in TSR performance against selected peer companies, with strong adjusted earnings per share (AEPS) growth for the second and third cycles. Bonus awards for 2012 reflect good Group performance during the year and are differentiated as appropriate for divisional and personal performance.

The existing LTIP and Long-Term Retention Plan (LTRP) were both approved through to 2012 and will be replaced in 2013. During 2012, we have developed proposals for a single replacement plan – Long-Term Plan (LTP). Two distinct awards will be made under the LTP covering both incentive and retention awards. In developing this new plan we have endeavoured to build on the successful elements of the previous plans while simplifying our arrangements and incorporating current best practice to develop a framework which we believe will continue to support achievement of the Group's strategic goals.

The LTP will be subject to shareholder approval at the 2013 AGM and is described in further detail in this report as well as in the explanatory note to AGM business. Overall the new LTP will not materially impact the total cost of the long-term incentives. It is intended that awards of a similar nature to those made under the old LTIP, LTCIP and LTRP will be made under the LTP in 2013. For executive directors and senior executives long-term incentives will continue to vest subject to stretching targets in relation to TSR, AEPS and EBITA performance.

Members of the Remuneration Committee

David K Woodward **Michel Contie** **Neil H Smith** **Jeremy R Wilson**

We are also proposing to have the flexibility to allocate up to 25% of the maximum award to be based upon clearly defined and measurable strategic key performance indicators (KPIs), although it is not our current intention to use the strategic KPIs with the first cycle under the LTP. The Committee is confident that these measures are an appropriate reflection of the long-term performance of Wood Group. TSR, in particular, helps to ensure that participants are well aligned to the interests of our shareholders. The Committee is mindful of the need to ensure growth is sustainable. In 2013, a portion of awards under the new plan will continue to be restricted for a further two years ensuring executives are firmly aligned to the longer-term interests of the Group.

Provisions in the new plan will allow unpaid or unvested awards to be reduced or cancelled in the event of material misstatement of financial results, material failure of risk management or HSE controls, serious reputational damage or misconduct or fraud.

During the year, Deloitte LLP have been retained as remuneration consultant to provide advice to the Committee going forward and ensure current best practice has been adopted in the design of the LTP.

As part of the review of remuneration during 2012, the Committee decided to introduce shareholding requirements for executive directors to further strengthen the alignment between the executive directors and the long-term interests of the Company's shareholders. More details of this requirement are in this report.

During the year, the Remuneration Committee considered in particular the compensation packages for Allister Langlands, Bob Keiller, and for Robin Watson and Mark Dobler on their appointments as Chairman, CEO and executive directors respectively. The Committee carefully considered the transition arrangements in Allister Langlands' move from Chief Executive to Chairman. In 2013 he retains an executive package but his package in 2014 will reflect his planned role as part-time Chairman. The Committee also reviewed the exit packages for Les Thomas and Mark Papworth as they left the Group. More details are contained in this report.

The existing long-term plans together with the other elements of the compensation package, which overall provide a balance of fixed and variable pay, a focus on performance incentives, transparency of objective setting and appropriate deferral mechanisms have provided a remuneration framework which has supported delivery of the Group's business objectives.

David K Woodward
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 is comprised solely of independent non-executive directors. During the year, the members were:

- J C Morgan – resigned as Chairman May 2012
- D K Woodward – appointed as Chairman May 2012
- M Contie
- N H Smith
- J R Wilson – appointed August 2012

The Committee has a written charter which is publicly available on the Group's website.

At the invitation of the Chairman of the Committee, the Group Chairman and CEO attended meetings in 2012, except when their own remuneration was being discussed, to provide advice on setting remuneration for other executive directors. The Group Head of Human Resources also attended and, in December 2012, the Company Secretary was appointed as Secretary to the Committee.

The Committee have appointed independent remuneration consultants (Deloitte LLP) and has taken advice during the year from them in relation to certain executive remuneration matters. Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. During the course of the year Deloitte LLP provided external advice particularly on matters concerning the design and structure of the Group's long-term incentive plans.

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
- take account of 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

In setting remuneration policy the Committee 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 2012, the Committee met four times 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.

Directors' remuneration report continued

What was on the Remuneration Committee agenda for 2012?

Meeting	Regular standing items	Other agenda items
February 2012	• Confirmed executive directors' salaries for 2012 • Confirmed executive directors' annual bonuses for 2011 • Reviewed 2011 Directors' remuneration report	• Confirmed no changes to Senior Management Incentive Plan (SMIP) structure for 2012 • Reviewed LTIP awards for 2009-2011 cycle • Approved LTIP targets and participants for 2012-2014 cycle • Reviewed Remuneration Committee Charter
May 2012	• Approved renewal of ESOS schemes • Confirmed approval of ESOS and LTRP grants	• Reviewed a benchmark report on Executive Remuneration • Agreed to consider the use of Remuneration Consultants going forward • Appointed David K Woodward as Chairman of Remuneration Committee
August 2012	• Discussed performance measures for SMIP	• Reviewed proposed new long-term plan (LTP) • Approved the remuneration for the new CEO • Agreed compensation on end of employment for M H Papworth and L J Thomas
December 2012	• Approved executive directors' salaries for 2013 • Reviewed estimate of SMIP bonuses for 2012 • Confirmed approval of ESOS and LTRP grants	• Agreed remuneration for the Chairman in 2013 • Reviewed proposed changes to long-term incentives from January 2013 • Reviewed progress against LTIP targets for cycles 3 & 4 • Confirmed the appointment of Deloitte LLP as consultants to the Remuneration Committee

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, size and geography. 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 (SMIP)	To provide incentives to deliver performance targets and aid 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 aid retention	For awards to executive directors and other senior executives, performance is measured over a period of three years, a portion of which is deferred for a further two years	Achievement of long-term financial performance against predetermined financial targets, AEPS and TSR.

1c) Remuneration arrangements for executive directors

i) Basic salary and benefits

For executive directors salary levels are reviewed and approved annually by the Committee and in 2012 increased by 4%. The Committee has approved a salary increase of 3% effective from 1 January 2013. The current remuneration arrangements for executive directors are summarised in the table below:

2013 UK executive directors **£'000**	**A G Langlands Chairman***	**R Keiller CEO**	**M Straughen Group Director**	**R Watson Group Director**
Basic salary from 1 January 2013	400	560	336	336
On target bonus (% of salary)	100%	100%	100%	100%
Maximum bonus (% of salary)	125%	125%	125%	125%
% of bonus earned deferred for two years	50%	50%	50%	50%
Maximum LTP award (% of salary)	–	150%**	125%	125%
Maximum LTP award (% of salary) end of three-year cycle	–	120%	100%	100%
Maximum LTP award (% of salary) deferred for further two years	–	30%	25%	25%
Pension arrangement	Defined pension benefit promise	Group personal pension plan	Cash allowance	Group personal pension plan
Benefits	Car allowance, private medical and dental insurance.			

*A G Langlands stepped down from his position of Chief Executive from 1 November 2012 and in his role as Chairman will not participate in any new long-term incentive arrangements – see 1e for more details.

** This is proposed from 1 January 2013 under the new LTP.

2013 US-based executive directors **$'000**	**A G Semple CFO**	**M S Dobler Group Director**
Basic salary from 1 January 2013	634	515
On target bonus (% of salary)	100%	100%
Maximum bonus (% of salary)	125%	125%
% of bonus earned deferred for two years	50%	50%
Maximum LTP award (% of salary)	125%	125%
Maximum LTP award (% of salary) end of three-year cycle	100%	100%
Maximum LTP award (% of salary) deferred for further two years	25%	25%
Pension arrangement	Defined benefit equivalent pension arrangement	Eligible to participate in the US 401K
Benefits	Company car and contributory health and welfare cover	Car allowance, contributory health and welfare cover

ii) 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		Threshold	Budget	Maximum
			EBITA			
			Achievement	85%	100%	115%
			Payment – % of salary	0%	35%	49%
			OCER (see page 17)			
			Achievement	110%	100%	90%
			Payment – % of salary	0%	15%	21%
			Total payment – % of salary	0%	50%	70%
Personal objectives	30%	Performance is measured annually against agreed personal objectives aimed at achievement of the Group's business goals in line with the Core Values	Typical personal objectives include:			
			Safety objectives	Process improvements		
			Business development	Working capital control		
			Strategy	People development		

*Days Sales Outstanding (DSO) will replace OCER as a measure from 2013. DSO is a major contributing factor to OCER and the Committee believe incentivising management to reduce DSO is the best route to drive improving OCER.

Directors' remuneration report continued

iii) Long-term incentives

Long-term incentives play an important role in the motivation and retention of executive directors and senior executives, consistent with our goal of maximising shareholder value. In this respect the Group has in place a number of long-term incentive plans. Details of the current plans are set out below in section 3c, and the table below provides a summary:

Long-term incentive	Description	Participants	Cumulative number of participants
LTIP	Introduced in 2007 eligibility is restricted to executive directors and other senior executives. The LTIP was designed to provide incentives for three-year rolling performance cycles. The last cycle under the existing plan was for the three years from January 2012 to December 2014.	Executive directors and around 30 senior executives	30 – 40
LTCIP	Introduced in 2011 for senior managers, the LTCIP was designed to provide incentives for three-year rolling performance cycles with all awards paid in cash. The last cycle under the existing plan was for the three years from January 2012 to December 2014.	Around 80 senior managers	110 – 120
LTRP	Introduced in 2003, the LTRP was designed to create a bonus pool based on financial performance. 2012 was the last year in which a pool will be created for LTRP awards under the existing plan (with these awards being made in 2013).	Around 250 senior managers	360 – 370
ESOS	Established in 2002 and renewed at the May 2012 Annual General Meeting for a further ten-year period, the ESOS provides for the grant of options to participants at market value. In 2012 grants were made under the ESOS scheme to 557 managers. No grants have been made to executive directors since 2005.	Around 550 managers	910 – 920

The Group is seeking shareholder approval at the 2013 AGM for a new long-term plan (the LTP). See section 3c (v) for further details.

iv) Pensions and life cover (audited)

Pension benefits to UK executive directors

The John Wood Group PLC Retirement Benefit Scheme (JWG RBS) is a defined benefit pension scheme which closed to new entrants in 2006. None of the current executive directors are active members of this scheme.

A G Langlands is provided with pension benefits by way of a combination of deferred benefits from the JWG RBS and an unfunded, unapproved arrangement. Final pensionable salary for A G Langlands is capped from 6 April 2012 at £501,315 per annum increasing at RPI plus 1.25%. No further pension accrual is currently anticipated beyond 31 December 2013. A G Langlands is provided with life assurance cover of four times base salary up to a maximum of £2,500,000.

R Keiller is provided with pension benefits via the Wood Group Group Personal Pension Plan (WG GPP) on a non-contributory basis. During the year the Group's contribution on his behalf to the WG GPP amounted to £53,080. R Keiller also receives a cash contribution in lieu of pension contribution where the Company contribution is over the current annual allowance. He is also provided with life assurance cover of eight times basic salary up to a maximum of £2,500,000.

R Watson is provided with pension benefits via the Wood Group Group Personal Pension Plan (WG GPP) on a contributory basis, subject to a maximum Company contribution of 10% of base salary per annum (with an overall cap at £50,000 per year). R Watson is provided with life assurance cover of four times basic salary up to a maximum of £1,500,000.

M Straughen receives a cash payment of 10% of base salary in lieu of pension provision. M Straughen is provided with life assurance cover of four times basic salary.

The UK executive directors below had the following accrued entitlements at 31 December 2012.

£'000	Age at 31 December 2012	Accumulated total accrued annual pension at 31 December 2011	Increase in accrued annual pension (including inflation)	Increase in accrued pension (excluding inflation)	Accumulated total accrued annual pension at 31 December 2012
A G Langlands	54	252	15	8	267
M H Papworth *	47	15	2	2	17
L J Thomas **	55	17	1	0	18
£'000	**Transfer value of increase in pension entitlement (excluding inflation)**	**Transfer value of accrued benefit at 31 December 2011**	**Increase in transfer value of pension entitlement less member contributions**	**Member contributions*** **	**Transfer value of accrued benefit at 31 December 2012**
A G Langlands	223	5,642	1,200	0	6,842
M H Papworth	18	152	44	6	196
L J Thomas	1	227	33	3	260

* M H Papworth ceased to be an active member of the JWG RBS on 30 June 2012.
** L J Thomas ceased to be an active member of the JWG RBS on 5 April 2012.
*** M H Papworth and L J Thomas participated on a salary exchange basis and therefore member contributions are notional.

Pension benefits to US-based executive directors

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

A G Semple is provided with a pension arrangement of a defined benefit nature, providing an equivalent level of benefits to that provided in the JWG RBS. If he dies in pensionable service, his surviving spouse or dependants are entitled to a pension of half of the pension that would have been received at normal retirement date based on the final pensionable salary at the date of death. Final pensionable salary is capped from 6 April 2012 at $640,599 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 2012	Accumulated total accrued annual pension at 31 December 2011	Increase in accrued annual pension (including inflation)	Increase in accrued pension (excluding inflation)	Accumulated total accrued annual pension at 31 December 2012
A G Semple	53	154	14	9	168

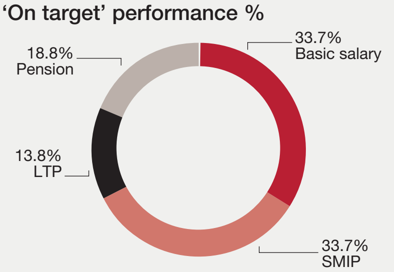
$'000	Transfer value of increase in pension entitlement (excluding inflation)	Transfer value of accrued benefit at 31 December 2011	Decrease in transfer value of pension entitlement less member contributions	Member contributions	Transfer value of accrued benefit at 31 December 2012
A G Semple	199	3,050	482	52	3,584

The significant increase in the transfer values for AG Langlands and AG Semple are primarily driven by the very low bond yields prevailing at the year end which are a major factor in the calculation of the transfer values.

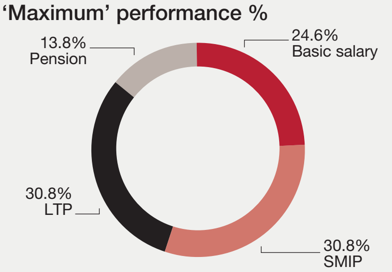
v) Remuneration arrangements for executive directors from 1 January 2013

A G Langlands

'On target' performance %

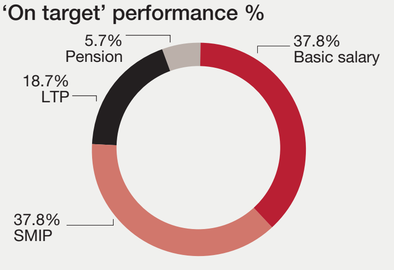


'Maximum' performance %

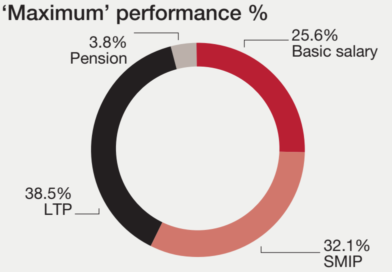


R Keiller

'On target' performance %



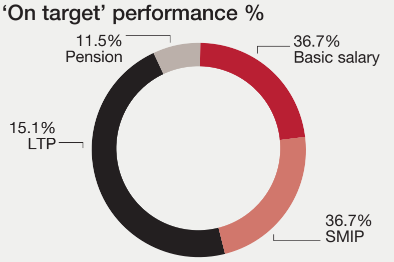
'Maximum' performance %



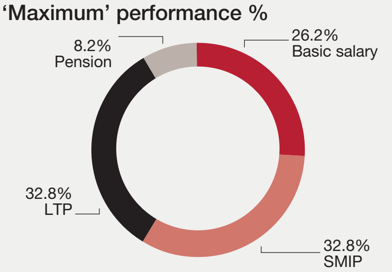
Notes
(1) SMIP on target performance assumes achievement of all personal objectives and budgeted financial performance.
(2) Pension is the transfer value of the increase in pension entitlement (excluding inflation) as disclosed on page 42 and 43.
(3) LTP on target performance is based on the achievement of threshold levels of AEPS and TSR and assumes no change in share price between grant and award.

A G Semple

'On target' performance %

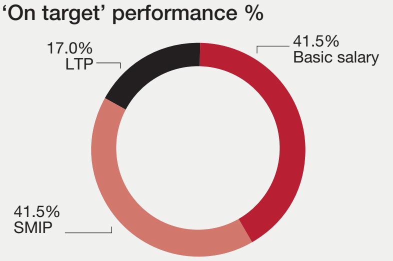


'Maximum' performance %

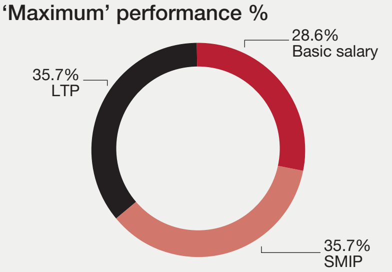


M S Dobler

'On target' performance %

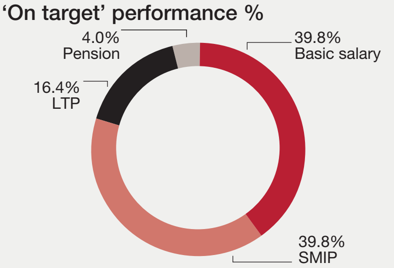


'Maximum' performance %

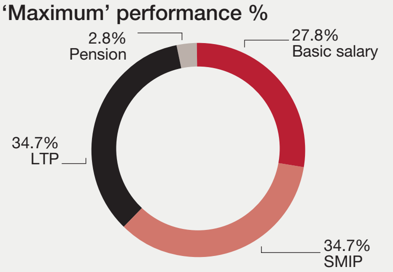


R Watson and M Straughen

'On target' performance %



'Maximum' performance %



Directors' remuneration report continued

1d) Service contracts

	Contract date	Notice Period
A G Langlands	1 May 2002	12 months
R Keiller	1 November 2012	12 months
A G Semple	1 May 2002	12 months
M Straughen	23 April 2007	6 months
R Watson	1 January 2013	6 months
M S Dobler	1 January 2013	12 months

The Committee approved the extension of R Keiller's contractual notice period to 12 months from 6 months to reflect his appointment as CEO.

It is the Committee's view that these contractual notice periods continue to be appropriate. None of the service contracts provide 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 CEO's prior consent and, in the case of the CEO, the Chairman's consent. No executive directors hold any directorships in any other listed companies.

1e) Matters relating to Board changes during the year

During the year under review, Allister Langlands succeeded Sir Ian Wood as Chairman, and will transition to a non-executive Chairman remuneration package from 2014 onwards. His remuneration arrangements for 2013 reflect his significant time commitment to the Group in providing necessary continuity at the top level. He will be paid a salary of £400,000 for 2013 and be eligible to receive a bonus of up to 125% of salary, in line with other executive directors. The bonus will be determined based on measures of Company and personal performance, similar to prior years. Half of his bonus will be subject to mandatory deferral for two years. He will continue to be eligible for pension until 31 December 2013 when all accruals will cease. He will not participate in the new LTP arrangements being proposed at the AGM. He will continue to accrue benefits under existing LTIP arrangements up to 31 December 2013, in line with his executive responsibilities and these will be paid in line with normal scheme timings, including deferral periods. From January 2014, he will cease to participate in any short or long-term incentives and will cease to accrue pension benefits. From 2014, the Chairman's fee will be in line with comparable part-time non-executive Chairman roles.

Les Thomas and Mark Papworth left the Group on 29 June 2012 and received salary and benefits up to that point. Each will also receive a fixed bonus of £150,000 in relation to 2012, which represents 46% of maximum, half of which is payable in April 2013 and the remainder of which in March 2015 in line with other employees. Mark's and Les' outstanding deferred bonus awards are payable in April 2013 and 2014. A pro rata LTIP and LTRP will be provided to their date of leaving and these will vest to the extent that performance targets are met at the end of the period. In addition, Les Thomas received a contractual payment of £250,000 for loss of office and in lieu of unexpired notice, £50,000 of which was paid in June 2012 and the remainder is payable in April 2013.

Part 2 Non-executive directors' remuneration

2a) Remuneration policy

Non-executive directors are paid directors' fees, which reflect the commitment expected of them and their level of expertise, 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 and Audit Committee meeting and an annual fee is paid for Nomination Committee membership. Non-executive directors do not participate in the Group's incentive 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. 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
Nomination 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 were no changes to the structure or level of non-executive directors' fees for 2012. Fees have been unchanged since 2008 and will be reviewed during 2013.

2c) Remuneration of non-executive directors in 2012 (audited)

£'000	Annual director's fee	Committee attendance fee	2012 Total	2011 Total
I D Marchant	40	5	**45**	45
M Contie	40	5	**45**	44
*Dr C Masters	20	2	**22**	45
*J C Morgan	20	3	**23**	47
N H Smith	40	5	**45**	44
J R Wilson	40	3	**43**	20
D K Woodward	40	9	**49**	46
**M L Shafer-Malicki	23	3	**26**	0

* J Morgan and C Masters resigned 10 May 2012.

**M L Shafer-Malicki appointed 1 June 2012.

Part 3 Additional statutory and other disclosures

3a) Summary of executive directors' emoluments in 2012 (audited)

UK executive directors' emoluments:

£'000	Basic salary		Annual bonus (SMIP) (1) Cash bonus		Annual bonus (SMIP) (1) Deferred bonus		Benefits (4), (5)		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sir Ian Wood (2)	223	258	106	142	106	142	11	13	446	555
A G Langlands	514	495	243	271	243	271	14	13	1,014	1,050
R Keiller (3)	405	240	192	137	192	137	21	8	810	522
M H Papworth (6)	163	314	75	164	75	164	15	31	328	673
M Straughen	327	314	158	172	158	172	45	44	688	702
L J Thomas (7)	413	314	75	121	75	121	20	31	583	587

US-based executive directors' emoluments:

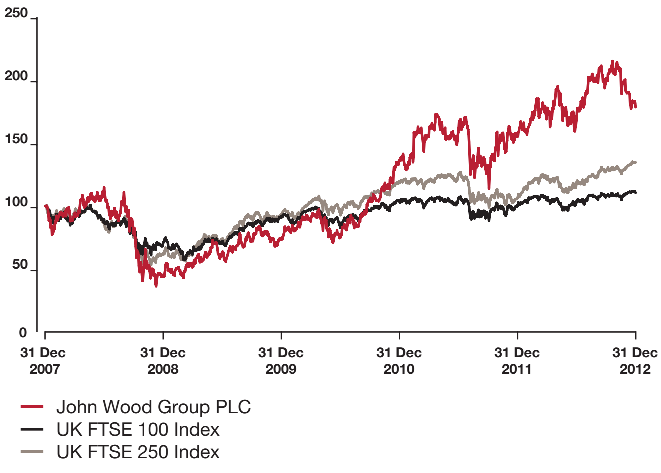
$'000	Basic salary		Annual bonus (1) Cash bonus		Annual bonus (1) Deferred bonus		Benefits		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
A G Semple	616	592	291	329	291	329	31	19	1,229	1,269

(1) The bonus figures relate to amounts earned in respect of the year ended 31 December 2012. The cash bonuses will be paid in Spring 2013. The deferred bonuses will be paid after a two-year deferral period and are subject to forfeiture under certain circumstances.
(2) Sir Ian Wood retired on 31 October 2012.
(3) R Keiller's figures are from the date of appointment as Group Director on 20 April 2011.
(4) Benefits paid to M H Papworth, L J Thomas and R Keiller include cash payments in lieu of pension benefits above the scheme specific cap and the annual allowance (for R Keiller).
(5) Benefits paid to M Straughen include a cash allowance in lieu of pension benefits.
(6) M H Papworth's figures are to the date of end of employment on 30 June 2012.
(7) L J Thomas' figures are to the date of end of employment on 30 June 2012 and salary figure includes pay in lieu of unexpired notice. See 1e).

3b) TSR performance graph

As the Company is included in the UK FTSE 100 index, but has been included in the FTSE 250 for part of the prior period, both the UK FTSE 100 and UK FTSE 250 indices are shown, 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 100 and 250 index for the last five financial years.

TSR Wood Group, FTSE 250 and FTSE 100 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 original LTIP was approved by the shareholders at the 2007 AGM for a period of five years. No further awards will be made under the existing LTIP from 2013. The LTIP is based on three-year rolling performance cycles.

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

Participation

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

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.

Directors' remuneration report continued

Performance measures

The performance measures have been chosen in light of their appropriateness to the 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 are:

Cycle	Performance measures	Participants
All cycles	75% AEPS 25% TSR	CEO CFO
Cycles 1 to 3	75% AEPS 25% TSR	Divisional Directors
Cycles 4 and 5	37.5% AEPS 25% TSR 37.5% divisional EBITA	Divisional Directors

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 for cycles four and five and the peer group now comprises the following engineering & construction and support services companies – Aker Kvaerner, AMEC, Chicago Bridge & 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. The Committee has no current intention to change the peer group.

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 2008-2010 cycle

For the first cycle the Group was ranked 7th out of 21 (towards the top of the second quartile) companies for TSR purposes, but did not achieve threshold AEPS, resulting in a partial award for all participants. The share price at the date of award was £4.12 and at vesting was £6.38.

LTIP 2008-2010 cycle	Total shares awarded	Shares awarded in 2011	Shares deferred for award until 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

*Restated to reflect the 7 for 9 share consolidation carried out as part of the return of cash announced in 2011.

The 2009-2011 cycle

The AEPS target for the 2009-2011 cycle was exceeded and Wood Group was ranked 5th out of 21 companies for TSR purposes (top quartile) resulting in a maximum award for all participants. The share price at the date of award was £1.89 and at vesting was £7.43.

LTIP 2009-2011 cycle	Total shares awarded	Shares awarded in 2012	Shares deferred for award until 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 2010-2012 cycle

The AEPS targets for the 2010-2012 cycle were set at 43.8 cents at the 'threshold' and 49.4 cents at the 'maximum'. The actual AEPS achieved was 85.2 cents and Wood Group was ranked 2nd out of 21 companies for TSR purposes resulting in a maximum award on AEPS and TSR measures. The share price at the date of award was £3.01**, the share price at 31 December 2012 being £7.27.

LTIP 2010-2012 cycle	Total shares awarded	Shares awarded in 2013	Shares deferred for award until 2015
A G Langlands	199,541	159,633	39,908
R Keiller	21,303	17,042	4,261
A G Semple	148,018	118,414	29,604
M H Papworth*	105,660	84,528	21,132
M Straughen	126,792	101,433	25,358
L J Thomas*	105,660	84,528	21,132

* The awards to M H Papworth and L J Thomas are pro-rated to their leave dates (30 June 2012).

** The share price at the date of award for R Keiller was £5.28.

The 2011-2013 cycle

The AEPS targets for the 2011-2013 cycle were 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 2012-2014 cycle

The AEPS targets for the 2012-2014 cycle were set at 93.2 cents at the 'threshold' and 111.2 cents at the 'maximum'. The divisional EBITA targets were set and reflected in the calculation of the AEPS targets.

The Group's position at 31 December 2012 in the TSR peer group is 2nd for the 2011-2013 cycle and 10th for the 2012-2014 cycle.

The maximum awards available under both of the above cycles are noted in the table below.

	2011-2013 cycle Maximum shares available	2012-2014 cycle Maximum shares available
A G Langlands	117,071	99,644
R Keiller	100,596	96,854
A G Semple	89,534	76,774
M H Papworth	37,162	0
M Straughen	74,323	63,265
L J Thomas	37,162	0
R Watson	49,233	58,113
M S Dobler	48,377	62,322

(ii) **LTCIP**
The LTCIP was introduced in 2011 for senior managers and is based on three-year rolling performance cycles. Awards were 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 were not eligible to participate in the LTCIP. Final awards under the LTCIP were made in 2012.

(iii) **LTRP**

The LTRP and the proposed parameters of its operation was approved by shareholders at the 2003 AGM and has 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 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 executive directors under the LTRP in 2010, 2011 or 2012.

No further awards will be made from the LTRP after 2013.

(iv) **ESOS**
The Group adopted the John Wood Group PLC Executive Share Option Schemes after approval by the shareholders on the listing of the Group in June 2002 and it was renewed at the 2012 AGM for a further 10 years.

Options granted under the ESOS are exercisable between four and ten years from the grant date. There is no current intention for any awards to be made to executive directors. Any options granted to executive directors will be subject to the achievement of performance criteria.

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

No grants are currently in place for executive directors under the ESOS.

(v) **Proposed changes to long-term incentives**
The Group is seeking shareholder approval at the 2013 AGM for a new long-term plan (the LTP). The Chairman of the Remuneration Committee led a consultation process with representatives of major shareholders holding in excess of 30% of the equity and received a positive response to the proposals. This plan will simplify and replace the existing LTIP, LTCIP and LTRP from 2013. Two distinct awards will be made under LTP. Awards to c 140 – 160 former LTIP and LTCIP participants, which includes executive directors, senior executives and senior managers, will be made broadly on the same basis under LTP as historic awards were made under LTIP. Awards to the c 250 managers will be made under the LTP on broadly the same basis as historic awards were made under LTRP.

Participants	Total number of participants in long-term plans	Existing variable remuneration	Proposed new variable remuneration
Executive directors and around 30 senior executives	30 – 40	SMIP and LTIP	SMIP and LTP
Around 80 senior managers	110 – 120	SMIP, or MIP and LTCIP	SMIP or MIP and LTP
Around 250 managers	360 – 370	MIP or discretionary bonus and LTRP	MIP or discretionary bonus and LTP
Around 550 managers	910 – 920	Discretionary bonus and ESOS	Discretionary bonus and ESOS

Performance measures
For executive directors, other senior executives and senior managers, the proposed performance measures would continue to be based on AEPS, TSR and divisional EBITA (where appropriate). Awards made to the CEO and the CFO would be based on TSR and AEPS only (25% and 75% respectively). Divisional directors will also be measured on Divisional EBITA, the split of measurement being TSR 25%, AEPS 37.5% and Divisional EBITA 37.5%. We are also proposing we have the right to allocate up to 25% of the maximum award based upon clearly defined and measureable strategic key performance indicators (KPIs), although it is not the Group's current intention to use the strategic KPIs with the first cycle award under the new LTP. It is the intention that, when utilised, the strategic KPIs will lead to a reduction in the weighting attributed to AEPS and Divisional EBITA.

Performance will continue to be measured over three financial years (the first cycle being 1 January 2013 to 31 December 2015). 20% of the award will continue to be deferred for two years, as a retention tool, and dividends during the performance period will be accrued and paid in shares proportionately according to the number of shares vesting. Whilst under the existing LTIP 33% of maximum award vests at threshold performance under the LTP this will be reduced to 25% of maximum.

We propose that the AEPS target for the 2013–2015 cycle be set at 110 cents at threshold and 130 cents at maximum. The divisional EBITA targets will be set consistently with the AEPS target.

For managers (excluding executive directors and senior executives), as with the former LTRP, under LTP a bonus pool will be created annually based on growth in AEPS in the prior year and added to the overall pool. This overall bonus pool will then be used to fund awards to this participant group. No shares will be added to the bonus pool if the prior year AEPS growth does not meet the threshold of RPI plus 3%. The maximum bonus pool will be created if the AEPS growth meets or exceeds RPI plus 10%. Within LTP it is proposed that the maximum size of the bonus pool be reduced from 5% to 2.5% of Profit Before Tax and Amortisation.

Award sizes
Executive directors, senior executives and senior managers will be eligible for awards of shares up to a plan maximum of 200% of base salary Proposed opportunity levels for the 2013–2015 cycle are summarised below:

Position	Participation level (% of base salary)
CEO	150%
Executive directors	125%
Senior executives	100%
Senior managers	75% or 50%

For managers (excludes executive directors and senior executives) awards will continue to take the form of nil or par value options and typically be up to 25% of salary up to a maximum of 50% of salary. Awards will be made in nil cost or par value options which will become exercisable between the fourth and sixth anniversary of the grant subject to certain circumstances. This type of award has proved successful in attracting and retaining middle managers and high potential staff not eligible to receive awards in line with executive directors and senior executives.

Clawback provisions
The LTP will also include provisions to allow the Remuneration Committee, in its absolute discretion, to reduce or cancel unpaid or unvested awards or impose further conditions. Such circumstances include, but are not limited to, a material misstatement of the financial results of the Company or any business unit; a material failure of risk management by the Company, any Group Member or a relevant business unit; a serious breach of health and safety standards; or serious reputational damage to the Company, any Group Member or a relevant business unit as a result of serious misconduct or fraud by the Participant.

Directors’ remuneration report continued

3d) Share options table (audited)

	Date of grant	Earliest exercise date	Expiry date	Exercise price (per share)	Market value at date of exercise (per share)	Number as at 1 January 2012	Granted in 2012	Exercised in 2012	Lapsed in 2012	Number as at 31 December 2012
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	840p	175,000	–	175,000	–	–
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p	–	40,000	–	–	–	40,000
						215,000	–	175,000	–	40,000
M H Papworth										
LTRP	25/03/2008	25/03/2012	25/03/2013	3⅓p	667p	100,000	–	100,000	–	–
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p	852p	40,000	–	32,500	7,500 *	–
						140,000	–	132,500	7,500	–
M Straughen										
LTRP	25/03/2008	25/03/2012	25/03/2013	3⅓p	840p	50,000	–	50,000	–	–
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p	–	40,000	–	–	–	40,000
						90,000	–	50,000	–	40,000
L J Thomas										
LTRP	14/04/2009	14/04/2013	14/04/2014	3⅓p	–	40,000	–	–	7,500 *	32,500
						40,000	–	–	7,500	32,500
Total						525,000	–	357,500	15,000	152,500

* Reflects pro rating on leaving the Group. The market price of the Company’s shares at 31 December 2012 was 726.5p and the range of closing market prices from 1 January to 31 December 2012 was 647p to 875.5p.

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 28 and 29.

Details of directors’ interests in the ordinary shares of the Company at 31 December 2012 were:

Beneficial interest	1 January 2012	31 December 2012
Sir Ian Wood[(1)]	21,473,637	N/A
A G Langlands	394,079	458,506
R Keiller	1,569,721	1,569,721
A G Semple	824,441	603,104
M H Papworth[(2)]	3,298	N/A
M Straughen	27,547	95,848
L J Thomas[(2)]	88,732	N/A
I D Marchant	7,777	7,777
M Contie	4,634	4,634
M L Shafer-Malicki[(3)]	N/A	–
Dr C Masters[(4)]	23,333	N/A
J C Morgan[(4)]	31,927	N/A
N H Smith	–	–
J R Wilson	–	–
D K Woodward	21,000	21,000
Non-beneficial interest		
Sir Ian Wood[(1)]	3,888,888	N/A
R Keiller	392,423	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 2012 are set out in the table above.

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.

It is proposed to introduce shareholding requirements from 1 July 2013 requiring the CEO to hold shares valued at 150% of base salary and the other executive directors at 100% of base salary, with the holding expected to be built up as quickly as after-tax share awards from long-term plan allow.

Where applicable the December 2012 figures include interest in retained long-term plan awards.

(1) Sir Ian Wood retired 31 October 2012.
(2) M H Papworth and L J Thomas left 30 June 2012.
(3) M L Shafer-Malicki appointed 1 June 2012.
(4) Dr C Masters and J C Morgan resigned 10 May 2012.

Financial statements

Group financial statements

Company financial statements

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

We have audited the Group financial statements of John Wood Group PLC for the year ended 31 December 2012 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 their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 37, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. 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 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the Group financial statements are prepared is consistent with the Group 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:

- 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 36, in relation to going concern;
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of John Wood Group PLC for the year ended 31 December 2012 and on the information in the Directors' remuneration report that is described as having been audited.

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
4 March 2013

Consolidated income statement
for the year to 31 December 2012

	Note	2012 Pre-Exceptional Items $m	2012 Exceptional Items (note 4) $m	2012 Total $m	2011 Pre-Exceptional Items $m	2011 Exceptional Items (note 4) $m	2011 Total $m
Revenue from continuing operations	1	6,821.3	–	6,821.3	5.666.8	–	5.666.8
Cost of sales		(5,619.6)	–	(5,619.6)	(4,684.2)	(29.7)	(4,713.9)
Gross profit		1,201.7	–	1,201.7	982.6	(29.7)	952.9
Administrative expenses		(826.1)	(26.5)	(852.6)	(719.7)	(125.7)	(845.4)
Operating profit	1	375.6	(26.5)	349.1	262.9	(155.4)	107.5
Finance income	2	1.5	–	1.5	4.9	–	4.9
Finance expense	2	(14.4)	–	(14.4)	(13.7)	(3.8)	(17.5)
Profit before taxation from continuing operations	3	362.7	(26.5)	336.2	254.1	(159.2)	94.9
Taxation	5	(103.9)	4.1	(99.8)	(75.0)	26.7	(48.3)
Profit for the year from continuing operations		258.8	(22.4)	236.4	179.1	(132.5)	46.6
(Loss)/profit from discontinued operations, net of tax	1	(1.2)	23.0	21.8	36.1	2,220.1	2,256.2
Profit for the year		257.6	0.6	258.2	215.2	2,087.6	2,302.8
Profit attributable to:							
Owners of the parent		256.4	0.6	257.0	214.7	2,087.6	2,302.3
Non-controlling interests	25	1.2	–	1.2	0.5	–	0.5
		257.6	0.6	258.2	215.2	2,087.6	2,302.8
Earnings per share (expressed in cents per share)							
Basic	7	71.2	0.2	71.4	49.5	481.2	530.7
Diluted	7	68.8	0.2	69.0	47.8	465.2	513.0

The notes on pages 56 to 94 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year to 31 December 2012

	Note	2012 $m	2011 $m
Profit for the year		**258.2**	2,302.8
Other comprehensive income			
Actuarial losses on retirement benefit liabilities	**29**	**(8.5)**	(22.6)
Movement in deferred tax relating to retirement benefit liabilities	**5**	**2.1**	6.1
Cash flow hedges	**24**	**3.7**	(1.6)
Exchange movements on retranslation of foreign currency net assets	**24**	**41.3**	(31.1)
Exchange movements on retranslation of non-controlling interests	**25**	**0.1**	(0.2)
Total comprehensive income for the year		**296.9**	2,253.4
Total comprehensive income for the year is attributable to:			
Owners of the parent		**295.6**	2,253.1
Non-controlling interests	**25**	**1.3**	0.3
		296.9	2,253.4

The notes on pages 56 to 94 are an integral part of these consolidated financial statements.

Consolidated balance sheet
as at 31 December 2012

	Note	2012 $m	2011 $m
Assets			
Non-current assets			
Goodwill and other intangible assets	**8**	**1,839.1**	1,621.3
Property plant and equipment	**9**	**198.6**	150.0
Long-term receivables	**12**	**54.7**	42.0
Deferred tax assets	**19**	**39.4**	60.6
		2,131.8	1,873.9
Current assets			
Inventories	**11**	**439.5**	404.5
Trade and other receivables	**12**	**1,392.5**	1,320.9
Income tax receivable		**25.0**	28.7
Gross assets held for sale	**27**	**–**	26.4
Cash and cash equivalents	**13**	**172.3**	226.6
		2,029.3	2,007.1
Liabilities			
Current liabilities			
Borrowings	**15**	**45.3**	69.2
Trade and other payables	**14**	**1,188.0**	1,286.2
Gross liabilities held for sale	**27**	**–**	10.6
Income tax liabilities		**102.3**	139.2
		1,335.6	1,505.2
Net current assets		**693.7**	501.9
Non-current liabilities			
Borrowings	**15**	**281.5**	161.3
Deferred tax liabilities	**19**	**9.4**	5.7
Retirement benefit liabilities	**29**	**55.0**	45.8
Other non-current liabilities	**16**	**163.7**	98.7
Provisions	**18**	**80.6**	89.8
		590.2	401.3
Net assets		**2,235.3**	1,974.5
Equity attributable to owners of the parent			
Share capital	**21**	**23.5**	23.4
Share premium	**22**	**54.3**	7.7
Retained earnings	**23**	**1,640.7**	1,469.8
Other reserves	**24**	**508.6**	463.6
		2,227.1	1,964.5
Non-controlling interests	**25**	**8.2**	10.0
Total equity		**2,235.3**	1,974.5

The financial statements on pages 51 to 94 were approved by the Board of directors on 4 March 2013.

Bob Keiller, Director

Alan G Semple, Director

The notes on pages 56 to 94 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year to 31 December 2012

	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 2011		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	**5**	–	–	6.1	–	6.1	–	6.1
Cash flow hedges	**24**	–	–	–	(1.6)	(1.6)	–	(1.6)
Exchange movements on retranslation of foreign currency net assets	**24**	–	–		(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	**6**	–	–	(53.4)	–	(53.4)	(0.3)	(53.7)
Transactions with non-controlling interests	**25**	–	–	–	–	–	(0.9)	(0.9)
Credit relating to share-based charges	**20**	–	–	9.7	–	9.7	–	9.7
Tax credit relating to share option schemes	**5**	–	–	20.8	–	20.8	–	20.8
Shares issued in respect of the PSN acquisition	**21**	0.6	–	–	114.4	115.0	–	115.0
Proceeds from Group companies 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		–	–	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**
Profit for the year		–	–	257.0	–	257.0	1.2	258.2
Other comprehensive income:								
Actuarial losses on retirement benefit liabilities	**29**	–	–	(8.5)	–	(8.5)	–	(8.5)
Movement in deferred tax relating to retirement benefit liabilities	**5**	–	–	2.1	–	2.1	–	2.1
Cash flow hedges	**24**	–	–	–	3.7	3.7	–	3.7
Exchange movements on retranslation of foreign currency net assets	**24**	–	–	–	41.3	41.3	0.1	41.4
Total comprehensive income for the year		**–**	**–**	**250.6**	**45.0**	**295.6**	**1.3**	**296.9**
Transactions with owners:								
Dividends paid	**6**	–	–	(55.2)	–	(55.2)	(1.2)	(56.4)
Transactions with non-controlling interests	**25**	–	–	–	–	–	(1.9)	(1.9)
Credit relating to share-based charges	**20**	–	–	19.6	–	19.6	–	19.6
Tax credit relating to share option schemes	**5**	–	–	1.1	–	1.1	–	1.1
Proceeds from Group companies relating to options exercised under share symmetry scheme	**22**	–	43.5	(43.5)	–	–	–	–
Shares allocated to employee share trusts	**23**	0.1	3.1	(3.2)	–	–	–	–
Shares disposed of by employee share trusts	**23**	–	–	6.5	–	6.5	–	6.5
Exchange movements in respect of shares held by employee share trusts		–	–	(5.0)	–	(5.0)	–	(5.0)
At 31 December 2012		**23.5**	**54.3**	**1,640.7**	**508.6**	**2,227.1**	**8.2**	**2,235.3**

The notes on pages 56 to 94 are an integral part of these consolidated financial statements.

Consolidated cash flow statement
for the year to 31 December 2012

	Note	2012 $m	2011 $m
Cash generated from operations	26	**327.7**	284.5
Tax paid		**(134.7)**	(118.7)
Net cash generated from operating activities		**193.0**	165.8
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and borrowings acquired)	27	**(188.7)**	(979.4)
Cash impact of exceptional items		**(0.5)**	(16.4)
Proceeds from divestment of subsidiaries (net of cash and borrowings disposed and divestment costs)	27	**40.6**	2,793.6
Purchase of property, plant and equipment	9	**(69.4)**	(72.4)
Proceeds from sale of property, plant and equipment		**0.4**	3.5
Purchase of intangible assets	8	**(57.8)**	(32.0)
Proceeds from disposal of intangible assets		**–**	0.6
Investment by non-controlling interests		**–**	0.5
Net cash (used in)/from investing activities		**(275.4)**	1,698.0
Cash flows from financing activities			
Proceeds from bank loans	26	**89.0**	39.9
Return of cash to shareholders		**(7.7)**	(1,725.8)
Expenses relating to return of cash to shareholders		**–**	(14.9)
Purchase of shares by employee share trusts		**–**	(42.5)
Disposal of shares by employee share trusts	23	**6.5**	12.3
Interest received		**1.5**	4.6
Interest paid		**(11.3)**	(17.4)
Dividends paid to shareholders	6	**(55.2)**	(53.4)
Dividends paid to non-controlling interests	25	**(1.2)**	(0.3)
Net cash from/(used in) financing activities		**21.6**	(1,797.5)
Net (decrease)/increase in cash and cash equivalents	26	**(60.8)**	66.3
Effect of exchange rate changes on cash and cash equivalents	26	**6.5**	(19.8)
Opening cash and cash equivalents		**226.6**	180.1
Closing cash and cash equivalents	13	**172.3**	226.6

The notes on pages 56 to 94 are an integral part of these consolidated financial statements.

Notes to the financial statements
for the year to 31 December 2012

General information

John Wood Group PLC, its subsidiaries and joint ventures, provide services to the oil and gas and power generation industries worldwide. Details of the Group's activities during the year are detailed 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.

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 assumptions relating to oil prices, resource utilisation, foreign exchange rates, contract awards and contract margins. The outlook for the Group is discussed in the CEO's Q&A section of the Annual Report. Pre-tax discount rates of between 11% and 13% have been used to discount the CGU cash flows and a sensitivity analysis has also been performed (see note 8).

(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. Estimating the costs to completion and therefore the total contract costs is a key judgement in respect of the revenue recognition on these contracts.

(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.

(d) Retirement benefit liabilities

The value of the Group's retirement benefit liabilities is determined on an actuarial basis using a number of assumptions. Changes in these assumptions will impact the carrying value of the liability. The Group determines the appropriate discount rate to be used in the actuarial valuation at the end of each financial year following consultation with the retirement benefit scheme actuary. In determining the rate used, consideration is given to the interest rates of high-quality corporate bonds in the currency in which the benefits will be paid and that have terms to maturity similar to those of the related retirement benefit obligation. See note 29 for further details.

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:

	2012	2011
Average rate £1 = $	**1.5845**	1.6041
Closing rate £1 = $	**1.6255**	1.5541

Notes to the financial statements
for the year to 31 December 2012

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, on a basis that the directors consider to be prudent, once the outcome of the contract can be estimated reliably, which is when a contract is not less than 20% complete. 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 included in finance expense.

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

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 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.

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. Asset lives and residual values are assessed at each balance sheet date.

Notes to the financial statements
for the year to 31 December 2012

Accounting policies (continued)

Impairment
The Group performs impairment reviews in respect of PP&E and 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.

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. Bank overdrafts are included within borrowings in current liabilities. Where the Group uses pooling arrangements with a right of set-off, overdrafts and cash are netted and included in the appropriate category depending on the net position of the pool.

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. 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 2012

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 or finance income/expense 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.

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 fair 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.

Notes to the financial statements
for the year to 31 December 2012

Accounting policies (continued)

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

Share-based charges relating to employee share schemes
The Group has a number of employee share schemes:

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

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

(iii) The Group has a Long-Term Incentive 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 and is linked to movements in the Group's share price. 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 CEO. The Group's reportable segments are Wood Group Engineering, Wood Group PSN and Wood Group GTS.

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.

Wood Group Engineering offers a wide range of engineering 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, training, maintenance management and abandonment services. Wood Group GTS is an independent provider of rotating equipment services and solutions for clients in the power and oil & gas markets. These services include power plant engineering, procurement and construction; facility operations and maintenance; and repair, overhaul, optimisation and upgrades of gas and steam turbines, pumps, compressors and other high-speed rotating equipment.

Notes to the financial statements
for the year to 31 December 2012

Accounting policies (continued)

Disclosure of impact of new and future accounting standards
(a) Amended standards and interpretations not relevant to the Group

The following revisions and amendments to standards and interpretations are mandatory as of 1 January 2012 but are currently not relevant to the Group and have no impact to the Group's financial statements:

- Amendment to IFRS 7, 'Financial instruments: Transfers of financial assets'
- Amendment to IFRS 1 on hyperinflation and fixed dates
- Amendment to IAS 12, 'Income taxes' on deferred tax

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following relevant standards and amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods, but the Group has not early adopted them:

- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 19 (revised 2011) 'Employee benefits'
- IAS 27 (revised 2011) 'Separate financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendment to IFRS 1, 'Presentation of financial statements on Other Comprehensive Income'
- Amendment to IFRS 7 on Financial instruments asset and liability offsetting

The Group currently accounts for its interests in joint ventures using proportional consolidation. Under IFRS 11, proportional consolidation will not be permitted and therefore from 1 January 2014 the Group will account for its interests in joint ventures using equity accounting. The use of equity accounting will have no impact on Group profit for the year or earnings per share, but will impact the presentation of the Group's interests in joint ventures in the income statement and in the balance sheet.

The revision to IAS 19 will not have a material impact on the financial statements although it is expected that the net finance cost in the income statement will increase in future periods (see note 29 for further details).

The Group has yet to assess the full impact of the other 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 2012

1 Segmental reporting

The segment information provided to the CODM for the reportable operating segments for the year ended 31 December 2012 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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m
Wood Group Engineering	**1,787.3**	1,458.6	**231.2**	170.6	**220.0**	162.0	**187.8**	128.3
Wood Group PSN (3)	**3,690.7**	3,012.7	**219.9**	165.8	**205.0**	153.2	**146.1**	42.0
Wood Group GTS	**1,343.3**	1,195.5	**102.4**	91.8	**88.6**	78.8	**69.5**	(8.9)
Central costs (4)	**–**	–	**(48.9)**	(49.4)	**(52.5)**	(52.4)	**(54.3)**	(53.9)
Well Support – divested (5)	**–**	347.8	**–**	69.5	**–**	57.6	**27.2**	57.6
Wood Group GTS – divested (6)	**6.8**	37.7	**(1.7)**	(0.5)	**(2.0)**	(0.5)	**(2.0)**	(12.5)
Total (7)	**6,828.1**	6,052.3	**502.9**	447.8	**459.1**	398.7	**374.3**	152.6
Remove divested operations	**(6.8)**	(385.5)	**1.7**	(69.0)	**2.0**	(57.1)	**(25.2)**	(45.1)
Total continuing operations	**6,821.3**	5,666.8	**504.6**	378.8	**461.1**	341.6	**349.1**	107.5
Finance income							**1.5**	4.9
Finance expense							**(14.4)**	(17.5)
Profit before taxation from continuing operations							**336.2**	94.9
Taxation							**(99.8)**	(48.3)
Profit for the year from continuing operations							**236.4**	46.6
Profit from discontinued operations, net of tax (8)							**21.8**	2,256.2
Profit for the year							**258.2**	2,302.8

Notes
1 The Group's reportable segments are Wood Group Engineering, Wood Group PSN and Wood Group GTS.
2 Total continuing EBITDA represents operating profit of $349.1m (2011: $107.5m) before continuing depreciation of property plant and equipment of $43.5m (2011: $37.2m), amortisation of $85.5m (2011: $78.7m) and continuing exceptional items of $26.5m (2011: $155.4m). 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 2011 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 USA, 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 divested is an aero engine overhaul business which the Group sold in April 2012. The results of the aero engine overhaul business represent the trading from 1 January 2012 to 4 April 2012.
7 The figures on the total row are the sum of continuing and discontinued activity.
8 Profit from discontinued operations, net of tax, comprises loss before exceptional items of $1.2m (2011: profit $36.1m) and profit from exceptional items of $23.0m (2011: $2,220.1m). The loss before exceptional items is net of a tax credit of $0.8m. The profit from exceptional items is net of a tax charge of $4.2m.
9 Revenue arising from sales between segments is not material.

Notes to the financial statements
for the year to 31 December 2012

1 Segmental reporting (continued)

Segment assets and liabilities

	Wood Group Engineering $m	Wood Group PSN $m	Wood Group GTS $m	Well Support - divested $m	Wood Group GTS - divested $m	Unallocated $m	Total $m
At 31 December 2012							
Segment assets	**807.2**	**2,203.9**	**1,034.2**	**–**	**–**	**115.8**	**4,161.1**
Segment liabilities	**360.6**	**693.3**	**271.5**	**–**	**–**	**600.4**	**1,925.8**
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

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 was completed in May 2012 (note 27). Unallocated assets and liabilities includes income tax, deferred tax and cash and cash equivalents and borrowings where this relates to the financing of the Group's operations.

Other segment items

2012	Wood Group Engineering $m	Wood Group PSN $m	Wood Group GTS $m	Well Support - divested $m	Wood Group GTS - divested $m	Unallocated $m	Total $m
Capital expenditure							
– Property plant and equipment	**25.7**	**17.9**	**18.2**	**–**	**–**	**7.6**	**69.4**
– Intangible assets	**43.1**	**6.2**	**7.3**	**–**	**–**	**1.2**	**57.8**
Non-cash expense							
– Depreciation of property plant and equipment	**11.2**	**14.9**	**13.8**	**–**	**0.3**	**3.6**	**43.8**
– Amortisation of intangible assets	**18.4**	**55.8**	**9.5**	**–**	**–**	**1.8**	**85.5**
– Continuing exceptional items (non-cash element)	**13.3**	**3.1**	**9.6**	**–**	**–**	**–**	**26.0**
2011	$m	$m	$m	$m	$m	$m	$m
Capital expenditure							
– Property plant and equipment	16.1	18.0	18.9	15.0	0.8	2.7	71.5
– 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

Notes to the financial statements
for the year to 31 December 2012

1 Segmental reporting (continued)

Geographical segments

	Segment assets		Continuing revenue	
	2012	2011	**2012**	2011
	$m	$m	**$m**	Sm
UK	**1,066.1**	1,017.1	**1,823.2**	1,586.3
USA	**1,526.2**	1,308.2	**1,946.2**	1,517.9
Rest of the World	**1,568.8**	1,555.7	**3,051.9**	2,562.6
	4,161.1	3,881.0	**6,821.3**	5,666.8

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

	2012	**2011**
	$m	**$m**
Revenue by category is as follows:		
Sale of goods	**108.2**	100.2
Rendering of services	**6,713.1**	5,566.6
Revenue from continuing operations	**6,821.3**	5,666.8

2 Finance expense/(income)

	2012	2011
	$m	$m
Interest payable on bank borrowings	**11.2**	11.3
Bank facility fees expensed	**1.4**	1.1
Interest relating to discounting of deferred and contingent consideration	**1.8**	1.3
Finance expense pre-exceptional items	**14.4**	13.7
Bank facility fees relating to PSN acquisition	**–**	3.8
Finance expense – continuing operations	**14.4**	17.5
Interest receivable on short-term deposits	**(1.4)**	(4.4)
Other interest income – retirement benefit liabilities (note 29)	**(0.1)**	(0.5)
Finance income	**(1.5)**	(4.9)
Finance expense – continuing operations – net	**12.9**	12.6

Notes to the financial statements
for the year to 31 December 2012

3 Profit before taxation

	2012 $m	2011 $m
The following items have been charged/(credited) in arriving at profit before taxation:		
Employee benefits expense (note 28)	**3,064.0**	2,626.4
Impairment of inventories	**3.1**	14.2
Depreciation of property plant and equipment (note 9)	**43.8**	47.2
Amortisation of intangible assets (note 8)	**85.5**	78.7
Loss/(gain) on disposal of property plant and equipment	**1.3**	(0.1)
Other operating lease rentals payable:		
– Plant and machinery	**27.2**	21.6
– Property	**93.0**	84.3
Foreign exchange losses	**5.1**	7.3

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.

Services provided by the Group's auditor and associate firms

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

	2012 $m	2011 $m
Fees payable to the Group's auditors and its associate firms for the audit of parent company and consolidated financial statements	**0.8**	0.8
Fees payable to the Group's auditors and its associate firms for other services		
– Audit of Group companies pursuant to legislation	**1.7**	1.6
– Other services	**–**	1.2
– Tax services	**0.2**	0.2
	2.7	3.8

Other services in 2011 relates to due diligence and other transactional work in respect of the PSN acquisition, the divestment of the Well Support division and the return of cash to shareholders.

Notes to the financial statements
for the year to 31 December 2012

4 Exceptional items

	2012 $m	2011 $m
Exceptional items included in continuing operations		
Integration and restructuring charges	**14.6**	84.2
Impairment of goodwill (note 8)	**1.9**	46.2
Bad debt write offs	**10.0**	13.0
Acquisition costs	**–**	12.0
	26.5	155.4
Bank facility fees relating to PSN acquisition	**–**	3.8
	26.5	159.2
Taxation	**(4.1)**	(26.7)
Continuing operations exceptional items, net of tax	**22.4**	132.5
Exceptional items included in discontinued operations		
Gain on divestment – Well Support (note 27)	**(27.2)**	(2,305.7)
Write-down of assets in relation to aero engine overhaul business	**–**	12.0
	(27.2)	(2,293.7)
Taxation	**4.2**	73.6
Discontinued operations exceptional items, net of tax	**(23.0)**	(2,220.1)
Total exceptional items, net of tax	**(0.6)**	(2,087.6)

Integration and restructuring charges of $14.6m, mainly relating to decisions to withdraw from certain markets, were expensed during the year. Integration and restructuring charges of $84.2m, relating mainly to the PSN integration and the decision to exit from certain markets, were expensed in 2011.

Goodwill of $1.9m was impaired during the year as a result of the decision to exit from certain markets referred to above. Goodwill of $46.2m, mainly relating to a Wood Group GTS power related business, was impaired in 2011.

A net bad debt write-off of $10.0m was recorded in 2012. A charge of $16.8m was recorded in respect of engineering work carried out for ATP Oil and Gas Corporation (ATP). ATP filed a voluntary petition for reorganisation under Chapter 11 of the US Bankruptcy Code in August 2012. This write-off was partly offset by a credit of $6.8m in respect of cash recovered against the overdue Libyan receivables provision made in 2011 following political disruption in the country.

Acquisition costs of $12.0m and bank facility fees of $3.8m, relating mainly to the purchase of PSN were expensed in 2011.

The gain on divestment of Well Support arose primarily from the disposal of the Group's interest in a Middle Eastern business. There was no gain nor loss on the divestment of the Group's aero engine overhaul business, the assets having been written down in 2011.

In 2011 the gain on divestment of Well Support amounted to $2,305.7m, and a charge of $12.0m was made in relation to the write-down of the assets of the Group's aero engine overhaul business.

A tax credit of $4.1m (2011: $26.7m) was recorded in 2012 in relation to exceptional items on continuing operations. A tax charge of $4.2m (2011: $73.6m) was recorded in relation to the net gain on discontinued exceptional items.

Notes to the financial statements
for the year to 31 December 2012

5 Taxation

	2012 $m	2011 $m
Current tax		
– Current year	**107.5**	117.9
– Adjustment in respect of prior years	**4.7**	(4.8)
	112.2	113.1
Deferred tax		
– Current year	**(15.7)**	(33.0)
– Adjustment in respect of prior years	**7.4**	(5.1)
Tax charge – pre-exceptional items	**103.9**	75.0
Tax on continuing exceptional items (note 4)	**(4.1)**	(26.7)
Tax charge – continuing operations	**99.8**	48.3

Tax on items (credited)/charged to equity	2012 $m	2011 $m
Deferred tax movement on retirement benefit liabilities	**(2.1)**	(6.1)
Deferred tax relating to share option schemes	**8.6**	(13.9)
Current tax relating to share option schemes	**(9.7)**	(6.9)
Current tax relating to foreign exchange on return of cash to shareholders	**–**	(3.6)
Total credited to equity	**(3.2)**	(30.5)

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 2012 due to the change in mix of the tax jurisdictions in which the Group operates. The tax charge for the year is higher (2011: higher) than the expected tax charge due to the following factors:

	2012 $m	2011 $m
Profit before taxation from continuing operations pre-exceptional items	**362.7**	254.1
Profit before tax at expected rate of 27.35% (2011: 28.6%)	**99.2**	72.7
Effects of:		
Adjustments in respect of prior years	**12.1**	(9.9)
Non-recognition of losses and other attributes	**12.0**	5.7
Effect of tax on dividends and other foreign taxes	**4.2**	5.6
Other permanent differences	**(23.6)**	0.9
Tax charge pre-exceptional items	**103.9**	75.0

Other permanent differences include adjustments for share-based charges, research and development allowances and changes in unrecognised tax attributes.

Notes to the financial statements
for the year to 31 December 2012

6 Dividends

	2012 $m	2011 $m
Dividends on ordinary shares		
Final dividend paid – year ended 31 December 2011: 9.6 cents (2011: 7.6 cents) per share	**34.6**	39.3
Interim dividend paid – year ended 31 December 2012: 5.7 cents (2011: 3.9 cents) per share	**20.6**	14.1
	55.2	53.4

The directors are proposing a final dividend in respect of the financial year ended 31 December 2012 of 11.3 cents per share. The final dividend will be paid on 22 May 2013 to shareholders who are on the register of members on 19 April 2013. The financial statements do not reflect the final dividend, the payment of which will result in an estimated $40.9m reduction in equity attributable to owners of the parent.

7 Earnings per share

	2012			2011		
	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	**256.4**	**360.0**	**71.2**	214.7	433.8	49.5
Exceptional items, net of tax	**0.6**	**360.0**	**0.2**	2,087.6	433.8	481.2
Basic	**257.0**	**360.0**	**71.4**	2,302.3	433.8	530.7
Effect of dilutive ordinary shares	**–**	**12.6**	**(2.4)**	–	15.0	(17.7)
Diluted	**257.0**	**372.6**	**69.0**	2,302.3	448.8	513.0
Exceptional items, net of tax	**(0.6)**	**372.6**	**(0.2)**	(2,087.6)	448.8	(465.2)
Diluted pre-exceptional items	**256.4**	**372.6**	**68.8**	214.7	448.8	47.8
Amortisation, net of tax	**61.0**	**–**	**16.4**	55.5	–	12.4
Adjusted diluted	**317.4**	**372.6**	**85.2**	270.2	448.8	60.2
Adjusted basic	**317.4**	**360.0**	**88.2**	270.2	433.8	62.3

Basic discontinued earnings per share for the year is 6.1 cents (2011: 520.0 cents) and diluted discontinued earnings per share is 5.9 cents (2011: 502.7 cents).

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 are disclosed to show the results excluding the impact of exceptional items and amortisation, net of tax.

Notes to the financial statements
for the year to 31 December 2012

8 Goodwill and intangible assets

	Goodwill $m	Software and development costs $m	Intangibles arising on acquisition $m	Total $m
Cost				
At 1 January 2012	1,465.0	140.0	252.2	1,857.2
Exchange movements	28.6	3.6	5.6	37.8
Additions	–	57.8	–	57.8
Acquisitions (note 27)	156.7	–	57.6	214.3
Disposals	–	(8.9)	–	(8.9)
At 31 December 2012	**1,650.3**	**192.5**	**315.4**	**2,158.2**
Aggregate amortisation and impairment				
At 1 January 2012	54.3	86.8	94.8	235.9
Exchange movements	–	2.1	2.3	4.4
Amortisation charge for the year	–	28.4	57.1	85.5
Impairment	1.9	–	–	1.9
Disposals	–	(8.6)	–	(8.6)
At 31 December 2012	**56.2**	**108.7**	**154.2**	**319.1**
Net book value at 31 December 2012	**1,594.1**	**83.8**	**161.2**	**1,839.1**
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

In accordance with IAS 36 'Impairment of assets', goodwill was tested for impairment during the year. The impairment tests were carried out against the Group's Cash Generating Units (CGU), being the key Strategic Business Units (SBUs) within the three operating divisions, which are aligned with how the Group manages and monitors performance.

Notes to the financial statements
for the year to 31 December 2012

8 Goodwill and intangible assets (continued)

Value-in-use calculations have been prepared for each CGU using the cash flow projections included in the financial budgets approved by management for 2013/2014. Cash flows beyond this period are extrapolated using a growth rate of 3% per annum for a further three-year period. A terminal value is applied thereafter in order to calculate long-term estimated cash flows using the same anticipated long-term growth rate of 3% across all CGUs. The growth rate used does not exceed the long-term average growth rates for the regions in which the CGUs operate. The cash flows have been discounted using pre-tax discount rates appropriate for each CGU.

Division	Cash Generating Unit	Goodwill carrying value ($m)	Average pre-tax discount rate used
Wood Group Engineering	IMV	128.4	
	Wood Group Mustang	219.8	13%
	Wood Group Kenny	60.0	
Wood Group PSN	WG PSN International (Australia)	183.4	
	WG PSN International (Africa)	117.3	
	WG PSN International (Other)	13.7	11%
	WG PSN Americas	295.1	
	WG PSN UK	434.5	
	WG PSN Services	45.1	
Wood Group GTS	Aero Derivative	12.1	
	Oil & Gas and Industrial Services	18.0	
	Power Plant Services	18.9	12%
	Equipment and Project Solutions	38.2	
	Other Wood Group GTS	9.6	

Details of the key assumptions underlying the cash flows are included in critical accounting judgements and estimates in the Accounting Policies on page 56.

The value-in-use has been compared to the carrying value for each CGU. $1.9m of goodwill, which relates to a market from which the Group is exiting, has been written off during the year. $46.2m of goodwill was impaired during 2011.

A sensitivity analysis has been performed on the basis that the expected long-term growth rate falls to 2% and that the discount rates are 1% higher than those above 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 impairment.

In 2011, the goodwill impairment test was performed using budgeted and extrapolated cash flows for a 20-year period. In addition, the 2011 impairment test utilised a single discount rate of 10% for all CGUs.

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

Development costs with a net book value of $20.8m (2011: $22.9m) are internally generated intangible assets.

Notes to the financial statements
for the year to 31 December 2012

9 Property plant and equipment

	Land and buildings Long leasehold and freehold $m	Short leasehold $m	Plant and equipment $m	Total $m
Cost				
At 1 January 2012	55.5	30.3	280.2	366.0
Exchange movements	0.7	0.4	4.1	5.2
Additions	5.6	6.9	56.9	69.4
Acquisitions	2.2	0.2	28.1	30.5
Disposals	(0.1)	(3.9)	(14.7)	(18.7)
Divestment of business (note 27)	(4.8)	–	(7.9)	(12.7)
Reclassifications	17.8	(4.4)	(13.4)	–
At 31 December 2012	**76.9**	**29.5**	**333.3**	**439.7**
Accumulated depreciation and impairment				
At 1 January 2012	19.3	18.3	178.4	216.0
Exchange movements	0.3	0.3	4.2	4.8
Charge for the year	3.5	3.1	37.2	43.8
Impairment	–	–	4.9	4.9
Disposals	(0.1)	(3.8)	(13.1)	(17.0)
Divestment of business (note 27)	(4.2)	–	(7.2)	(11.4)
Reclassifications	5.7	(3.1)	(2.6)	–
At 31 December 2012	**24.5**	**14.8**	**201.8**	**241.1**
Net book value at 31 December 2012	**52.4**	**14.7**	**131.5**	**198.6**

The assets of businesses divested during the year were reclassified as gross assets held for sale in the Group balance sheet at 31 December 2011. Property, plant and equipment with a book value of $1.3m that was part of one of those divestments was not reclassified as held for sale at that time as it was anticipated that the Group would retain ownership of those assets. These assets are shown on the divestment of business line in the above table.

Notes to the financial statements
for the year to 31 December 2012

9 Property plant and equipment (continued)

	Land and buildings			
	Long leasehold and freehold $m	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**

There were no assets in the course of construction at 31 December 2012 (2011: $17.3m).

Notes to the financial statements
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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.

	2012 $m	2011 $m
Non-current assets	**65.2**	58.7
Current assets	**312.8**	268.4
Current liabilities	**(192.9)**	(175.8)
Non-current liabilities	**(26.1)**	(5.0)
Net assets	**159.0**	146.3
Income	**532.3**	445.4
Expenses	**(497.5)**	(412.2)
Profit before tax	**34.8**	33.2
Tax	**(12.2)**	(11.2)
Share of post-tax results from joint ventures	**22.6**	22.0

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 activities of the most significant joint ventures is disclosed in note 34.

11 Inventories

	2012 $m	2011 $m
Materials	**53.6**	46.9
Work in progress	**115.3**	103.1
Finished goods and goods for resale	**270.6**	254.5
	439.5	404.5

12 Trade and other receivables

	2012 $m	2011 $m
Trade receivables	**1,150.1**	1,010.6
Less: provision for impairment of trade receivables	**(43.3)**	(50.9)
Trade receivables – net	**1,106.8**	959.7
Amounts recoverable on contracts	**105.9**	171.2
Prepayments and accrued income	**87.0**	104.9
Other receivables	**92.8**	85.1
Trade and other receivables – current	**1,392.5**	1,320.9
Long-term receivables	**54.7**	42.0
Total receivables	**1,447.2**	1,362.9

Notes to the financial statements
for the year to 31 December 2012

12 Trade and other receivables (continued)

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

31 December 2012	Trade receivables – gross $m	Provision for impairment $m	Trade receivables – net $m	Receivable days
Wood Group Engineering	**299.7**	**(21.7)**	**278.0**	**56**
Wood Group PSN	**651.5**	**(14.0)**	**637.5**	**53**
Wood Group GTS	**198.9**	**(7.6)**	**191.3**	**33**
Total Group	**1,150.1**	**(43.3)**	**1,106.8**	**51**
31 December 2011				
Wood Group 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

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 51 indicates that closing trade receivables represent the most recent 51 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:

	2012 $m	2011 $m
Up to 3 months	**10.4**	14.0
Over 3 months	**32.9**	36.9
	43.3	50.9

Notes to the financial statements
for the year to 31 December 2012

12 Trade and other receivables (continued)

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

2012	Wood Group Engineering $m	Wood Group PSN $m	Wood Group GTS $m	Well Support $m	Total $m
At 1 January	27.2	15.4	8.3	–	50.9
Exchange movements	0.5	0.2	–	–	0.7
Credit to income statement	(6.0)	(1.8)	(0.7)	–	(8.5)
Acquisitions	–	0.2	–	–	0.2
At 31 December	**21.7**	**14.0**	**7.6**	**–**	**43.3**
2011					
At 1 January	17.9	6.3	5.2	27.1	56.5
Exchange movements	(0.6)	(0.2)	–	–	(0.8)
Charge to income statement	9.9	2.2	3.1	4.6	19.8
Acquisitions	–	7.1	–	–	7.1
Divestment of businesses		–	–	(31.7)	(31.7)
At 31 December	27.2	15.4	8.3	–	50.9

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 $1,150.1m above (2011: $1,010.6m) are receivables of $214.3m (2011: 209.6m) which were past due but not impaired. These relate to customers for whom there is no recent history or expectation of default. The ageing analysis of these trade receivables is as follows:

	2012 $m	2011 $m
Up to 3 months overdue	**158.6**	183.0
Over 3 months overdue	**55.7**	26.6
	214.3	209.6

Construction contracts

Financial information in respect of Engineering, Procurement and Construction (EPC) contracts carried out by Wood Group GTS is presented below:

	2012 $m	2011 $m
Contract costs incurred and recognised profit for projects to date	**867.4**	409.3
Contract revenue recognised in the year	**458.1**	366.1
Receivables for work done under these contracts at the balance sheet date	**90.3**	145.4

Notes to the financial statements
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13 Cash and cash equivalents

	2012 $m	2011 $m
Cash at bank and in hand	**157.9**	171.6
Short-term bank deposits	**14.4**	55.0
	172.3	226.6

The effective interest rate on short-term deposits was 1.6% (2011: 3.5%) and these deposits have an average maturity of 31 days (2011: 8 days).

At 31 December 2012 the Group held $10.0m of cash (2011: $9.9m) in its insurance captive subsidiary to comply with local regulatory requirements.

14 Trade and other payables

	2012 $m	2011 $m
Trade payables	**447.4**	520.8
Other tax and social security payable	**83.3**	86.9
Accruals and deferred income	**534.6**	576.4
Deferred and contingent consideration	**14.1**	27.0
Other payables	**108.6**	75.1
	1,188.0	1,286.2

15 Borrowings

	2012 $m	2011 $m
Bank loans and overdrafts due within one year or on demand		
Unsecured	**45.3**	69.2
Non-current bank loans		
Unsecured	**281.5**	161.3

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:

	2012 %	2011 %
US dollar	**1.11**	2.06
Sterling	**2.36**	2.83
Euro	**1.45**	2.28
Canadian dollar	**2.40**	2.30

Notes to the financial statements
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15 Borrowings (continued)

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

	2012 $m	2011 $m
US dollar	**131.1**	36.5
Sterling	**68.4**	68.1
Euro	**63.1**	57.8
Canadian dollar	**57.3**	54.0
Other	**6.9**	14.1
	326.8	230.5

The Group is required to issue trade finance instruments to certain customers. These include tender bonds, performance bonds, retention bonds, advance payment bonds and standby letters of credit. At 31 December 2012 the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to $702.3m (2011: $797.1m). At 31 December 2012, these facilities were 51% utilised (2011: 51%).

Borrowing facilities

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

	2012 $m	2011 $m
Expiring within one year	**101.8**	101.2
Expiring between one and two years	**518.5**	–
Expiring between two and five years	**–**	638.7
	620.3	739.9

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review at various dates during 2013. In February 2013, the Group increased its bilateral facilities from $800m to $950m, with the maturity date being extended to February 2018. The Group was in compliance with its bank covenants throughout the year.

16 Other non-current liabilities

	2012 $m	2011 $m
Deferred and contingent consideration	**76.5**	37.9
Other payables	**87.2**	60.8
	163.7	98.7

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

Notes to the financial statements
for the year to 31 December 2012

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 2012 (2011:10%), post-tax profit for the year would have been $10.6m higher or lower (2011: $10.6m). If the closing sterling/US dollar rate was 10% higher or lower at 31 December 2012 (2011:10%), exchange differences in equity would have been $48.0m (2011: $28.8m) 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. At 31 December 2012, 19% (2011: 47%) 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 2012 (2011: 1%), post-tax profit for the year would have been $1.9m higher or lower respectively (2011: $1.3m). 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.

(b) Credit risk

The Group's credit risk primarily relates to its trade receivables. The Group's operations comprise three divisions, Wood Group 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.

Notes to the financial statements
for the year to 31 December 2012

17 Financial instruments (continued)

Management review trade receivables across the Group based on receivable days calculations to assess performance. There is significant management focus on receivables that are overdue. A table showing trade receivables and receivable days by division is provided in note 12. Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is a relevant metric.

The Group also has credit risk in relation to cash held on deposit. The Group's policy is to deposit cash at institutions with a credit rating of 'A' or better where possible. 100% of cash held on deposit at 31 December 2012 (2011: 74%) 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 2012, 96% (2011: 91%) 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.

In February 2013, the Group increased its bilateral facilities from $800m to $950m, with the maturity date being extended to February 2018.

(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 2012 was 6.9% (2011: 0.2%).

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 2012 was 35.7 times (2011: 38.8 times).

The ratio of net debt to continuing EBITDA at 31 December 2012 was 0.31 (2011: 0.01).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Draw-downs under long-term bank facilities are for periods of three months or less and are not therefore discounted and loan interest payable is excluded from the amounts below.

At 31 December 2012	**Less than 1 year $m**	**Between 1 and 2 years $m**	**Between 2 and 5 years $m**	**Over 5 years $m**
Borrowings	**45.3**	**281.5**	**–**	**–**
Trade and other payables	**1,104.7**	**–**	**–**	**–**
Other non-current liabilities	**–**	**62.1**	**107.1**	**–**
At 31 December 2011				
Borrowings	69.2	–	161.3	–
Trade and other payables	1,199.3	–	–	–
Other non-current liabilities	–	28.5	70.2	–

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. Draw-downs 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.

Notes to the financial statements
for the year to 31 December 2012

18 Provisions

	Warranty provisions $m	Other provisions $m	Total $m
At 1 January 2012	14.2	75.6	89.8
Exchange movements	0.3	–	0.3
Charge/(credit) to income statement	4.8	(12.2)	(7.4)
Acquisitions	–	1.6	1.6
Payments during the year	(3.7)	–	(3.7)
At 31 December 2012	**15.6**	**65.0**	**80.6**

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 2012, other provisions of $65.0m (2011: $75.6m) 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 23% (2011: 25%).

The movement on the deferred tax account is shown below:

	2012 $m	2011 $m
At 1 January	**(54.9)**	(97.9)
Exchange movements	**(4.3)**	2.3
Credit to income statement	**(8.3)**	(33.9)
Acquisitions (note 27)	**31.0**	69.5
Divestment of business	**–**	25.1
Deferred tax relating to retirement benefit liabilities	**(2.1)**	(6.1)
Deferred tax relating to share option schemes	**8.6**	(13.9)
At 31 December	**(30.0)**	(54.9)

Deferred tax is presented in the financial statements as follows:

Deferred tax assets	**(39.4)**	(60.6)
Deferred tax liabilities	**9.4**	5.7
	(30.0)	(54.9)

Notes to the financial statements
for the year to 31 December 2012

19 Deferred tax (continued)

There is no deferred tax relating to discontinued activities included within the credit to the income statement shown in the above table (2011: credit $4.2m).

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 $192.7m (2011: $147.6m) 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:

2012	Accelerated tax depreciation $m	Pension $m	Share-based charges $m	Short-term timing differences $m	Losses $m	Total $m
Deferred tax assets	71.5	(12.7)	(31.3)	(64.9)	(2.0)	(39.4)
Deferred tax liabilities	–	–	–	9.4	–	9.4
Net deferred tax liability/(asset)	**71.5**	**(12.7)**	**(31.3)**	**(55.5)**	**(2.0)**	**(30.0)**

2011	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.

The charge to operating profit in 2012 for these schemes amounted to $26.2m (2011: $19.2m). $19.6m (2011: $16.0m) of the total charge is credited to retained earnings and $6.6m (2011: $3.2m), relating to the LTCIP, is included in other non-current liabilities as the LTCIP is a cash settled scheme.

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

ESOS and LTRP

Around 1,200 employees participate 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 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. The rate used ranges from 0.5% to 4.4%. A dividend yield of between 1.0% and 2.0% has been used in the calculations.

The fair value of options granted under the ESOS during the year was £2.09 (2011: £1.62). The fair value of options granted under the LTRP during the year was £6.43 (2011: £4.94 to £6.38). The weighted average remaining contractual life of share options at 31 December 2012 is 5.6 years (2011: 5.7 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, £5.10 for the fourth cycle and £6.18 for the fifth 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.

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20 Share-based charges (continued)

LTCIP

The share-based charge for the LTCIP was calculated using a fair value of £7.01 (2011: £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. Payments under the LTCIP are linked to movements in the Group's share price.

Executive Share Option Schemes

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

	Number of ordinary shares under option		Exercise price	
Year of grant	**2012**	2011	**(per share)**	**Exercise period**
2003	**72,500**	162,500	158p	2007–2013
2004	**160,000**	455,584	128½p	2008–2014
2005	**20,000**	30,000	145p	2009–2015
2006	**48,500**	109,500	265¼p	2010–2016
2007	**102,290**	231,660	268½p	2011–2017
2008	**254,346**	937,111	381¾p	2012–2018
2008	**29,850**	81,460	354⅓p	2012–2018
2009	**2,498,791**	2,818,105	222p	2013–2019
2009	**50,000**	55,836	283⅔p	2013–2019
2010	**2,556,687**	2,805,667	377½p	2014–2020
2011	**1,938,166**	2,031,500	529½p	2015–2021
2012	**1,919,865**	–	680½p	2016–2022
2012	**5,000**	–	802p	2016–2022
	9,655,995	9,718,923		

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.

687,486 options (2011: 989,244) were exercisable at 31 December 2012. 1,964,000 options were granted during the year, 1,438,477 options were exercised during the year and 588,451 options lapsed during the year. The weighted average share price for ESOS options exercised during the year was £7.59 (2011: £6.49).

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:

	Number of ordinary shares under option		Exercise price	
Year of grant	**2012**	2011	**(per share)**	**Exercise period**
2007	**–**	106,500	3⅓p	2011-2012
2008	**145,000**	1,159,959	3⅓p	2012-2013
2009	**2,201,000**	2,502,932	3⅓p	2013-2014
2010	**1,029,042**	1,160,270	3⅓p	2014-2015
2011	**75,000**	75,000	3⅓p	2015-2016
2011	**569,500**	588,000	$4\frac{2}{7}$p	2015-2016
2012	**896,334**	–	$4\frac{2}{7}$p	2016-2017
	4,915,876	5,592,661		

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20 Share-based charges (continued)

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. 145,000 options (2011: 106,500) were exercisable at 31 December 2012. 928,500 LTRP options were granted during the year, 1,279,681 LTRP options were exercised during the year and 325,604 LTRP options lapsed during the year. The weighted average share price for LTRP options exercised during the year was £7.51 (2011: £6.52). 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 and certain 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 forfeitable 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 2012, 4,448,914 shares were potentially issuable under this scheme. Further details of the LTIP are provided in the Directors' Remuneration Report.

21 Share capital

Ordinary shares of 4²⁄₇ pence each (2011: 4²⁄₇ pence)		**2012**		2011
Issued and fully paid	**shares**	**$m**	shares	$m
At 1 January	**371,275,384**	**23.4**	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**	1,900,000	0.1
At 31 December	**373,175,384**	**23.5**	371,275,384	23.4

On 20 December 2012, 1,900,000 new shares of 4²⁄₇ pence were issued to the employee share trusts at prices ranging from 4²⁄₇ pence to 222 pence.

During 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). In addition, four new shares were issued prior to the reorganisation of the Company's share capital. The reorganisation of the Company's share capital resulted in seven 4²⁄₇ pence shares being issued for each existing nine 3⅓ pence shares. During 2011, 1,900,000 new shares were issued to the employee share trusts.

22 Share premium

	2012	2011
	$m	$m
At 1 January	**7.7**	315.8
Adjustment relating to options exercised under share symmetry scheme	**43.5**	6.0
Issue of 'B' shares	**–**	(321.7)
Allocation of new shares to employee share trusts	**3.1**	7.6
At 31 December	**54.3**	7.7

During the year, the Company received $43.5m (2011: $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 20 December 2012, 1,900,000 new shares of 4²⁄₇ pence were issued to the employee share trusts at prices ranging from 4²⁄₇ pence to 222 pence and $3.1m was credited to the share premium account.

During 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). 1,900,000 new shares were issued to the employee share trusts with $7.6m being credited to the share premium account.

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23 Retained earnings

	2012 $m	2011 $m
At 1 January	**1,469.8**	1,007.6
Profit for the year attributable to owners of the parent	**257.0**	2,302.3
Dividends paid (note 6)	**(55.2)**	(53.4)
Credit relating to share-based charges (note 20)	**19.6**	9.7
Actuarial loss on retirement benefit liabilities (note 29)	**(8.5)**	(22.6)
Movement in deferred tax relating to retirement benefit liabilities	**2.1**	6.1
Proceeds from Group companies relating to options exercised under share symmetry scheme	**(43.5)**	(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	**(3.2)**	(7.7)
Shares purchased by employee share trusts	**–**	(42.5)
Shares disposed of by employee share trusts	**6.5**	12.3
Cash received by employee share trusts from the return of cash to shareholders	**–**	25.0
Tax credit relating to share option schemes	**1.1**	20.8
Exchange movements in respect of shares held by employee share trusts	**(5.0)**	1.4
At 31 December	**1,640.7**	1,469.8

During 2012, the parent company received $43.5m (2011: $6.0m) of proceeds from Group companies relating to the exercise of employee share options under the share symmetry scheme. This amount was credited to share premium in the parent company and an equivalent amount deducted from retained earnings on consolidation.

In 2011, the return of cash to shareholders via the purchase and redemption of shares and a deferred share dividend resulted in a deduction of $1,758.5m from retained earnings. Full details are provided in the 2011 Annual Report and Accounts.

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investment in own shares represents the cost of 11,599,912 (2011: 14,696,669) of the Company's ordinary shares totalling $112.7m (2011: $111.0m). No options have been granted over shares held by the employee share trusts (2011: 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 2012, 1,900,000 new shares were allocated to the employee share trust at a value of $3.2m. 2,718,158 shares were issued during the year to satisfy the exercise of share options at a value of $6.5m. 2,278,599 shares were issued during the year to satisfy share awards under the Long-Term Incentive Plan.

Exchange adjustments of $5.0m (2011: $1.4m) 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 2012 was $137.0m (2011: $146.4m) based on the closing share price of £7.27 (2011: £6.41). 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 2011	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
Exchange movements on retranslation of foreign currency net assets	**–**	**–**	**–**	**41.3**	**–**	**41.3**
Cash flow hedges	**–**	**–**	**–**	**–**	**3.7**	**3.7**
At 31 December 2012	**88.1**	**439.7**	**–**	**(18.2)**	**(1.0)**	**508.6**

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 relates to the retranslation of 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

	2012 $m	2011 $m
At 1 January	**10.0**	10.9
Exchange movements	**0.1**	(0.2)
Share of profit for the year	**1.2**	0.5
Dividends paid to non-controlling interests	**(1.2)**	(0.3)
Non-controlling interests arising on business combinations	**(0.3)**	0.4
Disposal of non-controlling interests	**(1.2)**	–
Other transactions with non-controlling interests	**(0.4)**	(1.3)
At 31 December	**8.2**	10.0

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26 Cash generated from operations

	2012 $m	2011 $m
Reconciliation of operating profit to cash generated from operations:		
Operating profit from continuing operations before exceptional items	**375.6**	262.9
Operating (loss)/profit from discontinued operations before exceptional items	**(2.0)**	57.1
Adjustments for:		
Depreciation	**43.8**	47.2
Loss/(gain) on disposal of property plant and equipment	**1.3**	(0.1)
Amortisation of intangible assets	**85.5**	78.7
Share-based charges	**26.2**	19.2
Decrease in provisions	**(8.1)**	(3.1)
Changes in working capital (excluding effect of acquisition and divestment of subsidiaries)		
Increase in inventories	**(43.7)**	(51.4)
Increase in receivables	**(50.1)**	(232.1)
(Decrease)/increase in payables	**(99.1)**	96.4
Exchange movements	**(1.7)**	9.7
Cash generated from operations	**327.7**	284.5

Analysis of net debt

	At 1 January 2012 $m	Cash flow $m	Exchange movements $m	At 31 December 2012 $m
Cash and cash equivalents	226.6	(60.8)	6.5	**172.3**
Short-term borrowings	(69.2)	26.5	(2.6)	**(45.3)**
Long-term borrowings	(161.3)	(115.5)	(4.7)	**(281.5)**
Net debt	(3.9)	(149.8)	(0.8)	**(154.5)**

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27 Acquisitions and divestments

Acquisitions

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

	Total $m
Property plant and equipment	30.5
Intangible assets recognised on acquisition	57.6
Trade and other receivables	22.3
Cash	5.9
Bank borrowings	(18.7)
Trade and other payables	(21.0)
Income tax liabilities	(0.5)
Deferred tax liabilities	(31.0)
Provisions	(1.6)
Total identifiable net assets acquired	**43.5**
Goodwill	156.7
Non-controlling interests	0.3
Consideration	**200.5**
Consideration satisfied by:	
Cash	175.9
Deferred and contingent consideration	24.6
	200.5

The Group has used acquisition accounting for the purchases and, in accordance with the Group's accounting policies, the goodwill arising on consolidation of $156.7m has been capitalised.

During the year the Group acquired 100% of the share capital of Mitchell's Oilfield Services Inc (Mitchell's) and 100% of the share capital of Duval. The acquisitions are not considered to be material to the Group on an individual basis and therefore have been aggregated in the table above.

The acquisitions of Mitchell's and Duval provide the Group with access to the oil-rich Eagle Ford and Bakken shale regions in the USA, strengthening the Group's capabilities in the US onshore market. The acquired companies will be in a position to access the Group's wider client base and use the Group's resources to further grow and develop their businesses. These factors contribute to the goodwill recognised on the acquisitions.

Provisional fair value adjustments of $57.6m, representing the fair value of customer contracts, have been recorded in relation to the acquisitions made in the year.

Adjustments of $7.6m have been made in respect of the provisional fair value adjustments recorded in 2011 and consequently goodwill has increased by this amount. These adjustments made are not considered material to the financial statements and the comparative balance sheet has therefore not been restated.

Notes to the financial statements
for the year to 31 December 2012

27 Acquisitions and divestments (continued)

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

	$m
Cash consideration	**175.9**
Cash acquired	**(5.9)**
Borrowings acquired	**18.7**
Cash outflow	**188.7**

Included in the cash outflow above are deferred and contingent consideration payments of $30.4m made during the year in respect of acquisitions made in prior periods.

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	**6,921.2**
Continuing EBITA	**483.0**

From the date of acquisition to 31 December 2012, the acquisitions contributed $52.1m to revenue and $11.5m to EBITA.

Divestments

On 4 April 2012, the Group divested its aero engine overhaul business and in May 2012, the Group completed the disposal of a Well Support business in the Middle East, the sale of which was agreed at the time of the Well Support divestment in April 2011. In total, proceeds of $43.0m were received for these two businesses.

The assets and liabilities disposed of were reclassified as gross assets and liabilities held for sale in the Group balance sheet at 31 December 2011. Property, plant and equipment with a book value of $1.3m that was part of one of these divestments was not reclassified as held for sale at that time as it was anticipated that the Group would retain ownership of those assets.

Details of the assets and liabilities divested were as follows:

	$m
Property plant and equipment	7.6
Goodwill and intangible assets	1.4
Inventories	14.1
Trade and other receivables	10.6
Cash and cash equivalents	0.4
Borrowings	(0.2)
Trade and other payables	(16.9)
	17.0
Non-controlling interests	(1.2)
Net assets divested	**15.8**
Gross proceeds received	43.0
Gain on divestment before tax	**27.2**
Tax	(4.2)
Net gain on divestment after tax (see note 4)	**23.0**

Notes to the financial statements
for the year to 31 December 2012

27 Acquisitions and divestments (continued)

The inflow of cash and cash equivalents in relation to the divestments is analysed as follows:

	$m
Gross proceeds received	43.0
Divestment costs paid	(2.2)
Cash divested	(0.4)
Borrowings divested	0.2
Net cash inflow from divestment	**40.6**

In 2011, the Group divested its Well Support division to GE. Proceeds less costs of disposal amounted to $2,781.5m and the net assets divested were $475.8m. The resulting gain on sale of $2,305.7m was shown as an exceptional item in the 2011 income statement.

28 Employees and directors

Employee benefits expense	**2012 $m**	2011 $m
Wages and salaries	**2,758.8**	2,355.2
Social security costs	**184.1**	170.9
Pension costs – defined benefit schemes (note 29)	**7.4**	7.8
Pension costs – defined contribution schemes (note 29)	**87.5**	73.3
Share-based charges	**26.2**	19.2
	3,064.0	2,626.4

Average monthly number of employees (including executive directors)	**2012 No.**	2011 No.
By geographical area:		
UK	**7,791**	6,909
USA	**9,896**	9,211
Rest of the World	**15,792**	11,728
	33,479	27,848

Key management compensation	**2012 $m**	2011 $m
Salaries and short-term employee benefits	**20.2**	25.8
Amounts receivable under long-term incentive schemes	**4.8**	4.1
Social security costs	**3.0**	3.3
Post-employment benefits	**1.1**	1.2
Share-based charges	**9.4**	7.5
	38.5	41.9

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

Notes to the financial statements
for the year to 31 December 2012

28 Employees and directors (continued)

Directors	2012 $m	2011 $m
Aggregate emoluments	**6.2**	11.4
Aggregate amounts receivable under long-term incentive schemes	**1.6**	2.1
Aggregate gains made on the exercise of share options	**4.1**	2.8
Share-based charges	**2.7**	2.6
	14.6	18.9

Aggregate emoluments in 2011 included a special incentive payment to the Well Support executive director, J Renfroe, on completion of the disposal of the business in April 2011.

Two directors (2011: one) have retirement benefits accruing under a defined contribution pension scheme. Retirement benefits are accruing to two (2011: four) directors under the Company's defined benefit pension scheme. Further details of director's 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:

	2012 %	2011 %
Rate of increase in pensionable salaries	**5.00**	4.90
Rate of increase in pensions in payment and deferred pensions	**3.00**	2.90
Discount rate	**4.50**	4.80
Expected return on scheme assets	**6.27**	7.00

The expected return on scheme assets for 2012 is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation. From 1 January 2013, the expected return on scheme assets will be set at a rate equivalent to the discount rate. The impact of this change will be to reduce the expected return and thus increase the net finance cost in the income statement in future periods. The impact in 2013 is estimated to be $2.4m.

At 31 December 2012 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:

	2012 $m	2011 $m
Present value of funded obligations	**(246.1)**	(206.7)
Fair value of scheme assets	**191.1**	160.9
Net liabilities	**(55.0)**	(45.8)

Notes to the financial statements
for the year to 31 December 2012

29 Retirement benefit liabilities (continued)

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

	2012 %	2011 %
Equity securities	**82.9**	83.4
Corporate bonds	**8.4**	7.7
Gilts	**8.3**	8.6
Cash	**0.4**	0.3

The amounts recognised in the income statement are as follows:

	2012 $m	2011 $m
Current service cost included within employee benefits expense	**7.4**	7.8
Interest cost	**10.4**	10.8
Expected return on scheme assets	**(10.5)**	(11.3)
Total included within finance income	**(0.1)**	(0.5)

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:

	2012 $m	2011 $m
Present value of funded obligations at 1 January	**206.7**	188.3
Current service cost	**7.4**	7.8
Interest cost	**10.4**	10.8
Actuarial losses	**17.0**	7.7
Benefits paid	**(5.7)**	(5.3)
Plan curtailment	**–**	(0.5)
Exchange movements	**10.3**	(2.1)
Present value of funded obligations at 31 December	**246.1**	206.7

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

	2012 $m	2011 $m
Fair value of scheme assets at 1 January	**160.9**	155.0
Expected return on scheme assets	**10.5**	11.3
Contributions	**8.9**	16.1
Benefits paid	**(5.7)**	(5.3)
Actuarial gains/(losses)	**8.5**	(14.9)
Exchange movements	**8.0**	(1.3)
Fair value of scheme assets at 31 December	**191.1**	160.9

Included in the 2011 contributions above was a one-off payment of £5.0m ($8.0m) made during the year to reduce the scheme deficit.

Notes to the financial statements
for the year to 31 December 2012

29 Retirement benefit liabilities (continued)

Analysis of the movement in the balance sheet liability:

	2012 $m	2011 $m
At 1 January	**45.8**	33.3
Current service cost	**7.4**	7.8
Finance income	**(0.1)**	(0.5)
Contributions	**(8.9)**	(16.1)
Plan curtailment	**–**	(0.5)
Net actuarial losses recognised in the year	**8.5**	22.6
Exchange movements	**2.3**	(0.8)
At 31 December	**55.0**	45.8

Cumulative actuarial losses recognised in equity:

	2012 $m	2011 $m
At 1 January	**73.1**	50.5
Net actuarial losses recognised in the year	**8.5**	22.6
At 31 December	**81.6**	73.1

The actual return on scheme assets was $19.0m (2011: $(3.6)m).

History of experience gains and losses:

	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets:					
Gain/(loss) ($m)	**8.5**	(14.9)	7.5	15.6	(44.3)
Percentage of scheme assets	**4%**	9%	5%	11%	44%
Experience losses on scheme liabilities:					
(Loss)/gain ($m)	**(17.0)**	(7.7)	(6.5)	(24.0)	25.6
Percentage of the present value of the scheme liabilities	**7%**	4%	4%	14%	21%
Present value of scheme liabilities ($m)	**246.1**	206.7	188.3	174.4	124.7
Fair value of scheme assets ($m)	**191.1**	160.9	155.0	140.1	101.6
Deficit ($m)	**55.0**	45.8	33.3	34.3	23.1

The contributions expected to be paid during the financial year ending 31 December 2013 amount to $8.3m.

Pension costs for defined contribution schemes are as follows:

	2012 $m	2011 $m
Defined contribution schemes	**87.5**	73.3

There were no contributions outstanding at 31 December 2012 in respect of defined contribution schemes (2011: $21.5m).

Notes to the financial statements
for the year to 31 December 2012

30 Operating lease commitments – minimum lease payments

	2012 Property $m	2012 Vehicles, plant and equipment $m	2011 Property $m	2011 Vehicles, plant and equipment $m
Amounts payable under non-cancellable operating leases due:				
Within one year	**85.4**	**20.4**	72.6	10.3
Later than one year and less than five years	**248.0**	**21.4**	190.3	20.3
After five years	**140.8**	**0.1**	91.0	0.3
	474.2	**41.9**	353.9	30.9

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. There has been no material change to the position on these matters during the year.

32 Capital and other financial commitments

	2012 $m	2011 $m
Contracts placed for future capital expenditure not provided in the financial statements	**12.5**	17.3

The capital expenditure above relates to property plant and equipment. $1.7m of the above amount relates to commitments made by 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 and funding provided in the ordinary course of business.

	2012 $m	2011 $m
Sale of goods and services to joint ventures	**35.5**	44.0
Purchase of goods and services from joint ventures	**33.3**	24.6
Receivables from joint ventures	**83.1**	36.8
Payables to joint ventures	**20.8**	5.5

In addition to the above, the Group charged JW Holdings Limited, a company in which Sir Ian Wood has an interest, an amount of $0.1m (2011: $0.1m) for management services provided under normal commercial terms.

Key management compensation is disclosed in note 28.

Notes to the financial statements
for the year to 31 December 2012

34 Principal subsidiaries and joint ventures

The Group's principal subsidiaries and joint ventures at 31 December 2012 are listed below.

Name of subsidiary or joint venture	Country of incorporation or registration	Ownership interest %	Principal activity
Wood Group Engineering			
Wood Group Mustang Holdings, Inc	USA	100	Conceptual studies, engineering, project and construction management and control system upgrades.
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 PSN, Inc	USA	100	
Wood Group PAC, Inc	USA	100	
Wood Group PSN Limited	UK	100	
Production Services Network (UK) Limited	UK	100	
Wood Group PSN Australia Pty Limited	Australia	100	
Production Services Network Sakhalin LLC	Russia	100	
Mitchells Oilfield Services Inc	USA	100	
Wood Group CCC Limited	Cyprus	50*	
Wood Group GTS			
Rolls Wood Group (Repair & Overhauls) Limited	UK	50*	Gas turbine repair and overhaul
TransCanada Turbines Limited	Canada	50*	
Wood Group Pratt & Whitney Industrial Turbine Services, LLC	USA	49*	
Wood Group Gas Turbine Services Limited	UK	100	
Wood Group Power Solutions, Inc	USA	100	Power plant engineering, procurement and construction

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

Company Financial statements

Company financial statements

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 2012 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 Statement of directors' responsibilities set out on page 37, 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 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 2012;
- 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 Report of the directors 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 2012.

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
4 March 2013

Company balance sheet
as at 31 December 2012

	Note	2012 $m	2011 $m
Fixed assets			
Investments	1	**1,758.8**	1,618.5
Current assets			
Debtors	2	**1,617.0**	1,439.3
Cash at bank and in hand	3	**2.4**	–
		1,619.4	1,439.3
Creditors: amounts falling due within one year	4	**(1,008.2)**	(1,061.6)
Net current assets		**611.2**	377.7
Total assets less current liabilities		**2,370.0**	1,996.2
Creditors: amounts falling due after one year	5	**(1,125.3)**	(809.4)
		1,244.7	1,186.8
Capital and reserves			
Share capital	7	**23.5**	23.4
Share premium	8	**54.3**	7.7
Capital reduction reserve	9	**88.1**	88.1
Capital redemption reserve	10	**439.7**	439.7
Merger reserve	11	**–**	–
Retained earnings	12	**629.3**	619.4
Other reserves	13	**9.8**	8.5
Equity shareholders' funds	14	**1,244.7**	1,186.8

The financial statements on pages 97 to 106 were approved by the Board of directors on 4 March 2013.

Bob Keiller, Director

Alan G Semple, Director

Notes to the Company financial statements
for the year to 31 December 2012

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:

	2012	2011
Average rate £1 = $	**1.5845**	1.6041
Closing rate £1 = $	**1.6255**	1.5541

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 revenue during the reporting period. Actual results could differ from those estimates.

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

Notes to the Company financial statements
for the year to 31 December 2012

Accounting policies (continued)

Share-based charges
The Company has a number of share schemes as detailed in the Group accounting policies and note 20 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 Group'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.

Notes to the Company financial statements
for the year to 31 December 2012

1 Investments

	Subsidiaries $m
Cost	
At 1 January 2012	1,685.3
Exchange movements	2.5
Additions	249.4
Disposals	(111.6)
At 31 December 2012	**1,825.6**
Amounts provided	
At 1 January 2012 and 31 December 2012	66.8
Net book value	
At 31 December 2012	**1,758.8**
At 31 December 2011	1,618.5

During the year, the Company acquired shares in PSN USA Holdings Inc from PSN Limited. The Company subsequently disposed of these shares in return for additional shares in JWG USA Holdings Ltd.

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

2 Debtors

	2012 $m	2011 $m
Amounts owed by Group undertakings	**1,568.0**	1,426.3
Amounts owed by joint ventures	**45.2**	–
Prepayments and accrued income	**0.4**	1.8
Group relief receivable	**3.4**	11.2
	1,617.0	1,439.3

As at 31 December 2012, amounts owed by Group undertakings of $11.3m (2011: $10.8m) 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:

	2012 $m	2011 $m
Over 3 months	**11.3**	10.8

The movement on the provision for impairment is as follows:

	2012 $m	2011 $m
At 1 January	**10.8**	10.9
Exchange movements	**0.5**	(0.1)
At 31 December	**11.3**	10.8

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 2012 or 31 December 2011. The other classes within debtors do not contain impaired assets.

Notes to the Company financial statements
for the year to 31 December 2012

3 Cash at bank and in hand

	2012 $m	2011 $m
Cash at bank and in hand	**2.4**	–

4 Creditors

	2012 $m	2011 $m
Bank loans and overdrafts	**275.9**	220.7
Amounts due to Group undertakings	**719.3**	817.5
Amounts due to joint ventures	**–**	9.5
Other creditors	**–**	2.4
Corporation tax payable	**0.2**	0.2
Accruals and deferred income	**12.8**	11.3
	1,008.2	1,061.6

5 Creditors – amounts falling due after more than one year

	2012 $m	2011 $m
Bank loans	**281.5**	161.3
Amounts due to Group undertakings	**843.8**	648.1
	1,125.3	809.4

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:

	2012 %	2011 %
US dollar	**1.06**	–
Sterling	**2.43**	2.83
Euro	**1.45**	2.28
Canadian dollar	**2.29**	2.30

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

	2012 $m	2011 $m
US dollar	**109.3**	–
Sterling	**56.9**	57.8
Euro	**63.1**	54.4
Canadian dollar	**52.2**	49.1
	281.5	161.3

Notes to the Company financial statements
for the year to 31 December 2012

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 2012, approximately 22% (2011: 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 2012.

Notes to the Company financial statements
for the year to 31 December 2012

6 Financial instruments (continued)

(c) Liquidity risk

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2012, 100% (2011: 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 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 2012	**Less than 1 year $m**	**Between 1 and 2 years $m**	**Between 2 and 5 years $m**	**Over 5 years $m**
Bank loans	**–**	**281.5**	**–**	**–**
Creditors	**1,008.0**	**–**	**843.8**	**–**
At 31 December 2011				
Bank loans	–	–	161.3	–
Creditors	1,061.4	–	648.1	–

Notes to the Company financial statements
for the year to 31 December 2012

7 Share capital

	2012 $m	2011 $m
Issued and fully paid		
373,175,384 ordinary shares of 4²⁄₇p each (2011: 371,275,384 shares of 4²⁄₇p each)	**23.5**	23.4

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

8 Share premium

	2012 $m	2011 $m
At 1 January	**7.7**	315.8
Proceeds from Group companies relating to options exercised under share symmetry scheme	**43.5**	6.0
Issue of 'B' shares	**–**	(321.7)
Allocation of new shares to employee share trusts	**3.1**	7.6
At 31 December	**54.3**	7.7

9 Capital reduction reserve

	2012 $m	2011 $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

	2012 $m	2011 $m
At 1 January	**439.7**	–
Purchase of shares under tender offer	**–**	3.6
Redemption of 'B' shares	**–**	436.1
At 31 December	**439.7**	439.7

A capital redemption reserve was created in 2011 as a result of the purchase of shares under the tender offer and the redemption of 'B' shares both of which formed part of the return of cash to shareholders.

11 Merger reserve

	2012 $m	2011 $m
Shares issued relating to PSN acquisition	**–**	114.4
Issue of 'B' shares	**–**	(114.4)
	–	–

A merger reserve was created during 2011 with $114.4m being credited on the acquisition of PSN Ltd. An equivalent amount was deducted from the reserve on issue of the 'B' shares, which formed part of the return of cash to shareholders.

Notes to the Company financial statements
for the year to 31 December 2012

12 Retained earnings

	2012 $m	2011 $m
At 1 January	**619.4**	559.7
Retained (loss)/profit for the year	**(15.7)**	1,832.4
Credit relating to share-based charges	**26.2**	22.8
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)
Shares allocated to employee share trusts	**(3.2)**	(7.7)
Shares disposed of by employee share trusts	**6.5**	12.3
Foreign exchange in respect of shares held by employee share trusts	**(5.0)**	1.4
Foreign exchange movements	**1.1**	(0.8)
At 31 December	**629.3**	619.4

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investments in own shares represents the cost of 11,599,912 (2011: 14,696,669) of the Company's ordinary shares totalling $112.7m (2011: $111.0m).

13 Other reserves

	2012 $m	2011 $m
At 1 January	**8.5**	7.8
Fair value gains	**1.3**	0.7
At 31 December	**9.8**	8.5

Notes to the Company financial statements
for the year to 31 December 2012

14 Reconciliation of movements in shareholders' funds

	2012 $m	2011 $m
Profit for the financial year	**39.6**	1,885.8
Dividends	**(55.3)**	(53.4)
	(15.7)	1,832.4
Credit relating to share-based charges	**26.2**	22.8
Fair value gains	**1.3**	0.7
Proceeds from Group companies relating to options exercised under share symmetry scheme	**43.5**	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)
Shares disposed of by employee share trusts	**6.5**	12.3
Foreign exchange in respect of shares held in employee share trusts	**(5.0)**	1.4
Foreign exchange movements	**1.1**	(0.8)
	57.9	189.1
Shareholders' funds at 1 January	**1,186.8**	997.7
Shareholders' funds at 31 December	**1,244.7**	1,186.8

The profit for the financial year for the Company was $39.6m (2011: $1,885.8m). 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 $55,000 (2011: $52,000). 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

	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m
Revenue	**6,828.1**	**6,052.3**	**5,063.1**	**4,927.1**	**5,243.1**
EBITA	**459.1**	**398.7**	**344.8**	**358.4**	**441.0**
Amortisation	(85.5)	(78.7)	(29.0)	(24.1)	(25.2)
Non-recurring items	0.7	2,138.3	(27.6)	(35.8)	0.0
Net finance expense	(12.9)	(12.8)	(33.6)	(33.7)	(31.7)
Profit before taxation	**361.4**	**2,445.5**	**254.6**	**264.8**	**384.1**
Taxation	(103.2)	(142.7)	(88.8)	(100.6)	(128.7)
Profit for the year	**258.2**	**2,302.8**	**165.8**	**164.2**	**255.4**
Attributable to:					
Owners of the parent	257.0	2,302.3	166.0	163.2	251.6
Non-controlling interests	1.2	0.5	(0.2)	1.0	3.8
	258.2	**2,302.8**	**165.8**	**164.2**	**255.4**
Equity attributable to owners of the parent	**2,227.1**	**1,964.5**	**1,406.3**	**1,270.2**	**1,133.9**
Net borrowings	**154.5**	**3.9**	**15.1**	**87.9**	**248.8**
Gearing ratio	**6.9%**	**0.2%**	**1.1%**	**6.9%**	**21.9%**
Interest cover	**35.6**	**31.1**	**10.3**	**10.6**	**13.9**
Diluted earnings per share (cents)	**69.0**	**513.0**	**31.3**	**31.2**	**48.1**
Adjusted diluted earnings per share (cents)	**85.2**	**60.2**	**39.8**	**41.8**	**52.1**
Dividend per share (cents)	**17.0**	**13.5**	**11.0**	**10.0**	**9.0**

Information for shareholders

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 (Bankers' 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 19 April 2013 as published in the Financial Times on 20 April 2013.

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Company Solicitors

Slaughter and May

Financial calendar

Results announced	5 March 2013
Ex-dividend date	17 April 2013
Dividend record date	19 April 2013
Annual General Meeting	15 May 2013
Dividend payment date	22 May 2013

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

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