

# OUR CORE VALUES DEFINE WHO WE ARE

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## Our business

### Five minute read

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## Strategic report

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"2013 represents another year of good growth for Wood Group. In my first full year as CEO, the leadership team and I have considered the Group's strategy which remains sound and positions us well for the longer term. We have reviewed all parts of the Group from three perspectives: risk profile, current and future financial performance and strategic fit with the Group overall, and this has resulted in a number of actions including the acquisition of Elkhorn and the joint venture with Siemens. Looking to 2014, our mix of opex and capex activities and the contribution of completed acquisitions is expected to lead to growth overall."

Bob Keiller, CEO



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

# Highlights

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## Financial summary

<b>up 3%</b>	<b>up 16%</b>	<b>up 14%</b>	<b>up 16%</b>	<b>up 29%</b>
<b>Total revenue</b> of \$7,064.2 million (2012: \$6,828.1 million)	<b>Total EBITA<sup>1</sup></b> of \$533.0 million (2012: \$459.1 million)	<b>Profit before tax</b> of \$412.8 million (2012: \$361.4 million)	<b>Adjusted diluted EPS</b> of 98.6 cents (2012: 85.2 cents)	<b>Total dividend</b> of 22.0 cents per share (2012: 17.0 cents)

## Operational highlights

### Group

- Another year of good growth in 2013
- \$276m invested in strategic acquisitions, including Elkhorn in US shale market
- Enhanced differentiation in gas turbine activities through joint venture with Siemens

### Wood Group Engineering

- Growth in all three segments in 2013: Upstream, Subsea & pipeline and Downstream
- Scope on Mafumeira Sul and Ichthys substantially complete
- Slower pace of significant offshore awards; anticipated growth in Subsea & pipeline to be more than offset by reduction in Upstream in 2014

### Wood Group PSN

- Growth in North Sea; significant renewals maintain leading position and provide visibility
- Strong growth in the Americas led by US onshore shale related business
- Reduced losses in Oman; agreeing transition plan with customer to exit
- US onshore shale activities to benefit from contribution of Elkhorn; well positioned to deliver good growth in 2014

### Wood Group GTS

- Maintenance performance up on 2012; lower contribution from Power Solutions
- Completion of Siemens joint venture anticipated in H1 2014; all gas turbine activities reported in Wood Group PSN thereafter
- Performance of gas turbine activities in 2014 expected to be in line with 2013

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## 2 Understanding our business

Wood Group is an international energy services company with around \$7 billion sales, employing around 46,000 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.

### Wood Group Engineering

We provide a wide range of market-leading engineering services to the Upstream, Subsea & pipeline, Downstream, process & industrial and clean energy sectors. These include conceptual studies, engineering, project & construction management (EPCM) and control system upgrades.

**Revenue**  
**28%**  
of total revenue  
2012: 26%

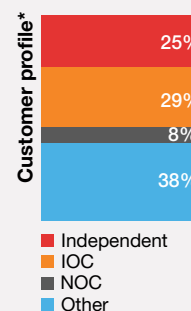
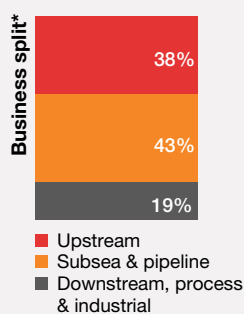
**Typical project duration\***  
3-24 months

**Typical order book range\***  
6-9 months

**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 & pipeline** 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.



### 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 developed through large-scale, longer-term, complex projects.

\* 'Understanding our business' data contains a number of management estimates and approximations (with the exception of 2013 and 2012 People and Revenue).

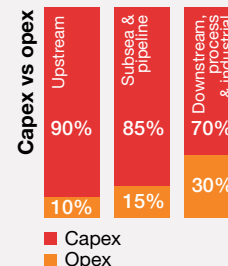
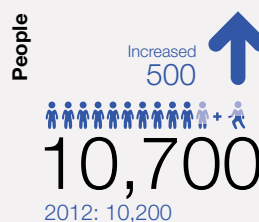
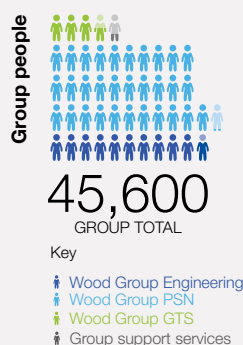
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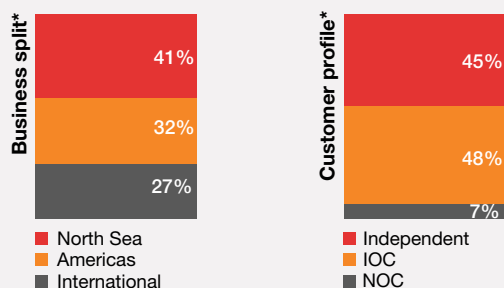
## Wood Group PSN

We provide life of field support to producing assets through brownfield engineering and modifications, production enhancement, operations and maintenance, training, maintenance management and abandonment services.



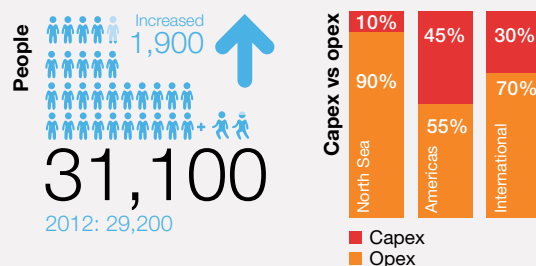
**Services** We offer high integrity services that optimise the performance of facilities, maintain production, reduce operating costs, ensure asset integrity and extend the operating life of fields through brownfield engineering & modifications, operations & maintenance, production enhancement.

- Start-up and commissioning
- Supply chain management
- Human resources management, including safety training and competence development programmes
- Decommissioning



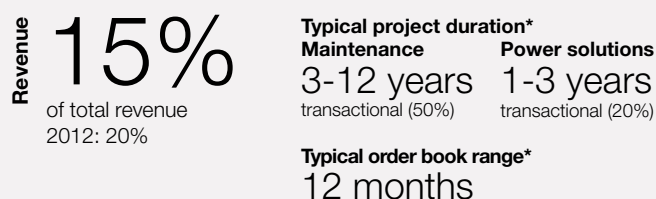
### Growth drivers and market characteristics

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



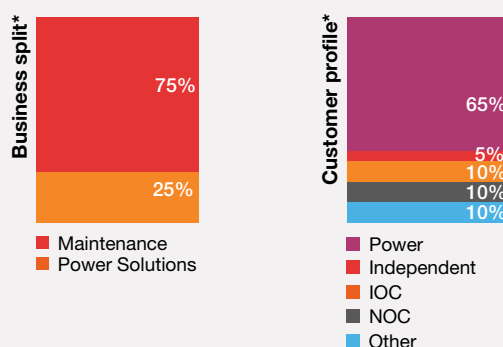
## Wood Group GTS

We are a leading 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 & maintenance; and repair, overhaul, optimisation and upgrades of gas and steam turbines, pumps, compressors and other high-speed rotating equipment.



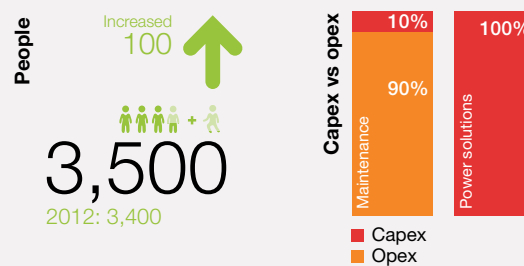
**Maintenance** Shop-based maintenance repair and overhaul of gas turbines, compressors, pumps and other rotating equipment. Major maintenance consisting of technical support, field service, parts supply and outage management. Power plant operations & maintenance services including daily operations and 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.



### Growth drivers and market characteristics

Gas pricing, relative environmental considerations and operational flexibility are expected to contribute to continued growth in the gas-fired power generation market, expected to be somewhat ahead of global GDP growth which should, in the longer term, drive increased demand for aftermarket services..



## 4 Our results and how we measure our performance

### Safety: total recordable case frequency (TRCF)

per million man hours



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.

**Progress in the year:** Over many years we have reduced the recordable injury rates to our people whilst growing our workforce. This continued in 2013 with a 10% reduction in TRCF.

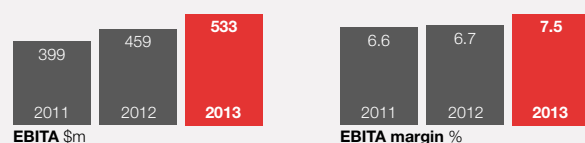
### Total revenue \$m



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

**Progress in the year:** Revenue increased 3% in 2013 reflecting growth in Wood Group Engineering and Wood Group PSN, partly offset by a reduction in Wood Group GTS.

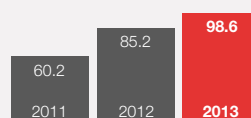
### Total EBITA and EBITA margin



EBITA is a key profit measure and excludes exceptional items. EBITA margin demonstrates our ability to convert revenue into profit.

**Progress in the year:** EBITA growth of 16% reflects Growth in Wood Group Engineering and Wood Group PSN offset by a reduction in Wood Group GTS.

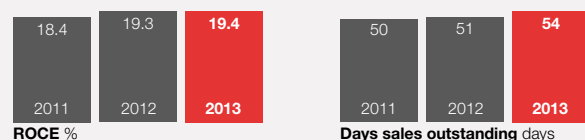
### Adjusted diluted EPS cents



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.

**Progress in the year:** Adjusted diluted EPS for the year increased by 16% due principally to the increase in underlying profitability.

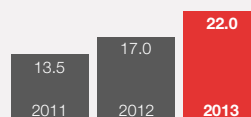
### Capital efficiency



EBITA divided by average capital employed measures our ability to generate profits relative to the capital required to support our business. Days sales outstanding indicates our efficiency in collecting customer receipts.

**Progress in the year:** The Group's pre-tax return on average capital employed increased slightly with an increase in Wood Group PSN being offset by reductions in Wood Group Engineering and Wood Group GTS. Average days sales outstanding increased to 54 principally due to an increase in Wood Group Engineering.

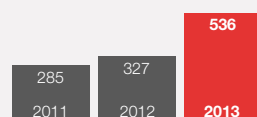
### Dividend per ordinary share cents



The share of AEPS distributed to shareholders.

**Progress in the year:** The directors have recommended a final dividend of 14.9 cents per share which makes a total distribution for the year of 22.0 cents, an increase of 29%. Reflecting confidence in future growth, the Board currently expects the dividend increase in 2014 to be around 25%.

### Cash generated from operations \$m



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

**Progress in the year:** Cash generated from operations post-working capital increased by over 60% to \$536m.

### People



Attracting and retaining people helps support our continued growth.

**Progress in the year:** Total headcount increased by 6%. Headcount increased in Wood Group PSN by 7% largely due to acquisitions. Headcount also increased by 5% in Wood Group Engineering.

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#### Note

The metrics above include non-GAAP measures.

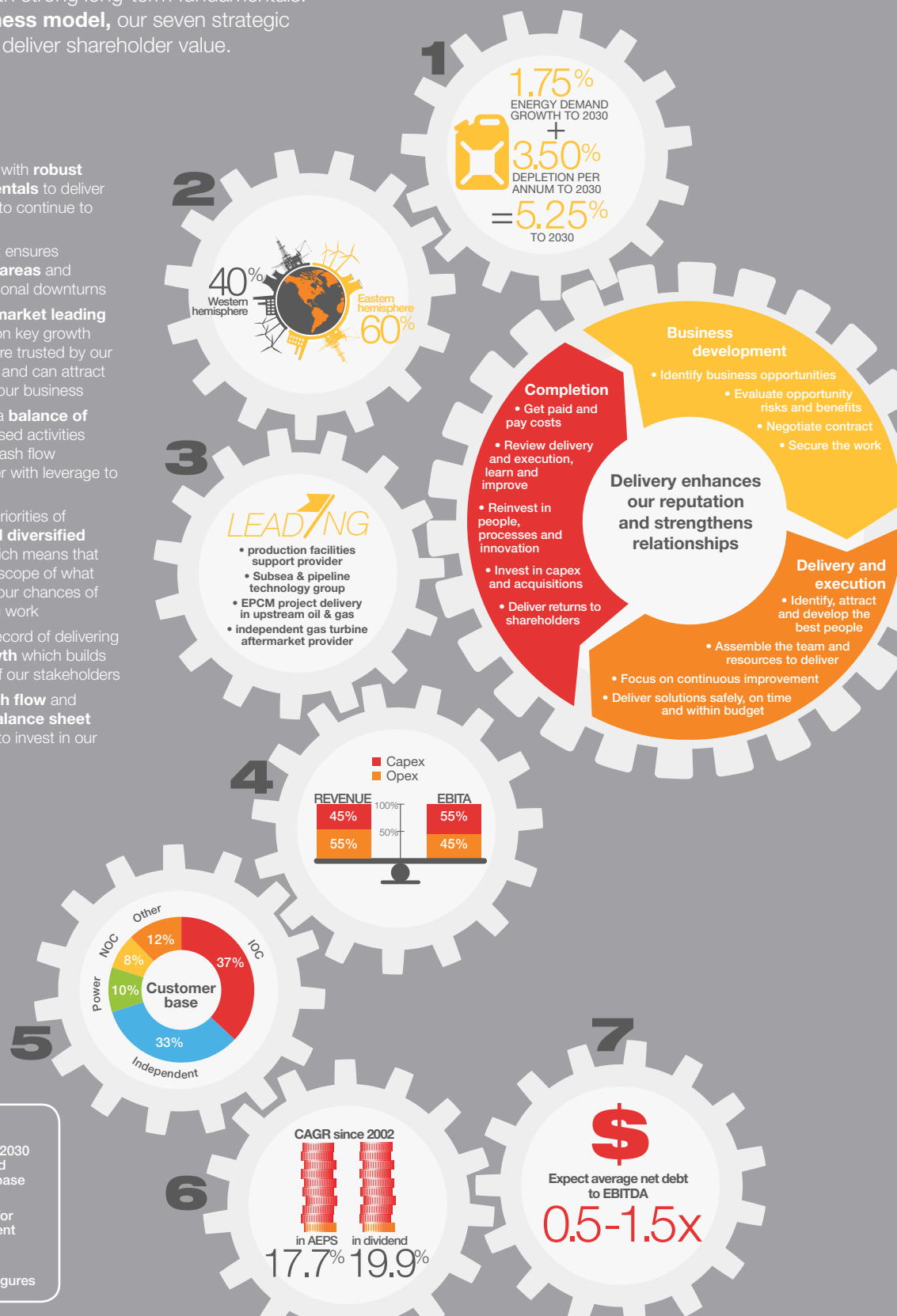


## How we deliver value

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We are a focused global energy services provider underpinned by **strong Core Values**. We deliver **leading solutions on a primarily reimbursable basis** in markets with strong long-term fundamentals. Powering this **business model**, our seven strategic drivers enable us to deliver shareholder value.

1. Focused on markets with **robust long-term fundamentals** to deliver returns and allow us to continue to invest
2. International footprint ensures exposure to **growth areas** and mitigates against regional downturns
3. We look to build up **market leading positions**, focused on key growth sectors, so that we are trusted by our customers to deliver, and can attract the best people into our business
4. We look to maintain a **balance of opex and capex** based activities to generate relative cash flow predictability, together with leverage to market cycles
5. We understand the priorities of our **established and diversified customer base**, which means that we can increase the scope of what we do and enhance our chances of retaining and winning work
6. Management track record of delivering **through cycle growth** which builds the continued trust of our stakeholders
7. We drive **strong cash flow** and maintain a **robust balance sheet** to have the flexibility to invest in our business



### Cog footnotes

- 1 Source: BP Outlook 2030 (demand) and Rystad Energy UCube database (depletion)
- 2 – 5 Based on revenues for 2013 and management estimates and approximations
- 6 & 7 Based on reported figures

## 6 Chairman's statement



"2013 has been a year of good growth and important strategic development for the Group. Having supported Bob through the planned period of transition, I will retire from the Board at the AGM on 14 May 2014. I am delighted that Ian Marchant will take over as Chairman of Wood Group. His appointment represents a natural evolution in the Group's stewardship and provides important continuity."

Allister G Langlands, Chairman

### Introduction

2013 has been a year of good growth and important strategic development for the Group under Bob Keiller's leadership in his first full year as CEO, having taken over in November 2012. My appointment as Chairman at that time reflected the need for continuity amongst the senior team. Since his appointment in 2012, Bob has shown excellent leadership as he further develops the Group's strategy and direction.

Having supported Bob through the planned period of transition I will retire from the Board at the AGM in May. I am delighted that Ian Marchant will take over as Chairman of Wood Group. Ian knows the Group well, having served as a non-executive director on the Board since 2006, latterly as senior independent director. Ian was Chief Executive of SSE plc for over 10 years, is non-executive chairman of Infinis Energy plc and a non-executive director of Aggreko plc. His appointment represents a natural evolution in the Group's stewardship and provides important continuity. I am confident that Ian will be an excellent leader of the Board and ensure its continued effectiveness.

### Markets

Energy markets generally remained favourable during 2013 with analysts typically estimating an increase in E&P spend of around 10%. For 2014, analysts estimate some reduction in that growth rate, reflecting a greater focus on capital budgets by our customers. The Group continues to have a good balance of opex and capex activities which should help underpin growth in the medium term.

### Financial performance and dividends

In 2013, Total Revenue was up 3% and Total EBITA was up 16% to \$533.0m, with EBITA margin increasing from 6.7% to 7.5%. Adjusted diluted EPS increased from 85.2 cents to 98.6 cents. We are declaring a final dividend of 14.9 cents which will bring the full year dividend to 22.0 cents, an increase of 29% on 2012.

### Board changes

In September, we announced that Mike Straughen, Group Director for Wood Group Engineering intends to retire from the Board during 2014. Mike has stepped away from his Wood Group Engineering role and now oversees the Group's Health, Safety, Security and Environment (HSSE) activities and sits on the Safety & Assurance committee. The committee is chaired by Tom Botts, formerly of Shell, who was appointed as non-executive director in January 2013.

In October we entered an agreement to form a joint venture between elements of Wood Group GTS and Siemens' TurboCare business, at which point Mark Dobler, Group Director for Wood Group GTS stepped down from the Board. Mark will transfer to the new joint venture on formation as its CEO.

Neil H Smith retired from the Board in December. Neil was a non-executive director from 2004 and served on the Remuneration and Nomination Committees during his time on the Board. His knowledge of the power generation industry greatly assisted Board discussions on the strategic development of our gas turbine activities.

I have enjoyed leading Wood Group during an exciting period of organic growth and strategic development including, most recently, the acquisition of PSN and the sale of the Group's Well Support business. I am leaving the Group well positioned for growth in good long-term markets and in the hands of a strong Board and management team. I will continue to follow the Group's ongoing development with keen interest. Finally, I would like to thank our management and employees for their enormous and continuing contribution in making Wood Group a great company.





## CEO's review

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"Since my appointment as CEO I have delivered a consistent message to our people that our Core Values are vital for our future success, and that we can be even better if we increase collaboration across our business."

Bob Keiller, CEO

**2013 Group performance**

	2013 \$m	2012 \$m	Change
Total revenue	<b>7,064.2</b>	6,828.1	3%
Total EBITA	<b>533.0</b>	459.1	16%
EBITA margin %	<b>7.5%</b>	6.7%	0.8pts
Profit before tax	<b>412.8</b>	361.4	14%
Basic EPS	<b>81.4c</b>	71.4c	14%
Adjusted diluted EPS <sup>2</sup>	<b>98.6c</b>	85.2c	16%
Total dividend	<b>22.0c</b>	17.0c	29%
ROCE <sup>6</sup>	<b>19.4%</b>	19.3%	0.1pts

Note: The analysis above includes revenue and EBITA related to the Wood Group GTS businesses which will transfer to the gas turbine joint venture with Siemens. As required by accounting standards, the results from these businesses have been included in discontinued operations in the Group Financial Statements for 2013.

**Safety & Assurance**

The safety of our people, and those affected by what we do, is our top priority. Tragically we had a fatality during the year in our Pyeroy business in Wood Group PSN. We have assessed, and are acting on, the lessons learned. In 2013, we saw some improvement in our total recordable case frequency (TRCF) and our lost work case frequency (LWCF) remained relatively flat. During 2013 we established a Board-level Safety & Assurance committee to provide enhanced visibility and awareness of our performance, and we extended our Safety Leadership Programme to a wider audience.

**Financial performance**

2013 represents another year of good growth for the Group with Total EBITA up 16%. In Wood Group Engineering, revenue increased by 11% and EBITA increased by 12% reflecting growth in all three segments: Upstream, Subsea & pipeline and Downstream. In Wood Group PSN, strong EBITA growth of 28% included a full year contribution from the Duval and Mitchells acquisitions in the US completed during 2012, although performance overall was impacted by continuing losses in Oman where we are now agreeing a transition plan to exit. In Wood Group GTS, revenue fell 19% and EBITA fell 9%, with Maintenance up slightly on 2012 and a lower contribution from Power Solutions. Net

debt at the end of December was \$310m and average net debt during the year was \$258m. Net debt excludes a receipt in January in respect of a recovery in relation to a previously terminated contract in Venezuela which after costs, payments to non-controlling interests and taxation is expected to be around \$40m.

**Group review**

Since my appointment as CEO I have focused on a number of key issues. I have delivered a consistent message to our people that our Core Values are vital for our future success and that we can be even better if we increase collaboration across our business. I have been developing our leadership team on the Executive Committee and, together, we have considered the Group's strategy which remains sound and positions us well for the longer term. We are predominantly an upstream oil & gas services business and our intention is to broaden and deepen the services we can offer in this sector.

We have also reviewed all parts of the Group from three perspectives: risk profile, current and future financial performance and strategic fit with the Group overall, and this has resulted in a number of actions covered below.

I have previously highlighted the need to remain a lower risk, predominantly reimbursable business. During the year we tightened our controls around

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contracts that contain lump sum or fixed-price elements, to ensure that we keep our overall risk profile within acceptable levels. Typically, these contracts together represent less than 10% of revenues. Specifically in the Power Solutions business of Wood Group GTS, where we have executed large lump sum projects, the risk profile was too high. The Dorad contract is the last remaining contract of this scale and is approaching completion. It is anticipated that the contract will be profitable overall, but will generate a loss in 2013 and we will not pursue further opportunities of this size.

We looked at financial performance across the Group and recognised that in Wood Group GTS, certain Maintenance activities with less differentiation were not delivering an acceptable level of return. We concluded that a sale of the underperforming parts was not in the best interest of shareholders, and recognised that our activities in joint ventures typically deliver stronger performance over the longer term. In October we therefore entered an agreement to form a joint venture consisting of the Maintenance and Power Solutions businesses of Wood Group GTS (excluding the Rolls Wood Group, TransCanada Turbines and Sulzer Wood joint ventures), and Siemens' TurboCare business unit which provides aftermarket design, repair and manufacturing services. The joint venture will be a stronger, better differentiated business, providing access to certain OEM know-how. The joint venture is expected to deliver annual net synergies to Wood Group of around \$15m by year three. In other areas of the Group, we have taken steps including merging operations in Canada, reorganising our Engineering divisional structure and addressing underperforming contracts.

Our consistent message on increasing collaboration has resulted in business opportunities from people working more closely together. Wood Group Mustang and Wood Group PSN jointly secured a topsides detailed engineering and procurement scope in Canada, and we are working more closely together in the US, Australia and elsewhere. We recently completed a corporate rebranding exercise which we believe will improve customer awareness and understanding of the Group's services, and

better facilitate our collaborative efforts. We are increasingly focused on deepening customer relationships at a Group level and this is resulting in a number of potential opportunities.

In 2013, we invested \$276m in acquisitions which we believe will improve our financial performance and strategic positioning. In December we acquired Elkhorn for a consideration of \$215m, representing around six times pro forma EBITA. Elkhorn is a Wyoming based construction services provider which enhances our US shale exposure and complements our construction, maintenance and fabrication activities. We also acquired Pyeroy in July to expand the range of services we provide into specialist coatings and fabric maintenance, and in May we acquired Intetech, a niche provider of software and engineering consultancy services for well integrity and corrosion management. We will continue to pursue acquisition opportunities in 2014.

Our consideration of capital structure is informed by our assessment of operating cash flows, investment opportunities, and the risks in our business. We would generally expect a net debt to EBITDA range of around 0.5x to 1.5x going forward, and to be typically below 1.0x. To the extent that the Group has financial capacity which is surplus to the anticipated needs for acquisitions and organic growth, we would look to return this to shareholders through share buy backs or special dividends.

The Group continues to adopt a progressive dividend policy taking into account its capital requirements, cash flows and earnings. Since IPO in 2002, we have increased the dividend by an equivalent of 20% per annum compound. The directors have recommended a final dividend of 14.9 cents per share which makes a total distribution for the year of 22.0 cents, an increase of 29%. Reflecting our confidence in future growth, the Board currently expects the dividend increase in 2014 to be around 25%, and our intent would be to increase the US dollar value of dividend per share paid from 2015 onwards by a double digit percentage.

## Outlook

I would like to thank Allister for his valuable support during 2013 and for his extraordinary dedication and leadership over 23 years with Wood Group. During the year, we have taken some important strategic steps and achieved good growth. In 2014, our mix of opex and capex activities and the contribution of completed acquisitions is expected to lead to growth overall, with growth in Wood Group PSN offsetting a reduction in Wood Group Engineering. More details of anticipated performance are set out in the balance of this report. Looking further ahead, we believe our strategy remains sound and positions us well for growth over the longer term.



## Divisional review

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### Wood Group Engineering

	2013 \$m	2012 \$m	% Change
Revenue	1,985.4	1,787.3	11.1%
EBITA	246.0	220.0	11.8%
EBITA margin	12.4%	12.3%	0.1pts
People	10,700	10,200	5%

*Ben Woodward works on riser design. Wood Group Kenny is constantly pushing boundaries and has set records for designing new riser configurations in waters at depths of over 2,500 metres.*

In Wood Group Engineering, revenue increased by 11% and EBITA increased by 12%, reflecting growth in all three segments: Upstream, Subsea & pipeline and Downstream. EBITA margin increased slightly from 12.3% to 12.4%. Headcount increased by 5% from 10,200 to 10,700 reflecting additions in Saudi Arabia and London, offset by reductions in Canada and Houston.

Our Upstream business accounted for around 40% of divisional revenue. Our scope on the significant Mafumeira Sul and Ichthys projects is substantially complete and made a good EBITA contribution in 2013. We remain active on a number of current offshore projects, including Hess Stampede and Anadarko Heidelberg in the Gulf of Mexico, Husky White Rose in Eastern Canada and Ivar Aasen for SMOE in the North Sea, although increased focus on capital budgets is evident in the slower pace of significant new offshore awards. Performance in Western Canada continues to be impacted by a weak upstream oil sands market and we have taken steps to position our business appropriately.

Subsea & pipeline represented around 40% of divisional revenue. In subsea, the US market remains strong, and in the North Sea we have seen good ongoing brownfield activity including BP Quad 204 and Andrew, despite the impact of some delays such as Chevron Rosebank.

Australia has been a strong greenfield market for our subsea business in recent years and we anticipate that a good market for brownfield, infill, tie back and integrity management work will develop in the longer term. Our onshore pipelines business continues to benefit from healthy activity in US shale and we see further pipeline opportunities in North America more generally.

Downstream, process & industrial saw increased activity in the US, Saudi Arabia and Latin America and delivered an improved performance over 2012, although the market remains competitive.

### Outlook

In 2013, Wood Group Engineering delivered EBITA growth of 12%, following growth of over 30% in 2011 and 2012. Looking ahead to 2014, we anticipate growth in Subsea & pipeline to be more than offset by a reduction in Upstream, where we see good prospects although not of the scale of the significant offshore projects recently completed. Overall we see a good long-term market for our services but continue to anticipate a reduction in Engineering EBITA of around 15% in 2014.



**Wood Group PSN**

	2013 \$m	2012 \$m	% Change
Revenue	3,996.0	3,690.7	8.3%
EBITA	262.1	205.0	27.9%
EBITA margin	6.6%	5.6%	1.0pts
People	31,100	29,200	7%

In Wood Group PSN, strong EBITA growth of 28% includes a full year contribution from the Duval and Mitchell's acquisitions in the US completed during 2012, although performance overall was impacted by continuing losses in Oman. EBITA margin increased from 5.6% to 6.6% in part due to the change in geographical mix of our business towards shale, overhead reductions and lower losses in Oman. Headcount increased by 7% from 29,200, principally due to the impact of the acquisitions of Pyeroy in July and Elkhorn in December.

In the Americas, which accounted for around 30% of revenue, we saw strong growth led by our US onshore shale related business. In December, we enhanced our US shale market exposure with the acquisition of Elkhorn, a Wyoming based construction services provider, serving the Niobrara, Permian, Marcellus and Utica shales. Wood Group PSN now has around 4,500 onshore personnel providing construction, maintenance and fabrication activities across the most significant US shale plays.

We saw growth in the North Sea, which accounted for around 40% of revenue. The market remains strong and we secured nine contract renewals in 2013 with customers including CNR, ConocoPhillips, Dana, Nexen, Talisman Sinopec and Total. In December, we also won a support services contract for BG's central North Sea assets. These awards help maintain our leading position and provide good revenue visibility. The acquisition of Pyeroy in July further expanded our range of services and we are starting to see the benefit from Pyeroy's expansion with oil & gas customers.

In international markets, performance was held back by losses on the PDO contract in Oman, despite an improvement in the underlying position. We are in the process of agreeing a transition plan to exit, after which PDO plans to pursue a different contracting model. We have made an exceptional provision of \$28.0m to reflect this. In other international markets, we recently signed a new engineering and construction contract with NCPOC in Kazakhstan and secured significant renewals in Africa. In Asia Pacific, the recently awarded contract with ExxonMobil in Papua New Guinea will help replace successful project work in Australia which is anticipated to complete in the first quarter of 2014.

**Outlook**

Wood Group PSN is well positioned to deliver good growth in 2014, led by our US onshore shale related business which will benefit from the full year contribution of Elkhorn. Our North Sea business has good revenue visibility following a number of awards. In international markets, we have provided for the impact of potential future losses on the PDO contract and see good prospects in Africa, Asia Pacific and in the Middle East.

*A Wood Group Duval instrumentation & electrical technician programmes an electronic flow meter in the Eagle Ford shale region in south Texas. Wood Group PSN employs around 4,500 people across the US shale market.*



**Wood Group GTS**

	2013 \$m	2012 \$m	% Change
Revenue	1,082.8	1,343.3	(19.4%)
EBITA	80.8	88.6	(8.8%)
EBITA margin	7.5%	6.6%	0.9pts
People	3,500	3,400	3%

In Wood Group GTS, revenue fell 19% and EBITA fell 9%. In Maintenance, performance was up slightly on 2012 with strength in our power plant services business offset to some extent by performance elsewhere including the impact of deferrals in our aero derivative activities. Power Solutions was down on 2012 but benefitted from final settlement on the completed GWF contract. We also saw a good contribution from the completed NRG and Pasadena contracts.

The Dorad contract is anticipated to be profitable overall, but generated a loss in 2013 due to factors including the impact of project slippage and associated increased costs. We anticipate that the project will reach substantial completion in the first quarter of 2014 and that future change orders should result in some profit recognition in 2014. We are the preferred contractor on a number of smaller Power Solutions contracts, although they are not yet in our order book.

In October we entered an agreement to form a joint venture consisting of the Maintenance and Power Solutions businesses of Wood Group GTS (excluding the Rolls Wood Group, TransCanada Turbines and Sulzer Wood joint ventures), and Siemens' TurboCare business unit which provides aftermarket gas turbine, steam turbine and generator design, repair and manufacturing services. The shareholding will be split 51% Wood Group: 49% Siemens. The joint venture should enhance the differentiation and future prospects of our gas turbine activities, bring together complementary strengths, customers, geographies and

provide access to certain OEM know-how. It is expected that the joint venture will deliver annual net synergies to Wood Group of around \$15m by year three.

**Outlook**

Completion of the joint venture with Siemens is anticipated in the first half of 2014. On completion, all Wood Group's predominantly opex related gas turbine activities will be in joint ventures and will be reported within Wood Group PSN. It is the Group's intention to retain proportional consolidation for management and segmental reporting into 2014, and we will continue to provide good visibility of the performance of our gas turbine activities within Wood Group PSN going forward. Performance in those activities is expected to be broadly flat in 2014, with growth in Maintenance offset by a lower contribution from Power Solutions, reflecting our current order book and lower risk appetite.

*Kev McKay of Rolls Wood Group examines an RB211 compressor during re-assembly. Rolls Wood Group repairs over 200 engines per year, delivering market leading independent services to customers.*



## 12 Financial review



“Since IPO in 2002, the Group has increased the dividend by an equivalent of 20% per annum compound. For 2013, the proposed total distribution for the year of 22.0 cents per share represents an increase of 29%.”

Alan Semple, CFO

The Financial Review provides a high level summary of the key matters in the Group Financial Statements. The Review also includes a pro forma assessment of revenue and EBITA for 2013, and an alternative presentation of financial performance for 2013 and the balance sheet at the end of 2013 which more closely reflect management's view of the financial position.

Trading performance	2013 \$m	2012 \$m
<b>Total revenue</b>	<b>7,064.2</b>	6,828.1
Continuing	6,379.7	6,118.4
Discontinued – GTS Joint venture	684.5	702.9
Discontinued – Businesses divested in prior year	–	6.8
<b>Total EBITA</b>	<b>533.0</b>	459.1
Continuing	486.0	438.3
Discontinued – GTS Joint venture	47.0	22.8
Discontinued – Businesses divested in prior year	–	(2.0)
<b>EBITA margin %</b>	<b>7.5%</b>	6.7%
Amortisation	(102.1)	(85.5)
Exceptional items	0.5	0.7
<b>Total operating profit</b>	<b>431.4</b>	374.3
Continuing	365.6	335.0
Discontinued – GTS Joint venture	31.4	14.1
Discontinued – Businesses divested in prior year	34.4	25.2
Net finance expense	(18.5)	(12.9)
<b>Profit before tax</b>	<b>412.8</b>	361.4
Taxation	(112.3)	(103.2)
<b>Profit for the period</b>	<b>300.5</b>	258.2
Basic EPS (cents)	<b>81.4c</b>	71.4c
Adjusted diluted EPS (cents)	<b>98.6c</b>	85.2c

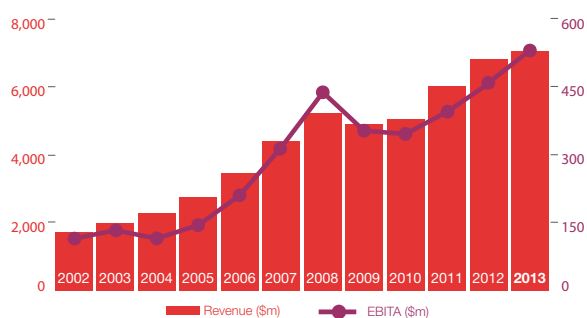
Revenue CAGR  
2002 – 2013

13.6%

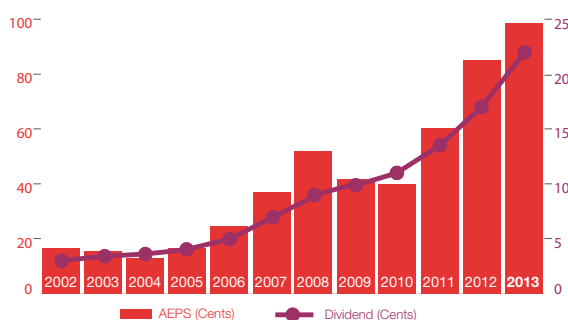
Dividend CAGR  
2002 – 2013

19.9%

Total revenue and EBITA since IPO



AEPS and dividend



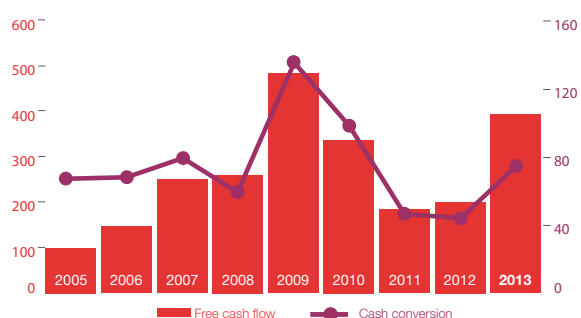
AEPS CAGR  
2002 – 2013

17.7%

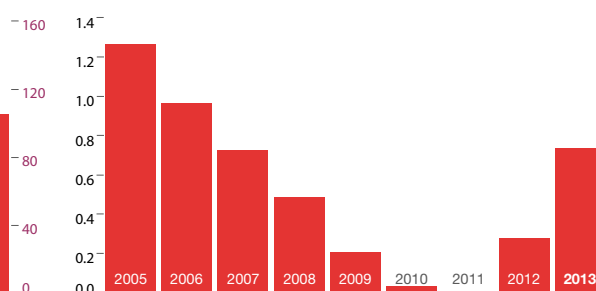
EBITA CAGR  
2002 – 2013

13.2%

Free cash flow and cash conversion



Average net debt/EBITDA (x)





The trading performance figures include revenue and EBITA related to the Wood Group GTS businesses which the Group is transferring to the recently announced gas turbine joint venture with Siemens. As required under IFRS 5, the results of the Wood Group GTS businesses that are being transferred into the new joint venture are presented as discontinued activities in the consolidated income statement. However, the Group will own 51% of the new joint venture and, although we will not exercise control, it will remain part of the Group, therefore the Group's results as prepared for internal management reporting purposes are presented here.

As noted at the time that the joint venture was announced, it is the Group's intention to retain proportional consolidation for management and segmental reporting into 2014, which is consistent with the approach above.

A review of the Group's trading performance is contained within the CEO's review.

The performance of the Group on a pro forma constant currency basis is set out below. The 2012 results have been restated to include the results of acquisitions made in 2012 as if they had been acquired on 1 January 2012, and also to apply the average exchange rates used to translate the 2013 results. The 2013 results exclude the post-acquisition results of the Pteroy, Elkhorn and Intetech acquisitions made during 2013; EBITA of \$8.8m was earned from these acquisitions in 2013.

Unaudited	2013 \$m	2012 \$m	% Change
Wood Group Engineering	1,981.3	1,767.4	12.1
Wood Group PSN	3,887.0	3,723.9	4.4
Wood Group GTS	1,082.8	1,338.5	(19.1)
Wood Group GTS – divested	–	6.8	
<b>Pro forma total revenue</b>	<b>6,951.1</b>	<b>6,836.6</b>	<b>1.7</b>
Acquisitions	113.1	(99.9)	
Constant currency	–	91.4	
<b>As reported</b>	<b>7,064.2</b>	<b>6,828.1</b>	
Wood Group Engineering	244.2	217.3	12.4
Wood Group PSN	255.1	223.1	14.3
Wood Group GTS	80.8	87.5	(7.7)
Wood Group GTS – divested	–	(2.0)	
Central costs	(55.9)	(52.1)	(7.3)
<b>Pro forma total EBITA</b>	<b>524.2</b>	<b>473.8</b>	<b>10.6</b>
Acquisitions	8.8	(21.9)	
Constant currency	–	7.2	
<b>As reported</b>	<b>533.0</b>	<b>459.1</b>	

The pro forma result shows underlying growth in revenue of 1.7% and in EBITA of 10.6%.

### Amortisation

The amortisation charge for the year of \$102.1m (2012: \$85.5m) includes \$57.6m (2012: \$57.1m) of amortisation relating to intangible assets arising from acquisitions, of which \$38.5m (2012: \$46.0m) is in relation to the PSN acquisition made in 2011. The total amortisation charge for

2014 is expected to be around \$111.0m of which it is anticipated around \$65.0m will relate to intangible assets arising from acquisitions.

Net finance expense	2013 \$m	2012 \$m
Interest on debt	8.5	9.8
Other fees and charges	11.2	4.6
<b>Total finance expense</b>	<b>19.7</b>	<b>14.4</b>
Finance income	(1.1)	(1.5)
<b>Net finance expense</b>	<b>18.6</b>	<b>12.9</b>

Interest cover<sup>4</sup>, based on total EBITA, was 28.7 times (2012: 35.6 times). Other fees and charges have increased during the year due to fees incurred on the renewal of the Group's bank facilities in February 2013 and the increased pension charge resulting from the changes to IAS 19.

Exceptional items	2013 \$m	2012 \$m
Lease termination income	(15.1)	–
Restructuring charges	15.9	14.6
Onerous contract	28.0	–
Impairment of goodwill	–	1.9
Bad debt (recoveries)/write-offs	(6.0)	10.0
Acquisition and joint venture formation costs	11.1	–
Businesses divested in prior years	(34.4)	(27.2)
Total exceptional gain before tax	(0.5)	(0.7)
Tax on exceptional items	(1.1)	0.1
Total exceptional gain after tax	(1.6)	(0.6)

As set out in the table above, a pre-tax exceptional gain of \$0.5m was recognised in the period, \$1.6m after tax.

An exceptional gain of \$15.1m has been recorded in the period in respect of a one-off compensation payment received by the Group for vacating sub-let office space.

Restructuring charges of \$15.9m have been expensed in 2013 relating to the merging of certain businesses in Canada, the write down of assets in Wood Group PSN's Americas business and the reorganisation of Wood Group Engineering to reflect a change in the management structure of the business.

The Group's contract with PDO in Oman has continued to make losses in 2013, albeit at a lower level than 2012. The parties are in the process of agreeing a transition period to exit, after which PDO plans to pursue a different contracting model. The Group has made an exceptional provision of \$28.0m to reflect the onerous nature of this contract, comprising an assumption of losses during the period of run-off and an accelerated write-off of assets.

A gain of \$6.0m has been recorded in respect of cash recovered against bad debt write-offs treated as exceptional charges in previous periods.

Costs of \$11.1m have been incurred in the period in respect of acquisition activity (see note 27 to the Group financial statements) and costs in relation to the formation of the joint venture with Siemens, and have been treated as exceptional.

During the period, the Group settled certain matters relating to the Well Support disposal in 2011. As a result of the settlement and a subsequent review of the carrying value of the related warranty provision, \$34.4m was credited to exceptional items in 2013.

In 2009, the Group made provision against assets owned and amounts receivable under a contract to provide services in Venezuela which was terminated and subsequently taken over by PDVSA. In January 2014, the Group finalised a settlement agreement and received a payment of \$62.5m. The net recovery, after deduction of costs, payments to non-controlling interests and taxation is expected to be around \$40m and will be recorded as a 2014 exceptional gain.

Taxation	2013 \$m	2012 \$m
Profit before tax	412.8	361.4
Exceptional items	(0.5)	(0.7)
<b>Profit before tax before exceptional items</b>	<b>412.3</b>	<b>360.7</b>
Total tax charge	112.3	103.2
Tax on exceptional items	1.1	(0.1)
<b>Tax charge pre-exceptional items</b>	<b>113.4</b>	<b>103.1</b>
<b>Effective tax rate</b>	<b>27.5%</b>	<b>28.6%</b>

The effective tax rate in 2013 was 27.5% (2012: 28.6%). Going forward we expect the effective tax rate based on proportional consolidation to remain around 27.5% in the medium term.

### Earnings per share

Adjusted diluted EPS for the year increased by 16% to 98.6 cents per share (2012: 85.2 cents) due principally to the increase in underlying profitability.

Reconciliation of number of fully diluted shares (All figures are in million shares)	Weighted average 2013
Ordinary shares	373.8
Shares held by employee trusts	(10.5)
<b>Basic shares for EPS purposes</b>	<b>363.3</b>
Effect of dilutive shares	10.2
<b>Fully diluted shares for EPS purposes</b>	<b>373.5</b>

Adjusted diluted EPS adds back all amortisation. If only the amortisation related to intangible assets arising on acquisition is adjusted, then the figure for 2013 would be 90.0 cents per share (2012: 79.7 cents).

### Dividend

The Group continues to adopt a progressive dividend policy taking into account its capital requirements, cash flows and earnings. Since IPO in 2002, the Group has increased the dividend by an equivalent of 20% per annum compound.

In line with our policy, the Board is recommending a final dividend of 14.9 cents per share, an increase of 32%, which when added to the interim dividend of 7.1 cents per share makes a total distribution for the year of 22.0 cents per share (2012: 17.0 cents), an increase of 29%. The dividend of 22.0 cents is covered 4.5 times (2012: 5.0 times) by adjusted earnings per

share for the 2013 financial year<sup>5</sup>. Reflecting confidence in future growth, the Board currently expects the dividend increase in 2014 to be around 25%, and our intent would be to increase the US dollar value of dividend per share paid from 2015 onwards by a double digit percentage.

### Summary Balance Sheet

Note 1 to the Group Financial Statements contains a bridge between the balance sheet for management reporting purposes as summarised below and the statutory format which treats certain businesses as discontinued.

	2013 \$m	2012 \$m
<b>Assets</b>		
Non-current assets	2,350.0	2,131.8
Current assets	2,198.0	2,029.3
<b>Liabilities</b>		
Current liabilities	(1,457.7)	(1,303.4)
<b>Net current assets</b>	<b>740.3</b>	<b>725.9</b>
Non-current liabilities	(674.0)	(622.4)
<b>Net assets</b>	<b>2,416.3</b>	<b>2,235.3</b>
Equity attributable to owners of the parent	2,407.4	2,227.1
Non-controlling interests	8.9	8.2
<b>Total equity</b>	<b>2,416.3</b>	<b>2,235.3</b>

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 2012 is primarily due to higher trade receivables in Wood Group Engineering and Wood Group PSN due to increased activity and higher inventory in Wood Group GTS.

The increase in non-current liabilities in 2013 is primarily due to the increase in long-term borrowings as a result of the three acquisitions completed during the year.

### Capital efficiency

Net debt to total EBITDA at 31 December 2013 was 0.53 times (2012: 0.31 times). The Board would generally expect net debt to EBITDA to be in a range of around 0.5 to 1.5 times going forward, and to be typically below 1.0 times. To the extent that the Group has financial capacity which is surplus to the anticipated needs for acquisitions and organic growth, the Group would look to return this to shareholders through share buy backs or special dividends.

The Group's pre-tax Return on average Capital Employed<sup>6</sup> (ROCE) increased slightly from 19.3% to 19.4% with an increase in Wood Group PSN being offset by reductions in Wood Group Engineering and Wood Group GTS.

The Group's ratio of average Operating Capital Employed to Revenue<sup>7</sup> (OCER) worsened from 12.5% to 15.6% principally due to a combination of increased inventory and lower revenue in Wood Group GTS and higher average receivable days in both Wood Group Engineering and Wood Group PSN.

### Cash flow and net debt

	2013 \$m	2012 \$m
<b>Opening net debt</b>	<b>(154.5)</b>	<b>(3.9)</b>
Cash generated from operations pre-working capital	597.9	520.6
Working capital movements (continuing operations)	(22.0)	(192.9)
Working capital movements (discontinued operations)	(39.5)	–
<b>Cash generated from operations</b>	<b>536.4</b>	<b>327.7</b>
Acquisitions, deferred consideration	(290.4)	(188.7)
Capex and intangibles	(142.0)	(127.2)
Disposals	0.3	40.6
Purchase of shares by employee share trusts	(47.8)	–
Tax paid	(127.8)	(134.7)
Interest, dividends and other	(83.7)	(68.3)
<b>Increase in net debt</b>	<b>(155.0)</b>	<b>(150.6)</b>
<b>Closing net debt</b>	<b>(309.5)</b>	<b>(154.5)</b>

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

	2013 \$m	2012 \$m
Average net debt	258.4	140.7
Average gross debt	436.0	356.5
Closing net debt	309.5	154.5
Closing gross debt	493.0	326.8

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

Cash generated from operations pre-working capital increased by \$77.3m to \$597.9m and post-working capital increased by \$208.7m to \$536.4m. The working capital outflow of \$61.5m relates primarily to higher trade receivables as a result of increased activity in the period along with higher inventory in GTS, offset by higher payables.

Cash paid in relation to acquisitions totalled \$275.5m (2012: \$158.3m) and deferred consideration paid in respect of prior period acquisitions amounted to \$11.8m (2012: \$30.4m). Included within acquisition spend is \$3.1m (2012: \$nil) relating to the purchase of non-controlling interests.

Payments for capex and intangible assets increased to \$142.0m (2012: \$127.2m). We anticipate spend on capex and intangible assets to be around \$140m in 2014.

The Group's employee share trusts purchased 3 million shares during the year at a cost of \$47.8m.

The reduction in tax paid in the year was due to timing of instalment payments in certain jurisdictions and payments relating to the 2011 Well Support disposal made in 2012.

The increase in interest, dividend and other largely relates to the increased dividend paid in the period.

### 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 241 active members and 940 deferred, pensionable deferred or pensionable members at 31 December 2013. At 31 December 2013 the scheme had a deficit of \$41.2m (2012: \$55.0m) before recognition of a deferred tax asset of \$9.1m (2012: \$12.7m). In assessing the potential liabilities, judgment is required to determine the assumptions around future salary and pension increases, inflation, investment returns and member longevity. The reduction in the deficit from 2012, although affected by a number of factors, was due primarily to better than anticipated investment performance in the period.

The scheme is closed to new members and future benefits under the scheme are currently provided on a Career Average Revalued Earnings (CARE) basis. The Group has entered into consultation with members of the scheme with regard to a proposal which would result in closure to future accrual from 30 June 2014. No impact of the proposed change has been reflected in the 2013 net liability.

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 Intetech, which is a niche provider of software and engineering consultancy services for well integrity and corrosion management services; Pyeroy, a provider of specialist coating and fabric maintenance services; and Elkhorn, a provider of construction services for midstream oil & gas facilities in the US shale market. The total initial consideration for these acquisitions was \$275.5m, net of cash and borrowings acquired, of which Elkhorn made up \$217.4m (\$215.0m consideration plus \$2.4m borrowings acquired).

### Footnotes

1. Total EBITA includes continuing and discontinued operations and represents total operating profit of \$431.4m (2012: \$374.3m) before exceptional income of \$0.5m (2012: \$0.7m) and the deduction of amortisation of \$102.1m (2012: \$85.5m) and is provided as it is a key unit of measurement used by the Group in the management of its business. Total operating profit for the year comprises operating profit from continuing operations of \$365.6m (2012: \$335.0m) and operating profit from discontinued operations of \$65.8m (2012: \$39.3m).
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.
4. Interest cover is total EBITA 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 total 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 total revenue.





## Our Core Values

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

Our annual 'Living our Values' Awards recognise our people around the world who are role models in bringing our Core Values to life.



## 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.

Our Safety & Assurance Core Value leaves no room for complacency. It is our major business driver, against which we set ourselves the highest standards. During 2013 we implemented a range of proactive and reactive measures with a view to achieving exemplary safety performance.

In 2013 we also looked closely at our HSSE strategic direction for the next three years. We refreshed our HSSE strategy which will shape our progress from 2014 onwards.

We established a Board-level Safety & Assurance committee to ensure our approach and performance is open to scrutiny and challenge at the highest level. This committee also ensures our strategy is validated, communicated and deployed.

Despite our good efforts, some elements of our safety performance have not improved as anticipated. In the UK and Americas, where we saw a decline in safety performance, we invested considerable time and resources to reverse this downward trend and began to see improvements towards the end of the year.



**TRCF: total recordable case frequency**  
per million man hours

Overall, whilst we have seen improvement in our total recordable case frequency (TRCF), our lost work case frequency (LWCF) remains relatively flat.

We tragically had a fatality at an onshore site in our UK business. We have captured and are acting on the lessons learned to avoid such a tragedy ever happening again.

During 2012 we successfully began raising the profile of how we apply and verify our HSSE systems. We continued to reinforce this process in 2013 with increased formality, engagement and rigour. It has now been embedded across the Group and is a key part of our HSSE strategy.

We invested in our security organisation to mirror our global footprint, and reflect and mitigate political fragility on some of our operations around the world.

The process safety gains made in 2012 were sustained and strengthened in 2013. We analysed more actual and potential integrity incidents, and conducted more extensive trend analysis to uncover weaknesses. We continue to apply the lessons learned from the Black Elk platform explosion in the Gulf of Mexico in 2012, where we were a main contractor. This has helped focus our attention on assuring clarity of roles and responsibility, plus the integrity of all of our operations.

Through our Safety Leadership Programme we deliver safety leadership training to our senior business leaders. During 2013 we extended the programme's reach to a wider employee audience, in more locations and delivered in more innovative ways.



**LWCF: lost work case frequency**  
per million man hours

## Outstanding performance

*Energeticos in Colombia, part of Wood Group Mustang, was highly commended for Safety & Assurance in our 2013 'Living our Values' Awards for outstanding Health, Safety and Environment performance, which was recognised by the Colombian Safety Council.*



## Relationships

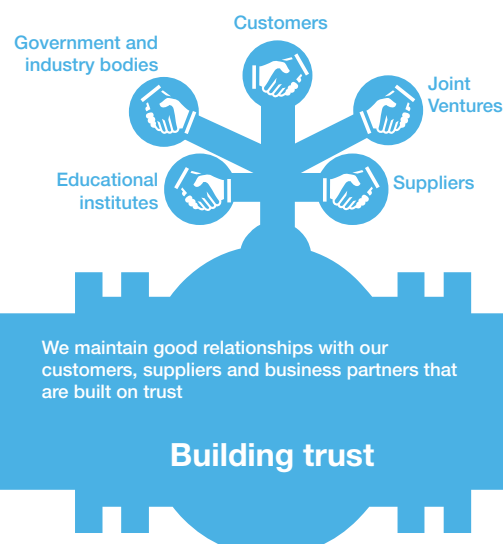
**Our business depends on healthy relationships with customers, business partners and suppliers.** We build and nurture strong relationships that are mutually beneficial, making sure that we deeply understand the people we deal with, so that we can anticipate their needs and always aim to exceed their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

We have a broad range of customers including international oil companies, national oil companies and independents, and power and industrial companies. Our relationships with our customers grow through delivering service excellence, open and honest communication, and building trust. We are focused on developing strong relationships with our customers by listening to, understanding and satisfying their requirements, and providing cost-effective and reliable project delivery.

Our success in this area is demonstrated by the long-term relationships we have fostered with customers around the world. During 2013, we negotiated more than 30 contract renewals with clients globally, including 15 long-term contract extensions with key oil & gas industry operators on North Sea facilities. We have a diverse customer base, both in terms of industry sector and geography, ensuring we avoid dependency on any one customer. Our top 10 customers typically generate less than 40% of total Group revenues.

Collaboration across business units and divisions has been a key theme for 2013. Sharing ideas and opportunities across the Group allows us to offer a unified, seamless service to our customers. There are numerous examples of how we have collaborated to meet customer demand for comprehensive, cost-effective solutions, adding value to their business.

In the Gulf of Mexico, three of our businesses have jointly supported the Jack/St. Malo floating semi-submersible production platform: Wood Group Mustang performed topsides FEED and detailed design; Wood Group Kenny performed detailed design for the 136 mile oil export pipeline



We maintain good relationships with our customers, suppliers and business partners that are built on trust



connecting the Jack/St. Malo facility to the Boxer A fixed platform; and Wood Group PSN planned, managed and performed field execution of commissioning for the facility.

Wood Group PSN introduced Wood Group GTS' team to a customer experiencing issues with its fleet of rotating equipment on offshore assets. Wood Group GTS provided a solution to the customer's problems and was subsequently awarded a long-term maintenance contract with them.

We continue to maintain good relationships with our business partners, including our joint venture partners and suppliers. We work closely with Government and industry bodies, including Oil & Gas UK, Step Change in Safety and the North America Generator Forum.

## 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.

Our charitable support spans health, education, the arts, medical research and the prevention and reduction of poverty, and our employee giving funds support causes that our people are involved with and care about. In Bangladesh we actively supported initiatives to provide education to children without access to local primary schools, and in Africa we partnered with the Vine Trust to bring medical and housing support in Tanzania. In the US we supported the Cystic Fibrosis Foundation, the ALS Association and the MS150 bike ride for multiple sclerosis. In the UK we supported the Young Engineers & Science Club, the Princess Royal Trust for Carers, Transition Extreme, the ARCHIE Foundation and the Maggie's Centres Appeal.

Our environmental strategy has three key elements. Firstly, we develop and implement sound management systems. Wood Group Kenny was the first company in Australia to achieve ISO 50001 certification, a technical standard specific to energy usage and

consumption. Several of our businesses also received ISO 14001 environmental management system certification. We identify and monitor the environmental impact of our main areas of environmental risk, including platforms where we are dutyholder, power plants and facilities that we operate, and the facilities we design.

Secondly, we seek to reduce the environmental impact of our internal operations. Our main CO<sub>2</sub> emissions come from energy use in our buildings and business travel by employees. We are committed to improving performance in both of these areas. We have carried out energy efficiency improvements, particularly in the UK, that are helping us create a better working environment for our employees and improve our environmental performance. We continue to participate in the Carbon Disclosure Project (CDP) for carbon emission reporting, and the CRC Energy Efficiency Scheme (CRC), a UK Government scheme encouraging carbon emission reduction.

Thirdly, we use our engineering and production support capabilities, and our developing renewable energy expertise, to provide our customers with solutions to help them reduce their environmental impact. Where appropriate, we aim to improve our customers' environmental performance by designing processes and facilities which monitor and limit emissions, use fewer materials in fabrication, and contribute to more efficient operation.

Our commitment to Social Responsibility is demonstrated across our organisation. Through our renewable engineering consultancy, SgurrEnergy, part of Wood Group Kenny, we have supported renewable energy projects globally. In Ethiopia, our wind monitoring and analysis services are being provided for a 400MW wind farm which is significant for the expansion of renewable energy development in Ethiopia and across East Africa. Our cutting edge wind scanning technology, using Galion Lidar devices, was deployed in the Gulf of Mexico and used for research by a university in China. In the US, Wood Group GTS installed two steam turbines in the 250MW Mojave Solar Project, one of several large-scale renewable energy initiatives that will enable the state of California to secure one third of its energy requirements from renewable sources by 2020. Wood Group Mustang's biofuel team has applied its process engineering expertise on several projects, including the design of two major biofuel plants using the latest technology concepts.

## Vine Trust Tanzania

*In partnership with the Vine Trust, we are helping make a difference to people's lives in Tanzania by supporting the design and construction of a floating medical facility, and our employees are volunteering to help build homes in the region.*



### Carbon Disclosure Project (CDP)

Emissions have reduced in absolute terms and more so in relation to business growth. The CO<sub>2</sub> footprint per employee is reducing.

CO<sub>2</sub> footprint per employee since 2010



Metric tonnes CO<sub>2</sub>e\*

UK Emissions 2013 estimate. \*Covers all Scope 1, 2 & 3 emissions. \*\*Covers Scope 1 & 2 emissions only.

### CRC Energy Efficiency Scheme (CRC)

The increase in emissions is due to acquisition of new sites as a result of business growth and also reflect changes in the CRC rules. Applies to UK businesses only.



Tonnes CO<sub>2</sub>e



Tonnes CO<sub>2</sub>e per £m turnover

### Disclosures concerning greenhouse gas emissions

Global GHG emissions data is shown for the period 1st January to 31st December 2013 and is 127,548 tonnes of CO<sub>2</sub>e.

Emissions from	2013
Combustion of fuel and operation of facilities	118,439 tonnes of CO <sub>2</sub> e
Electricity, heat, steam and cooling purchased for own use	9,109 tonnes of CO <sub>2</sub> e
Company's chosen intensity measurement: Emissions reported above normalised to per tonne of \$100,000 revenue (\$7,064,200,000)	1.8

### Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014. Where data was not available due to timeframes, estimation of data has occurred to best reflect an accurate view of those sources included in the reporting.

## 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 46,000 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. This means that everyone is treated fairly, honestly and individual differences are respected.

To attract the best people to work for Wood Group we understand that we must offer a combination of interesting and rewarding work in a safe, friendly and supportive working environment. The best people are also attracted by working in an organisation that is led by the best. During 2013, the Wood Group Leadership Framework was created to help us further develop our leaders and provide a guide to the intrinsic behaviours that Wood Group requires of its leaders to achieve our strategic ambitions.

Retaining our senior talent is critical to our business, reflecting not only their direct contribution but also the influence they have on others. During 2013, we improved our approach to resourcing at leadership level in what is a very competitive global labour market. Also, in a key part of our business we aligned the approach with our People Core Value and created our Gold Box of senior leaders in the business. Using the Wood Group Leadership Framework as the benchmark, we are now delivering Leadership Development Centres which have the dual benefit of helping our organisation understand

the aspirations of our people as well as providing our leaders with the opportunity to achieve their potential.

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 development portfolio provides blended development opportunities designed to equip the organisation with new skills as well as refine and update existing ones. Our bespoke leadership development programmes were updated during 2013 to place more emphasis on our Core Values and organisational collaboration. This reflects our determination and belief that excellent leaders both understand and display the behaviours we expect to truly support our strategic direction.

We are committed to bringing the next generation of talent into the business and achieve this through industry leading apprenticeships and graduate development programmes. During the past five years we have brought more than 830 graduates and apprentices into our global business, which includes over 200 in 2013. We recognise that in order to retain the best talent, we need to offer career progression and a variety of opportunities within our business and this is achieved through our approach to career management at the end of our structured development programmes.

Ours is an exciting business that offers our people a diverse mix of career development opportunities around the world. 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. We recognise the significant advantage in working together across divisions and geographies to harness our collective strengths.

## 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.

Our culture is to encourage innovation in everything we do. Innovation helps us respond successfully to the developing and changing needs of our customers around the world, and we invest in operational and engineering excellence initiatives to deliver continuous improvement. We have been actively involved in many such initiatives during 2013.

We renewed our sponsorship of the Wood Group Chair of Arctic and Harsh Environment at Memorial University in Newfoundland, Canada for a second five-year term. The Arctic and cold regions are a strategically important area of future industry development. Through our R&D chair we aim to develop enabling technology and environmentally robust solutions for offshore oil & gas developments in these regions.

Wood Group Kenny won the Industry Innovation and Technology award at the Subsea Energy Australia 2013 Business Awards for its lightweight riser vacuum testing equipment. This innovative tool weighs just one percent of traditional vacuum testing systems, meaning it can be quickly mobilised to remote locations by helicopter. MSI Kenny’s Virtuoso™ pipeline hydraulic and process simulation tools were installed on the Nord Stream pipeline system, linking Russia to Germany via the Baltic Sea, to monitor the operations of two pipelines feeding gas to consumers in Europe.

Wood Group Mustang took an off-the-shelf process and instrumentation diagram (P&ID) system and customised it to create its own system to meet customers’ P&ID expectations.

## Global opportunities

With around 46,000 employees working in 50 countries, our competitive edge is delivered through the quality of our people



## Subsea Awards 2013

Wood Group Kenny won the Industry Innovation and Technology award at the Subsea Energy Australia 2013 Business Awards for its lightweight riser vacuum testing equipment, which weighs just one percent of traditional vacuum testing systems and can be quickly mobilised to remote locations.





The system reduces time and errors by using original data. The business has also been involved in a project that is leading the industry in sustainability and ecological design. In response to Canada's requirement to ship oil sands bitumen to refineries in the US, the NWR Sturgeon Refinery in northeast Canada is an exciting and innovative new project that will have the capacity to produce 150,000 barrels per day of refined product. The project is the first in the world to incorporate gasification and carbon capture, reducing its environmental impact. Wood Group Mustang's scope of work involved earthworks, deep undergrounds and firewater and water treating facilities for the first phase of the facility.

A creative Wood Group PSN solution was deployed during expansion of a North Sea platform which could not cope with the extra weight of a new module. The team designed the largest structural strengthening scope in the client's history, allowing a further 1,900 tonnes to be installed. Wood Group PSN breathed new life into the infrastructure, extending its life while assuring the design's technical integrity.

Wood Group GTS conducted its first Critical Infrastructure Protection (CIP) conversion at a 500MW power plant in the US. The conversion provided a continuous audit-ready compliance programme, enabling the customer to manage its complex compliance requirements, and helping to safeguard North America's power system from cyber security risks.

## 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.**

Securing fair reward for our services allows us to invest in the future of the Group, reward our investors, and satisfy our suppliers and lenders appropriately. Having the relevant financial expertise across our business is key to this and is not limited to the finance function. More than 400 people have attended our internal 'Finance for Managers' programme which enables operational management to better understand financial reporting and the importance of working capital and improved cash management, which ultimately frees up capital for further investment. We track average Days Sales Outstanding (DSO) as a key indicator of working capital performance, and this moved from 51 in 2012 to 54 in 2013, principally due to an increase in Wood Group Engineering. The finance function supports business decision making, provides stewardship to protect the Group's assets, ensures compliance with financial reporting requirements, and understands and responds to risks facing our business.

The management of our own and our customers' costs remains crucially important, particularly in a market environment where project returns and capital discipline are high on the agenda. Our current capital expenditure programme includes investment in integrated business management systems across the Group. In 2013, Wood Group Mustang's US operations went live and we believe this will increase our cost effectiveness and our ability to better service customers.

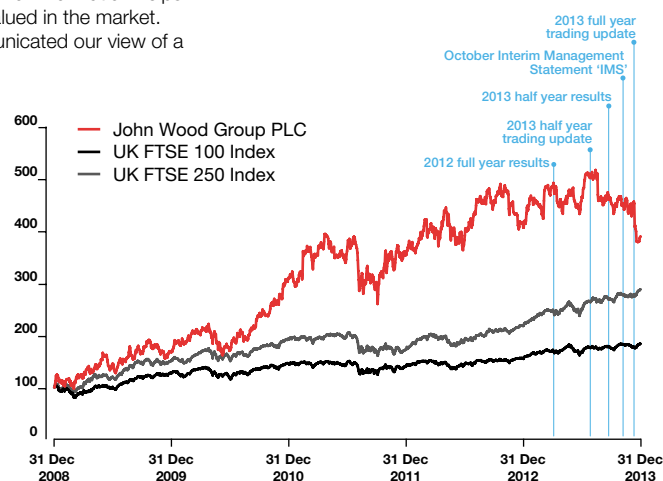
As a public company we must proactively communicate our financial performance and future expectations in a clear and concise manner. Managing this flow of information helps ensure that we are fairly valued in the market. During the year we communicated our view of a

deteriorating outlook for parts of the business in 2014 as conditions changed, and we provided clear guidance to the market about our updated expectations of financial performance in this area. We understand the importance of maintaining relationships with the financial community that are built on trust, including investors, analysts and the financial media. It is crucial that our stakeholders understand the impact of the risks and opportunities facing our business and our ability to achieve our long-term strategy.

We seek investor feedback throughout the year, both informally through our investor relations team, as well as through investor roadshows and one-to-one sessions with our CEO and CFO. Recognising the insight that operational management can bring to investors, additional members of our senior leadership team took part in our results presentations and investor meetings during the year. We also participated in a number of investment bank conferences and held further meetings in response to ad hoc requests.

In February 2013, the Group renewed and extended its bilateral borrowing facilities from \$800m to \$950m with the maturity date extended to February 2018. This helped facilitate working capital requirements and nearly \$300m of spending on acquisitions during 2013, which we believe will improve our financial performance.

Our next Annual General Meeting, to be held on 14 May 2014, will provide an opportunity for shareholders to raise questions with the Board. We will continue to communicate regular formal updates during the course of the year, including final and interim results, interim management statements, and trading updates. In addition, following the success of the Wood Group Engineering capital markets day in 2012, and recognising the changes to the Group structure as our gas turbine activities transfer to the stewardship of Wood Group PSN, we intend to hold a Wood Group PSN capital markets day during 2014.



## Total shareholder return

Wood Group has outperformed the UK FTSE 100 and UK FTSE 250 indexes over a five year period



## 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 alleged breaches and complaints and take appropriate action.

Our Business Ethics committee oversees our business ethics compliance programme and the implementation of our Business Ethics Policy. The committee comprises senior managers from across the Group and is chaired by Robbie Brown, Company Secretary. Our Group Chief Compliance Officer serves as the focal point for business ethics and compliance matters across the Group's global activities. The Business Ethics committee also appoints the Group's Responsible Officers who, liaising with a number of designated Country Officers, are responsible for promoting ethical conduct across all businesses and locations in their area of responsibility. We also use various forms of communication to embed the Integrity message across the Group, including video and email messages, posters and our Business Ethics intranet site.

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. It highlights the importance of conducting business ethically and legally throughout our global organisation. The policy is updated regularly, is available in nine languages and is widely communicated to our people. In 2013 more than 5,300 (2012: around 5,000) business ethics personnel completed on-line training and confirmed 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.

Using our confidential Business Ethics helpline, people can raise their concerns, report suspected breaches of the Business Ethics Policy, and ask questions. Since October 2013 the helpline has been externally hosted to improve multi-lingual access and emphasise the confidentiality of reporting. In addition, matters may also be reported directly to management, Group Compliance, Legal or Human Resources.

We conduct timely investigations whenever we receive information alleging potential breaches of our Business Ethics Policy. A register of business ethics matters is maintained by the Group Chief Compliance Officer and the Business Ethics committee, and the Board receive regular reports and updates. During 2013 we conducted a number of internal investigations into allegations of unethical behaviour. Appropriate disciplinary action was taken based on the facts and circumstances. This included one formal dismissal for behaviour that violated the Business Ethics Policy and four other cases where the employee left during or immediately upon completion of an investigation. We take prompt action to deal with any confirmed breaches. Equally, through our 'Living our Values' awards, we continue to recognise individuals or teams who demonstrate integrity in an exemplary manner.

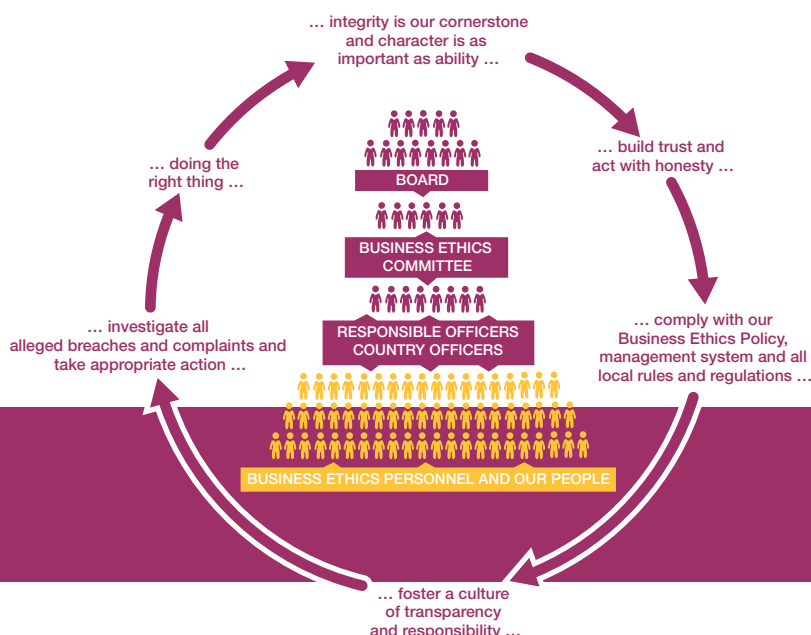
At Wood Group, employees are consistently reminded that they play a crucial role in ensuring that we conduct business ethically, and apply moral and principled behaviour in all our transactions. In spite of this, we know that errors of judgement can occur, and therefore we are never complacent and are relentlessly focused on adhering to our Integrity Core Value.

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## Doing the right thing

Our reputation depends on us doing the right thing



# Principal risks and uncertainties

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Wood Group's Core 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 include the principal risks faced by the Group during the year and were included in the Board review process carried out during February 2014 in accordance with the guidance on internal controls in the Turnbull guidance published by the Financial Reporting Council (FRC).

## 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.

## 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 of 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 and internal control 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 with a specific focus in 2013 relating to our appetite for lump sum and fixed price contracting.

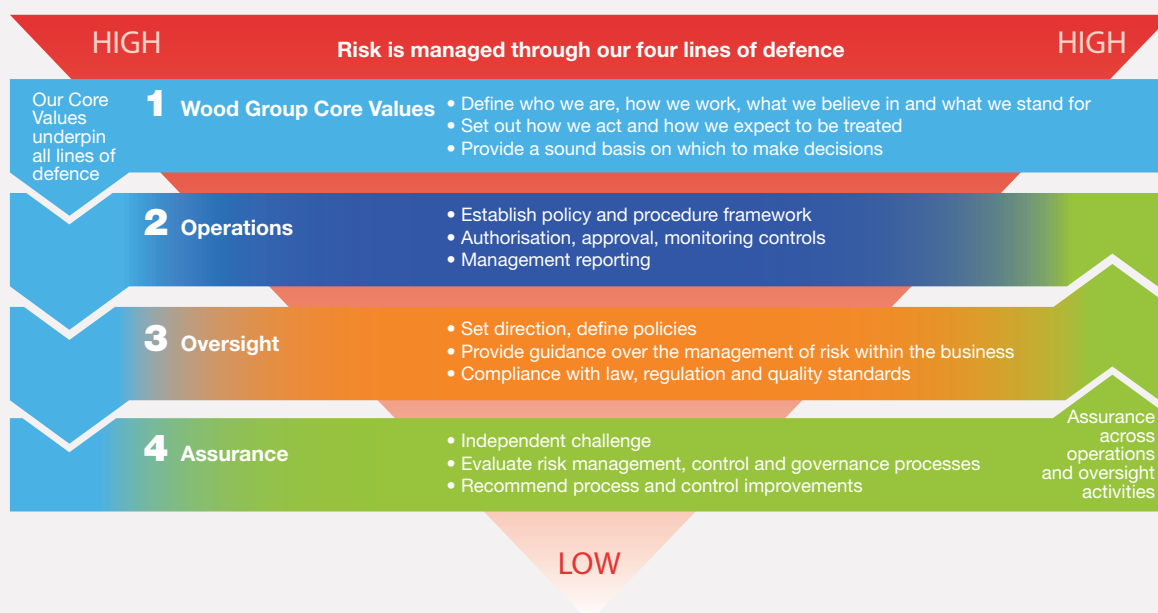
Our leadership teams provide oversight through specific activities designed to monitor key risks in such areas. This is an ongoing process and we are continually seeking to enhance our risk monitoring and reporting tools.

## Assurance

Various assurance mechanisms are utilised across the Group such as peer reviews on certain significant or higher risk contracts as well as a programme of risk based audits performed by the Group Internal Audit function. 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 improve associated internal control processes. Some of the more recent developments introduced in 2013 include:

- a refresh of the Group's risk assessment process, including a series of facilitated workshops involving divisional and functional senior managers across the Group
- the introduction of revised policies in respect of the risk associated with the bidding and execution of lump sum and fixed price contracts
- an update of our security policy and associated process for assessing security risk within the locations in which we operate.



## More on page

05	Our results and how we measure our performance
09-11	Divisional performance
24	Corporate Governance




## 22 Principal risks and uncertainties continued

	Safety & Assurance	Operational	Financial	Environmental
	Change in risk from 2012 			
<b>Risk profile</b>	<p>Failure to deliver safety excellence and process assurance could harm people, damage assets, impact our reputation and result in customers no longer selecting the Group as a supplier of services.</p> <p>We have a fundamental duty to protect our people and recognise the risks associated with poor safety performance leading to a major incident resulting in a loss of life.</p> <p>A number of our recent acquisitions involve construction work and increased driving activity which bring an element of inherent safety risk. Although we continue to embed our safety processes within new acquisitions, the overall safety risk profile within the Group has increased slightly.</p>	<p>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.</p> <p>Specific risks in this area include the start up and execution of new contracts as well as risks associated with the integration of acquired businesses and the formation of joint ventures.</p>	<p>An internal or external event that impacts our ability to raise finance, achieve forecast, effectively manage our working capital or hampers management's ability to make effective decisions or report on our financial position.</p> <p>The Group operates in a number of countries where the tax regimes can be complex and uncertain. This can increase the risk of operating in certain geographies. The Group may take a position on a particular tax treatment that differs from that of a tax authority on audit, leading to disagreement or dispute, and the risk of higher tax payments.</p>	<p>An environmental incident could lead to legislative or regulatory action, harm to the environment and associated reputational damage.</p>
<b>Mitigation, monitoring and assurance</b>	<p>Safety &amp; Assurance continues to be our top priority and is underpinned by the Group HSSE management system.</p> <p>We established a sub-committee of the Board to specifically cover Safety &amp; Assurance matters.</p> <p>We use indicators to monitor and measure personal and process safety performance.</p> <p>High Potential and High Severity incidents are subject to increased scrutiny, with formal cross-divisional review and learning processes introduced. 'Near Miss' reporting, analysis and learning was further developed during 2013.</p> <p>Our internal review process includes self assessment and certification.</p> <p>Our Safety Leadership Programme has been extensively deployed across the Group.</p>	<p>We have a review and approval process for new work aligned to formal delegations of authority.</p> <p>We have start-up and execution plans for key projects supported by monitoring and reporting.</p> <p>We seek to deliver high-quality project execution and operational performance.</p> <p>Integration teams are assigned to new acquisitions with detailed plans developed to monitor the integration process.</p> <p>Collaboration across business units and divisions has been a key theme for 2013. Sharing ideas and opportunities across the Group allows us to offer a unified, seamless service to our customers.</p>	<p>We have Group-wide accounting, treasury and tax policies that underpin our approach to managing financial risk.</p> <p>We execute regular budgeting, forecasting and monitoring processes.</p> <p>We carry out a review and approval process in relation to capital commitments, acquisitions and disposals.</p> <p>We have internal audit, quarterly self-certification and annual financial risk self-assessment processes embedded across the Group.</p> <p>In February 2013, the Group renewed and extended its bilateral borrowing facilities from \$800m to \$950m, with the maturity date being extended to February 2018. This gives us the opportunity to invest in future growth. We drive strong cash flow and maintain a robust balance sheet to have the flexibility to invest in the business and make acquisitions.</p>	<p>We seek to deliver high-quality project execution and operational performance.</p> <p>A large number of our business units have ISO 14001 certified or equivalent environmental management systems and we participate in the CDP initiative to get external benchmarking of our performance.</p> <p>We drive heightened environmental awareness through HSE alerts and environment initiatives.</p> <p>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.</p>
	Read more about Safety & Assurance on page 16	Read more about Operations on page 5 – 11	Read our Financial review on page 12-14, our Financial Responsibility Core Value on page 19 and the activities of the Audit Committee on page 32	Read more about Environment on page 17





**Key:**

-  No change in risk since 2012  
 Risk has decreased since 2012  
 Risk has increased since 2012

	Commercial	Compliance	People	Strategic
	<b>Change in risk from 2012</b>			
<b>Risk profile</b>	<p>Weaknesses in the pre-contract award process, inappropriate pricing, misalignment of contract terms, or failure to comply with contractual conditions could lead to reputational damage, or poor financial performance.</p> <p>Our exposure to specific risks associated with lump sum and fixed price contracts reduced during the year as we introduced a new policy and associated controls for contracts that contain lump sum or fixed-price elements to ensure that we keep our overall risk profile within our comfort levels.</p>	<p>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.</p> <p>We operate in a number of countries with a higher risk of corruption and recognise the heightened risk if we utilise third parties to conduct business on our behalf.</p>	<p>The availability of appropriately skilled personnel remains a challenge for our industry.</p> <p>Failure to attract, develop or retain suitably qualified personnel to support our clients' needs could restrict our growth.</p> <p>Unplanned changes to our management teams could impact our ability to deliver operational and strategic objectives.</p>	<p>Changes in market conditions may influence customers' investment decisions which could lead 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.</p> <p>Analysts estimate some reduction in growth in E&amp;P spend reflecting a greater focus on capital budgets by our customers and this is reflected in the slight increase in our risk profile in this area. That said, the mix of opex and capex activities and the contribution of completed acquisitions is expected to lead to growth overall in 2014, with growth in Wood Group PSN offsetting a reduction in Wood Group Engineering.</p>
<b>Mitigation, monitoring and assurance</b>	<p>We have a rigorous approach to the review and approval of price, scope, subcontractor management and contract risk on contracts with lump sum and fixed price elements.</p> <p>Derogation from the Group's contracting procedure is subject to a range of approvals.</p> <p>Senior management undertake commercial reviews of performance on selected contracts and report to the Board.</p> <p>We monitor the adequacy of our insurance cover.</p> <p>We negotiate appropriate protections in relation to acquisitions where we can, typically including warranties and indemnities.</p> <p>We look to maintain a balance of opex and capex based activities to provide relative profit and loss and cash flow stability.</p>	<p>We have a Business Ethics Policy which forms the foundation of our compliance programme, and requires our personnel to conduct business ethically and legally throughout our global organisation.</p> <p>Our Business Ethics committee oversees our business ethics compliance programme and the implementation of our Business Ethics Policy. The committee comprises senior managers from across the Group. It appoints the Group's Responsible Officers who, liaising with designated Country Officers, are responsible for promoting ethical conduct across all businesses and locations.</p> <p>During 2013 we moved our business ethics helpline facility to an independent provider to improve multilingual access and emphasise the option of confidentiality of reporting.</p> <p>We conduct timely investigations and revised our investigation process and protocol during the year.</p> <p>We monitor export controls, trade compliance and intellectual property risk.</p>	<p>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.</p> <p>Businesses measure their performance against established human resources practices.</p> <p>We operate competitive and performance based reward practices.</p> <p>We offer appropriate training and development programmes.</p> <p>We aim to attract the best people to our business by building on our management track record of delivering through cycle growth and by building market leading positions.</p>	<p>We seek to diversify risk by maintaining a broad customer and geographic spread across the oil &amp; gas and power sectors.</p> <p>We seek a balance of business between customers' capex and opex spend. We also monitor and report customer concentration.</p> <p>We maintain relationship management programmes across top customers and business partners.</p> <p>We have developed a common brand to support our collaboration objectives.</p> <p>We encourage greater collaboration to make better use of our resources and deepen and improve relationships with top customers across the Group.</p> <p>We strive for a broad international footprint to gain exposure to growing areas and insulate ourselves against regional downturns.</p>
	<b>Read more about Commercial on pages 4-11</b>	<b>Read more about Compliance on page 20</b>	<b>Read more about People on page 18</b>	<b>Read more about Markets and relationships on page 16</b>

## 24 Governance – Letter from the Chairman of the Board



“In considering who should succeed me as Chairman, the Nomination Committee concluded that Ian Marchant was the outstanding candidate. His appointment is a natural evolution in the Group’s stewardship and fully complies with the UK Corporate Governance Code on Chairman appointments.”

### Dear Shareholder

I am pleased to present the Group’s governance report for 2013, giving me the opportunity to highlight some significant developments and how the principles relating to the role of the Board have been applied in contributing to challenge, debate and effective decision making.

My appointment as Chairman in 2012, after my tenure as CEO, followed a consultation with key shareholders led by our senior independent director. Those shareholders unanimously supported the decision of the Board, who considered the appointment necessary to provide continuity at the top level over the period of transition of executive leadership to Bob Keiller as CEO. Since then, Bob has demonstrated excellent leadership as he has developed the Group’s strategy in 2013. As a result, it is appropriate that I now retire from the Board at the Annual General Meeting (AGM) in May 2014. In considering who should succeed me as Chairman, the Nomination Committee concluded that Ian Marchant was the outstanding candidate. Ian has served as a non-executive director since 2006, latterly as senior independent director. His appointment is a natural evolution in the Group’s stewardship and fully complies with the UK Corporate Governance Code on Chairman appointments.

The Board is supported by a number of committees in addition to the Nomination Committee, which bring appropriate insight to the Board’s deliberations and ensure that the long-term interests of the Group are met. Our Safety & Assurance Committee was established in May 2013 and oversees the management of Safety & Assurance, consistent with its status as the Group’s top priority. The Committee includes Mike Straughen who has stepped away from his Wood Group Engineering role and now oversees the Group’s HSSE activities, and is chaired by Thomas M Botts, formerly of Shell, who was appointed as non-executive director in January 2013.

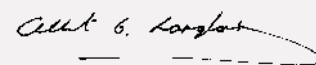
In 2013, the responsibilities of the Audit Committee expanded to reflect changes in the UK Corporate Governance Code. These included the requirement, as requested by the Board, to advise whether the Company’s annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy. The Committee’s report also includes

additional detail on the primary areas of financial reporting judgement considered in relation to the 2013 financial statements and how they were addressed.

The Remuneration Committee focused on two main priorities in 2013. Firstly, we introduced the Group’s new long-term incentive arrangements, the Long-Term Plan (LTP), which was approved by shareholders at the 2013 AGM. The LTP covers both incentive and retention awards and provides a framework which we believe will continue to support the achievement of the Group’s strategic goals. Secondly, we sought to address new regulations aimed at improving the transparency of directors remuneration. Our Directors’ Remuneration Report (DRR) reflects these new regulations which provide shareholders with a greater say in remuneration policy as it relates to company directors. The Board is fully supportive of these changes in regulation and we trust that shareholders will welcome the revised format.

There were a number of Board changes announced during the second half of the year. In September, Mike Straughen, Group Director for Wood Group Engineering, advised that he intends to retire from the Board during 2014. In October, Mark S Dobler, Group Director for Wood Group GTS stepped down from the Board and will become CEO of the new joint venture with Siemens on its formation. Neil H Smith retired from the Board in December. Neil was a non-executive director from 2004 and served on the Remuneration and Nomination Committees. His knowledge of the power generation industry greatly assisted Board discussions on the strategic development of our gas turbine activities.

I am confident that the Board retains an appropriate balance of skills, diversity, experience and personalities, and that in his role as Chairman, Ian Marchant will ensure its continued effectiveness in the best long-term interests of the Group.



Allister G Langlands, Chairman  
18 February 2014



## Typical Board agenda

### Reports covered at each meeting

Safety & Assurance report, CEO's report, operations updates, HR report, reports from Board committees, IT&S 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.

Q1	Q2	Q3	Q4
<b>Annual agenda items included</b>			
Acquisitions performance review	AGM statement review	Annual HR presentation	Corporate governance review and regulatory report
Annual Safety & Assurance presentation	Corporate governance review and regulatory report	Ethics update	Strategy update
Annual Ethics presentation	Pre-close trading statement review	Review of half year results and interim report	IMS & pre-close trading statement review
Review of preliminary statement and annual report	Review of shareholder feedback and strategic positioning (with advisers)	Annual IT&S presentation	
Review of the effectiveness of risk management and internal control systems	Strategy update	Risk review update	

### Additional 2013 business

The Board allows for time on other items where necessary. In 2013, the Board devoted considerable time to discussing the proposed rotating equipment joint venture with Siemens AG, reflecting its strategic importance to the Group. In addition, the Board's own evaluation process and potential acquisitions, including the acquisitions of Pyeroy and Elkhorn Holdings, were discussed.

## 26 Our Board of directors

▼ Allister G Langlands



▲ Bob Keiller



▼ Michel Contie



▼ Alan G Semple



▼ Mike Straughen



▲ Robin Watson



▼ David K Woodward



▲ Jeremy R Wilson



▲ Ian D Marchant



▲ Thomas M Botts



▲ Mary L Shafer-Malicki



### Executive directors

#### 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). He is also a non-executive director of Maven Income & Growth VCT 5 PLC and of WS Atkins plc.

**Committee membership:** Chair of Nomination Committee

#### Bob Keiller

CEO

**Appointed:** 2011

Group CEO since November 2012, formerly Chief Executive of Wood Group PSN from 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:** 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

#### Mike Straughen

Group Director of HSSE

**Appointed:** 2007

Group Director of HSSE since October 2013. Chief Executive of Wood Group Engineering from 2007 to 2013. Previously with AMEC plc for 25 years, latterly as Group Managing Director responsible for UK activities across all sectors, including Global Oil & Gas. Previously a member of PILOT, from 2002 to 2008, and Chairman of the Energy Industry Council from 2002 to 2007. Serves as a non-executive director of Glacier Energy Services Holdings Limited.

**Committee membership:** Safety & Assurance Committee

#### 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. Previously Work Group Co-Chair on the Step Change in Safety Leadership Team.

**Committee membership:** None

#### Mark S Dobler

Stepped down from the Board on 9 October 2013.

Was Group Director, Wood Group GTS. Remains CEO, Wood Group GTS pending the formation of the proposed rotating equipment joint venture with Siemens AG announced on 9 October 2013.



## Non-executive directors

### Ian D Marchant

Senior independent director

**Key experience:** Public company boards, power sector, finance, government and regulation

**Appointed:** 2006

Was Chief Executive of SSE plc, a leading UK energy utility company, for over 10 years until stepping down in the summer of 2013. He is non-executive Chairman of Infinis Energy plc and a non-executive director of Aggreko plc. He is also President of the UK's Energy Institute and Chairman of Scotland's 2020 climate delivery group and of Maggie's Cancer Charity.

**Committee membership:** Chair of the Audit Committee and member of the Nomination Committee

### Thomas M Botts

**Key experience:** International oil & gas (including North America, Europe, South America, Middle East and Downstream)

**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 and is also co-Chair of the Governor's Task Force at the University of Wyoming.

**Committee membership:** Member of the Nomination Committee and Chair of the Safety & Assurance Committee

### Michel Contie

**Key experience:** International oil & gas (including South America, Europe and the Middle East)

**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 Corporation Limited.

**Committee membership:** Member of the Remuneration, Nomination and Safety & Assurance Committees

### Mary L Shafer-Malicki

**Key experience:** Public company boards, international oil & gas (including Asia and Africa)

**Appointed:** 2012

Worked for Amoco and BP for 26 years, latterly as 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, Audit and Safety & Assurance Committees

### Jeremy R Wilson

**Key experience:** Oil & gas advisory, international finance and financial markets

**Appointed:** 2011

Spent his career at J.P. Morgan, which he joined in 1987, until retiring in October 2013. He held a series of senior level positions at J.P. Morgan, including head of their European Mergers and Acquisitions Group, Global co-head of their Natural Resources and Diversified Industrial Group and latterly Vice Chairman of the Energy Group, and was involved in a number of major oil and gas mergers over the years. He continues as a senior adviser to J.P. Morgan, is a non-executive director of Tullow Oil plc and Chairman of The Lakeland Climbing Centre.

**Committee membership:** Member of the Remuneration, Nomination and Audit Committees

### David K Woodward

**Key experience:** International oil & gas (including North America, Middle East and the Former Soviet Union)

**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

### Neil H Smith

**Appointed:** 2004

Retired from the Board on 31 December 2013.

The directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2013.

### Results and dividends

The Group income statement for the year is set out on page 59. In respect of the year ended 31 December 2013 an interim dividend of 7.1 cents per share was paid on 26 September 2013 and the directors have proposed a final dividend of 14.9 cents per share to be paid on 20 May 2014. The full year dividend will therefore be 22.0 cents per share.

### Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the AGM.

### 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	Pages
Board of directors and biographies	26 to 27
Strategic report	05 to 14
Principal risks and uncertainties	21 to 23
Acquisitions and divestments	96 to 98
Principal subsidiaries and joint ventures	104
Corporate governance	24 to 54
Going concern	34
Statement of directors' responsibilities	34
Our people	18
Ethical conduct of our business	20
Safety & Assurance and Social Responsibility	16 to 17
Substantial shareholders	29
Share capital	93
Directors' interests in options over ordinary shares	53
Directors' interests in ordinary shares	51 to 52



## 28 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, consistent with our Core Values. 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](http://www.frc.org.uk). The directors consider that the Company has fully complied with the provisions of the Governance Code during the year ended 31 December 2013. The Board considers that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. 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.

### 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 on page 25.

### What is the composition of the Board?

The Board comprised 13 directors for the majority of the year. At all times the non-executive directors comprised a majority of the Board (excluding the Chairman) as recommended by the Governance Code.

In January 2014, the Chairman advised that he will retire from the Board effective from the date of the next Annual General Meeting (to be held on 14 May 2014). Ian D Marchant, currently senior independent director, will become Chairman of the Board from that date. An announcement on the new senior independent director and chair of the Audit Committee will be made in due course.

In September 2013, Mike Straughen advised that he intends to retire during 2014. Mike was Chief Executive of Wood Group Engineering from 2007 until October 2013 and now oversees the Group's HSSE activities. In October 2013, he joined the Safety & Assurance Committee.

Mark S Dobler left the Board on 9 October on announcement of the proposed formation of a joint venture with Siemens AG for rotating equipment services which he will lead. He remains CEO of the GTS Division pending the formation of the joint venture.

Thomas M Botts joined the Board as a non-executive on 8 January 2013.

Neil H Smith retired as a non-executive director on 31 December 2013 after nine years on the Board.

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 26 and 27.

In October 2013, Jeremy R Wilson retired as vice-chair of J.P. Morgan's Energy Group. He continues as a senior adviser to J.P. Morgan on a part-time basis. The Company has a material business relationship with J.P. Morgan Cazenove, who act as joint corporate broker, adviser and lender to the Company. Having considered whether his role at J.P. Morgan could affect his judgement as a director of the Company, the Board continues to believe that Jeremy 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, other than Allister G Langlands, will seek re-election at the 2014 AGM.

### How does the Board discharge its responsibilities?

There were six scheduled Board meetings during 2013, plus one unscheduled meeting. Four of the meetings were scheduled as two-day sessions and were held in Aberdeen (twice), Houston and Calgary. 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 attended monthly Group Executive Committee meetings throughout the year which include reports and discussions on Safety & Assurance, operational issues, finance, legal and business ethics, investor relations and



human resources matters. In addition, divisional CEO's conduct Quarterly Review Meetings with senior managers of all businesses within their division. These meetings are also normally attended by the Group CEO and CFO.

In addition to Board meetings, a summary of the Group's financial performance is made available to the Board on a monthly basis.

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 (other than the Safety & Assurance Committee established during the year), individual directors, and of the Chairman during the year. In accordance with paragraph B.6.2. of the Governance Code, the Board retained Lintstock Limited (Lintstock) as advisors to facilitate the Board evaluation process. The evaluation involved directors completing detailed questionnaires, the results of which were analysed by the Chairman and the Company Secretary and presented by way of a report for discussion both at Board meetings in August and October 2013 and separate meetings between each director and the Chairman.

The non-executive directors, facilitated by Lintstock and led by the senior independent director, were responsible for the performance evaluation of the Chairman, taking into account the views of the executive directors.

Key areas covered by the Board evaluation were the effectiveness of the Board and committee meetings, individual director performance & assessment of the Chairman, and the nature & extent of the Board's interaction with the management of the Group. The main observations from the evaluation were:

- A desire to rearticulate the Group's strategic direction, which was subsequently addressed at Board meetings in December 2013 and February 2014 and is described in the Strategic report
- A preference for rebalancing the Board agenda and papers from operational to strategic considerations, which will be reflected in the Board schedule by ensuring that more time is available at Board meetings for strategic considerations
- A request to review the extent of any duplication in activities between the Board and its committees, which is being addressed through a review of the Audit Committee's terms of reference
- A desire to extend the depth of the Board's review of senior management succession planning, which was subsequently considered at the Board's meeting in December 2013

Lintstock have no other connection to the Group.

### 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.

### What is the Board's approach to managing the Group's tax affairs?

Our tax affairs are managed consistent with our Core Values at all times, such that all relevant laws and regulations are observed. We conduct our affairs with tax authorities around the world in an open, professional and courteous manner. Diligent professional care and judgement is used to manage tax and mitigate tax uncertainty.

### 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 and other members of senior management as appropriate. We provide the opportunity for significant shareholders to meet with the CEO and CFO twice a year around the interim and final results announcements. Shareholder feedback following these meetings is provided to the Board to ensure that their views are well understood. 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. An Investor Relations report is covered at each Board meeting. Further details can be found in the Financial Responsibility section of the Our Core Values section of this report on page 19.

In 2013, we also consulted with significant shareholders and investor bodies in relation to the approval of a new long-term share incentive plan (LTP) for senior management and executives. The LTP was approved at the 2013 Annual General Meeting.

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

### How does the Board manage risk?

The Board is responsible for the Group's systems 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 objectives as outlined on page 21.

The Company has been notified, in accordance with DTR 5, of the following major shareholdings in the Company as of 3 March 2014.

Name of shareholder	Number of issued shares held	% of issued shares
Ameriprise Financial	18,943,384	5.05%
Aberdeen Asset Management	18,696,597	4.98%
FIL Limited	18,245,808	4.86%
Schroder Investments	16,777,852	4.47%
APG Algemene Pensioen Groep	11,253,239	3.00%

## Committees of the Board

The Board has delegated some of its responsibilities to committees – the Safety & Assurance Committee (established in May 2013), the Nomination Committee, the Audit Committee and the Remuneration Committee. A summary of the work of the Safety & Assurance, Nomination and Audit Committees is set out below and the report of the Remuneration Committee is included in the Directors' Remuneration Report on pages 35-56.

The Charters and terms of reference of the Board's committees 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 2016.

### Board and Committee meeting attendance 2013

	Board	Committee membership	Safety & Assurance Committee <sup>1</sup>	Nomination Committee	Audit Committee	Remuneration Committee
<b>Key:</b>	● Chairman	● Retired member	● S&A	● N	● A	● R
<b>Number of meetings held</b>	7		4	2	4	4
<b>Chairman</b>						
A G Langlands	7	N	–	2	–	–
<b>Executive directors</b>						
R Keller	7	S&A	4	–	–	–
A G Semple	7		–	–	–	–
M Straughen	7	S&A	2	–	–	–
M S Dobler (appointed 1 January, stepped down 9 October)	5		–	–	–	–
R Watson (appointed 1 January)	7		–	–	–	–
<b>Non-executive directors</b>						
I D Marchant	7	N A	–	2	4	–
M Contie	7	S&A N R	4	2	–	4
N H Smith (retired 31 December)	6	N R	–	1	–	3
J R Wilson <sup>2</sup>	7	N A R	–	2	1	4
D K Woodward	7	N A R	–	2	4	4
M L Shafer-Malicki	7	S&A N A	4	2	4	–
T M Botts (appointed 8 January)	7	S&A N	4	2	–	–

#### Note

<sup>1</sup> Trish Sentence, former Group Head of HSSE, was a member of the Safety & Assurance Committee until September 2013.

<sup>2</sup> Jeremy Wilson joined the Audit Committee in December 2013.

## Safety & Assurance Committee

### Members of the Safety & Assurance Committee



"The Safety & Assurance Committee was established in May 2013 and is responsible for overseeing the Group's management of Safety & Assurance (including personal security), consistent with its status as the Group's top priority."

Thomas M Botts  
Chairman, Safety & Assurance Committee

### Who is on the Safety & Assurance Committee?

The Committee comprises the pictured Board members above. Thomas M Botts is chairman of the Committee. Until she left the Group in September 2013, Trish Sentence, Group Head of HSSE was also a member of the Committee. Mike Straughen joined the Committee in September 2013, replacing Trish.

### How does the Committee discharge its responsibilities?

The Committee meets at least twice a year, and has written terms of reference (which are available on the Group's website) setting out its responsibilities.

Main responsibilities are to review and make recommendations to the Board regarding:

- the Group's Safety & Assurance strategy and performance
- the effectiveness of the Group's policies and systems, and evidence of a prevalent safety culture

- safety leadership development throughout the Group, particularly in frontline operations
- the quality and integrity of the Group's internal and external reporting of Safety & Assurance performance and issues
- the Group's preparedness for response to a major safety or security incident
- the process for, and outcomes of, investigations into major safety and security incidents and the effectiveness with which recommendations are assimilated throughout the Group
- the expertise and appropriateness of the structure of the Safety & Assurance function throughout the Group

The Committee met four times in 2013, including a meeting with WGPSN management in Houston to discuss safety challenges affecting their business.





## Nomination Committee

### Members of the Nomination Committee



Allister G Langlands

Ian D Marchant

Thomas M Botts

Michel Contie

Mary L Shafer-Malicki

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.”

Allister G Langlands  
Chairman, Nomination Committee

### Who is on the Nomination Committee?

The Nomination Committee comprises the Chairman and all of the independent non-executive directors. Neil H Smith retired from the Board and the Committee on 31 December 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

The Committee considered a number of candidates for appointment as a non-executive director including discussions with external consultants. However, given Thomas M Botts' wealth of experience in the oil & gas industry following an outstanding career with Shell, no external consultant was retained or open advertising undertaken in connection with his appointment in January 2013.

Given the importance of the role of Chairman of the Board, the Committee carefully considered who should succeed Allister G Langlands, who will retire from the Board at the AGM on 14 May 2014. Given Ian Marchant's knowledge of the Group, having served as a non-executive director since 2006, latterly as senior independent director, the Committee considered him the outstanding candidate. The Committee views Ian's appointment as natural evolution in the Group's stewardship and that it provides good continuity. As a result, no external consultant was retained or open advertising undertaken in connection with his appointment which is to take effect at the next AGM (to be held on 14 May 2014).

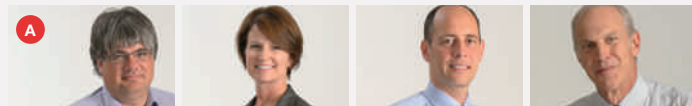
Korn/Ferry International Limited (Korn Ferry), an external consultant, has been retained to advise the Committee in connection with the appointment of an additional non-executive director with a view to them assuming the chair of the Audit Committee. Korn Ferry has no other connection with the Company.

The Committee is cognisant of the Governance Code's requirement to pay due regard to the benefits of diversity, including gender when conducting a search for Board candidates. Wood Group is committed to remaining an equal opportunities employer.

The Committee met twice during 2013.

## Audit Committee

### Members of the Audit Committee



Ian D Marchant

Mary L Shafer-Malicki

Jeremy R Wilson

David K Woodward

"It has been my privilege to chair the Audit Committee during 2013. Our activities as an Audit Committee continue to be focused on the effectiveness of the Group's internal financial controls and financial risk management, the integrity of the Group's financial reporting and effectiveness of the internal and external audit processes. As a Committee we aim to promote high standards of corporate governance by ensuring robust and effective financial control."

Ian D Marchant  
Chairman, Audit Committee

#### Who is on the Audit Committee?

The Audit Committee comprises the pictured Board members above.

#### What are the Committee's responsibilities?

The Committee has written terms of reference, which are available on the Group's website and are reviewed on an annual basis, 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
- as delegated by the Board, advising whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy
- reviewing the Company's procedures for whistle blowing in relation to possible improprieties in matters of financial reporting, financial control or any other financial matters
- monitoring and assessing the effectiveness of the Group's internal audit function
- reviewing the terms of engagement, independence and objectivity of the Group's external auditors
- advising the Board on the policy with regard to audit tendering taking into account relevant regulatory requirements
- assessing the external audit process and the effectiveness of the external auditors to supply non-audit services, in accordance with Group policy
- reporting to the Board any matters which it considers to be in need of action or other improvement, and making recommendations as to the steps to be taken

Audit Committee members have been selected with the aim of providing the range of financial and commercial expertise necessary to fulfil the Committee's roles and responsibilities. The Board considers that I have recent and relevant financial experience as required by the Governance Code.

#### How does the Committee discharge its responsibilities?

The Committee met four times in 2013 and on each occasion we invited the Group CFO, Group Financial Controller, Group Head of Internal Audit and the external auditors, PricewaterhouseCoopers LLP (PwC) to attend. During the year other relevant people from the business were invited to attend certain meetings to provide deeper insight into specific issues and developments across the Group. The Group Head of Internal Audit and the external auditors have the right of direct access to me as Chairman of the Committee at all times, and to meet the Committee without management present.

I report to the Board on the activity of the Committee as part of a separate agenda item.

During 2013 the Committee focused on the following areas:

#### Financial reporting and significant accounting issues

The primary areas of financial reporting judgement considered by the Committee in relation to the 2013 financial statements and how they were addressed are outlined below.

#### Review of significant contracts

In 2013, the Group worked on a small number of material lump sum and fixed price contracts. While these contracts only accounted for less than 10% of the Group's revenue in 2013, the recognition of profit or loss on such contracts during the year is subject to management estimation. The Committee received regular updates on the status of lump sum and fixed price contracts including presentations from management within all three of the Group's divisions. Some examples of this included an update from the Wood Group GTS CEO in August 2013 and February 2014 on the Dorad contract, presentations by the CFO's of Wood Group Mustang and Wood Group Kenny in May 2013 on the status of the lump sum contracting activity in their businesses, and an update from the Wood Group PSN CFO in February 2014 on the PDO contract in Oman. The Committee also received written and verbal summaries of the work undertaken by Group Internal Audit on such contracts included within their annual audit plan. In addition, external audit assessed this as an area of particular focus and the Committee received updates on related work undertaken by PwC.



### Carrying value of inventory

The Group holds a small number of high value engines for use within future gas turbine Engineering, Procurement and Construction (EPC) contracts or for resale. The carrying value of such engines is subject to management judgement and market valuation. During the year the Committee received updates on opportunities to utilise these engines on EPC projects, or sell engine units to our customers, which helped inform the discussion on any provision for impairment. This is also a specific area of focus for external audit.

### Disclosure and classification of exceptional items

The Group has certain items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's underlying financial performance. The Committee reviews those items considered by management to be exceptional in order to ensure that they meet the Group's accounting policy, that the treatment of such items is consistent from period to period and that the narrative disclosures made are adequate. The exceptional items included in 2013 are set out in note 4 to the Group financial statements and in the Financial review on pages 12 to 14.

### Review of subjective provisions

At each meeting the Committee receives and reviews a management report which includes details of material subjective provisions made in respect of items including doubtful debts, warranties, contract accruals, pending legal issues and tax related matters. The adequacy and appropriateness of these provisions and any disclosures required are discussed and challenged.

### Acquisitions, divestments and fair value adjustments

In 2013 the Group made several acquisitions and a disposal which are set out in note 27 to the Group financial statements on pages 96 to 98. The Committee received summaries of the accounting for these transactions, including subjective areas such as the valuation of intangible assets acquired, any gains or losses on disposal, and any subsequent fair value adjustments made.

### Internal financial control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The Audit Committee has been delegated the responsibility to review the effectiveness of the internal financial control systems implemented by management. In supporting the Board we considered the process by which the Group evaluated its internal financial control environment. Our work here was primarily driven by regular updates from the Group Head of Internal Audit on the effectiveness of internal financial controls across each division and the results of the financial risk self-assessment process undertaken across the Group. External audit also provide feedback on their assessment of specific areas of financial control as appropriate during the course of their work.

In addition, the Committee also received presentations in relation to the implementation of major IT systems underway across the Group during 2013 and also considered the Group's treasury and tax policies and associated risks.

### Internal audit

Monitoring the activity of Group Internal Audit is an agenda item at each Committee meeting. Reports from the Group Head of Internal Audit typically include updates on progress against the annual internal audit plan, a summary of the key matters arising from internal audit reviews, an update on the status of actions arising from the work of Group Internal Audit and updates on relevant regulatory matters impacting on the role of the Audit Committee. In addition, we receive summaries of investigations undertaken in relation to suspected fraudulent activity or ethical issues that have a material financial or commercial impact.

I hold private discussions with the Group Head of Internal Audit as necessary during the year outside the formal Committee process.

### External audit

As part of the external audit process, PwC prepare an audit plan identifying their assessment of key audit risks. These risks are discussed during the year with input from management and the Group Head of Internal Audit as necessary, providing the Committee with an opportunity to challenge matters of judgement. We assess the effectiveness of the audit process through the reporting we receive from PwC at both the half year and year end. The Committee also review 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. In addition, we conduct an annual exercise seeking feedback from management on the effectiveness of the audit process.

We provide an opportunity for open dialogue and feedback between the external auditors and the Committee without management being present.

### Appointment and independence

The Committee has overall responsibility for ensuring that the external auditors' independence and objectivity is not compromised.

The Committee considers the reappointment of the external auditor, including, when applicable, the rotation of the lead audit partner, each year and also assesses their independence on an ongoing basis. 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 the Financial Reporting Council's Auditing Practices Board standards that require the Group audit partner to rotate every five years. This is the first year that the current lead audit partner has been involved in the audit of the Group and I had direct involvement in the rotation process.

PwC have been the Group's external auditors since the Group became a publicly listed company in 2002. Whilst the Group has not formally tendered the audit since then, as part of the Committee's review of the objectivity and effectiveness of the audit process, a detailed assessment was undertaken in 2012 as part of the audit partner rotation process where it was decided not to put the audit engagement out to tender. During the year we considered the audit tendering provisions outlined in the revised Governance Code and announcements by the Council of the European Union on reforms within the audit market. Having considered the need to tender the external audit, 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 Committee provided the Board with its recommendation to shareholders on the reappointment of PwC as external auditors for the year ending 31 December 2014. Accordingly a resolution proposing the reappointment of PwC as our external auditors will be put to shareholders at the 2014 AGM.

We will continue to assess whether the Group should put the audit engagement out to tender and at present our intention is that the latest date such a tender exercise would be undertaken is on conclusion of the 2017 audit process, when the current lead audit partner is due to rotate.

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

### Non-audit services

One of the key risks to external auditors' 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 as appropriate for the scope of work 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 2013 was equivalent to 4% of PwC's total fee and is reported in note 3 to the Group financial statements. In the opinion of the Committee, the provision of these non-audit services did not impair PwC's independence.

### Committee evaluation

The Committee's activities formed part of the external review of Board effectiveness performed in the year. Details of this process can be found on page 29. While the overall results of the Audit Committee effectiveness evaluation were positive, we have sought to improve the Committee's effectiveness during the year through greater involvement of business personnel during Audit Committee meetings.

Ian D Marchant

On behalf of the Audit Committee  
18 February 2014

## 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 below.

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, Security and Environment; and Business Ethics. A Group Business Ethics helpline, operated by an independent third party, is in place to enable staff and third parties to raise concerns in confidence about possible non-compliance with the Group's Business Ethics Policy.

#### 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 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 Strategic report on pages 5 to 20. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 12 to 14. In addition, note 17 to the Group 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 Group 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 Group and the parent company 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 pages 26 and 27, 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 27 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

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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 two votes at the 2014 Annual General Meeting (AGM): a binding vote in relation to the Directors' Remuneration Policy (Part 1 of this report) and an advisory vote in relation to the Annual Report on Remuneration (Part 2 of this report), both of which are presented on the following pages.

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\* Audited

Unless otherwise noted, the remaining sections of the Directors' Remuneration Report are not subject to audit.



## Letter from the Chairman of the Remuneration Committee

### Dear Shareholder

Our Directors' Remuneration Report (DRR) this year follows the format laid out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 which came into effect on 1 October 2013.

Those regulations aim to improve the transparency of reward arrangements and to provide shareholders with a greater say over remuneration policy as it relates to company directors. The Board is fully supportive of these regulatory changes and we trust that shareholders welcome this new revised format.

As a result of the above legislation, the DRR is now split into two parts. Part 1 covers the Directors' Remuneration Policy which lays out the Company's proposed future policy with regard to directors' remuneration and is subject to a binding shareholder vote which will be held at least every three years. This contains details of the proposed policy as it applies to each individual element of remuneration as well as containing scenario charts which illustrate the potential value of overall remuneration. Subject to the policy report contained in Part 1 of the DRR being approved by shareholders, this policy will become effective from the 2014 AGM.

Part 2 of the DRR contains the Annual Report on Remuneration, which describes how the Company's policy has been implemented in the previous year and how it will be implemented in the coming year. This includes details of all elements of remuneration provided to directors during 2013 and, as was the case previously, this part of the DRR is subject to an annual advisory vote by shareholders.

As this is the first year the new format has been used to report directors' remuneration, shareholders will be asked to vote on two separate resolutions, one in relation to the Directors' Remuneration Policy and another in relation to the Annual Report on Remuneration, both of which I hope you will be able to support.

Our objective continues to be to provide a remuneration package to attract and retain executive directors and senior executives of the necessary calibre to support the successful future growth of the business. We do this through

a balance of fixed and variable pay, which we intend will result in competitive total remuneration packages that reflect performance.

A priority for the Committee during 2013 was the introduction of the new Long-Term Plan (LTP) which replaced the Long-Term Incentive Plan (LTIP) and Long-Term Retention Plan (LTRP) which was approved by shareholders at the 2013 AGM. As described in last year's DRR, the LTP covers both incentive and retention awards and provides a framework which we believe will continue to support the achievement of the Group's strategic goals. For executive directors and senior executives, long-term incentives granted in 2013 will continue to vest subject to challenging TSR (total shareholder return), AEPS and, for certain participants, EBITA targets. Whilst there is flexibility under the LTP to incorporate up to 25% of the maximum award to be based upon clearly defined and measurable strategic key performance indicators this provision has not been utilised to date.

Group performance was good in 2013 with growth in EBITA of 16.1%, and in adjusted earnings per share (AEPS) of 15.7%, which contributed to annual bonuses at between 68% and 83% of maximum being awarded to executive directors. The 2013 performance also contributed to a strong performance in the LTIP fourth cycle (2011 – 2013) with growth in AEPS over the three year cycle of 248% and TSR performance against selected peer companies at 3 out of 17.

During the year, the Committee considered the Chairman's and executive directors' remuneration packages for 2014. Allister Langlands' remuneration from 1 January 2014 reflects his role as part-time, non-executive Chairman. As was the case in 2013, he will not participate in LTP and from 2014 will no longer receive pension accrual or annual bonus. When Bob Keiller was appointed Group CEO, the Committee determined that his salary should be modestly positioned with the intention to increase his salary to a more competitive level once he had further developed into the role and Allister Langlands had transitioned to a part-time non-executive Chairman role and transferred his remaining executive responsibilities. Following review, the Committee considered that Bob Keiller should be awarded a salary increase of 12.5% reflecting the progress he has made since his appointment

and greater responsibility. Bob has accepted that in principle his salary should increase but for 2014 has decided that, given the need to show leadership on cost saving measures, it would be more appropriate to defer this increase for 12 months. The increase will now take effect on 1 January 2015. Robin Watson has been awarded a salary increase of 12.5% reflecting the increased scale of the Wood Group PSN business for which he is responsible including management of the Turbine joint ventures. Employer pension contributions to the GPP on behalf of Robin will also increase from 10% to 15%. Other executive directors were awarded increases of 3% to base salary in line with employees generally. The Committee consulted major shareholders holding in aggregate 48% of the equity of the Company at that time in relation to the proposed salary increases and no objections to the proposed increases were received.

In preparing the Directors' Remuneration Report for 2013, the Committee has endeavoured to provide full and clear explanations of decisions made and the reasons for these. At the 2014 AGM, shareholder approval will be sought for the Remuneration Policy Report, which is intended to remain in effect for the next three years. While the policy reflects existing approved share plans and remuneration practices, it does provide sufficient flexibility to allow certain elements of the remuneration package, such as annual salary or the selection of annual bonus targets, to be adjusted to respond to changing circumstances and to ensure that the package continues to support achievement of the Group's strategic goals. One change that has been included in the policy, is that from 2014 the part of the annual bonus award that is deferred for two years (50% of total bonus awarded), will be paid in shares rather than cash to further strengthen the alignment between executive management and shareholders.



David K Woodward  
Chairman, Remuneration Committee

## Members of the Remuneration Committee



David K Woodward



Michel Contie



Jeremy R Wilson

Neil H Smith retired from the Board and the Committee on 31 December 2013.



### Remuneration Committee

During 2013, the Remuneration Committee comprised four independent non-executive directors: David K Woodward (Chairman), Michel Contie, Neil H Smith and Jeremy R Wilson. Neil H Smith retired on 31 December 2013.

The Remuneration Committee advises the Board on executive remuneration and sets the remuneration packages of each of the executive directors. The Committee has a written charter which is publicly available on the Group's website.

During the year, the Committee took advice from Deloitte LLP, who were retained as external advisors to the Committee. 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. Deloitte received £60,700 for the provision of services to the Committee during the year. These fees consisted of core services (where the cost was agreed in advance) and additional services (which were charged on a time and materials basis). As well as advising the Remuneration Committee, Deloitte LLP also provided tax and global mobility advice to the Group during 2013. The Committee has reviewed the advice provided by Deloitte during the year and is comfortable that it has been objective and independent. The Committee has reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Where appropriate, the Committee receives input from the Chairman, Group CEO, Group Head of Human Resources and the Director of Compensation & Benefits. This input never relates to their own remuneration. The Company Secretary attends each of the Committee meetings in their role as Secretary to the Committee.

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

- attract, retain and motivate executives
- reflect the size and complexity of the Group's business
- 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 enacted under the Companies Act 2006.

During 2013, 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 those meetings.

Meeting	Regular standing items	Other agenda items
February 2013	Confirmed executive directors' salaries for 2013 Confirmed executive directors' annual bonuses for 2012 Reviewed 2012 directors' remuneration report	Approved rules for the LTP Approved LTCIP and LTIP grants for 2010 – 2012 cycle Revised Remuneration Committee Charter
May 2013	Confirmed approval of ESOS and LTRP grants	Approved targets, participants and communications for the LTP 2013 – 2015 cycle
August 2013	Discussed bonus format for 2014	Reviewed changes needed for 2013 DRR Reviewed results of remuneration benchmarking exercise for Group directors Committee performance evaluation discussed
December 2013	Approved executive directors' salaries for 2014 Reviewed estimate of bonuses for 2013	Reviewed draft DRR 2013 Reviewed LTIP target progress for 2011 – 2013 and 2012 – 2014 cycles as well as LTP target progress for 2013 – 2015 cycle Reviewed pension arrangements for Group directors

### Statement of shareholder voting

The Committee is committed to shareholder dialogue. Where there are a substantial number of votes against any resolution on directors' remuneration, the Committee seeks to understand the reasons for any such vote, and will detail here any actions in response to it.

The following table sets out actual voting in respect of our previous remuneration report:

Statement of shareholder voting			
Item	For	Against	Abstentions <sup>(a)</sup>
Advisory vote on the 2012 Directors' Remuneration Report (2013 AGM)	250,820,561 (96.98%)	7,807,841 (3.02%)	9,722,401

### Note

(a) A vote abstained is not a vote in law and is not counted in the calculation of the percentage of votes 'For' or 'Against' a resolution.

## Part 1 Policy report

This part of the DRR contains the directors' remuneration policy. In accordance with section 439A of the Companies Act, a binding shareholder resolution to approve this policy report will be proposed at the 2014 AGM. It is intended that this policy takes effect from the date of the 2014 AGM, subject to shareholder approval.

**1.1 Future policy**

The tables below summarise the remuneration policy in relation to executive and non-executive directors.

<b>Future remuneration policy for executive directors</b>		
<b>Element</b>	<b>Purpose and link to strategic objectives of the Group</b>	<b>Remuneration Policy details</b>
<b>Salary</b>	To provide an appropriate level of fixed salary to attract and retain individuals with the qualities, skills and experience required to deliver our short and long-term strategic objectives.	<b>Operation</b>
		Typically reviewed annually by the Committee, with any changes approved and effective from 1 January (although the Committee may make changes effective from any other date if it considers it appropriate).
		Consideration is given to:
		<ul style="list-style-type: none"> <li>the scale, scope and responsibility of the individual executive's role including any changes in responsibility;</li> <li>the skills, experience and performance of the individual;</li> <li>the salary of individuals undertaking similar roles in companies of comparable size and complexity;</li> <li>business performance and the wider market and economic conditions; and</li> <li>the range of salary increases applying across the Group.</li> </ul>
		Having considered these items, the Committee determines appropriate levels of base salary. Executive directors based in the US are paid locally in US dollars.
		Salary levels of current executive directors for the 2014 financial year are shown on page 49.
		<b>Maximum opportunity</b>
		There is no prescribed maximum salary. Annual increases will normally be in line with comparable increases across the Group.
		Higher increases may be awarded, at the Remuneration Committee's discretion in certain circumstances. For example, this may include:
		<ul style="list-style-type: none"> <li>significant increase in the scope and/or responsibility of the individual's role; or</li> <li>development of the individual within the role.</li> </ul>
		In addition, where an executive director has been appointed to the Board at a low starting salary, larger increases may be awarded to move them closer to salaries paid to individuals undertaking similar roles in companies of comparable size and complexity or other executive directors as their experience develops.
		<b>Performance metrics</b>
		None





### Future remuneration policy for executive directors

Element	Purpose and link to strategic objectives of the Group	Remuneration Policy details
<b>Benefits</b>	To provide market competitive benefits to attract and retain individuals with the qualities, skills and experience required to deliver our strategic objectives.	<b>Operation</b>
		Benefits provided include car or car allowance, private medical insurance (or contributory health and welfare cover for US based executive directors), dental insurance and permanent health insurance. The types of benefits provided are reviewed from time to time and may be adjusted by the Committee if deemed appropriate to ensure on-going competitiveness.
		Where executive directors are required to relocate or complete an international assignment due to business requirements, additional benefits such as relocation assistance or other expatriate benefits may be offered, if considered appropriate. Benefits may also be varied according to local practice.
		<b>Maximum opportunity</b>
		Given the complexity of assessing the future monetary cost of some benefits, the Committee has not set an absolute limit on the value of benefits delivered but aims to ensure that the level of benefits provided remains, in its opinion, appropriate.
		<b>Performance metrics</b>
		None. Benefits are not performance related.
<b>Bonus</b>	To incentivise executives to deliver strategic business priorities for the financial year with deferred payment designed to provide additional alignment with shareholders and reinforce retention.	<b>Operation</b>
		Bonuses are awarded annually based on performance in the relevant financial year. The performance measures which apply to the bonus plan are chosen by the Committee at the start of the year to ensure the Company is focused on its strategic objectives. The Committee sets threshold, target and stretch objectives for each of the financial measures and determines the appropriate weighting for each. Stretch objectives are also set in relation to the non-financial element of the plan. At the end of the year, the Committee reviews actual performance against the relevant measures. This outcome is then considered by the Committee in the context of underlying business performance. The Committee is able to adjust the outcome at its discretion to ensure it is fair and appropriate, taking into account the overall performance of the Company. Where discretion is, or has been, used, this will be disclosed in the following year's DRR as appropriate.
		At least half the value of any bonus earned is subject to automatic deferral for a further period of at least two years and, subject to legal restrictions or adverse tax consequences in foreign jurisdictions, will be awarded as shares.
		Dividend equivalent payments will be accrued on the shares comprising the deferred bonus award prior to vesting and will be paid out proportionately with the award (also in shares). The vesting of any deferred bonus may be reduced or cancelled at the absolute discretion of the Committee. Such circumstances include a material misstatement of the financial results of the Company or any business unit; a material failure of risk management by the Company or a relevant business unit; a serious breach of health and safety standards; serious reputational damage to the Company or a relevant business unit; or serious misconduct or fraud by the executive.
		Details of awards to be made in 2014 are shown on page 49.
		<b>Maximum opportunity</b>
		The maximum opportunity will not exceed 200% of base salary in respect of any financial year. The 2014 bonus opportunity for executives will be 125% of salary.
		<b>Performance metrics</b>
		At least 50% of the maximum potential bonus is based on financial measures with the remainder being based on non-financial measures. The balance between financial and non-financial measures is reviewed annually and may be adjusted by the Committee if deemed appropriate to ensure alignment with overall Group objectives. Non-financial objectives are measured annually against agreed team and/or personal objectives and associated targets which are aimed at achieving business goals in line with the Group's Core Values. Typically, these will include objectives linked to safety, risk management, business development, strategy, process improvements, working capital control and people development.

### Future remuneration policy for executive directors

Element	Purpose and link to strategic objectives of the Group	Remuneration Policy details
<b>Long-term incentives – the LTP</b>	To reward and retain executives while aligning their interests with those of shareholders by incentivising performance over the longer term. Performance measures are linked to longer-term creation of shareholder value.	<b>Operation</b>
		The LTP is the Group's current long-term incentive plan for senior executives including executive directors and is based on a rolling performance cycle of at least three years. Executive directors may be granted conditional share awards or nil cost options over shares in the Company at the start of the cycle (or in the case of a new appointment, at the earliest opportunity deemed appropriate by the Committee). Awards may also be settled in cash.
		Performance is measured over a period of at least three financial years. Up to 80% of an award may vest on the Committee's determination of the Group's performance over that period.
		Unless the Committee determines otherwise, to aid retention, the vesting of at least 20% of any award is normally deferred for a further period of at least two years (or such other period to be determined by the Committee) after the Committee's determination of Group performance. The number of shares subject to award will, unless the Committee determines otherwise, be increased to reflect the value of dividends that would have been paid on the award shares that vest between grant and vesting, assuming reinvestment of the dividends in shares on a simple basis. For nil-cost options, no shares will be awarded in lieu of dividends post-vesting (i.e. between vesting and exercise). The Committee reviews actual outcomes in the context of underlying business performance with the Committee able to adjust the outcome at its discretion and may, in its absolute discretion, choose to reduce or cancel unvested awards or impose further conditions on them. Such circumstances include: a material misstatement of the financial results of the Company or any business unit; a material failure of risk management by the Group or a relevant business unit; a serious breach of health and safety standards; or serious misconduct or fraud by the executive.
		Awards may be amended a) in the event of any variation of share capital, demerger, delisting, special dividend rights issue or other event which may affect the current or future value and b) in accordance with the rules approved by shareholders in 2013.
<b>Pension related benefits</b>	To aid attraction and retention of individuals with the qualities, skills and experience required to deliver our short- and long-term strategic objectives, allowing such executives to provide for their retirement.	Details of awards to be made in 2014 are shown on page 49.
		<b>Maximum opportunity</b>
		The maximum opportunity does not normally exceed 200% of base salary in respect of any financial year of the Company (with the Committee having the discretion to award up to 250% of base salary in exceptional circumstances).
		Where salary is materially amended during the performance period, the Committee may adjust the number of shares under award to reflect the salary change.
		<b>Performance metrics</b>
<b>Pension related benefits</b>	To aid attraction and retention of individuals with the qualities, skills and experience required to deliver our short- and long-term strategic objectives, allowing such executives to provide for their retirement.	Awards made to the executive directors vest based on performance against a combination of performance measures. At least 25% of the award will be based on TSR and a portion of the remainder will be based on financial measures.
		During the course of a performance cycle, the Committee has the discretion to adjust the performance targets when it considers an amended target would be more appropriate and not materially easier to satisfy.
		For 'threshold' levels of performance, no more than 25% of the award vests, increasing on a straight line basis to 100% of the award for maximum performance.
		<b>Operation</b>
		New executive directors can choose to participate in the relevant local defined contribution pension arrangement or receive a cash allowance in lieu of pension (or a combination thereof). Payment may be up to 15% of salary, with Company contributions to the relevant local defined contribution pension arrangement being restricted to the limit for tax relief in place at the time.
<b>Pension related benefits</b>	To aid attraction and retention of individuals with the qualities, skills and experience required to deliver our short- and long-term strategic objectives, allowing such executives to provide for their retirement.	Life assurance cover of up to four times base salary (and 8 times up to a maximum of £2,500,000 for the CEO) is also provided.
		The level of pension provided and the associated level of life assurance cover are reviewed from time to time and may be adjusted by the Committee if deemed appropriate to ensure on-going competitiveness.
		<b>Maximum opportunity</b>
		For new executive directors, a maximum payment of up to 15% of base salary with life assurance cover of up to four times base salary capped at £1,500,000. For existing executive directors, maintenance of existing arrangements.
		<b>Performance metrics</b>
<b>Pension related benefits</b>	To aid attraction and retention of individuals with the qualities, skills and experience required to deliver our short- and long-term strategic objectives, allowing such executives to provide for their retirement.	Not performance related.



## Future remuneration policy for executive directors

Element	Purpose and link to strategic objectives of the Group	Remuneration Policy details
<b>Legacy plans</b>		
<b>Long-term incentives</b>	To reward and retain executives for the longer term whilst incentivising performance and aligning their interests with those of shareholders. Performance measures linked to long-term strategy of the Group and longer-term creation of shareholder value.	<b>Historical plan – Long-term Incentive Plan (LTIP)</b>
		<b>Operation</b>
		No further awards will be made under this plan.
		The LTIP was based on three-year rolling performance cycles. The 2011 – 2013 and the 2012 – 2014 cycles have still to vest; they will do so in 2014 and 2015 with deferred elements in 2016 and 2017 respectively subject to the achievement of relevant performance targets.
		Each cycle awarded executive directors a combination of shares and restricted shares up to a maximum of 125% of their base salary at the start of the cycle. The number of shares awarded was calculated using the average share price in the period prior to the start of the cycle and, for non-UK employees, the applicable exchange rate.
		Performance is measured over a period of at least three financial years with one-third of the award vesting at threshold performance. 20% of any award subsequently earned is made in forfeitable restricted shares and deferred for two years after vesting to aid retention, with dividends accruing during this additional holding period.
		The Committee may, in its absolute discretion, choose to reduce or cancel unpaid or unvested awards or impose further conditions. Such circumstances include 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.
		<b>Maximum opportunity</b>
		A maximum annual opportunity of 125% of base salary.
		<b>Performance metrics</b>
		Awards made under the previous LTIP plan to the CEO and the CFO were based on TSR and AEPS (weighted 25% and 75% respectively). Divisional directors were also measured on Divisional EBITA, the split of measurement being TSR 25%, AEPS 37.5% and Divisional EBITA 37.5%.
		<b>Historical plan – Long-term Retention Plan (LTRP)</b>
		<b>Operation</b>
		No further awards will be made under this plan and existing awards will vest in the ordinary course. The basis of the LTRP is that a bonus pool is generated annually based on the growth of the Group's AEPS in the previous year. Awards under the LTRP are made wholly in the form of par value share options at a price of 4.286 pence per share. There is a four year vesting period before options can be exercised.
		<b>Maximum opportunity</b>
		A maximum annual opportunity of 50% of base salary.
		<b>Performance metrics</b>
		Not performance related.

### Notes to the policy report for executive directors

In drafting this section of the DRR the Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are deemed to be agreed at the time the award is granted.

The performance metrics for those elements of variable remuneration which are subject to performance measures are chosen in light of their appropriateness to the objectives of the Group, and the Committee sets targets 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 required, but only so that the new levels are considered as demanding as those first set.

The bonus performance measures are chosen by the Committee at the start of the year to ensure the Group is focused on its strategic objectives, providing an appropriate balance between incentivising executives to meet financial targets for the year and to deliver specific business goals in line with the Group's Core Values.

The Committee considers that strong performance under the LTP's performance measures should result in sustainable value creation over the longer-term, which is the ultimate goal of our strategy.

**Remuneration arrangements throughout the Group**

- The remuneration policy for executive directors is designed in line with the remuneration philosophy and principles that underpin remuneration policy throughout the Group
- The Group aims to provide employees with remuneration packages that are market competitive within each employee's country of employment. Where appropriate, employees participate in the annual bonus and LTP arrangements, with their threshold, target and maximum levels of participation being set by reference to their position in the organisation and the local market in which they are employed
- The remuneration policy for executive directors is more heavily weighted towards variable pay and long-term incentives than in the Group's workforce more generally. The Committee considers this appropriate to ensure greater alignment between the reward arrangements of executive directors and the delivery of sustained results to shareholders

**Future remuneration policy for non-executive directors and Chairman**

Element	Purpose and link to short- and long-term strategic objectives of the Group	Remuneration Policy details
Fees and remuneration	To attract and retain individuals with the qualities, skills and experience required to provide a positive contribution to the Board.	<b>Operation</b>
		The Chairman receives an all-inclusive remuneration payment which is reviewed annually by the Committee, with changes ordinarily effective from 1 January.
		The fees for the non-executive directors are generally reviewed annually by the Board with increases effective from 1 January if applicable.
		Fee levels are typically set taking into account:
		<ul style="list-style-type: none"><li>the expected commitment levels and the skills and experience of the individual</li><li>the fee levels paid to individuals undertaking similar roles in companies of comparable size and complexity</li></ul>
		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. Payments may be made in the form of either cash or shares.
		<b>Maximum opportunity</b>
		No prescribed maximum for directors' fees or chairman's remuneration although an aggregate maximum for directors fees of £500,000 is included in the Articles of Association.
		Fees are set by the Board at a level considered appropriate to attract and retain the calibre of individual required but avoiding paying more than necessary for this purpose. Fee increases may be made if considered appropriate in line with market movements.
		Non-executive directors receive a base fee in relation to their role. Additional fees may be paid for related duties including the senior independent directorship and for chairing, membership and attendance of certain Board Committees.
		<b>Performance metrics</b>
		Not performance related.

**Notes to the future remuneration policy for non-executive directors**

Non-executive directors are reimbursed all necessary and reasonable expenses incurred in the performance of their duties.



## 1.2 Approach to recruitment remuneration

The Committee's approach where the Group appoints a new executive or non-executive director is typically to align the remuneration package with the terms of the remuneration policy laid out in the relevant tables in section 1.1 of this report.

In the event of internal promotion to the Board any commitments made before promotion will continue to be honoured under this policy even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled.

As far as possible, the Committee will seek to structure all awards in line with the stated remuneration policy. The Committee retains the discretion to deviate from the stated remuneration policy to ensure the hiring of candidates of the appropriate calibre. For example, the Committee may provide additional remuneration arrangements (which may include additional benefits), if considered appropriate and with due regard to the best interests of shareholders.

To facilitate recruitment, the Committee may make one-off awards to "buy out" variable pay or contractual rights which an individual would forfeit on leaving their current employer. Any such buy-out would, where possible, be on a comparable basis and would take into account value, performance targets, the likelihood of those targets being met and vesting periods. Generally, buy-out awards will be made on a comparable basis to those forfeited. In considering its approach, the Committee will give due regard to all relevant factors (including quantum, the nature of remuneration and the jurisdiction the candidate was recruited from).

Excluding the value of any potential buy-out, the maximum value of variable remuneration offered at recruitment to any new executive director will be 450% of base salary. This is within the maximum amounts currently laid out in the relevant policy table detailed at section 1.1 of this report, namely a maximum annual bonus opportunity of up to 200% of base salary and a maximum LTP award of up to 250% of base salary.

Shareholders will be provided with full details including the rationale for the relevant arrangements in the next published remuneration report.

For the recruitment of a non-executive director or Chairman, remuneration would be provided in line with that provided to the Company's other non-executive directors or Chairman.

## 1.3 Service contracts

	Contract date	Notice period
Allister G Langlands <sup>(a)</sup>	1 January 2014	6 months
Bob Keiller	1 November 2012	12 months
Alan G Semple	1 May 2002	12 months
Mike Straughen	23 April 2007	6 months
Robin Watson	1 January 2013	6 months

### Note

(a) Currently working under notice and due to retire in May 2014.

None of the service contracts provide for predetermined amounts of compensation to be paid in the event of early termination and there are no further obligations contained within the executive directors' service contracts which could give rise to any remuneration payment which has not already been disclosed in this remuneration policy.

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 to be paid and are terminable with up to 90 days' written notice. None of the letters of engagement provide for predetermined amounts of compensation in the event of early termination and there are no further obligations contained within the letters of engagement which could give rise to any remuneration payment or loss of office payment which has not already been disclosed in this remuneration policy.

The executive service contracts and the non-executive letters of engagement are available for inspection at the Company's registered office.



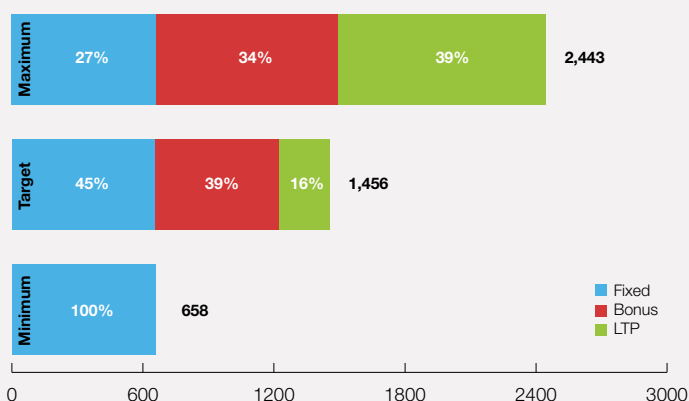
#### 1.4 Illustrations of application of remuneration policy

As explained in the table in section 1.1 of this report a significant proportion of remuneration is linked to performance, particularly at maximum performance levels.

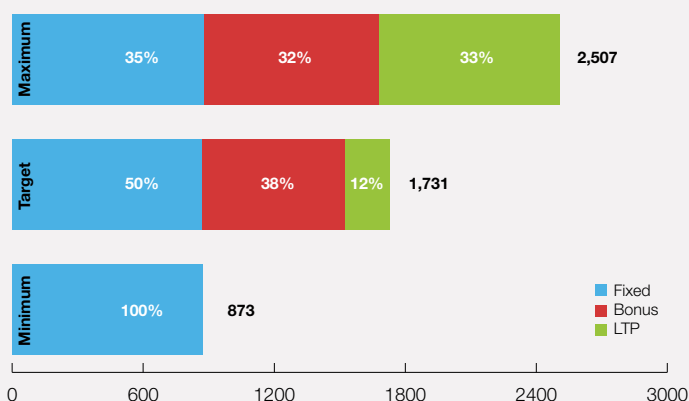
The bar charts below provide an indication of the level of remuneration that could be received by each director under the Company's remuneration policy in three assumed performance scenarios. Notes laying out the basis of calculation and the assumptions used to compile these charts follow the charts. The charts display remuneration in either pounds sterling or US dollars, depending on the location of the relevant director.

These charts are for illustrative purposes only and actual outcomes may differ from that shown.

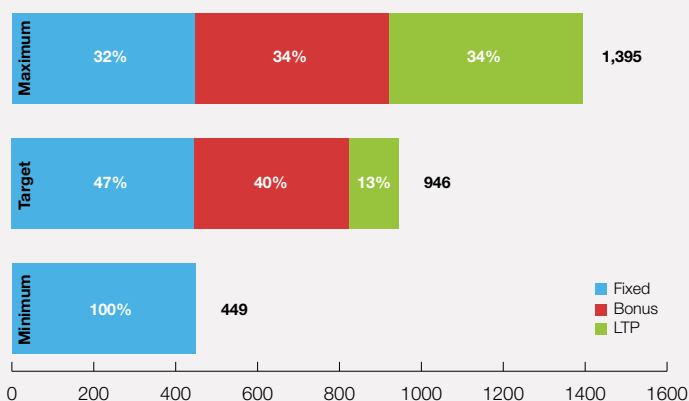
**Bob Keiller GBP'000**



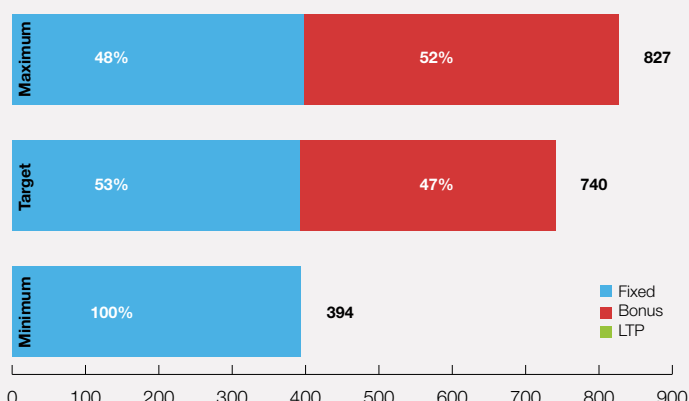
**Alan Sample USD'000**



**Robin Watson GBP'000**



**Mike Straughen GBP'000**



#### Notes to the charts illustrating the application of remuneration policy

The following assumptions have been used in preparing these charts.

**Minimum performance** – under this scenario, it has been assumed that each executive director receives his base salary, benefits and pension related benefits only.

**In line with expectations (target)** – under this scenario, it has been assumed that each executive director receives their base salary, benefits and pension. For the purposes of bonus, it has been assumed that annual bonus awards have been made at target levels and that LTP performance is such that awards have vested at threshold level.

**Maximum performance** – under this scenario, it has been assumed that each executive director receives his base salary, benefits and pension. For the purposes of bonus, it has been assumed that annual bonus awards have been made at maximum levels and that LTP performance is such that awards have vested at maximum level.

In all scenarios, fixed remuneration comprises base salary, benefits and pension. The figures used in preparing the charts are as follows: salary is the last confirmed salary; benefits is the last known figure as set out in the single figure of remuneration table at

section 2.1 of this report; for defined benefit or defined benefit equivalent pension, the figure included is that set out in the single figure of remuneration table at section 2.1 of this report and for defined contribution pension or cash allowance in lieu of pension, the figure is based on the policy as laid out in the future policy table at section 1.1 of this report and the last confirmed salary; short-term and long-term incentives are based on the policy as laid out in the future policy table at section 1.1 of this report and the last confirmed salary. Although the LTP allows for awards of up to 200% of base salary (250% of base salary in exceptional circumstances), the illustration reflects potential awards to be made in 2014 (150% of base salary for the CEO and 125% of base salary for the other executives). Under the LTP, dividends accrue during the performance period and are paid in shares proportionately in respect of the number of shares which subsequently vest. For reasons of clarity, any dividend accrual has been excluded from the charts above. In line with the methodology outlined in the relevant legislation, no share price growth has been assumed for the purpose of these illustrations.

**The percentage figures contained within each of the bars illustrates the percentage of the total comprised by each of the parts. The figure at the end of each bar is the total amount represented by each bar.**



### 1.5 Policy on payment for loss of office

It is the Company's policy for all executive directors to have service contracts which can be terminated by the director or by the Company on 6 months' notice, except in the case of the CEO and CFO or where historical agreements are in place when 12 months' notice applies.

On termination of service contracts by the Group, in certain circumstances executive directors are entitled to the payment of their remuneration, subject to a general duty to mitigate their loss. There are no specific provisions

under which executive directors are entitled to receive compensation upon early termination, other than in accordance with the notice period. Executive directors' contracts allow for termination with contractual notice from the Company or termination with a payment in lieu of notice, at the Company's discretion.

The Committee's policy in respect of the different elements of remuneration for executive directors leaving under different scenarios is as follows:

Payment	"Good" leaver	Other leaver
Base salary, pension and benefits	<p>Paid up to the date of leaving, including any untaken holidays and, subject to mitigation, payment in lieu of notice where the Company considers it inappropriate for a departing executive director to work the required notice period.</p> <p>Disbursements such as legal costs, outplacement may be considered.</p>	Paid for the proportion of the notice period worked.
Annual bonus	<p>For reason of injury, disability, ill-health, retirement, sale of employing entity out of the Group and in such circumstances as the Committee may determine otherwise (including redundancy):</p> <ul style="list-style-type: none"> <li>• Paid up to the date of leaving based on completed months worked in the year with payment made on normal payment date once plan outcomes are known</li> <li>• Any deferred amounts from previous years which are not yet paid are paid at the normal payment date for such deferrals</li> </ul> <p>On death, an immediate payment may be made, at the discretion of the Committee, taking into account performance and the proportion of the relevant bonus year served. Deferred bonus amounts will vest in full at the time of death.</p>	No entitlement to any award for the current year and the forfeit of any deferred awards from previous years not yet paid.
Long-term incentives	<p>For reason of injury, disability, ill-health, sale of employing company or business or, for any other reason determined by the Committee:</p> <ul style="list-style-type: none"> <li>• Unless the Committee determines otherwise, where the executive director has completed the required period of service set by the Committee (normally 18 months from the start of the performance period) then awards will vest on a proportionate basis as if the participant had not ceased office or employment unless the Committee determines that awards should vest as soon as practicable following cessation</li> <li>• The number of shares that vest in these circumstances shall be determined by the Committee taking into account the extent to which the performance conditions have been satisfied and, unless the Committee determines otherwise, the period of time elapsed since grant</li> <li>• For US executives who have completed the required period of service set by the Committee (normally 18 months from the start of the performance period), where cessation of employment occurs before the Committee's assessment of the performance condition, awards will vest on the date of such termination, unless the Committee determines awards should vest as soon as practicable following cessation of employment</li> </ul> <p>On death, unless the Committee determines otherwise, where the executive has completed the required qualifying period of service set by the Committee (normally 18 months from the start of the performance period), unvested awards vest to the extent determined by the Committee taking into account the extent to which the performance condition has been satisfied and, if the Committee considers it appropriate, the period that has elapsed since grant.</p>	All existing awards lapse.

## 1.6 Change of control

In the event of a change of control, vesting of awards (shares and/or cash) under the Company's short- and long-term incentive plans depends on the extent to which performance conditions have been met at that time. Time pro-rating may be disapplied if the Committee considers it appropriate given the circumstances of the change of control.

In the event the Company is wound up or if there is a demerger, delisting, special dividend or other event that may materially affect the current or future value of shares, the Committee may determine that awards may vest depending on the extent to which performance conditions have been met at that time.

## 1.7 Consideration of employment conditions elsewhere in the Group

The Committee is mindful of pay and conditions in the wider workforce within the Group and is kept informed on the pay and benefits provided to employees below the level of executive director by the Group Head of Human Resources, including any relevant information received via employee feedback. One particular factor considered by the Committee when reviewing the base salary increases for executive directors is the range of base pay increases which apply elsewhere in the Group.

Given the size of the Group and the way remuneration practice varies by jurisdiction, the Committee did not consider it appropriate to consult with employees across the Group on the remuneration policy for directors or to use any other remuneration comparison measurements linked to the pay and employment conditions of employees elsewhere in the Group when determining the quantum and structure of the directors' remuneration.

## 1.8 Consideration of shareholders views

The Committee's policy is that shareholder consultation will take place in advance of any material change being proposed to the Directors' Remuneration Policy as described above. A summary of any such consultation and the Company's response to substantive points raised will be included in this section in future years.



## Part 2 Annual Report on Remuneration

### 2.1 Single figure of remuneration for each director

The following tables set out the single figure of remuneration for the Chairman and each of the executive directors, split between those based in the UK and the US.

#### Chairman and executive directors – UK based (£'000)

	Year	Salary <sup>(a)</sup>	Benefits <sup>(b)</sup>	Bonus <sup>(c)</sup>	Long-term incentives <sup>(d)</sup>	Pension related benefits <sup>(e)</sup>	Total <sup>(f)</sup>
Allister G Langlands <sup>(g)</sup>	2013	£400	£14	£298	£803	£258	£1,773
	2012	£514	£14	£486	£1,450	£223	£2,687
Bob Keiller <sup>(h)</sup>	2013	£560	£14	£421	£545	£84	£1,624
	2012	£405	£21	£383	£155	£61	£1,025
Mike Straughen	2013	£336	£13	£229	£510	£34	£1,122
	2012	£327	£13	£315	£922	£31	£1,608
Robin Watson (Appointed 1 January 2013)	2013	£336	£14	£279	£182	£34	£845
Mark H Papworth (Resigned 30 June 2012)	2013	–	–	–	£159	–	£159
	2012	£163	£7	£150	£768	£8	£1,096
Leslie J Thomas (Resigned 30 June 2012)	2013	–	–	–	£201	–	£201
	2012	£413	£7	£150	£768	£13	£1,351

#### Executive directors – US based (\$'000)

	Year	Salary <sup>(a)</sup>	Benefits <sup>(b)</sup>	Bonus <sup>(c)</sup>	Long-term incentives <sup>(d)</sup>	Pension related benefits <sup>(e)</sup>	Total <sup>(f)</sup>
Alan G Semple <sup>(g)</sup>	2013	\$634	\$32	\$480	\$961	\$188	\$2,295
	2012	\$616	\$31	\$582	\$1,737	\$199	\$3,165
Mark S Dobler <sup>(g)(h)</sup> (Appointed 1 January 2013) (Resigned 9 October 2013)	2013	\$386	\$18	\$286	–	\$8	\$698

#### Notes to the single figure of remuneration (chairman and executive directors)

(a) Salary received during the year.

(b) Taxable benefits received during the year. Taxable benefits include company car or car allowance, private medical, dental and contributory health and welfare cover as applicable. For those directors based in the US, the cost of benefits reflects the amounts that would be chargeable to UK income tax if the director were resident in the UK for tax purposes.

(c) Bonus awarded in relation to the year inclusive of all amounts subject to further deferral.

The bonus performance measures at maximum were split between financial (70%) and non-financial (30%) measures. The financial measures consisted of EBITA and DSO weighted 70% and 30% respectively. Non-financial measures consisted of personal objectives. No payment is made against EBITA performance if EBITA is 85% or less of target, with the maximum payment being made under this element (61.25% of base salary) when EBITA is 15% above target. No payment is made against DSO performance if DSO is 110% or more of target, with the maximum payment being made under this element (26.25% of base salary) when DSO is 10% better than target. A maximum payment of 37.5% of base salary is made in respect of performance against personal objectives. Reporting of the specific financial and non-financial targets is considered commercially sensitive and the Committee has therefore concluded it would not be in the Company's interest to do so.

In 2013, Group EBITA actual performance was 98.2% of target with DSO actual performance at 105.4% of target producing a payment of 47.1% of base salary in respect of the financial measures. Performance against personal objectives varied by each director with payments under this element ranging from 27.5% to 31% of base salary. 50% of the total bonus was deferred into cash for a further two years with continued employment a requirement to receive payment other than for those classified as good leavers.

In 2012, Group EBITA actual performance was 102.6% of target with OCER actual performance at 100.8% of target producing a payment of 64% of base salary in respect of the financial measures. Performance against personal objectives varied by each director with payments under this element ranging from 28.7% to 34.3% of base salary. 50% of the total bonus was deferred into cash for a further 2 years with continued employment a requirement to receive payment other than for those classified as good leavers.

(d) The value of long-term incentives which vested in respect of performance periods ending during the year inclusive of all amounts subject to further deferral. Calculated using the closing mid-market share price on 31 December 2013 of £6.86.

2013 - this figure relates to awards under the LTIP 2011-2013 cycle which vested at 31 December 2013. The LTIP performance measures were split between TSR and AEPS (weighted 25% and 75% respectively) for the CEO and CFO. Divisional directors were also measured on Divisional EBITA, the split of measurement being TSR 25%, AEPS 37.5% and Divisional EBITA 37.5%. Maximum awards under the 2011-2013 cycle were 125% of base salary at the start of the cycle. No awards are made for less than the 'threshold' performance for AEPS and Divisional EBITA (where relevant), or 50th percentile for TSR. On reaching the 'threshold' or 50th percentile, one-third of the AEPS and Divisional EBITA or TSR-related element becomes payable and on reaching the 'maximum' performance, or 75th percentile, 100% of the AEPS or TSR element becomes payable. For achievement level between 'threshold' and 'maximum' or between the 50th and 75th percentile performance the allocation is on a straight line basis. The TSR of the Group is compared to a peer group comprising Aker Solutions, AMEC, Chicago Bridge & Iron Company, Fluor, Foster Wheeler, Jacobs Engineering, KBR, McDermott, Petrofac, Saipem, SBM Offshore, Sulzer, Technip, Weir Group, Worley Parsons and WS Atkins. 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 relevant Divisional EBITA targets were set consistently with the AEPS target. Reporting of the specific detail relating to Divisional EBITA is considered commercially sensitive and the Committee has therefore concluded it would not be in the Company's interest to do so. The actual AEPS achieved was 98.6 cents and Wood Group was ranked 3rd out of 17 companies for TSR

## 48 Directors' Remuneration Report continued

purposes resulting in 100% award on AEPS and TSR measures. 20% of the long-term incentive amount was deferred for two years to aid retention with continued employment a requirement to receive payment other than for those classified as good leavers.

2012 - this figure relates to awards under the LTIP 2010-2012 cycle which vested at 31 December 2012. The LTIP performance measures were split between TSR and AEPS (weighted 25% and 75% respectively) for the CEO and CFO. Divisional directors were also measured on Divisional EBITA, the split of measurement being TSR 25%, AEPS 37.5% and Divisional EBITA 37.5%. Maximum awards under the 2010-2012 cycle were 125% of base salary at the start of the cycle. No awards are made for less than the 'threshold' performance for AEPS and Divisional EBITA (where relevant), or 50th percentile for TSR. On reaching the 'threshold' or 50th percentile, one-third of the AEPS and Divisional EBITA or TSR-related element becomes payable and on reaching the 'maximum' performance, or 75th percentile, 100% of the AEPS or TSR element becomes payable. For achievement level between 'threshold' and 'maximum' or between the 50th and 75th percentile performance the allocation is on a straight line basis. The TSR of the Group is compared to a peer group comprising Aker Solutions, AMEC, Baker Hughes, Cameron International, Fluor, FMC, Foster Wheeler, Halliburton, Jacobs Engineering, KBR, National Oilwell Varco, Petrofac, Saipem, SBM Offshore, Schlumberger, Sulzer, Technip, Weatherford International, The Weir Group and Worley Parsons. The AEPS targets for the 2010-2012 cycle were set at 43.8 cents at the 'threshold' and 49.4 cents at the 'maximum'. The relevant Divisional EBITA targets were set consistently with the AEPS target. Reporting of all the specific detail relating to Divisional EBITA is considered commercially sensitive and the Committee has therefore concluded it would not be in the Company's interest to do so. 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. 20% of the long-term incentive amount was deferred for two years to aid retention with continued employment a requirement to receive payment other than for those classified as good leavers.

(e) Pension figure reflects cash value of Defined Contribution pension contribution or cash alternative or, for defined benefits style arrangements, figures are calculated in accordance with the basis set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Further detail in relation to individual pension arrangements is provided in section 2.2 on page 50.

(f) The single figure of remuneration, being the sum of columns (a) to (e) inclusive.

(g) Allister G Langlands was appointed Chairman at 1 November 2012. His remuneration for 2012 largely reflects his previous role as Group CEO which he held up until his appointment as Chairman. As reported to shareholders in the 2012 Directors' Remuneration Report, his remuneration in 2013 reflected his significant time commitment to the Group in providing necessary continuity at the top level following his appointment as Chairman. From 1 January 2014, the Chairman's remuneration is in line with comparable part-time non-executive Chairman roles.

(h) Bob Keiller was appointed Group CEO at 1 November 2012. His remuneration for 2012 largely reflects his previous role as Wood Group PSN CEO which he held up until his appointment as Group CEO.

(i) Both Alan G Semple and Mark S Dobler are based in the US and receive their remuneration in US dollars. All figures relating to these individuals in the above table are therefore expressed in US dollars.

(j) Mark S Dobler stepped down from the Board on 9 October 2013 to lead the proposed joint venture with Siemens AG therefore his details reflect the period up to this date.

The following table sets out the single figure of remuneration for each of the non-executive directors. Further details on the non-executive director fee structure for 2014 is set out on page 49.

### Non-executive directors single figure of remuneration (£'000)

	Year	Fees	Total
Ian D Marchant	2013	£60	£60
	2012	£45	£45
Thomas M Botts <sup>(a)</sup>	2013	£54	£54
	2012	£0	£0
Michel Contie	2013	£53	£53
	2012	£45	£45
Mary L Shafer-Malicki <sup>(b)</sup>	2013	£53	£53
	2012	£26	£26
Neil H Smith	2013	£49	£49
	2012	£45	£45
Jeremy R Wilson	2013	£52	£52
	2012	£43	£43
David K Woodward	2013	£59	£59
	2012	£49	£49

### Notes to the single figure of remuneration (non-executive directors)

(a) Thomas M Botts was appointed 8 January 2013.

(b) Mary L Shafer-Malicki was appointed 1 June 2012.





### Statement of implementation of remuneration policy in the following financial year

This section provides an overview of how the Committee will implement the remuneration policy in 2014, which will be in line with the details outlined in the future policy tables provided at section 1.1 of this report.

#### Base salary

The table below shows base salaries for 2013 and 2014.

	2013 annual base salary	Annual base salary from 1 January 2014	% increase
Bob Keiller	£560,000	£560,000*	0%
Alan G Semple	\$634,000	\$653,500	3%
Robin Watson	£336,400	£378,500	12.5%
Mike Straughen	£336,400	£346,500	3%

\*The Remuneration Committee awarded Bob Keiller an increase of 12.5% to GBP 630,000 with effect from 1 January 2014 to reflect his assumption of the full responsibilities and development in the CEO role. After due consideration, Bob decided that given the need to show leadership on cost saving measures he would defer the approved increase for 12 months.

#### Benefits

The current executives will continue to participate in their existing benefit arrangements as stated in the future policy table.

#### Pension

The current executives will continue to participate in their existing benefit arrangements as stated in the future policy table, except for Robin Watson who will receive an increase to 15% employer contribution from 1 January 2014.

#### Annual bonus

The maximum annual bonus opportunity for the executives will remain at 125% of salary in 2014.

The table below provides further information on the performance measures against which performance will be measured.

	Relative weighting (% of bonus opportunity)
Financial measures	60%
EBITDA	50%
DSO	10%
Personal measures	40%

For 2014, the threshold EBITA performance required for a payment under this bonus element will be set at 90% of target. Once 90% of EBITA target is achieved, bonus starts to accrue. Maximum payment against this element is made when EBITA is 10% above budget.

No payment is made against Days Sales Outstanding (DSO) performance if DSO is 10% worse than target. Maximum payment against this element is made when DSO is 10% better than target. DSO is a key contributing factor to cash flow and the Committee believes incentivising management to reduce DSO remains the best route to drive improvement in cash flow.

Non-financial objectives are measured annually against agreed personal objectives and associated targets which are aimed at the achievement of the Group's business goals in line with its core values. For 2014, this will consist of personal objectives including objectives related to safety, and positioning for future growth.

#### LTP

Awards of up to 125% of salary (150% to the CEO) will be made to executive directors.

Awards made to the CEO and the CFO will be based on TSR and AEPS (weighted 25% and 75% respectively). Divisional directors will also be measured on Divisional EBITA, the split of measurement being TSR 25%, AEPS 25% and Divisional EBITA 50%.

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 TSR of the Group is compared to a peer group comprising the following engineering/construction and support services companies – Aker Solutions, AMEC, Chicago Bridge & Iron Company, Fluor, Foster Wheeler, Jacobs Engineering, KBR, McDermott, Petrofac, Saipem, SBM Offshore, Sulzer, Technip, The Weir Group, Worley Parsons and WS Atkins.

No awards are made for less than the 'threshold' performance for AEPS and Divisional EBITA (where relevant), or 50th percentile for TSR. On reaching the 'threshold' or 50th percentile, 25% of the AEPS, Divisional EBITA or TSR-related element becomes payable and on reaching the 'maximum' performance for AEPS and Divisional EBITA (where relevant), or 75th percentile for TSR, 100% of the AEPS, Divisional EBITA or TSR element becomes payable. For achievement level between 'threshold' and 'maximum' for AEPS and Divisional EBITA, or between the 50th and 75th percentile performance for TSR, the allocation is on a straight line basis.

#### Chairman and non-executive director (NED) remuneration

The table below shows the Chairman and NED fee structure for 2014.

	2014 fees
Chairman of the Board remuneration	£275,000 p.a.
Basic annual non-executive director fee	£46,500 p.a.
Additional fee for senior independent director	£5,000 p.a.
Additional fee for Audit / Remuneration / Safety & Assurance Chairs	£5,000 p.a.
Additional fee per meeting for attendance of Audit / Remuneration / Safety & Assurance Committee meetings	£1,000 per meeting
Additional fee for Nomination Committee membership	£1,000 p.a.

## 2.2 Total pension entitlements

### Pension benefits provided to UK executive directors

Allister G Langlands is provided with pension benefits by way of a combination of deferred benefits from the John Wood Group PLC Retirement Benefit Scheme, which is a defined benefit scheme closed to new entrants in 2006, and an unfunded, unapproved arrangement. Final pensionable salary for Allister G Langlands is capped from 6 April 2012 at £501,315 per annum, increasing at RPI plus 1.25%. No further pension accrual is provided beyond 31 December 2013.

Allister G Langlands had the following accrued entitlements at 31 December 2013:

£'000	Age at 31 December 2013	Normal retirement age	Increase in accrued pension (p.a.)	Increase in accrued pension net of inflation (p.a.)	Accumulated total accrued pension at 31 December 2013
A G Langlands	55	60	19	13	286
£'000	Accumulated total accrued pension at 31 December 2012	Capitalised value of increase in pension entitlement over the year net of inflation	Benefit settlements in the financial year	Member contributions during the year	Capitalised value of increase in pension entitlement net of inflation and member contributions
A G Langlands	267	258	0	0	258

#### Note

The above table has been calculated on the basis set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Any figures which relate to 2012 have been restated according to these new regulations.

Bob Keiller is provided with pension benefits via the Wood Group GPP, which is a defined contribution scheme. A Company contribution of 15% of base salary is split between pension contribution up to the UK HMRC annual allowance and a cash payment in lieu of pension. He is provided with life assurance cover of eight times basic salary up to a maximum of £2,500,000.

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

Robin Watson is provided with pension benefits via the Wood Group GPP, which is a defined contribution scheme. A Company contribution of 15% of base salary is split between pension contribution up to the UK HMRC annual allowance and a cash payment in lieu of pension. He is provided with life assurance cover of four times basic salary up to a maximum of £1,200,000.

### Pension benefits provided to US-based executive directors

Mark S Dobler participates in the Wood Group 401k plan, which is a defined contribution scheme. A Company contribution of 5% of base salary is provided based on his personal contribution. In 2012, he did not participate in any Company pension plan and did not receive any cash payment in lieu of pension provision. He is provided with life assurance cover of \$1,200,000.

Alan G Semple is provided with a pension arrangement of a defined benefit nature, providing an equivalent level of benefits to that provided in the John Wood Group PLC Retirement Benefit Scheme. 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% and he is provided with life assurance cover of approximately four times basic salary. Alan G Semple's defined benefit pension arrangement will cease at the end of June 2014, and Alan G Semple will then receive a 15% p.a. contribution to a pension arrangement.

Alan G Semple had the following accrued entitlements at 31 December 2013:

\$'000	Age at 31 December 2013	Normal retirement age	Increase in accrued pension (p.a.)	Increase in accrued pension net of inflation (p.a.)	Accumulated total accrued pension at 31 December 2013
A G Semple	54	60	16	12	184
\$'000	Accumulated total accrued pension at 31 December 2012	Capitalised value of increase in pension entitlement over the year net of inflation	Benefit settlements in the financial year	Member contributions during the year	Capitalised value of increase in pension entitlement net of inflation and member contributions
A G Semple	168	242	0	54	188

#### Note

The above table has been calculated on the basis set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Any figures which relate to 2012 have been restated according to these new regulations.



### 2.3 Share incentive plan interests awarded during the year

The following table sets out the awards made to each of the executive directors under the Group's share based long-term incentive arrangements.

Share incentive plan interests awarded during the year							
Director	Type of award	Basis of award	Face value of the award <sup>(a)</sup>	Percentage vesting at threshold	Performance period	Holding period for 20% of award	Summary of performance measures and targets
Bob Keiller	Conditional award of shares awarded under the LTP	150% of salary	£840,000	25%	1 Jan 2013 – 31 Dec 2015	Two years from vesting of the award date	Performance measures are TSR and AEPS weighted 25% and 75% respectively. TSR is compared to an external comparator group. The AEPS targets for the 2013-2015 cycles were set at 110 cents at threshold and 130 cents at maximum.
Alan G Semple <sup>(b)</sup>		125% of salary	£487,850				
Mark S Dobler <sup>(b)</sup>			£396,031				Performance measures are TSR, AEPS and Divisional EBITA weighted 25%, 37.5% and 37.5% respectively. TSR is compared to an external comparator group. The AEPS targets for the 2013-2015 cycle were set at 110 cents at threshold and 130 cents at maximum. The relevant Divisional EBITA targets were set consistently with the AEPS target.
Mike Straughen			£420,500				
Robin Watson			£420,500				

**Note**

(a) The face value of the awards is calculated from the salary at the beginning of the cycle multiplied by the maximum award

(b) The value of the awards for Alan G Semple and Mark S Dobler is calculated using an exchange rate of £1 = \$1.6255 which was set at the beginning of the performance cycle

### 2.4 Payments to past directors

Other than as set out in section 2.1 of this report there were no payments made during 2013 to any individual who had been a past director of the Company which had not already been disclosed in previous Directors' Remuneration Reports.

### 2.5 Payments for loss of office

Other than as set out in section 2.1 of this report there were no payments made for loss of office to any director during 2013 which had not already been disclosed in previous Directors' Remuneration Reports.

### 2.6 Statement of directors' shareholding and share interests

Shareholding guidelines were introduced at 1 July 2013 requiring the CEO to hold shares valued at 150% of base salary and the other executive directors to hold shares valued at 100% of base salary. The holding is expected to be built up as quickly as after-tax share awards from long-term plans allow.

Executive director	Shareholding at 31 December 2013 (not including connected persons)	Value of shares held as a multiple of salary <sup>(a)</sup>	Shareholding guideline met at 31 December 2013
R Keiller	1,582,321	19.4	Achieved
A G Semple	420,798	7.5	Achieved
R Watson	25,209	0.5	Accumulating
M Straughen	163,289	3.3	Achieved

**Note**

(a) Calculated using the closing mid-market share price on 31 December 2013 of £6.86 and base salary levels at the same date. The exchange rate at 31 December 2013 of £1 = \$1.6488 was used for those executive directors paid in US dollars.

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A summary of directors' share interests and incentive plan interests are provided in the following two tables.

Details of directors' interests in the ordinary shares of the Company at 31 December 2013 were:

Beneficial interest	Shares owned outright as at 1 January 2013 <sup>(a)</sup>	Shares owned outright as at 31 December 2013 <sup>(a)</sup>	Interests in share incentive plans, awarded without performance conditions at 31 December 2013	Interests in share incentive plans, awarded subject to performance conditions at 31 December 2013
A G Langlands	990,605	792,865	–	216,715
R Keiller	1,569,721	1,582,321	–	309,022
A G Semple	603,104	420,798	–	231,106
M S Dobler <sup>(b)</sup>	11,664	n/a	n/a	n/a
M Straughen	145,848	238,289	–	193,440
R Watson <sup>(c)</sup>	83	25,292	80,000	163,198
I D Marchant	7,777	7,777	–	–
T M Botts <sup>(d)</sup>	–	–	–	–
M Contie	4,634	4,634	–	–
M L Shafer-Malicki	–	2,000	–	–
N H Smith	–	–	–	–
J R Wilson	–	–	–	–
D K Woodward	21,000	21,000	–	–
<b>Non-beneficial interest</b>				
R Keiller	392,423	392,423	n/a	n/a

### Notes on share interests

(a) Declaration includes shares held by connected persons as defined for the purposes of section 96B (2) of the Financial Services and Markets Act 2000

(b) M S Dobler appointed 1 January 2013 and stepped down from the Board on 9 October 2013

(c) R Watson appointed 1 January 2013

(d) T M Botts appointed 8 January 2013

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. At the date of this report the interests of the directors in the shares of the Company remain as stated. Where applicable the December 2013 figures include interest in retained long-term plan awards.



Details of directors' interests in long-term incentive plans at 31 December 2013 were:

	When the award was made	Shares or share options	Performance conditions Y/N	Earliest exercise date	Exercise price (per share)	Market value at date of exercise (per share)	Number as at 1 January 2013	Granted in 2013	Exercised in 2013	Lapsed in 2013	Number as at 31 December 2013
<b>A G Langlands</b>											
LTRP	14/04/2009	Share options	N	14/04/2013	3 1/3p	670.5p	40,000	–	40,000	–	–
LTIP	31/10/2011 <sup>(a)</sup>	Share options	Y	01/01/2014	0	–	117,071 <sup>(a)</sup>	–	–	–	117,071 <sup>(a)</sup>
LTIP	20/05/2012 <sup>(a)</sup>	Share options	Y	01/01/2015	0	–	99,644 <sup>(a)</sup>	–	–	(33,215)	66,429 <sup>(a)</sup>
							<b>256,715</b>	<b>–</b>	<b>40,000</b>	<b>(33,215)</b>	<b>183,500</b>
<b>R Keiller</b>											
LTIP	31/10/2011 <sup>(a)</sup>	Share options	Y	01/01/2014	0	–	100,596 <sup>(a)</sup>	–	–	–	100,596 <sup>(a)</sup>
LTIP	20/05/2012 <sup>(a)</sup>	Share options	Y	01/01/2015	0	–	96,854 <sup>(a)</sup>	–	–	–	96,854 <sup>(a)</sup>
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	–	111,572	–	–	111,572
							<b>197,450</b>	<b>111,572</b>	<b>–</b>	<b>–</b>	<b>309,022</b>
<b>A G Sample</b>											
LTRP	14/04/2009	Share options	N	14/04/2013	3 1/3p	670.5p	40,000	–	40,000	–	–
LTIP	31/10/2011 <sup>(a)</sup>	Share options	Y	01/01/2014	0	–	89,534 <sup>(a)</sup>	–	–	–	89,534 <sup>(a)</sup>
LTIP	20/05/2012 <sup>(a)</sup>	Share options	Y	01/01/2015	0	–	76,774 <sup>(a)</sup>	–	–	–	76,774 <sup>(a)</sup>
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	–	64,798	–	–	64,798
							<b>206,308</b>	<b>64,798</b>	<b>40,000</b>	<b>–</b>	<b>231,106</b>
<b>M S Dobler</b>											
LTRP	14/04/2009	Share options	N	14/04/2013	3 1/3p	862p	25,000	–	25,000	–	0
LTIP	31/10/2011 <sup>(a)</sup>	Share options	Y	01/01/2014	0	–	48,377 <sup>(a)</sup>	–	–	–	48,377 <sup>(a)</sup>
LTIP	20/05/2012 <sup>(a)</sup>	Share options	Y	01/01/2015	0	–	62,322 <sup>(a)</sup>	–	–	–	62,322 <sup>(a)</sup>
LTRP	31/03/2012	Share options	N	31/03/2016	4 2/3p	–	30,000	–	–	–	30,000
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	–	52,602	–	–	52,602
							<b>165,699</b>	<b>52,602</b>	<b>25,000</b>	<b>–</b>	<b>193,301</b>
<b>M Straughen</b>											
LTRP	14/04/2009	Share options	N	14/04/2013	3 1/3p	846p	40,000	–	40,000	–	0
LTIP	31/10/2011 <sup>(a)</sup>	Share options	Y	01/01/2014	0	–	74,323 <sup>(a)</sup>	–	–	–	74,323 <sup>(a)</sup>
LTIP	20/05/2012 <sup>(a)</sup>	Share options	Y	01/01/2015	0	–	63,265 <sup>(a)</sup>	–	–	–	63,265 <sup>(a)</sup>
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	–	55,852	–	–	55,852
							<b>177,588</b>	<b>55,852</b>	<b>40,000</b>	<b>–</b>	<b>193,440</b>
<b>R Watson</b>											
LTRP	07/04/2010	Share options	N	07/04/2014	3 1/3p	–	40,000	–	–	–	40,000
LTRP	26/05/2011	Share options	N	26/05/2015	3 1/3p	–	40,000	–	–	–	40,000
LTIP	31/10/2011 <sup>(a)</sup>	Share options	Y	01/01/2014	0	–	49,233 <sup>(a)</sup>	–	–	–	49,233 <sup>(a)</sup>
LTIP	20/05/2012 <sup>(a)</sup>	Share options	Y	01/01/2015	0	–	58,113 <sup>(a)</sup>	–	–	–	58,113 <sup>(a)</sup>
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	–	55,852	–	–	55,852
							<b>187,346</b>	<b>55,852</b>	<b>–</b>	<b>–</b>	<b>243,198</b>
<b>Total</b>							<b>1,191,106</b>	<b>340,676</b>	<b>145,000</b>	<b>–</b>	<b>1,386,782</b>

#### Note on incentive plan interests

(a) Awards under the 2011–2013 and 2012–2014 LTIP cycles are granted at the end of the initial 3 year performance period. The number of shares granted is determined by the extent to which the relevant performance conditions have been achieved at the end of the initial 3 year performance period. The number illustrated in the above table represents the maximum number of shares that may be awarded. 20% of any award would require to be held for an additional 2 year period following completion of the initial 3 year performance period.

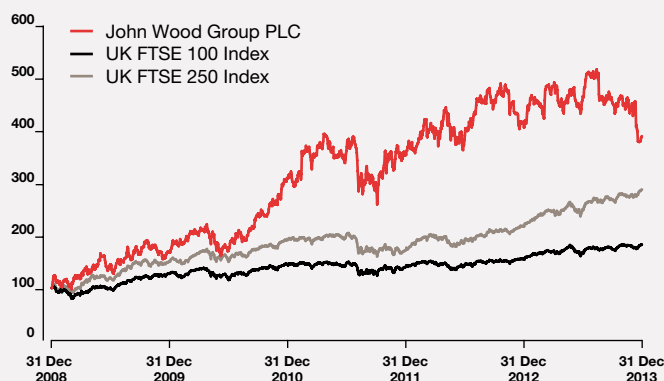


## 2.7 TSR performance summary

### TSR performance graph

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

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



### CEO remuneration

The total remuneration for the CEO over the same period as the TSR performance graph detailed above is listed in the table below. This table includes details of the annual bonus received in each year as a percentage of the maximum opportunity that was available as well as the long-term incentives which vested in each year as a percentage of the maximum number of shares that could have been received:

#### CEO remuneration

Year	CEO	CEO single figure of total remuneration (£'000)	Annual bonus payout as a % of maximum opportunity	Long-term incentive vesting rates as a % of maximum opportunity
2013	Bob Keiller	£1,624	60%	79%
2012 <sup>(a)</sup>	Bob Keiller	£199	75%	25%
2012 <sup>(b)</sup>	Allister G Langlands	£2,276	76%	100%
2011	Allister G Langlands	£3,338	87%	100%
2010	Allister G Langlands	£1,314	84%	23%
2009	Allister G Langlands	£1,417	60%	0%

#### Notes

(a) Bob Keiller was appointed Group CEO at 1 November 2012. His remuneration for 2012 reflects his remuneration from appointment as Group CEO only. Long-term incentives vesting during the year were awarded during his time as Wood Group PSN CEO and vested based on performance targets linked to performance of that division.

(b) Allister Langlands was appointed Chairman on 1 November 2012. His remuneration for 2012 relates to his time as Group CEO only.

## 2.8 Percentage change in CEO remuneration

The following table provides a summary of the increases in remuneration for the Group CEO as compared with the average increase for all other UK based employees in the Group.

	% change between 2012 and 2013		
	Salary	Benefits	Bonus <sup>(b)</sup>
CEO <sup>(a)</sup>	7.28%	9.39%	-11%
Average increase of all other UK employees in the Group <sup>(b) (c)</sup>	3%	6%	-4%

#### Notes to the percentage change in CEO remuneration

(a) The position of Group CEO changed in November 2012, therefore for comparison purposes, the change figures are based on pro-rated salary, benefits and bonus for 2012 for Allister G Langlands and Bob Keiller for 2012, with the comparison measured against Bob Keiller for the entirety of 2013. There was no increase in Bob Keiller's CEO salary from 2012 to 2013.

(b) Given the wide variation in inflation rates across the various geographies in which the Group operates, the comparator group used is all other UK based employees to ensure a valid comparison is provided. UK based employees constitute approximately 31% of the overall workforce. Benefits increase is based on a sample employee on a salary of £50,000 per annum with the full suite of employee benefits including private medical and dental insurance; and life and permanent health insurance.

(c) Average bonus increase is based on average bonus paid as a percentage of salary during 2012 for the noted comparator group against average bonus paid as a percentage of salary during 2013.

## 2.9 Relative importance of spend on pay

The table below is provided to assist shareholders in assessing the relative importance of the Group's spend on pay. It contains details of the remuneration paid to or receivable by all employees of the Group as well as the value of distributions to shareholders by way of dividend and share buyback over the previous two years.

Relative importance of spend on pay (\$m)				
Item	2012	2013	Difference	% change
Remuneration paid to or receivable by all employees of the Group	3,063.6	3,371.1	307.50	10%
Distributions to shareholders by way of dividend and share buyback	55.2	67.4	12.2	22%



## Financial statements

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### Group financial statements

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## Report on the Group financial statements

### Our opinion

In our opinion the Group financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The Group financial statements, which are prepared by John Wood Group PLC, comprise:

- the Consolidated balance sheet as at 31 December 2013;
- the Consolidated income statement and statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity and Consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include the accounting policies and other related notes.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 and Accounts (the "Annual Report") to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Overview of our audit approach

### Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be \$22m, which is based on the Group's profit before tax.

### Overview of the scope of our audit

The Group has three divisions; Wood Group PSN; Wood Group Engineering; and Wood Group GTS, spread across 50 countries. The Group financial statements are a consolidation of the reporting units within these divisions and centralised functions.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or component auditors within PwC UK, from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Through a combination of full scope audits and directed scope procedures we performed work at the Group's principal reporting units. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.



## Independent auditor's report continued

**Areas of particular audit focus**

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 32.

Area of focus	How the scope of our audit addressed the area of focus
<b>Significant Lump Sum, Fixed Price and Engineering, Procurement and Construction (EPC) Contracts</b> We have focused on this area as the Group has a small number of contracts on which the profit or loss is recognised subject to management estimation. Management's evaluation of whether contracts are onerous also relies on management judgement.	In 2013, lump sum, fixed price and EPC contracts made up less than 10% of revenue. Discussions were held with both senior management and operational staff to update our understanding and to establish the future outlook of these major contracts. We tested the inputs (costs incurred and billed) along with the revenue and profit then recognised, as well as the basis for provision for losses and assessment of whether the contracts are onerous.
<b>Valuation of GTS engines</b> The Group holds engines with a view to resale or use within EPC contracts. Given the nature of the engines and the lack of recent sales there is potential for overstatement on the valuation of inventory.	We evaluated the carrying value of the engines by challenging management's forecast and assumptions as it relates to existing and new opportunities to sell the engines.  We obtained external market data to corroborate the valuation of the engines.
<b>Current and deferred tax balances</b> The Group operates in a number of different tax regimes and must comply with various corporate tax regulations in the countries in which they operate.  Our focus on this area was specifically on the completeness of the provision for uncertain tax positions and the recognition of current and deferred tax assets and liabilities and their impact on the effective tax rate.	We tested the Group tax provision and the calculation of the provisions for a number of significant entities, as well as the judgements surrounding the basis for deferred tax assets and liabilities. This included deferred tax assets relating to share-based compensation and the pension scheme. We also tested the basis for significant uncertain tax positions. Additionally, we held discussions with Group management including the in-house tax specialists to identify any significant tax compliance issues.
<b>Areas of focus – Significant risks prescribed by Auditing Standards</b>	<b>How the scope of our audit addressed the area of focus</b>
<b>Fraud in revenue recognition</b> Auditing standards require that we consider the risk of fraud in revenue recognition. We have focused on the potential manipulation of revenue by the manual posting of journal entries on top of the day-to-day recording of transactions.	We tested the timing of revenue recognition taking into account contractual obligations and validity of manual journal entries. We also tested the revenue from significant Engineering, Procurement and Construction contracts, which are subject to management's estimates.
<b>Management override of controls</b> Auditing standards require that we consider the risk that management may override controls within their organisation.  Employees in management positions are incentivised by financial performance measures and as a result, fraud risk, due to over-ride of controls and/or manipulation of results may be increased.	We tested key reconciliations and manual journal entries. We considered whether there was evidence of bias by the directors in the significant accounting estimates and judgements relevant to the financial statements. We also assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function.

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### Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 34, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

### Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Review and the Directors Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

### Other matters on which we are required to report by exception

#### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

#### Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

Within the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. As required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

### Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & 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.

#### Other matter

We have reported separately on the Parent Company financial statements of John Wood Group PLC for the year ended 31 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Lindsay Gardiner (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen

17 February 2014





As required under IFRS 5, the results of the Wood Group GTS businesses that are being transferred into the new joint venture with Siemens are presented as discontinued activities in the consolidated income statement. However, the Group will own 51% of the new joint venture and although not able to exercise control, it will remain part of the Group. Reconciliation to the total income statement is shown in note 1 to the consolidated financial statements.

## Consolidated income statement

for the year to 31 December 2013

		2013			2012 (restated)		
	Note	Pre-Exceptional Items \$m	Exceptional Items (note 4) \$m	Total \$m	Pre-Exceptional Items \$m	Exceptional Items (note 4) \$m	Total \$m
<b>Revenue from continuing operations</b>	<b>1</b>	<b>6,379.7</b>	<b>–</b>	<b>6,379.7</b>	6,118.4	–	6,118.4
Cost of sales		(5,351.9)	–	(5,351.9)	(5,118.5)	–	(5,118.5)
<b>Gross profit</b>		<b>1,027.8</b>	<b>–</b>	<b>1,027.8</b>	999.9	–	999.9
Administrative expenses		(635.3)	(26.9)	(662.2)	(638.4)	(26.5)	(664.9)
<b>Operating profit</b>	<b>1</b>	<b>392.5</b>	<b>(26.9)</b>	<b>365.6</b>	361.5	(26.5)	335.0
Finance income	2	1.1	–	1.1	1.5	–	1.5
Finance expense	2	(19.6)	–	(19.6)	(14.1)	–	(14.1)
<b>Profit before taxation from continuing operations</b>	<b>3</b>	<b>374.0</b>	<b>(26.9)</b>	<b>347.1</b>	348.9	(26.5)	322.4
Taxation	5	(93.5)	0.9	(92.6)	(109.8)	4.1	(105.7)
<b>Profit for the year from continuing operations</b>		<b>280.5</b>	<b>(26.0)</b>	<b>254.5</b>	239.1	(22.4)	216.7
Profit from discontinued operations, net of tax	27	18.4	27.6	46.0	18.5	23.0	41.5
<b>Profit for the year</b>		<b>298.9</b>	<b>1.6</b>	<b>300.5</b>	257.6	0.6	258.2
<b>Profit attributable to:</b>							
Owners of the parent		294.3	1.6	295.9	256.4	0.6	257.0
Non-controlling interests	25	4.6	–	4.6	1.2	–	1.2
		<b>298.9</b>	<b>1.6</b>	<b>300.5</b>	257.6	0.6	258.2
<b>Earnings per share (expressed in cents per share)</b>							
Basic	7	81.0	0.4	81.4	71.2	0.2	71.4
Diluted	7	78.8	0.4	79.2	68.8	0.2	69.0

As a result of the classification of the Wood Group GTS businesses that are being transferred into a new joint venture company in 2014 as discontinued, the 2012 income statement has been restated (see note 27).

The income statement for 2012 has also been restated to reflect a reclassification of \$83.0m from administrative expenses to cost of sales.

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

## 60 Consolidated statement of comprehensive income for the year to 31 December 2013

	Note	2013 \$m	2012 \$m
<b>Profit for the year</b>		<b>300.5</b>	258.2
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement gains/(losses) on retirement benefit obligations	29	16.5	(8.5)
Movement in deferred tax relating to retirement benefit obligations	5	(3.8)	2.1
<b>Total items that will not be reclassified to profit or loss</b>		<b>12.7</b>	(6.4)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges	24	0.2	3.7
Exchange movements on retranslation of foreign currency net assets	24	(37.6)	41.3
Exchange movements on retranslation of non-controlling interests	25	(0.2)	0.1
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(37.6)</b>	45.1
<b>Other comprehensive (expense)/income for the period, net of tax</b>		<b>(24.9)</b>	38.7
<b>Total comprehensive income for the period</b>		<b>275.6</b>	296.9
<b>Total comprehensive income for the period is attributable to:</b>			
Owners of the parent		271.2	295.6
Non-controlling interests	25	4.4	1.3
		<b>275.6</b>	296.9
<b>Total comprehensive income for the period is attributable to:</b>			
Continuing operations		229.1	251.9
Discontinued operations	27	46.5	45.0
		<b>275.6</b>	296.9

Exchange movements on the retranslation of net assets would only be subsequently reclassified to profit or loss in the event of the disposal of a business.

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



As required under IFRS 5, the assets and liabilities of Wood Group GTS that are being transferred into the new joint venture with Siemens have been shown as assets and liabilities held for sale in the Group balance sheet. A reconciliation from the total balance sheet showing the reclassification as held for sale is provided in note 1 to the consolidated financial statements.

## Consolidated balance sheet

### as at 31 December 2013

	Note	2013 \$m	2012 (restated) \$m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill and intangible assets	8	1,875.5	1,839.1
Property plant and equipment	9	221.3	198.6
Long-term receivables	12	68.0	54.7
Deferred tax assets	19	27.2	39.4
		<b>2,192.0</b>	<b>2,131.8</b>
<b>Current assets</b>			
Inventories	11	101.1	439.5
Trade and other receivables	12	1,365.1	1,392.5
Income tax receivable		20.7	25.0
Assets held for sale	27	685.6	–
Cash and cash equivalents	13	183.5	172.3
		<b>2,356.0</b>	<b>2,029.3</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	15	96.8	45.3
Trade and other payables	14	1,123.0	1,155.8
Liabilities held for sale	27	185.4	–
Income tax liabilities		61.3	102.3
		<b>1,466.5</b>	<b>1,303.4</b>
<b>Net current assets</b>		<b>889.5</b>	<b>725.9</b>
<b>Non-current liabilities</b>			
Borrowings	15	396.2	281.5
Deferred tax liabilities	19	–	9.4
Retirement benefit obligations	29	41.2	55.0
Other non-current liabilities	16	141.0	163.7
Provisions	18	86.8	112.8
		<b>665.2</b>	<b>622.4</b>
<b>Net assets</b>		<b>2,416.3</b>	<b>2,235.3</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	21	23.6	23.5
Share premium	22	56.0	54.3
Retained earnings	23	1,856.6	1,640.7
Other reserves	24	471.2	508.6
		<b>2,407.4</b>	<b>2,227.1</b>
Non-controlling interests	25	8.9	8.2
<b>Total equity</b>		<b>2,416.3</b>	<b>2,235.3</b>

The balance sheet at December 2012 has been restated to reflect a reclassification of \$32.2m from trade and other payables to provisions (note 18).

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

The financial statements on pages 59 to 104 were approved by the Board of directors on 17 February 2014.

Bob Keiller, Director

Alan G Semple, Director

## 62 Consolidated statement of changes in equity for the year to 31 December 2013

		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
	Note							
At 1 January 2012		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
<b>Other comprehensive income:</b>								
Remeasurement 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	24/25	–	–	–	41.3	41.3	0.1	41.4
<b>Total comprehensive income for the year</b>		–	–	250.6	45.0	295.6	1.3	296.9
<b>Transactions with owners:</b>								
Dividends paid	6/25	–	–	(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)
<b>At 31 December 2012</b>		23.5	54.3	1,640.7	508.6	2,227.1	8.2	2,235.3
Profit for the year		–	–	295.9	–	295.9	4.6	300.5
<b>Other comprehensive income:</b>								
Remeasurement gains on retirement benefit liabilities	29	–	–	16.5	–	16.5	–	16.5
Movement in deferred tax relating to retirement benefit liabilities	5	–	–	(3.8)	–	(3.8)	–	(3.8)
Cash flow hedges	24	–	–	–	0.2	0.2	–	0.2
Exchange movements on retranslation of foreign currency net assets	24/25	–	–	–	(37.6)	(37.6)	(0.2)	(37.8)
<b>Total comprehensive income for the year</b>		–	–	308.6	(37.4)	271.2	4.4	275.6
<b>Transactions with owners:</b>								
Dividends paid	6/25	–	–	(67.4)	–	(67.4)	(3.1)	(70.5)
Transactions with non-controlling interests	23/25	–	–	(3.3)	–	(3.3)	(0.6)	(3.9)
Credit relating to share-based charges	20	–	–	21.0	–	21.0	–	21.0
Tax credit relating to share option schemes	5	–	–	3.2	–	3.2	–	3.2
Shares allocated to employee share trusts	23	0.1	1.7	(1.8)	–	–	–	–
Shares purchased by employee share trusts	23	–	–	(47.8)	–	(47.8)	–	(47.8)
Shares disposed of by employee share trusts	23	–	–	7.9	–	7.9	–	7.9
Exchange movements in respect of shares held by employee share trusts		–	–	(4.5)	–	(4.5)	–	(4.5)
<b>At 31 December 2013</b>		23.6	56.0	1,856.6	471.2	2,407.4	8.9	2,416.3

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



# Consolidated cash flow statement

## for the year to 31 December 2013

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	Note	2013 \$m	2012 \$m
<b>Cash generated from operations</b>	<b>26</b>	<b>536.4</b>	327.2
Tax paid		(127.8)	(134.7)
<b>Net cash generated from operating activities</b>		<b>408.6</b>	192.5
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash and borrowings acquired)	27	(287.3)	(188.7)
Acquisition of non-controlling interests	25	(3.1)	–
Proceeds from divestment of subsidiaries (net of cash and borrowings disposed and divestment costs)	27	0.3	40.6
Purchase of property plant and equipment	9	(90.4)	(69.4)
Proceeds from sale of property plant and equipment		2.6	0.4
Purchase of intangible assets	8	(51.6)	(57.8)
Interest received		1.1	1.5
<b>Net cash used in investing activities</b>		<b>(428.4)</b>	(273.4)
<b>Cash flows from financing activities</b>			
Proceeds from bank loans	26	165.4	89.0
Return of cash to shareholders		–	(7.7)
Purchase of shares by employee share trusts	23	(47.8)	–
Proceeds from disposal of shares by employee share trusts	23	7.9	6.5
Interest paid		(18.6)	(11.3)
Dividends paid to shareholders	6	(67.4)	(55.2)
Dividends paid to non-controlling interests	25	(3.1)	(1.2)
<b>Net cash from financing activities</b>		<b>36.4</b>	20.1
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>26</b>	<b>16.6</b>	(60.8)
Effect of exchange rate changes on cash and cash equivalents	26	(5.4)	6.5
Opening cash and cash equivalents		172.3	226.6
<b>Closing cash and cash equivalents</b>	<b>13</b>	<b>183.5</b>	172.3

Cash flows from discontinued operations are shown in note 27.

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



# 64 Notes to the financial statements

## for the year to 31 December 2013

### 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 provided in the Strategic Report. 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.

At 31 December 2013, certain Wood Group GTS assets and liabilities that are being transferred into a new joint venture with Siemens, which is currently anticipated to take place in the first half of 2014, have been shown as assets and liabilities held for sale in the Group balance sheet. Assets held for sale are recorded at the lower of cost and fair value. The 2012 and 2013 trading activity for the relevant entities has been presented as profit from discontinued activities in the Group income statement, the 2012 income statement having been restated accordingly. See note 27 for further details.

#### Critical accounting judgments and estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. 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 could result in 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 market outlook, resource utilisation, foreign exchange rates, contract awards and contract margins. The outlook for the Group is discussed in the CEO Review. 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 fixed price or 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 judgment 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.

#### (e) Provisions

The Group records provisions where it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the outcome is less than probable, but more than remote, no provision is recorded but a contingent liability is disclosed in the financial statements, if material. The recording of provisions is an area which requires the exercise of management judgement relating to the nature, timing and probability of the liability and typically the Group's balance sheet includes provisions for doubtful debts, inventory and warranty provisions, contract provisions (including onerous contracts) and pending legal issues.



## Notes to the financial statements continued

**Accounting policies (continued)****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:

	2013	2012
Average rate £1 = \$	1.5673	1.5845
Closing rate £1 = \$	1.6563	1.6255

**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 fixed price or 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 appropriate, 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 within 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, provisions for onerous contracts and acquisition and divestment costs.

**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 which the Group expects the facility to be in place. Interest relating to the unwinding of the discount on deferred and contingent consideration liabilities is included in finance expense. Interest relating to the Group's retirement benefit scheme is also included as finance income/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.

**Accounting policies (continued)****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.

**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 businesses' 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 businesses 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 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.



## Notes to the financial statements continued

**Accounting policies (continued)****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 substantively 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.

**Accounting for derivative financial instruments and hedging activities**

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

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

**(a) Fair value hedge**

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

**(b) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in administrative expenses (in the case of forward contracts) or finance income/expense (in the case of interest rate swaps) 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 administrative expenses 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.

**Accounting policies (continued)****Operating leases****As lessee**

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

**As lessor**

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

**Retirement benefit liabilities**

The Group operates a defined benefit scheme and a number of defined contribution schemes. The liability recognised in respect of the defined benefit scheme represents the present value of the defined benefit obligations less the fair value of the scheme assets. The assets of this scheme are held in separate trustee administered funds.

The defined benefit scheme's assets are measured using 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 interest income on 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. Remeasurement gains and losses are recognised in the statement of comprehensive income in full in the period in which they occur. The defined benefit scheme's net assets or net liabilities are recognised in full and presented on the face of the balance sheet.

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

**Provisions**

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

**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's Long Term Incentive Plan ('LTIP') for executive directors and certain senior executives was in place from 2008 to 2012. Participants are awarded shares or share options 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's Long Term Cash Incentive Plan ('LTCIP') for senior management was in place in 2011 and 2012. 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.
- (v) During 2013, the Group introduced the Long Term Plan ('LTP') to replace the LTRP, LTIP and LTCIP. The LTP comprises two separate awards, an award of share options on a similar basis to the LTRP and an award of shares or share options on a broadly similar basis to the LTIP scheme. The charge to the income statement for the LTP is as outlined for the LTRP and LTIP above with the corresponding credit being recorded in retained earnings.

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.





## Notes to the financial statements continued

**Accounting policies (continued)****Segmental reporting**

The Group has determined that its operating segments are based on management reports reviewed by the Chief Operating Decision Maker ('CODM'), the Group's Chief Executive. The Group's reportable segments are Wood Group Engineering, Wood Group PSN and Wood Group GTS.

The Chief Executive 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 Chief Executive 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 and 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.

**Disclosure of impact of new and future accounting standards****(a) Amended standards and interpretations**

The following revisions and amendments to standards and interpretations are mandatory as of 1 January 2013:

- IAS 1 (amended 2012) 'Financial statement presentation'
- IAS 19 (revised 2011) 'Employee benefits'
- IFRS 13 (amended 2012) 'Fair value measurement'

The amendments to IAS 1 relates to other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

The revision to IAS 19 does not have a material impact on the financial statements. The revision has been adopted in the current period and has resulted in an increase of \$2.5m in net finance expense in the income statement (see note 29). As the impact of this revision is not material in both the current and prior period, no restatement of the comparative information has been made.

IFRS 13 measurement and disclosure requirements are applicable for periods commencing from 1 January 2013. IFRS 13 does not have a material impact on the financial statements.

**Disclosure of impact of new and future accounting standards (continued)****(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 2014 or later periods, but the Group has not early adopted them:

- IFRS 10 'Consolidated financial statements'
- IFRS 11 'Joint arrangements'
- IFRS 12 'Disclosure of interests in other entities'

The Group does not anticipate any material impact on the financial statements on the adoption of IFRS 10.

The Group currently accounts for its interests in joint ventures using proportional consolidation. IFRS 11 does not permit proportional consolidation and therefore from 1 January 2014, for all periods presented, 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 Group will continue to prepare its management information using proportional consolidation and this will be presented in the segmental reporting note in future years.

The adoption of IFRS 12 may result in some additional disclosures in the financial statements.

## 1 Segmental reporting

As required under IFRS 5, the results of the Wood Group GTS businesses that are being transferred into the new joint venture with Siemens are presented as discontinued activities. For management reporting, the Wood Group GTS results are presented in total (i.e. the continuing and discontinued activities are added together). We have therefore presented below the total Group income statement analysed between the continuing and discontinued elements.

	2013			2012		
	Total \$m	Continuing operations \$m	Discontinued operations \$m	Total \$m	Continuing operations \$m	Discontinued operations \$m
<b>Revenue</b>	<b>7,064.2</b>	<b>6,379.7</b>	<b>684.5</b>	6,828.1	6,118.4	709.7
Cost of sales	(5,903.5)	(5,351.9)	(551.6)	(5,710.0)	(5,118.5)	(591.5)
<b>Gross profit</b>	<b>1,160.7</b>	<b>1,027.8</b>	<b>132.9</b>	1,118.1	999.9	118.2
Administrative expenses	(729.8)	(635.3)	(94.5)	(744.5)	(638.4)	(106.1)
Exceptional items (note 4)	0.5	(26.9)	27.4	0.7	(26.5)	27.2
<b>Operating profit</b>	<b>431.4</b>	<b>365.6</b>	<b>65.8</b>	374.3	335.0	39.3
Finance income	1.1	1.1	–	1.5	1.5	–
Finance expense	(19.7)	(19.6)	(0.1)	(14.4)	(14.1)	(0.3)
<b>Profit before taxation</b>	<b>412.8</b>	<b>347.1</b>	<b>65.7</b>	361.4	322.4	39.0
Taxation	(112.3)	(92.6)	(19.7)	(103.2)	(105.7)	2.5
<b>Profit for the year</b>	<b>300.5</b>	<b>254.5</b>	<b>46.0</b>	258.2	216.7	41.5



## Notes to the financial statements continued

**1 Segmental reporting (continued)**

As required under IFRS 5, the assets and liabilities of the Wood Group GTS businesses that are being transferred into the new joint venture with Siemens are presented as 'held for sale' in the balance sheet at 31 December 2013. A reconciliation from the balance sheet as presented for management reporting to the reported balance sheet on page 61 is shown below.

	Balance sheet for management reporting \$m	Held for sale \$m	Balance sheet per accounts \$m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill and intangible assets	1,987.6	(112.1)	1,875.5
Property plant and equipment	251.3	(30.0)	221.3
Long-term receivables	68.0	–	68.0
Deferred tax assets	43.1	(15.9)	27.2
	<b>2,350.0</b>	<b>(158.0)</b>	<b>2,192.0</b>
<b>Current assets</b>			
Inventories	457.5	(356.4)	101.1
Trade and other receivables	1,524.4	(159.3)	1,365.1
Income tax receivable	32.6	(11.9)	20.7
Assets held for sale	–	685.6	685.6
Cash and cash equivalents	183.5	–	183.5
	<b>2,198.0</b>	<b>158.0</b>	<b>2,356.0</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	96.8	–	96.8
Trade and other payables	1,249.4	(126.4)	1,123.0
Liabilities held for sale	–	185.4	185.4
Income tax liabilities	111.5	(50.2)	61.3
	<b>1,457.7</b>	<b>8.8</b>	<b>1,466.5</b>
<b>Net current assets</b>	<b>740.3</b>	<b>149.2</b>	<b>889.5</b>
<b>Non-current liabilities</b>			
Borrowings	396.2	–	396.2
Retirement benefit obligations	41.2	–	41.2
Other non-current liabilities	144.6	(3.6)	141.0
Provisions	92.0	(5.2)	86.8
	<b>674.0</b>	<b>(8.8)</b>	<b>665.2</b>
<b>Net assets</b>	<b>2,416.3</b>	<b>–</b>	<b>2,416.3</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	23.6	–	23.6
Share premium	56.0	–	56.0
Retained earnings	1,856.6	–	1,856.6
Other reserves	471.2	–	471.2
	<b>2,407.4</b>	<b>–</b>	<b>2,407.4</b>
Non-controlling interests	8.9	–	8.9
<b>Total equity</b>	<b>2,416.3</b>	<b>–</b>	<b>2,416.3</b>

## 72 Notes to the financial statements continued

### 1 Segmental reporting (continued)

The segment information provided to the Group's Chief Executive for the reportable operating segments for the year ended 31 December 2013 includes the following:

#### Reportable operating segments <sup>(1)</sup>

	Revenue		EBITDA <sup>(2)</sup>		EBITA <sup>(2)</sup>		Operating profit	
	Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Wood Group Engineering	1,985.4	1,787.3	260.3	231.2	246.0	220.0	228.0	187.8
Wood Group PSN	3,996.0	3,690.7	281.5	219.9	262.1	205.0	161.9	146.1
Wood Group GTS – continuing	398.3	640.4	38.1	68.9	33.8	65.8	33.6	55.4
Wood Group GTS – discontinued (see note 27)	684.5	709.7	57.0	31.8	47.0	20.8	31.4	12.1
Well Support – discontinued	–	–	–	–	–	–	34.4	27.2
Central costs <sup>(3)</sup>	–	–	(52.0)	(48.9)	(55.9)	(52.5)	(57.9)	(54.3)
<b>Total <sup>(4)</sup></b>	<b>7,064.2</b>	<b>6,828.1</b>	<b>584.9</b>	<b>502.9</b>	<b>533.0</b>	<b>459.1</b>	<b>431.4</b>	<b>374.3</b>
Remove discontinued	(684.5)	(709.7)	(57.0)	(31.8)	(47.0)	(20.8)	(65.8)	(39.3)
<b>Total continuing operations</b>	<b>6,379.7</b>	<b>6,118.4</b>	<b>527.9</b>	<b>471.1</b>	<b>486.0</b>	<b>438.3</b>	<b>365.6</b>	<b>335.0</b>
Finance income							1.1	1.5
Finance expense							(19.6)	(14.1)
<b>Profit before taxation from continuing operations</b>							<b>347.1</b>	<b>322.4</b>
Taxation							(92.6)	(105.7)
<b>Profit for the year from continuing operations</b>							<b>254.5</b>	<b>216.7</b>
Profit from discontinued operations, net of tax <sup>(5)</sup>							46.0	41.5
<b>Profit for the year</b>							<b>300.5</b>	<b>258.2</b>

#### Notes

- The Group's reportable segments are Wood Group Engineering, Wood Group PSN and Wood Group GTS.
- Total EBITDA represents operating profit of \$431.4m (2012: \$374.3m) before depreciation of property plant and equipment of \$51.9m (2012: \$43.8m), amortisation of \$102.1m (2012: \$85.5m) and net exceptional income of \$0.5m (2012: \$0.7m). 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.
- Central costs include the costs of certain management personnel in both the UK and the US, along with an element of Group infrastructure costs.
- The total row is the total of continuing and discontinued operations.
- Profit from discontinued operations, net of tax, represents the profit from the Wood Group GTS businesses being transferred to the new joint venture company with Siemens, the aero engine business divested by Wood Group GTS during 2012 and the Well Support business divested in 2011. See note 27 for further details.
- Revenue arising from sales between segments is not material.



## Notes to the financial statements continued

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## 1 Segmental reporting (continued)

## Segment assets and liabilities

	Wood Group Engineering \$m	Wood Group PSN \$m	Wood Group GTS – continuing \$m	Wood Group GTS – discontinued \$m	Unallocated \$m	Total \$m
<b>At 31 December 2013</b>						
<b>Segment assets</b>	<b>885.9</b>	<b>2,471.4</b>	<b>394.6</b>	<b>657.8</b>	<b>138.3</b>	<b>4,548.0</b>
<b>Segment liabilities</b>	<b>413.2</b>	<b>816.7</b>	<b>121.1</b>	<b>135.2</b>	<b>645.5</b>	<b>2,131.7</b>

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

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

	Wood Group Engineering \$m	Wood Group PSN \$m	Wood Group GTS – continuing \$m	Wood Group GTS – discontinued \$m	Unallocated \$m	Total \$m
<b>2013</b>						
<b>Capital expenditure</b>						
– Property plant and equipment	16.2	57.7	2.4	11.5	3.6	91.4
– Intangible assets	29.8	10.7	–	10.0	1.7	52.2
<b>Non-cash expense</b>						
– Depreciation of property plant and equipment	14.3	19.4	4.3	10.0	3.9	51.9
– Amortisation of intangible assets	32.9	58.4	0.2	8.6	2.0	102.1
– Exceptional items (non-cash element)	0.9	37.1	–	3.6	(37.0)	4.6

2012	\$m	\$m	\$m	\$m	\$m	\$m
Capital expenditure						
– Property plant and equipment	25.7	17.9	9.2	9.0	7.6	69.4
– Intangible assets	43.1	6.2	1.9	5.4	1.2	57.8
Non-cash expense						
– Depreciation of property plant and equipment	11.2	14.9	3.1	11.0	3.6	43.8
– Amortisation of intangible assets	18.4	55.8	0.8	8.7	1.8	85.5
– Exceptional items (non-cash element)	13.3	3.1	9.6	–	(27.2)	(1.2)

The non-cash exceptional items in Unallocated relate to the Well Support disposal in 2011 (see note 4 for further details).



## 74 Notes to the financial statements continued

### 1 Segmental reporting (continued)

#### Geographical segments

	Segment assets		Continuing revenue	
	2013	2012	2013	2012
	\$m	\$m	\$m	\$m
UK	1,216.6	1,066.1	1,953.9	1,747.4
USA	1,667.7	1,526.2	1,561.9	1,563.1
Rest of the World	1,663.7	1,568.8	2,863.9	2,807.9
	4,548.0	4,161.1	6,379.7	6,118.4

Revenue by geographical segment is based on the location of the ultimate project.

	2013	2012
	\$m	\$m
<b>Revenue by category is as follows:</b>		
Sale of goods	15.3	8.5
Rendering of services	6,364.4	6,109.9
<b>Revenue from continuing operations</b>	<b>6,379.7</b>	<b>6,118.4</b>

### 2 Finance expense/(income)

	2013	2012
	\$m	\$m
Interest payable on bank borrowings	10.1	10.9
Bank facility fees expensed	4.3	1.4
Interest relating to discounting of deferred and contingent consideration	2.8	1.8
Interest expense – retirement benefit obligations (note 29)	2.4	–
<b>Finance expense – continuing operations</b>	<b>19.6</b>	<b>14.1</b>
Interest receivable on short-term deposits	(1.1)	(1.4)
Interest income – retirement benefit obligations (note 29)	–	(0.1)
<b>Finance income</b>	<b>(1.1)</b>	<b>(1.5)</b>
<b>Finance expense – continuing operations – net</b>	<b>18.5</b>	<b>12.6</b>



## Notes to the financial statements continued

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**3 Profit before taxation**

	2013 \$m	2012 \$m
The following items have been charged in arriving at profit before taxation (before exceptional items):		
Employee benefits expense (note 28)	<b>3,371.1</b>	3,063.6
Cost of inventories recognised as an expense	<b>85.4</b>	75.4
Impairment of inventories	<b>4.0</b>	3.1
Depreciation of property plant and equipment (note 9)	<b>51.9</b>	43.8
Amortisation of intangible assets (note 8)	<b>102.1</b>	85.5
Loss on disposal of property plant and equipment	<b>1.6</b>	1.3
Other operating lease rentals payable:		
– Plant and machinery	<b>35.4</b>	27.2
– Property	<b>96.8</b>	93.0
Foreign exchange losses	<b>3.6</b>	5.1

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 or administrative expenses in the income statement. Amortisation of intangible assets is included in administrative expenses in the income statement. The information in the above table includes both continuing and discontinued operations.

**Services provided by the Group's auditors and associate firms**

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

	2013 \$m	2012 \$m
Fees payable to the Group's auditors and its associate firms for –		
Audit of Parent Company and consolidated financial statements	<b>0.9</b>	0.8
Audit of Group companies pursuant to legislation	<b>1.9</b>	1.7
Tax and other services	<b>0.1</b>	0.2
	<b>2.9</b>	2.7

## 4 Exceptional items

	2013 \$m	2012 \$m
<b>Exceptional items included in continuing operations</b>		
Lease termination income	(15.1)	–
Restructuring charges	15.9	14.6
Onerous contract	28.0	–
Impairment of goodwill (note 8)	–	1.9
Bad debt (recoveries)/write offs	(6.0)	10.0
Acquisition costs	4.1	–
	26.9	26.5
Taxation	(0.9)	(4.1)
<b>Continuing operations exceptional items, net of tax</b>	<b>26.0</b>	<b>22.4</b>
<b>Exceptional items included in discontinued operations</b>		
Gain on divestment – Well Support	(34.4)	(27.2)
JV formation costs	7.0	–
	(27.4)	(27.2)
Taxation	(0.2)	4.2
<b>Discontinued operations exceptional items, net of tax</b>	<b>(27.6)</b>	<b>(23.0)</b>
<b>Total exceptional credit, net of tax</b>	<b>(1.6)</b>	<b>(0.6)</b>

An exceptional credit of \$15.1m has been recorded in the period in respect of a one-off compensation payment received by the Group for vacating sub-let office space.

Restructuring charges of \$15.9m have been expensed in 2013 relating to the merging of certain Group businesses in Canada, the write down of certain assets in Wood Group PSN's Americas business and the reorganisation of Wood Group Engineering to reflect a change in the management structure of the business.

\$28.0m has been expensed in relation to WG PSN's contract in Oman which has been treated as onerous as at 31 December 2013.

A credit of \$6.0m has been recorded in respect of cash recovered against bad debt write offs treated as exceptional charges in previous periods.

Acquisition costs of \$4.1m have been incurred in respect of acquisition activity during the year (see note 27).

During 2013, the Group settled certain claims relating to the Well Support disposal in 2011. As a result of the settlement and a subsequent review of the carrying value of the related disposal provision, \$34.4m was credited to exceptional items in the period.

Costs of \$7.0m relating to the formation of the Wood Group GTS joint venture with Siemens have been incurred during the year and treated as exceptional (see note 27).

A tax credit of \$0.9m has been recorded in respect of the continuing exceptional items and a tax credit of \$0.2m has been recorded in respect of the discontinued exceptional items in the period.

For further details of the 2012 exceptional items refer to the 2012 Annual Report and Accounts.



## Notes to the financial statements continued

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## 5 Taxation

	2013 \$m	2012 \$m
<b>Current tax</b>		
– Current year	120.8	106.5
– Adjustment in respect of prior years	24.5	5.0
	145.3	111.5
<b>Deferred tax</b>		
– Current year	(9.1)	(15.6)
– Adjustment in respect of prior years	(23.9)	7.3
	(33.0)	(8.3)
<b>Total tax charge</b>	112.3	103.2
Comprising:		
Tax on continuing operations before exceptional items	93.5	109.8
Tax on exceptional items in continuing operations	(0.9)	(4.1)
Tax on discontinued operations before exceptional items	19.9	(6.7)
Tax on exceptional items in discontinued operations	(0.2)	4.2
	112.3	103.2
	2013 \$m	2012 \$m
<b>Tax charged/(credited) to equity</b>		
Deferred tax movement on retirement benefit liabilities	3.8	(2.1)
Deferred tax relating to share option schemes	10.7	8.6
Current tax relating to share option schemes	(13.9)	(9.7)
<b>Total charged/(credited) to equity</b>	0.6	(3.2)

**5 Taxation (continued)**

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates. The expected rate is the weighted average rate taking into account the Group's profits in these jurisdictions. The expected rate has increased in 2013 due to the change in mix of the tax jurisdictions in which the Group operates. The tax charge for the year is lower (2012: higher) than the expected tax charge due to the following factors:

	2013 \$m	2012 \$m
Profit before taxation from continuing operations	347.1	322.4
Profit before taxation from discontinued operations	65.7	39.0
<b>Total profit before taxation</b>	<b>412.8</b>	361.4
Profit before tax at expected rate of 29.75% (2012: 27.31%)	122.8	98.7
Effects of:		
Adjustments in respect of prior years	0.6	12.3
(Recognition)/non-recognition of losses and other attributes	(2.3)	12.0
Effect of foreign taxes	7.1	4.2
Other permanent differences	(15.9)	(24.0)
<b>Total tax charge</b>	<b>112.3</b>	103.2

Other permanent differences include adjustments for share based charges, research and development allowances, changes in unrecognised tax attributes and expenditure which is not allowable as a deduction for tax purposes.

**6 Dividends**

	2013 \$m	2012 \$m
<b>Dividends on ordinary shares</b>		
Final dividend paid - year ended 31 December 2012: 11.3 cents (2012: 9.6 cents) per share	41.4	34.6
Interim dividend paid - year ended 31 December 2013: 7.1 cents (2012: 5.7 cents) per share	26.0	20.6
	<b>67.4</b>	55.2

The directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 14.9 cents per share. The final dividend will be paid on 20 May 2014 to shareholders who are on the register of members on 11 April 2014. The financial statements do not reflect the final dividend, the payment of which will result in an estimated \$54.4m reduction in equity attributable to owners of the parent.





## Notes to the financial statements continued

## 7 Earnings per share

	2013			2012		
	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)
<b>Basic pre-exceptional</b>	<b>294.3</b>	<b>363.3</b>	<b>81.0</b>	256.4	360.0	71.2
Exceptional items, net of tax	1.6	–	0.4	0.6	–	0.2
<b>Basic</b>	<b>295.9</b>	<b>363.3</b>	<b>81.4</b>	257.0	360.0	71.4
Effect of dilutive ordinary shares	–	10.2	(2.2)	–	12.6	(2.4)
<b>Diluted</b>	<b>295.9</b>	<b>373.5</b>	<b>79.2</b>	257.0	372.6	69.0
Exceptional items, net of tax	(1.6)	–	(0.4)	(0.6)	–	(0.2)
<b>Diluted pre-exceptional items</b>	<b>294.3</b>	<b>373.5</b>	<b>78.8</b>	256.4	372.6	68.8
Amortisation, net of tax	74.0	–	19.8	61.0	–	16.4
<b>Adjusted diluted</b>	<b>368.3</b>	<b>373.5</b>	<b>98.6</b>	317.4	372.6	85.2
<b>Adjusted basic</b>	<b>368.3</b>	<b>363.3</b>	<b>101.4</b>	317.4	360.0	88.2

Basic discontinued earnings per share for the year is 12.7 cents (2012: 11.5 cents) and diluted discontinued earnings per share is 12.3 cents (2012: 11.1 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's dilutive ordinary shares comprise share options granted to employees under Executive Share Option Schemes and the Long Term Retention Plan and shares and share options awarded under the Group's Long Term Incentive Plan and Long Term 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.

## 8 Goodwill and intangible assets

	Goodwill \$m	Software and development costs \$m	Intangibles arising on acquisition \$m	Total \$m
<b>Cost</b>				
At 1 January 2013	1,650.3	192.5	315.4	2,158.2
Exchange movements	(21.3)	1.0	(10.9)	(31.2)
Additions	–	52.2	–	52.2
Acquisitions (note 27)	138.9	–	82.5	221.4
Disposals	–	(6.2)	–	(6.2)
Divestment of business	(1.8)	–	–	(1.8)
Reclassification from current assets	–	0.9	–	0.9
Reclassification as assets held for sale (note 27)	(135.9)	(72.1)	(2.2)	(210.2)
<b>At 31 December 2013</b>	<b>1,630.2</b>	<b>168.3</b>	<b>384.8</b>	<b>2,183.3</b>
<b>Aggregate amortisation and impairment</b>				
At 1 January 2013	56.2	108.7	154.2	319.1
Exchange movements	(0.6)	0.1	(7.7)	(8.2)
Amortisation charge for the year	–	44.6	57.5	102.1
Impairment (note 4)	–	0.3	–	0.3
Disposals	–	(5.6)	–	(5.6)
Divestment of business	(1.8)	–	–	(1.8)
Reclassification as assets held for sale (note 27)	(49.1)	(47.2)	(1.8)	(98.1)
<b>At 31 December 2013</b>	<b>4.7</b>	<b>100.9</b>	<b>202.2</b>	<b>307.8</b>
<b>Net book value at 31 December 2013</b>	<b>1,625.5</b>	<b>67.4</b>	<b>182.6</b>	<b>1,875.5</b>
<b>Cost</b>				
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	156.7	–	57.6	214.3
Disposals	–	(8.9)	–	(8.9)
<b>At 31 December 2012</b>	<b>1,650.3</b>	<b>192.5</b>	<b>315.4</b>	<b>2,158.2</b>
<b>Aggregate amortisation and impairment</b>				
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)
<b>At 31 December 2012</b>	<b>56.2</b>	<b>108.7</b>	<b>154.2</b>	<b>319.1</b>
<b>Net book value at 31 December 2012</b>	<b>1,594.1</b>	<b>83.8</b>	<b>161.2</b>	<b>1,839.1</b>

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 continued

**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 2014 and 2015. 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	Wood Group Mustang	339.7	13%
	Wood Group Kenny	71.2	
Wood Group PSN	WG PSN International (Australia and Asia Pacific)	162.0	11%
	WG PSN International (Africa)	117.3	
	WG PSN International (Middle East and ERC)	9.6	
	WG PSN Americas	391.0	
	WG PSN UK	477.7	
	WG PSN Global Business	44.9	
Wood Group GTS	Aero Derivative	12.1	12%
	Oil & Gas and Industrial Services	18.2	
	Power Plant Services	19.2	
	Equipment and Project Solutions	39.8	
	Other Wood Group GTS	9.6	

Wood Group GTS goodwill, with the exception of that relating to the Aero Derivative CGU, is included in assets held for sale in the Group balance sheet at 31 December 2013 (see note 27).

Details of the key assumptions underlying the cash flows are included in critical accounting judgements and estimates in the Accounting Policies on page 64.

The value-in-use has been compared to the carrying value for each CGU. No goodwill has been written off during the year. \$1.9m of goodwill was impaired during 2012.

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 impairment.

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 \$22.4m (2012: \$20.8m) are internally generated intangible assets.

## 9 Property plant and equipment

	Land and buildings			
	Long leasehold and freehold \$m	Short leasehold \$m	Plant and equipment \$m	Total \$m
<b>Cost</b>				
At 1 January 2013	76.9	29.5	333.3	439.7
Exchange movements	(0.5)	(0.6)	(1.6)	(2.7)
Additions	2.6	2.4	86.4	91.4
Acquisitions (note 27)	–	–	22.2	22.2
Disposals	(1.1)	(4.8)	(21.4)	(27.3)
Divestment of businesses	–	–	(3.7)	(3.7)
Reclassification as assets held for sale (note 27)	(9.4)	(5.6)	(127.8)	(142.8)
<b>At 31 December 2013</b>	<b>68.5</b>	<b>20.9</b>	<b>287.4</b>	<b>376.8</b>
<b>Aggregate amortisation and impairment</b>				
At 1 January 2013	24.5	14.8	201.8	241.1
Exchange movements	–	(0.3)	(1.6)	(1.9)
Charge for the year	3.0	3.3	45.6	51.9
Impairment (note 4)	–	–	3.3	3.3
Disposals	(1.1)	(3.3)	(18.7)	(23.1)
Divestment of business	–	–	(3.0)	(3.0)
Reclassification as assets held for sale (note 27)	(4.9)	(3.8)	(104.1)	(112.8)
<b>At 31 December 2013</b>	<b>21.5</b>	<b>10.7</b>	<b>123.3</b>	<b>155.5</b>
<b>Net book value at 31 December 2013</b>	<b>47.0</b>	<b>10.2</b>	<b>164.1</b>	<b>221.3</b>
<b>Cost</b>				
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	(4.8)	–	(7.9)	(12.7)
Reclassifications	17.8	(4.4)	(13.4)	–
<b>At 31 December 2012</b>	<b>76.9</b>	<b>29.5</b>	<b>333.3</b>	<b>439.7</b>
<b>Aggregate amortisation and impairment</b>				
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	(4.2)	–	(7.2)	(11.4)
Reclassifications	5.7	(3.1)	(2.6)	–
<b>At 31 December 2012</b>	<b>24.5</b>	<b>14.8</b>	<b>201.8</b>	<b>241.1</b>
<b>Net book value at 31 December 2012</b>	<b>52.4</b>	<b>14.7</b>	<b>131.5</b>	<b>198.6</b>

There were no assets in the course of construction at 31 December 2013 (2012: nil).



## Notes to the financial statements continued

**10 Joint ventures**

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

	2013 \$m	2012 \$m
Non-current assets	60.8	65.2
Current assets	324.4	312.8
Current liabilities	(203.2)	(192.9)
Non-current liabilities	(44.2)	(26.1)
<b>Net assets</b>	<b>137.8</b>	<b>159.0</b>
Income	658.5	532.3
Expenses	(645.7)	(497.5)
Profit before tax	12.8	34.8
Tax	(10.9)	(12.2)
<b>Share of post-tax results from joint ventures</b>	<b>1.9</b>	<b>22.6</b>

The profit before tax for the year is net of the onerous contract provision referred to in note 4.

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 35.

**11 Inventories**

	2013 \$m	2012 \$m
Materials	38.7	53.6
Work in progress	23.2	115.3
Finished goods and goods for resale	39.2	270.6
	<b>101.1</b>	<b>439.5</b>

As per note 27, \$356.4m of inventory has been classified as 'held for sale' at 31 December 2013.

**12 Trade and other receivables**

	2013 \$m	2012 \$m
Trade receivables	1,125.2	1,150.1
Less: provision for impairment of trade receivables	(25.4)	(43.3)
Trade receivables – net	1,099.8	1,106.8
Amounts recoverable on contracts	103.1	105.9
Prepayments and accrued income	55.0	87.0
Other receivables	107.2	92.8
<b>Trade and other receivables – current</b>	<b>1,365.1</b>	<b>1,392.5</b>
Long-term receivables	68.0	54.7
<b>Total receivables</b>	<b>1,433.1</b>	<b>1,447.2</b>

As per note 27, \$159.3m of trade and other receivables has been classified as 'held for sale' at 31 December 2013.

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

	Trade receivables – Gross \$m	Provision for impairment \$m	Trade receivables – Net \$m	Receivable days
<b>31 December 2013</b>				
Wood Group Engineering	378.5	(15.3)	363.2	64
Wood Group PSN	691.5	(10.1)	681.4	52
Wood Group GTS – continuing	55.2	–	55.2	24
<b>Total Group</b>	<b>1,125.2</b>	<b>(25.4)</b>	<b>1,099.8</b>	<b>54</b>
<b>31 December 2012</b>				
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	19
<b>Total Group</b>	<b>1,150.1</b>	<b>(43.3)</b>	<b>1,106.8</b>	<b>51</b>

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 54 indicates that closing trade receivables represent the most recent 54 days of continuing 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:

	2013 \$m	2012 \$m
Up to 3 months	2.6	10.4
Over 3 months	22.8	32.9
	<b>25.4</b>	<b>43.3</b>





## Notes to the financial statements continued

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

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

	Wood Group Engineering \$m	Wood Group PSN \$m	Wood Group GTS \$m	Total \$m
<b>2013</b>				
At 1 January	21.7	14.0	7.6	43.3
Exchange movements	(0.4)	–	–	(0.4)
Net movement in provision	(6.0)	(3.9)	(5.6)	(15.5)
Reclassification as held for sale	–	–	(2.0)	(2.0)
<b>At 31 December</b>	<b>15.3</b>	<b>10.1</b>	<b>–</b>	<b>25.4</b>

**2012**

At 1 January	27.2	15.4	8.3	50.9
Exchange movements	0.5	0.2	–	0.7
Net movement in provision	(6.0)	(1.8)	(0.7)	(8.5)
Acquisitions	–	0.2	–	0.2
<b>At 31 December</b>	<b>21.7</b>	<b>14.0</b>	<b>7.6</b>	<b>43.3</b>

Credits to the income statement are included in administrative expenses (the \$6.0m in relation to Wood Group Engineering is included in exceptional items – see note 4).

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

Included within gross trade receivables of \$1,125.2m above (2012: \$1,150.1m) are receivables of \$182.8m (2012: 214.3m) which were past due but not impaired. These relate to customers for whom there is no recent history or expectation of default. The ageing analysis of these trade receivables is as follows:

	<b>2013</b> \$m	2012 \$m
Up to 3 months overdue	<b>141.4</b>	158.6
Over 3 months overdue	<b>41.4</b>	55.7
	<b>182.8</b>	214.3

**Construction contracts**

Financial information in respect of material Engineering, Procurement and Construction ('EPC') contracts carried out by Wood Group GTS is as follows:

	<b>2013</b> \$m	2012 \$m
Contract costs incurred and recognised profit for projects to date	<b>1,051.3</b>	867.4
Contract revenue recognised in the year	<b>183.9</b>	458.1
Receivables for work done under these contracts at the balance sheet date	<b>79.2</b>	90.3

**13 Cash and cash equivalents**

	<b>2013</b>	2012
	<b>\$m</b>	\$m
Cash at bank and in hand	<b>154.1</b>	157.9
Short-term bank deposits	<b>29.4</b>	14.4
	<b>183.5</b>	172.3

The effective interest rate on short-term deposits was 0.5% (2012: 1.6%) and these deposits have an average maturity of 44 days (2012: 31 days).

At 31 December 2013, the Group held \$10.0m of cash (2012: \$10.0m) in its insurance captive subsidiary to comply with local regulatory requirements.

**14 Trade and other payables**

	<b>2013</b>	2012
	<b>\$m</b>	\$m
Trade payables	<b>338.0</b>	447.4
Other tax and social security payable	<b>66.2</b>	83.3
Accruals and deferred income	<b>579.0</b>	502.4
Deferred and contingent consideration	<b>27.6</b>	14.1
Other payables	<b>112.2</b>	108.6
	<b>1,123.0</b>	1,155.8

As per note 27, \$126.4m of trade and other payables has been classified as 'held for sale' at 31 December 2013.

**15 Borrowings**

	<b>2013</b>	2012
	<b>\$m</b>	\$m
<b>Bank loans and overdrafts due within one year or on demand</b>		
Unsecured	<b>96.8</b>	45.3
<b>Non-current bank loans</b>		
Unsecured	<b>396.2</b>	281.5

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

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

	<b>2013</b>	2012
	<b>%</b>	%
US dollar	<b>1.24</b>	1.11
Sterling	<b>1.50</b>	2.36
Euro	<b>1.24</b>	1.45
Canadian dollar	<b>2.21</b>	2.40



## Notes to the financial statements continued

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**15 Borrowings (continued)**

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

	2013 \$m	2012 \$m
US dollar	265.9	131.1
Sterling	99.0	68.4
Euro	61.3	63.1
Canadian dollar	53.4	57.3
Other	13.4	6.9
	<b>493.0</b>	<b>326.8</b>

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 2013 the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to \$700.6m (2012: \$702.3m). At 31 December 2013, these facilities were 44% utilised (2012: 51%).

**Borrowing facilities**

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

	2013 \$m	2012 \$m
Expiring within one year	82.4	101.8
Expiring between one and two years	–	518.5
Expiring between two and five years	553.8	–
	<b>636.2</b>	<b>620.3</b>

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review at various dates during 2014. 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**

	2013 \$m	2012 \$m
Deferred and contingent consideration	57.6	76.5
Other payables	83.4	87.2
	<b>141.0</b>	<b>163.7</b>

Deferred and contingent consideration represents amounts payable on acquisitions made by the Group and is expected to be paid over the next five years. As per note 27, \$3.6m of other non-current liabilities has been classified as 'held for sale' at 31 December 2013.

**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.

**17 Financial instruments (continued)**

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. The Group uses strategies such as the payment of dividends 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 2013 (2012: 10%), post-tax profit for the year would have been \$15.1m higher or lower (2012: \$10.6m). If the closing sterling/US dollar rate was 10% higher or lower at 31 December 2013 (2012: 10%), exchange differences in equity would have been \$59.4m (2012: \$48.0m) 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 2013, 24% (2012: 19%) 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 2013 (2012: 1%), post-tax profit for the year would have been \$2.6m lower or higher respectively (2012: \$1.9m). 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.

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. 81% of cash held on deposit at 31 December 2013 (2012: 100%) was held with such institutions.

**(c) Liquidity risk**

With regard to liquidity, the Group's main priority is to ensure continuity of funding. At 31 December 2013, 84% (2012: 96%) of the Group's borrowing facilities (excluding joint ventures) were due to mature in more than one year. Based on the current outlook the Group has sufficient funding in place to meet its future obligations. In February 2013, the Group increased its bilateral facilities from \$800m to \$950m, with the maturity date being extended to February 2018.



## Notes to the financial statements continued

**17 Financial instruments (continued)****(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 2013 was 12.9% (2012: 6.9%).

Interest cover is calculated by dividing total EBITA by net finance expense. Interest cover for the year to 31 December 2013 was 28.7 times (2012: 35.6 times). The ratio of net debt to total EBITDA at 31 December 2013 was 0.53 (2012: 0.31).

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. Drawdowns 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.

	Less than 1 year \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	Over 5 years \$m
<b>At 31 December 2013</b>				
Borrowings	96.8	–	396.2	–
Trade and other payables	1,056.8	–	–	–
Other non-current liabilities	–	49.9	96.0	–
<b>At 31 December 2012</b>				
Borrowings	45.3	281.5	–	–
Trade and other payables	1,072.5	–	–	–
Other non-current liabilities	–	62.1	107.1	–

**Fair value of non-derivative financial assets and financial liabilities**

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

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

**18 Provisions**

	Warranty provisions \$m	Other provisions \$m	Total \$m
At 1 January 2013	47.8	65.0	112.8
Exchange movements	0.2	(0.1)	0.1
Acquisitions	–	3.2	3.2
Net movement in provision	(9.6)	(14.5)	(24.1)
Reclassified as held for sale	(5.2)	–	(5.2)
<b>At 31 December 2013</b>	<b>33.2</b>	<b>53.6</b>	<b>86.8</b>

**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. The opening balance has been adjusted by \$32.2m to reflect a reclassification from trade and other payables at 31 December 2012.

**Other provisions**

At 31 December 2013, other provisions of \$53.6m (2012: \$65.0m) 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. The net movement of \$14.5m during the year includes the release of the Well Support provision and the creation of the Oman onerous contract provision as detailed in note 4.

**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 22% (2012: 23%). The movement on the deferred tax account is shown below:

	<b>2013</b>	2012
	<b>\$m</b>	\$m
At 1 January	<b>(30.0)</b>	(54.9)
Exchange movements	<b>1.3</b>	(4.3)
Credit to income statement (note 5)	<b>(33.0)</b>	(8.3)
Acquisitions (note 27)	<b>4.1</b>	31.0
Deferred tax relating to retirement benefit liabilities	<b>3.8</b>	(2.1)
Deferred tax relating to share option schemes	<b>10.7</b>	8.6
Reclassified as held for sale	<b>15.9</b>	–
<b>At 31 December</b>	<b>(27.2)</b>	(30.0)

Deferred tax is presented in the financial statements as follows:

Deferred tax assets	<b>(27.2)</b>	(39.4)
Deferred tax liabilities	<b>–</b>	9.4
	<b>(27.2)</b>	(30.0)

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 \$105.9m (2012: \$192.7m) 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:

	<b>Accelerated tax depreciation</b>	<b>Pension</b>	<b>Share based charges</b>	<b>Short-term timing differences</b>	<b>Losses</b>	<b>Total</b>
<b>2013</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Deferred tax assets	<b>66.3</b>	<b>(9.1)</b>	<b>(19.2)</b>	<b>(56.1)</b>	<b>(9.1)</b>	<b>(27.2)</b>
<b>2012</b>						
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)





## Notes to the financial statements continued

**20 Share based charges**

The Group currently has a number of 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'), the Long Term Cash Incentive Plan ('LTCIP') and the Long Term Plan ('LTP'). The LTP replaced the LTRP, LTIP and LTCIP in 2013. The charge to operating profit in 2013 for these schemes amounted to \$22.4m (2012: \$26.2m). \$21.0m (2012: \$19.6m) of the total charge is credited to retained earnings and \$1.4m (2012: \$6.6m), relating to the LTCIP, is included in 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 1,300 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 2.5%. 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 ranged from £2.29 to £2.52 (2012: £2.09). The fair value of options granted under the LTRP during the year ranged from £7.56 to £7.97 (2012: £6.43 to £7.48). The weighted average remaining contractual life of share options at 31 December 2013 is 5.9 years (2012: 5.6 years).

**LTIP/LTP**

The share based charge for the LTIP/LTP was calculated using a fair value of £3.01 for the third cycle, £5.10 for the fourth cycle, £6.18 for the fifth cycle and £7.53 for the sixth cycle (LTP). 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. Further details of the LTIP/LTP are provided in the Directors' Remuneration Report.

**LTCIP**

The share based charge for the LTCIP was calculated using a fair value of £6.62 (2012: £7.01). 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:

Year of grant	Number of ordinary shares under option		Exercise price (per share)	Exercise period
	2013	2012		
2003	–	72,500	158p	2007-2013
2004	<b>135,000</b>	160,000	128½p	2008-2014
2005	<b>10,000</b>	20,000	145p	2009-2015
2006	<b>38,500</b>	48,500	265¼p	2010-2016
2007	<b>61,000</b>	102,290	268½p	2011-2017
2008	<b>118,989</b>	254,346	381¼p	2012-2018
2008	<b>8,986</b>	29,850	354¾p	2012-2018
2009	<b>732,316</b>	2,498,791	222p	2013-2019
2009	<b>35,000</b>	50,000	283¾p	2013-2019
2010	<b>2,270,374</b>	2,556,687	377½p	2014-2020
2011	<b>1,730,681</b>	1,938,166	529½p	2015-2021
2012	<b>1,710,398</b>	1,919,865	680½p	2016-2022
2012	<b>5,000</b>	5,000	802p	2016-2022
2013	<b>1,876,583</b>	–	845¾p	2017-2023
2013	<b>4,000</b>	–	812p	2017-2023
	<b>8,736,827</b>	9,655,995		

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.

**20 Share based charges (continued)**

1,139,791 options (2012: 687,486) were exercisable at 31 December 2013. 1,954,000 options were granted during the year, 2,130,318 options were exercised during the year and 742,850 options lapsed during the year. The weighted average share price for ESOS options exercised during the year was £8.54 (2012: £7.59).

Options granted to directors under the executive share option scheme are subject to performance criteria. No options have been granted to executive directors since 2009. There are no performance criteria under this scheme for options granted to employees.

**Long Term Retention Plan**

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

Year of grant	Number of ordinary shares under option		Exercise price (per share)	Exercise period
	2013	2012		
2008	–	145,000	3½p	2012-2013
2009	<b>256,500</b>	2,201,000	3½p	2013-2014
2010	<b>940,272</b>	1,029,042	3½p	2014-2015
2011	<b>67,917</b>	75,000	3½p	2015-2016
2011	<b>495,982</b>	569,500	4¾p	2015-2016
2012	<b>794,010</b>	896,334	4¾p	2016-2017
2013	<b>866,439</b>	–	4¾p	2017-2018
	<b>3,421,120</b>	4,915,876		

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. 256,500 options (2012: 145,000) were exercisable at 31 December 2013. 913,680 LTRP options were granted during the year, 2,104,012 LTRP options were exercised during the year and 304,424 LTRP options lapsed during the year. The weighted average share price for LTRP options exercised during the year was £8.45 (2012: £7.51). 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 or share options 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 or share options and forfeitable restricted shares or share options. 20% of any award earned over the three year performance cycle is deferred for a further two years in the form of forfeitable restricted shares or share options. At 31 December 2013, 2,661,359 shares or share options were potentially issuable under this scheme. Further details of the LTIP are provided in the Directors' Remuneration Report.

**Long Term Plan**

The Group's Long Term Plan ('LTP') was introduced during 2013 to replace the LTRP, LTIP and LTCIP. Two distinct awards will be made under LTP. Nil value share options will be awarded on the same basis as awards under LTRP (see above). Awards to former LTIP and LTCIP participants will be made on a broadly similar basis to LTIP with the performance measures being EBITA, total shareholder return and adjusted diluted earnings per share. These awards are in the form of shares or share options and forfeitable restricted shares or share options. 20% of any award is deferred for two years in the form of forfeitable restricted shares or share options. At 31 December 2013, 1,742,591 shares were potentially issuable under this scheme. Further details of the LTP are provided in the Directors' Remuneration Report.

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

Year of grant	Number of ordinary shares under option		Exercise price (per share)	Exercise period
	2013	2012		
2013	<b>11,500</b>	–	0.00p	2017-2018

Options are granted under the Group's LTP at nil value. There are no performance criteria attached to the exercise of these options. No options were exercisable at 31 December 2013. 11,500 LTP options were granted during the year, no options were exercised or lapsed during the year. Further details on the LTP are provided in the Directors' Remuneration Report.



## Notes to the financial statements continued

**21 Share capital**

Ordinary shares of 4 $\frac{1}{2}$ pence each (2012: 4 $\frac{1}{2}$ pence)		2013		2012
Issued and fully paid	shares	\$m	shares	\$m
At 1 January	373,175,384	23.5	371,275,384	23.4
Allocation of new shares to employee share trusts	1,900,000	0.1	1,900,000	0.1
<b>At 31 December</b>	<b>375,075,384</b>	<b>23.6</b>	373,175,384	23.5

**22 Share premium**

	2013	2012
	\$m	\$m
At 1 January	54.3	7.7
Proceeds from Group companies relating to options exercised under share symmetry scheme	–	43.5
Allocation of new shares to employee share trusts	1.7	3.1
<b>At 31 December</b>	<b>56.0</b>	54.3

**23 Retained earnings**

	2013	2012
	\$m	\$m
At 1 January	1,640.7	1,469.8
Profit for the year attributable to owners of the parent	295.9	257.0
Dividends paid (note 6)	(67.4)	(55.2)
Credit relating to share based charges (note 20)	21.0	19.6
Remeasurement gain/(loss) on retirement benefit liabilities (note 29)	16.5	(8.5)
Movement in deferred tax relating to retirement benefit liabilities	(3.8)	2.1
Proceeds from Group companies relating to options exercised under share symmetry scheme	–	(43.5)
Shares allocated to employee share trusts	(1.8)	(3.2)
Shares purchased by employee share trusts	(47.8)	–
Shares disposed of by employee share trusts	7.9	6.5
Tax credit relating to share option schemes	3.2	1.1
Transactions relating to non-controlling interests	(3.3)	–
Exchange movements in respect of shares held by employee share trusts	(4.5)	(5.0)
<b>At 31 December</b>	<b>1,856.6</b>	1,640.7

During 2012, the Parent Company received \$43.5m 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. 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.

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investment in own shares represents the cost of 11,640,553 (2012: 11,599,912) of the company's ordinary shares totalling \$158.9m (2012: \$112.7m). No options have been granted over shares held by the employee share trusts (2012: 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, LTRP, LTIP and LTP.

During 2013, 1,900,000 new shares were allocated to the employee share trust. 3,934,000 shares were purchased during the year at a cost of \$47.8m. 4,227,436 shares were issued during the year to satisfy the exercise of share options at a value of \$7.9m. 1,565,923 shares were issued during the year to satisfy share awards under the Long Term Incentive Plan.

**23 Retained earnings (continued)**

Exchange adjustments of \$4.5m (2012: \$5.0m) 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 2013 was \$132.3m (2012: \$137.0m) based on the closing share price of £6.86 (2012: £7.27). The employee share trusts have waived their rights to receipt of dividends on ordinary shares.

Transactions with non-controlling interests include \$2.5m relating to the cost of acquiring minority shareholdings, the excess of cost (\$3.1m) over book value (\$0.6m) being charged directly to equity. In addition, included within dividends to non-controlling interests was a payment of \$0.8m in excess of the shareholders interest in the subsidiary which has also been charged to equity.

**24 Other reserves**

	Capital reduction reserve \$m	Capital redemption reserve \$m	Currency translation reserve \$m	Hedging reserve \$m	Total \$m
At 1 January 2012	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
Exchange movements on retranslation of foreign currency net assets	–	–	(37.6)	–	(37.6)
Cash flow hedges	–	–	–	0.2	0.2
<b>At 31 December 2013</b>	<b>88.1</b>	<b>439.7</b>	<b>(55.8)</b>	<b>(0.8)</b>	<b>471.2</b>

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**

	2013 \$m	2012 \$m
At 1 January	8.2	10.0
Exchange movements	(0.2)	0.1
Share of profit for the year	4.6	1.2
Dividends paid to non-controlling interests	(3.1)	(1.2)
Other transactions with non-controlling interests	(0.6)	(1.9)
<b>At 31 December</b>	<b>8.9</b>	<b>8.2</b>

Other transactions with non-controlling interests relate to the cost of acquiring minority shareholdings with the excess of cost (\$3.1m) over book value (\$0.6m above) being charged directly to equity (see note 23).



## Notes to the financial statements continued

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**26 Cash generated from operations**

	2013 \$m	2012 \$m
<b>Reconciliation of operating profit to cash generated from operations:</b>		
Operating profit from continuing operations	365.6	335.0
Operating profit from discontinued operations (note 27)	65.8	39.3
	431.4	374.3
Adjustments for:		
Depreciation	51.9	43.8
Loss on disposal of property plant and equipment	1.6	1.3
Amortisation of intangible assets	102.1	85.5
Share based charges	22.4	26.2
Decrease in provisions	(7.6)	(8.1)
Exceptional items- non cash impact	4.6	(1.2)
<b>Changes in working capital</b> (excluding effect of acquisition and divestment of subsidiaries)		
Increase in inventories	(17.9)	(43.7)
Increase in receivables	(66.8)	(50.1)
Increase/(decrease) in payables	23.2	(99.1)
Exchange movements	(8.5)	(1.7)
<b>Cash generated from operations</b>	<b>536.4</b>	<b>327.2</b>

**Analysis of net debt**

	At 1 January 2013 \$m	Cash flow \$m	Exchange movements \$m	At 31 December 2013 \$m
Cash and cash equivalents	172.3	16.6	(5.4)	183.5
Short-term borrowings	(45.3)	(51.5)	–	(96.8)
Long-term borrowings	(281.5)	(113.9)	(0.8)	(396.2)
<b>Net debt</b>	<b>(154.5)</b>	<b>(148.8)</b>	<b>(6.2)</b>	<b>(309.5)</b>

**27 Acquisitions and divestments****Acquisitions**

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

	<b>Elkhorn \$m</b>	<b>Other \$m</b>	<b>Total \$m</b>
Property plant and equipment	15.3	6.9	22.2
Intangible assets recognised on acquisition	64.9	17.6	82.5
Trade and other receivables	58.4	35.9	94.3
Cash and cash equivalents	–	19.2	19.2
Borrowings	(2.4)	–	(2.4)
Trade and other payables	(14.8)	(24.3)	(39.1)
Income tax liabilities	–	(2.3)	(2.3)
Deferred tax	–	(4.1)	(4.1)
Provisions	(1.0)	(2.2)	(3.2)
<b>Total identifiable net assets acquired</b>	<b>120.4</b>	<b>46.7</b>	<b>167.1</b>
Goodwill	94.6	44.3	138.9
<b>Consideration</b>	<b>215.0</b>	<b>91.0</b>	<b>306.0</b>
<b>Consideration satisfied by:</b>			
Cash	215.0	89.1	304.1
Deferred and contingent consideration	–	1.9	1.9
	<b>215.0</b>	<b>91.0</b>	<b>306.0</b>

The Group has used acquisition accounting for purchases and, in accordance with the Group's accounting policies, the goodwill arising on consolidation of \$138.9m has been capitalised.

During the year the Group acquired 90% of the share capital of Intetech Limited, 95% of the share capital of Pyeroy Limited and 100% of the share capital of Elkhorn Holdings Inc. Due to its size, the acquisition of Elkhorn is considered material and has been presented separately in the table above. The other acquisitions are not considered to be material on an individual basis and therefore have been aggregated above.

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 \$82.5m, representing the fair value of customer contracts, have been recorded in relation to the acquisitions made in the year. Other provisional fair value adjustments of \$3.0m have also been recorded. Trade and other receivables acquired of \$94.3m are expected to be recovered in full.

The outflow of cash and cash equivalents in respect of acquisitions is analysed as follows:

	<b>\$m</b>
Cash consideration	<b>304.1</b>
Cash acquired	<b>(19.2)</b>
Borrowings acquired	<b>2.4</b>
<b>Cash outflow</b>	<b>287.3</b>

Included in the cash outflow above are deferred and contingent consideration payments of \$11.8m made during the year in respect of acquisitions made in prior periods.





## Notes to the financial statements continued

**27 Acquisitions and divestments (continued)**

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

	\$m
Total Revenue	<b>7,458.1</b>
Total EBITA	<b>571.5</b>

From the date of acquisition to 31 December 2013, the acquisitions contributed \$113.1m to revenue and \$8.8m to EBITA.

**Divestments**

In October 2013, the Group entered into an agreement with Siemens to form a joint venture company containing the maintenance and power solutions businesses of Wood Group GTS and the Siemens 'TurboCare' business unit. Wood Group will have a 51% shareholding in the new joint venture and the transaction is expected to be completed in the first half of 2014. Whilst Wood Group will have a 51% interest in the net assets and the income, all significant decision making requires unanimous consent from both parties and therefore Wood Group do not have control, and the new company will be treated as a joint venture.

Wood Group GTS's assets and liabilities that will be transferred into the new joint venture company have been treated as assets and liabilities held for sale in the Group balance sheet at 31 December 2013 and the profit of those businesses is included in profit from discontinued operations in the Group income statement.

Wood Group GTS's existing joint ventures, Rolls Wood Group, Trans Canada Turbines and Sulzer Wood will not form part of the new entity. The assets and liabilities of these companies have not been treated as assets and liabilities held for sale and the profits of these joint venture companies are included in profit from continuing operations.

In December 2013, the Group disposed of a small Australian business for \$0.3m. The assets of this business had been provided against in previous periods and a small gain arose on the sale.

Details of the 2012 divestments are included in the 2012 Annual Report and Accounts.

**Analysis of results from discontinued operations**

Discontinued operations comprise the Wood Group GTS business being transferred into the new joint venture company with Siemens, the aero engine overhaul business divested by Wood Group GTS in 2012 and the Well Support business divested in 2011.

	2013 \$m	2012 \$m
Revenue	<b>684.5</b>	709.7
Cost of sales	<b>(551.6)</b>	(591.5)
Administrative expenses	<b>(94.5)</b>	(106.1)
Exceptional items	<b>27.4</b>	27.2
Operating profit	<b>65.8</b>	39.3
Finance expense	<b>(0.1)</b>	(0.3)
Profit before tax	<b>65.7</b>	39.0
Taxation	<b>(19.7)</b>	2.5
Profit after tax	<b>46.0</b>	41.5

**27 Acquisitions and divestments (continued)****Divestments*****Analysis of assets held for sale***

	<b>2013</b>	2012
	<b>\$m</b>	\$m
Goodwill	<b>86.8</b>	–
Other intangible assets	<b>25.3</b>	–
Property, plant and equipment	<b>30.0</b>	–
Deferred tax asset	<b>15.9</b>	–
Inventories	<b>356.4</b>	–
Trade and other receivables	<b>159.3</b>	–
Income tax receivable	<b>11.9</b>	–
	<b>685.6</b>	–

***Analysis of liabilities held for sale***

	<b>2013</b>	2012
	<b>\$m</b>	\$m
Trade payables	<b>23.8</b>	–
Accruals and deferred income	<b>94.8</b>	–
Other payables	<b>7.8</b>	–
Income tax liabilities	<b>50.2</b>	–
Other non-current liabilities	<b>3.6</b>	–
Provisions	<b>5.2</b>	–
	<b>185.4</b>	–

***Analysis of cash flows from discontinued activities***

	<b>2013</b>	2012
	<b>\$m</b>	\$m
Operating cash flows	<b>62.4</b>	(38.9)
Investing cash flows	<b>(20.7)</b>	(14.3)
Financing cash flows	<b>(0.1)</b>	(0.3)
<b>Total cash flows</b>	<b>41.6</b>	(53.5)



## Notes to the financial statements continued

**28 Employees and directors**

<b>Employee benefits expense</b>	<b>2013</b>	2012
	<b>\$m</b>	\$m
Wages and salaries	<b>3,039.7</b>	2,758.8
Social security costs	<b>205.9</b>	184.1
Pension costs – defined benefit schemes (note 29)	<b>7.5</b>	7.0
Pension costs – defined contribution schemes (note 29)	<b>95.6</b>	87.5
Share based charges	<b>22.4</b>	26.2
	<b>3,371.1</b>	3,063.6

Employee benefits expense includes both continuing and discontinued operations.

<b>Average monthly number of employees (including executive directors)</b>	<b>2013</b>	2012
	<b>No.</b>	No.
By geographical area:		
UK	<b>9,035</b>	7,791
US	<b>10,854</b>	9,896
Rest of the World	<b>15,585</b>	15,792
	<b>35,474</b>	33,479

The average number of employees includes personnel from both continuing and discontinued operations and excludes contractors.

<b>Key management compensation</b>	<b>2013</b>	2012
	<b>\$m</b>	\$m
Salaries and short-term employee benefits	<b>8.5</b>	9.9
Amounts receivable under long-term incentive schemes	<b>2.0</b>	2.6
Social security costs	<b>1.1</b>	1.4
Post-employment benefits	<b>0.5</b>	0.5
Share based charges	<b>4.1</b>	4.6
	<b>16.2</b>	19.0

The criteria for inclusion in the definition of 'key management' has been revised during the year to cover board members and members of the Group 'Excom' only and as a consequence the 2012 figures have been restated. Key management compensation represents the charge to the income statement in respect of the remuneration of the Group board and Group 'Excom' members.

<b>Directors</b>	<b>2013</b>	2012
	<b>\$m</b>	\$m
Aggregate emoluments	<b>5.9</b>	6.2
Aggregate amounts receivable under long-term incentive schemes	<b>1.4</b>	1.6
Aggregate gains made on the exercise of share options	<b>0.9</b>	4.1
Share based charges	<b>3.1</b>	2.7
	<b>11.3</b>	14.6

At 31 December, three directors (2012: two) had retirement benefits accruing under a defined contribution pension plan and one director (2012: two) had benefits accruing under the Group's defined benefit pension scheme. Further details of director's emoluments are provided in the Directors' Remuneration Report.

**29 Retirement benefit obligations**

The Group operates a defined benefit pension scheme in the UK, the John Wood Group PLC Retirement Benefits Scheme, which is contracted out of the State Scheme, and a number of defined contribution plans. The assets of the defined benefits scheme are held separately from those of the Group, being invested with independent investment companies in trustee administered funds. Since 5 April 2007 members have accrued benefits under the scheme on a 'CARE' (Career Averaged Revalued Earnings) basis. The Group has entered into consultation with members of the scheme with regard to a proposal which would result in closure to future accrual from 30 June 2014. No impact of the proposed change has been reflected in the 2013 net liability.

The most recent actuarial valuation of the scheme was carried out at 5 April 2013 by a professionally qualified actuary. As a result of the valuation, the Group has agreed to pay deficit reduction contributions of \$4.7m (£2.9m) per annum from 2014 until 2021. At 31 December 2013, there were 241 active members (2012: 254), 286 pensioners (2012: 270) and 654 deferred members (2012 : 667) of the scheme.

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

	2013 %	2012 %
Rate of increase in pensionable salaries	5.40	5.00
Rate of increase in pensions in payment and deferred pensions	3.40	3.00
Discount rate	4.50	4.50
Rate of retail price index inflation	3.40	3.00
Rate of consumer price index inflation	5.00	4.90

At 31 December 2013, the mortality assumption used to determine pension liabilities is based on the most recent mortality tables which consider UK wide mortality data relevant to the Group's pension scheme. The mortality rates are then adjusted to allow for expected future improvements in mortality using up to date projections. The mortality assumption can be fully described as PCA00 CMI\_2012 (1.25%).

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

	2013 \$m	2012 \$m
Present value of funded obligations	(267.1)	(246.1)
Fair value of scheme assets	225.9	191.1
<b>Net liabilities</b>	<b>(41.2)</b>	<b>(55.0)</b>

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

	2013 \$m	2013 \$m	2012 \$m	2012 \$m
Equity securities	232.7	87.1	204.0	82.9
Corporate bonds	21.1	7.9	20.7	8.4
Gilts	9.6	3.6	20.4	8.3
Cash	3.7	1.4	1.0	0.4
	267.1	100.0	246.1	100.0



## Notes to the financial statements continued

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**29 Retirement benefit obligations (continued)**

The amounts recognised in the income statement are as follows:

	2013 \$m	2012 \$m
<b>Current service cost included within employee benefits expense</b>	<b>7.5</b>	7.0
Interest cost	<b>10.8</b>	10.4
Interest income on scheme assets	<b>(8.4)</b>	(10.5)
<b>Total included within finance expense/(income)</b>	<b>2.4</b>	(0.1)

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

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

	2013 \$m	2012 \$m
Present value of funded obligations at 1 January	<b>246.1</b>	206.7
Current service cost	<b>7.5</b>	7.0
Interest cost	<b>10.8</b>	10.4
Remeasurements:		
- actuarial losses arising from changes in financial assumptions	<b>11.4</b>	18.3
- actuarial gains arising from changes in demographic assumptions	<b>(9.2)</b>	–
- actuarial losses/(gains) arising from changes in experience	<b>0.1</b>	(1.3)
Benefits paid	<b>(5.1)</b>	(5.3)
Exchange movements	<b>5.5</b>	10.3
<b>Present value of funded obligations at 31 December</b>	<b>267.1</b>	246.1

At 31 December 2013, the present value of funded obligations comprised \$109.0m relating to active members, \$99.8m relating to deferred members and \$58.3m relating to pensioners.

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

	2013 \$m	2012 \$m
Fair value of scheme assets at 1 January	<b>191.1</b>	160.9
Interest income on scheme assets	<b>8.4</b>	10.5
Contributions	<b>7.9</b>	8.9
Benefits paid	<b>(5.1)</b>	(5.3)
Expenses paid	<b>(0.4)</b>	(0.4)
Remeasurement gain on scheme assets	<b>18.8</b>	8.5
Exchange movements	<b>5.2</b>	8.0
<b>Fair value of scheme assets at 31 December</b>	<b>225.9</b>	191.1

**29 Retirement benefit obligations (continued)**

Analysis of the movement in the balance sheet liability:

	<b>2013</b>	2012
	<b>\$m</b>	\$m
At 1 January	<b>55.0</b>	45.8
Current service cost	<b>7.5</b>	7.0
Finance expense/(income)	<b>2.4</b>	(0.1)
Contributions	<b>(7.9)</b>	(8.9)
Expenses paid	<b>0.4</b>	0.4
Remeasurement (gains)/losses recognised in the year	<b>(16.5)</b>	8.5
Exchange movements	<b>0.3</b>	2.3
<b>At 31 December</b>	<b>41.2</b>	55.0

The contributions expected to be paid during the financial year ending 31 December 2014 amount to \$12.2m (£7.3m).

**Scheme risks**

The retirement benefit scheme is exposed to a number of risks, the most significant of which are:

**Volatility**

The defined benefit obligation is measured with reference to corporate bond yields and if scheme assets underperform relative to this yield, this will create a deficit, all other things being equal. The scheme investments are well diversified such that the failure of a single investment would not have a material impact on the overall level of assets.

**Changes in bond yields**

A decrease in the corporate bond yields will increase the defined benefit obligation. This would however be offset to some extent by a corresponding increase in the value of the scheme's bond asset holdings.

**Inflation risk**

The majority of benefits in deferment and in payment are linked to price inflation so higher actual inflation and higher assumed inflation will increase the defined benefit obligation.

**Life expectancy**

The defined benefit obligation is generally made up of benefits payable for life and so increases to members' life expectancies will increase the defined benefit obligation all other things being equal.

**Sensitivity of the retirement benefit obligation**

The impact of changes to the key assumptions on the retirement benefit obligation is shown below. The sensitivity is based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension obligation recognised in the Group balance sheet.

<b>Assumption</b>	<b>Change</b>	<b>Impact on obligation</b>
Discount rate	0.1%	\$5.3m
Rate of retail prices index inflation	0.1%	\$3.4m
Rate of consumer price index inflation	0.1%	\$1.0m
Life expectancy	1 year	\$6.5m

**Defined contribution plans**

Pension costs for defined contribution plans are as follows:

	<b>2013</b>	2012
	<b>\$m</b>	\$m
Defined contribution plans	<b>95.6</b>	87.5

There were no material contributions outstanding at 31 December 2013 in respect of defined contribution plans.





## Notes to the financial statements continued

**30 Operating lease commitments – minimum lease payments**

	Property \$m	2013 Vehicles, plant and equipment \$m	Property \$m	2012 Vehicles, plant and equipment \$m
Amounts payable under non-cancellable operating leases due:				
Within one year	89.6	12.6	85.4	20.4
Later than one year and less than five years	257.9	18.8	254.7	21.4
After five years	197.5	–	176.4	0.1
	<b>545.0</b>	<b>31.4</b>	516.5	41.9

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.

From time to time and in the normal course of business the Group is notified of legal claims in respect of work carried out. Management believe that the Group is in a strong position to defend these claims. 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 any material liability will arise from any of these matters.

**32 Capital and other financial commitments**

	2013 \$m	2012 \$m
Contracts placed for future capital expenditure not provided in the financial statements	<b>9.5</b>	12.5

The capital expenditure above relates to property plant and equipment. \$0.7m 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. The receivables include loans to certain joint venture companies.

	2013 \$m	2012 \$m
Sale of goods and services to joint ventures	<b>25.1</b>	35.5
Purchase of goods and services from joint ventures	<b>11.7</b>	33.3
Receivables from joint ventures	<b>87.0</b>	83.1
Payables to joint ventures	<b>9.8</b>	20.8

Key management compensation is disclosed in note 28.

**34 Subsequent events**

In 2009, the Group's contract to provide water injection services in Venezuela was terminated and subsequently taken over by PDVSA and the Group made provision against assets owned and amounts receivable. In January 2014, the Group finalised a settlement agreement with PDVSA and received a payment of \$62.5m. The net recovery, after deduction of costs, an amount payable to non-controlling interests and tax is expected to be around \$40m.

**35 Principal subsidiaries and joint ventures**

The Group's principal subsidiaries and joint ventures at 31 December 2013 are listed below. These are the companies which have the most significant impact on the Group's financial statements. The Group has taken advantage of section 410 of the Companies Act 2006 and not disclosed a full list of subsidiaries as this would involve a statement of excessive length. A full list of subsidiaries will be included in the Company's Annual Return.

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.
Wood Group Kenny Corporate 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 and management, training, 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	
Production Services Network Canada Inc	Canada	100	
Mitchells Oilfield Services Inc	USA	100	
Elkhorn Holdings 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 (a)	USA	49*	
Wood Group Gas Turbine Services Limited (a)	UK	100	Power plant engineering, procurement and construction.
Wood Group Power Solutions, Inc (a)	USA	100	

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

(a) These companies will be transferred to the new joint venture company with Siemens and their assets and liabilities have been treated as held for sale at 31 December 2013 (see note 27).



## Company Financial statements

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

## Report on the Parent Company financial statements

### Our opinion

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2013;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The Parent Company financial statements, which are prepared by John Wood Group PLC, comprise:

- the Parent Company balance sheet as at 31 December 2013;
- the Parent Company reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinions on matters prescribed by the Companies Act 2006

In our opinion:

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



**Independent auditor's report** continued

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**Other matters on which we are required to report by exception****Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

**Other information in the Annual Report**

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Parent Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit****Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and ISAs (UK & 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.

**Other matter**

We have reported separately on the Group financial statements of John Wood Group plc for the year ended 31 December 2013.

Lindsay Gardiner (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen

17 February 2014

# 108 Balance sheet

as at 31 December 2013

	Note	2013 \$m	2012 \$m
<b>Fixed assets</b>			
Investments	1	2,926.0	1,758.8
<b>Current assets</b>			
Debtors	2	1,035.9	1,617.0
Cash at bank and in hand	3	–	2.4
		1,035.9	1,619.4
<b>Creditors: amounts falling due within one year</b>	4	(1,006.1)	(1,008.2)
<b>Net current assets</b>		29.8	611.2
<b>Total assets less current liabilities</b>		2,955.8	2,370.0
<b>Creditors: amounts falling due after one year</b>	5	(1,623.6)	(1,125.3)
		1,332.2	1,244.7
<b>Capital and reserves</b>			
Share capital	7	23.6	23.5
Share premium	8	56.0	54.3
Capital reduction reserve	9	88.1	88.1
Capital redemption reserve	10	439.7	439.7
Retained earnings	11	714.8	629.3
Other reserves	12	10.0	9.8
<b>Equity shareholders' funds</b>	13	1,332.2	1,244.7

The financial statements on pages 108 to 115 were approved by the board of directors on 17 February 2014.

Bob Keiller, Director

Alan G Semple, Director





# Notes to the Company financial statements

## for the year to 31 December 2013

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### 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:

	2013	2012
Average rate £1 = \$	1.5673	1.5845
Closing rate £1 = \$	1.6563	1.6255

### 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.

### 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 substantively 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 substantively 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.

**1 Investments**

	<b>Subsidiaries</b>
	<b>\$m</b>
<b>Cost</b>	
At 1 January 2013	1,825.6
Exchange movements	1.1
Additions	1,172.2
Disposals	(6.8)
<b>At 31 December 2013</b>	<b>2,992.1</b>
<b>Amounts provided</b>	
At 1 January 2013	66.8
Disposals	(0.7)
<b>At 31 December 2013</b>	<b>66.1</b>
<b>At 31 December 2013</b>	<b>2,926.0</b>
At 31 December 2012	1,758.8

During the year, the company acquired shares in JWG Ireland USD, JWG Ireland USD 2 and MCS Kenny Inc. The company subsequently disposed of the shares in MCS Kenny Inc in return for additional shares in JWG USA Holdings Inc.

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

**2 Debtors**

	<b>2013</b>	2012
	<b>\$m</b>	<b>\$m</b>
Amounts owed by Group undertakings	<b>1,030.1</b>	1,568.0
Amounts owed by joint ventures	–	45.2
Prepayments and accrued income	<b>5.8</b>	0.4
Group relief receivable	–	3.4
	<b>1,035.9</b>	1,617.0

At 31 December 2013, \$63.7m (2012: \$11.3m) of the amounts owed by Group and joint venture undertakings were impaired. These amounts relate to balances due from Group and joint venture companies from whom there is no expectation of payment. The ageing of these amounts is as follows:

	<b>2013</b>	2012
	<b>\$m</b>	<b>\$m</b>
Over 3 months	<b>63.7</b>	11.3

The movement on the provision for impairment is as follows:

	<b>2013</b>	2012
	<b>\$m</b>	<b>\$m</b>
At 1 January	<b>11.3</b>	10.8
Exchange movements	<b>0.1</b>	0.5
Provided during the year	<b>52.3</b>	–
<b>At 31 December</b>	<b>63.7</b>	11.3

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 2013 or 31 December 2012. The other classes within debtors do not contain impaired assets.



## Notes to the Company financial statements continued

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**3 Cash at bank and in hand**

	2013	2012
	\$m	\$m
Cash at bank and in hand	–	2.4

**4 Creditors**

	2013	2012
	\$m	\$m
Bank loans and overdrafts	450.7	275.9
Amounts due to Group undertakings	545.2	719.3
Group relief payable	4.2	–
Other creditors	4.8	–
Corporation tax payable	0.2	0.2
Accruals and deferred income	1.0	12.8
	<b>1,006.1</b>	<b>1,008.2</b>

**5 Creditors – amounts falling due after more than one year**

	2013	2012
	\$m	\$m
Bank loans	396.2	281.5
Amounts due to Group undertakings	1,227.4	843.8
	<b>1,623.6</b>	<b>1,125.3</b>

Bank loans are unsecured, 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:

	2013	2012
	%	%
US dollar	1.14	1.06
Sterling	1.47	2.43
Euro	1.17	1.45
Canadian dollar	2.21	2.29

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

	2013	2012
	\$m	\$m
US dollar	222.0	109.3
Sterling	63.9	56.9
Euro	61.3	63.1
Canadian dollar	49.0	52.2
	<b>396.2</b>	<b>281.5</b>

**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 2013, approximately 30% (2012: 22%) 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 2013.



## Notes to the Company financial statements continued

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**6 Financial instruments (continued)****(c) Liquidity risk**

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2013, 100% (2012: 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.

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.

	Less than 1 year \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	Over 5 years \$m
<b>At 31 December 2013</b>				
Bank loans	–	–	396.2	–
Creditors	1,001.7	–	1,227.4	–
<b>At 31 December 2012</b>				
Bank loans	–	281.5	–	–
Creditors	1,008.0	–	843.8	–

# 114 Notes to the Company financial statements continued

## 7 Share capital

	2013 \$m	2012 \$m
<b>Issued and fully paid</b>		
375,075,384 ordinary shares of 4½p each (2012: 373,175,384 shares of 4½p each)	<b>23.6</b>	23.5

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

## 8 Share premium

	2013 \$m	2012 \$m
At 1 January	<b>54.3</b>	7.7
Proceeds from Group companies relating to options exercised under share symmetry scheme	–	43.5
Allocation of new shares to employee share trusts	<b>1.7</b>	3.1
<b>At 31 December</b>	<b>56.0</b>	54.3

## 9 Capital reduction reserve

	2013 \$m	2012 \$m
<b>At 1 January and 31 December</b>	<b>88.1</b>	88.1

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

## 10 Capital redemption reserve

	2013 \$m	2012 \$m
<b>At 31 December</b>	<b>439.7</b>	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 Retained earnings

	2013 \$m	2012 \$m
At 1 January	<b>629.3</b>	619.4
Retained profit/(loss) for the year	<b>108.6</b>	(15.7)
Credit relating to share based charges	<b>22.4</b>	26.2
Shares allocated to employee share trusts	<b>(1.8)</b>	(3.2)
Shares purchased by employee share trusts	<b>(47.8)</b>	–
Shares disposed of by employee share trusts	<b>7.9</b>	6.5
Foreign exchange in respect of shares held by employee share trusts	<b>(4.5)</b>	(5.0)
Foreign exchange movements	<b>0.7</b>	1.1
<b>At 31 December</b>	<b>714.8</b>	629.3

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investments in own shares represents the cost of 11,640,553 (2012: 11,599,912) of the Company's ordinary shares totalling \$158.9m (2012: \$112.7m).



## Notes to the Company financial statements continued

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**12 Other reserves**

	2013 \$m	2012 \$m
At 1 January	9.8	8.5
Fair value gains	0.2	1.3
<b>At 31 December</b>	<b>10.0</b>	<b>9.8</b>

**13 Reconciliation of movements in shareholders' funds**

	2013 \$m	2012 \$m
Profit for the financial year	176.0	39.6
Dividends	(67.4)	(55.3)
	108.6	(15.7)
Credit relating to share based charges	22.4	26.2
Fair value gains	0.2	1.3
Proceeds from Group companies relating to options exercised under share symmetry scheme	–	43.5
Shares purchased by employee share trusts	(47.8)	–
Shares disposed of by employee share trusts	7.9	6.5
Foreign exchange in respect of shares held in employee share trusts	(4.5)	(5.0)
Foreign exchange movements	0.7	1.1
	87.5	57.9
Shareholders' funds at 1 January	1,244.7	1,186.8
<b>Shareholders' funds at 31 December</b>	<b>1,332.2</b>	<b>1,244.7</b>

The profit for the financial year for the Company was \$176.0m (2012: \$39.6m). 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 \$64,000 (2012: \$55,000). 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.



# 116 Five year summary

	2013 \$m	2012 \$m	2011 \$m	2010 \$m	2009 \$m
<b>Revenue</b>	<b>7,064.2</b>	<b>6,828.1</b>	<b>6,052.3</b>	<b>5,063.1</b>	<b>4,927.1</b>
<b>EBITA</b>	<b>533.0</b>	<b>459.1</b>	<b>398.7</b>	<b>344.8</b>	<b>358.4</b>
Amortisation	(102.1)	(85.5)	(78.7)	(29.0)	(24.1)
Non-recurring items	0.5	0.7	2,138.3	(27.6)	(35.8)
Net finance expense	(18.6)	(12.9)	(12.8)	(33.6)	(33.7)
<b>Profit before taxation</b>	<b>412.8</b>	<b>361.4</b>	<b>2,445.5</b>	<b>254.6</b>	<b>264.8</b>
Taxation	(112.3)	(103.2)	(142.7)	(88.8)	(100.6)
<b>Profit for the year</b>	<b>300.5</b>	<b>258.2</b>	<b>2,302.8</b>	<b>165.8</b>	<b>164.2</b>
<b>Attributable to:</b>					
Owners of the parent	295.9	257.0	2,302.3	166.0	163.2
Non-controlling interests	4.6	1.2	0.5	(0.2)	1.0
	<b>300.5</b>	<b>258.2</b>	<b>2,302.8</b>	<b>165.8</b>	<b>164.2</b>
<b>Equity attributable to owners of the parent</b>	<b>2,407.4</b>	<b>2,227.1</b>	<b>1,964.5</b>	<b>1,406.3</b>	<b>1,270.2</b>
<b>Net borrowings</b>	<b>309.5</b>	<b>154.5</b>	<b>3.9</b>	<b>15.1</b>	<b>87.9</b>
<b>Gearing ratio (%)</b>	<b>12.9</b>	<b>6.9</b>	<b>0.2</b>	<b>1.1</b>	<b>6.9</b>
<b>Interest cover</b>	<b>28.7</b>	<b>35.6</b>	<b>31.1</b>	<b>10.3</b>	<b>10.6</b>
<b>Diluted earnings per share (cents)</b>	<b>79.2</b>	<b>69.0</b>	<b>513.0</b>	<b>31.3</b>	<b>31.2</b>
<b>Adjusted diluted earnings per share (cents)</b>	<b>98.6</b>	<b>85.2</b>	<b>60.2</b>	<b>39.8</b>	<b>41.8</b>
<b>Dividend per share (cents)</b>	<b>22.0</b>	<b>17.0</b>	<b>13.5</b>	<b>11.0</b>	<b>10.0</b>
<b>Dividend cover</b>	<b>4.5</b>	<b>5.0</b>	<b>4.5</b>	<b>3.6</b>	<b>4.2</b>



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## Payment of dividends

The Company declares its dividends in US dollars. As a result of the shareholders being mainly UK based, dividends will be paid in sterling, but if you would like to receive your dividend in US dollars please contact the Registrars at the address below. All shareholders will receive dividends in sterling unless requested. If you are a UK based shareholder, the Company encourages you to have your dividends paid through the BACS (Banker's Automated Clearing Services) system. The benefit of the BACS payment method is that the Registrars post the tax vouchers directly to the shareholders, whilst the dividend is credited on the payment date to the shareholder's Bank or Building Society account. UK shareholders who have not yet arranged for their dividends to be paid direct to their Bank or Building Society account and wish to benefit from this service should contact the Registrars at the address below. Sterling dividends will be translated at the closing mid-point spot rate on 11 April 2014 as published in the Financial Times on 12 April 2014.

## Officers and advisers

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### **Company Solicitors**

Slaughter and May

### **Financial calendar**

Results announced	18 February 2014
Ex-dividend date	9 April 2014
Dividend record date	11 April 2014
Annual General Meeting	14 May 2014
Dividend payment date	20 May 2014

The Group's Investor Relations website can be accessed at [www.woodgroup.com](http://www.woodgroup.com).



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