John Wood Group PLC

Annual Report and Accounts 2014

Contents

"The Group performed well in 2014, delivering in line with expectations against a backdrop of a steep decline in oil price towards the end of the year. We will continue to help customers increase productivity in their new projects and existing operations. In line with our focus on customer efficiency, we are also implementing internal cost and efficiency measures to ensure we remain competitive. We will remain a reimbursable, asset light business with a balance of opex and capex activities, a broad range of longer term contracts and significant customer and geographic diversification. As we look to 2015, we expect financial performance to demonstrate the relative resilience of our business in a challenging market and we will see the full year benefit from completed acquisitions."

Ian Marchant, Chairman

Highlights

Financial summary

7.8% ▲	3.1% ▲	14.3% ▲	10.9% ▲	1.0% ▲	25.0% ▲
Total Revenue of $7,616.4m (2013: $7,064.2m)	**Total EBITA** of $549.6m (2013: $533.0m)	**Revenue from continuing operations** of $6,574.1m (2013: $5,753.2m)	**Profit before tax and exceptional items** of $414.5m (2013: $373.7m)	**Adjusted diluted EPS** of 99.6 cents (2013: 98.6 cents)	**Total dividend** of 27.5 cents per share (2013: 22.0 cents)

Operational highlights

Group

- Performance in line with expectations and up on 2013 led by strong growth in Wood Group PSN Production Services
- Safety: no fatalities and c.25% improvement in safety performance
- Strong cash generation and robust balance sheet providing security and flexibility
- $217.3m invested in strategic M&A
- Internal SG&A cost reductions and deferrals of over $30m to be delivered
- Anticipate performance in 2015 to demonstrate relative resilience in a challenging market

Wood Group Engineering

- Lower contribution from Upstream as anticipated
- Service offering enhanced through the acquisition of Agility Projects in Norway
- Well positioned to unlock value for clients and influence overall project costs through high quality engineering

Wood Group PSN

Production Services

- Strong EBITA growth of 30.4% driven by performance in US shale, including Elkhorn business acquired in 2013, and growth in the North Sea
- High contract renewal success rate in UK North Sea providing good visibility into 2015 and beyond
- Expanded service offering with acquisitions made in 2014, including Swaggart in US

Turbine Activities

- Reduction in EBITA reflecting a lack of EPC volumes; reached final settlement agreement on Dorad

Our business

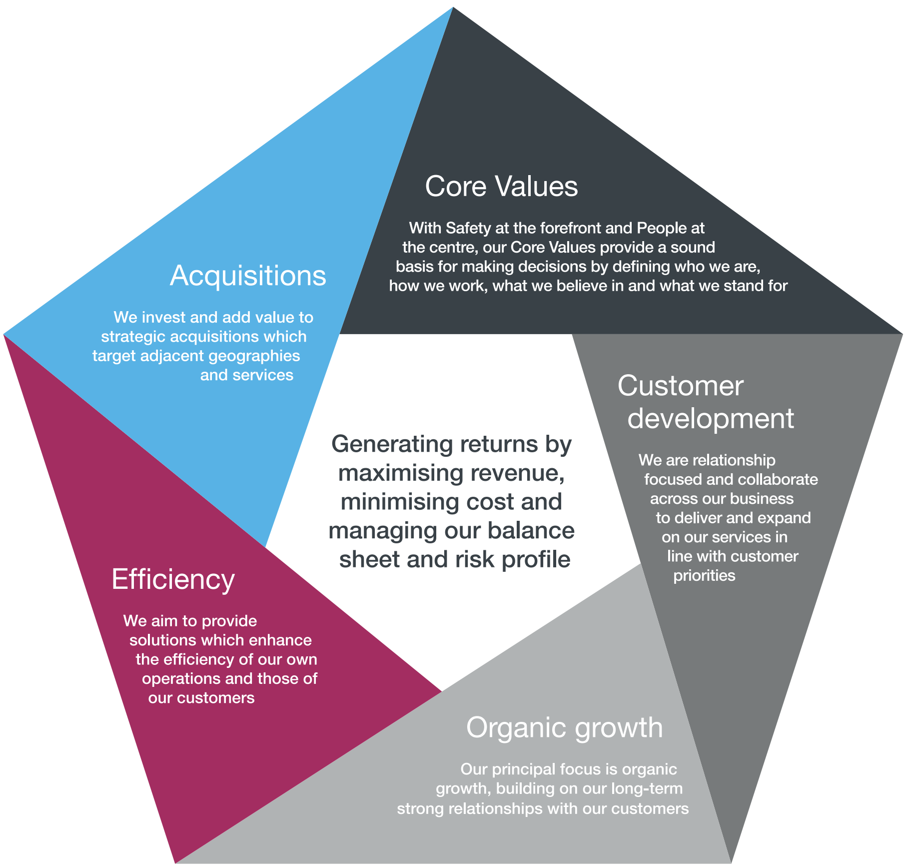
Who we are

Wood Group is an international energy services business with over $7bn sales and around 42,000 employees. The Group is built on Core Values and has two reporting segments - Wood Group Engineering and Wood Group PSN - which provide a range of engineering, production support and turbine services to the oil & gas and power sectors.

What we do

Wood Group adds value by helping customers safely improve performance from their new and existing oil and gas assets; to produce more, operate more efficiently, spend less and extend asset life. We are differentiated by our focus on Core Values, our relationships, our skills, knowledge and track record of delivery.

How we grow



Key investment considerations

- We have an **experienced leadership team** and a business underpinned by our **Core Values**
- We are an **asset light people business** delivering leading solutions focused on oil and gas markets with strong long term fundamentals
- Over **90% of our revenues are reimbursable**; we operate minimal fixed price or lump sum contracts
- We have a broad geographical presence with **strong positions in long-term growth areas**
- We have a **balanced portfolio of customer opex and capex** driven earnings giving us **relative through-cycle resilience**
- We have a broad, **diversified portfolio of customers and geographies** with our top ten customers accounting for <40% of revenue and our top customer <10%
- We have a proven **track record of delivering growth** both organically and through acquisition
- Our **balance sheet provides security and flexibility** and we target net debt to EBITDA between 0.5x and 1.5x

Read more about our
Core Values on pages 14-17

Wood Group Engineering*

Through Wood Group Mustang and Wood Group Kenny, we provide a wide range of engineering services to the upstream, subsea & pipeline, downstream, chemical process & industrial and clean energy sectors. These include conceptual studies, engineering, project and construction management and control system upgrades.

Revenue: 28% of total revenue
2013: 28%

People: 11,200
2013: 10,600

Typical project duration: 3-24 months

Typical order book visibility: 6-9 months

Capex vs opex:
80% Capex | 20% Opex

Business split:
40% Upstream | 40% Subsea & pipeline | 20% Downstream, process & industrial

Customer Profile:
25% Independent | 30% IOC | 10% NOC | 35% Other

Wood Group PSN*

Production Services
We are a market leader in production facilities support focused on optimising production and extending asset life safely. We provide life of field services to producing assets through brownfield engineering and modifications, production enhancement, operations and maintenance, facility construction and maintenance management, training and abandonment services.

Revenue: 61% of total revenue
2013: 57%

People: 28,100
2013: 29,000

Typical project duration: 3-5 years

Typical order book visibility: 12-18 months

Capex vs opex:
25% Capex | 75% Opex

Business split:
40% North Sea | 40% Americas | 20% International

Customer Profile:
45% Independent | 40% IOC | 5% NOC | 10% Other

Turbine Activities
Through three joint venture arrangements, we provide industrial gas turbine and rotating equipment repair, maintenance, overhaul and power plant EPC services to the oil & gas and power sectors.

Revenue: 11% of total revenue
2013: 15%

People: 2,600
2013: 3,100

Typical project duration:
EPC: 1-3 years
Maintenance: 3-12 years

Capex vs opex:
20% Capex | 80% Opex

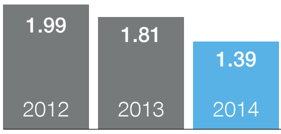
Business split:
75% Maintenance | 25% EPC

Customer Profile:
65% Power | 10% Independent | 10% IOC | 5% NOC | 10% Other

*Our business data contains a number of management estimates and approximations which will change over time

Measuring performance

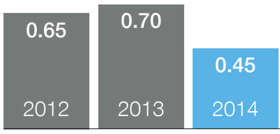
Safety: total recordable case frequency (TRCF)
per million man hours



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: We had positive progress in our total recordable case frequency (TRCF) with a 23% improvement.

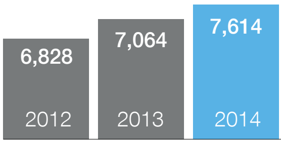
Safety: lost work case frequency (LWCF)
per million man hours



We aim to deliver the highest standards of health and safety. Lost work case frequency measures lost work cases per million man hours.

Progress in the year: We had positive progress in our lost work case frequency (LWCF) with a 36% improvement.

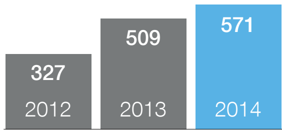
Total revenue $m



Total revenue includes the contribution from joint ventures and activities classified as discontinued.

Progress in the year: Revenue increased 8% in 2014 reflecting growth in Wood Group Engineering and Wood Group PSN Production Services, partly offset by a reduction in Turbine Activities.

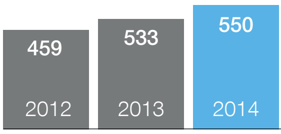
Cash generated from operations $m



Cash inflows post working capital movements on an equity accounting basis which we use to maintain and grow our operations.

Progress in the year: We delivered strong cash generation up 12% on 2013.

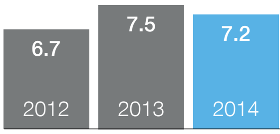
Total EBITA $m



Total EBITA (earnings before interest, tax and amortisation) includes the contribution from joint ventures and activities classified as discontinued.

Progress in the year: The Group performed well in 2014, delivering EBITA of $550m up 3% against a backdrop of increased focus on efficiency by operators.

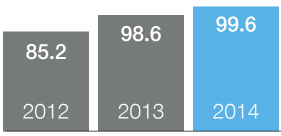
Total EBITA margin %



EBITA margin demonstrates our ability to convert revenue into profit.

Progress in the year: EBITA margin decreased slightly in the year, with the increase in Wood Group PSN Production Services margin being more than offset by a reduction in the Wood Group Engineering and Turbine Activities margin.

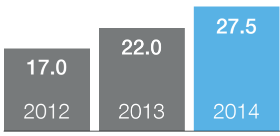
Adjusted diluted EPS
cents



Earnings before exceptional items and amortisation, net of tax, divided by the weighted average number of ordinary shares in issue during the year.

Progress in the year: AEPS increased 1% reflecting increased earnings on a slightly higher number of shares.

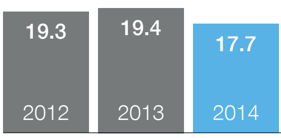
Dividend per ordinary shares cents



The share of AEPS distributed to shareholders.

Progress in the year: Delivered in line with the expectation of 25% increase in dividend signalled in February 2014.

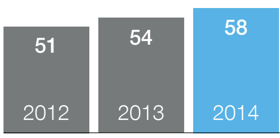
Capital efficiency
ROCE %



EBITA divided by average capital employed measures our ability to generate profits relative to the capital required to support our business.

Progress in the year: Return on Capital Employed fell due to higher average working capital, higher goodwill and other intangible assets, and lower EBITA margins.

Capital efficiency
Days sales outstanding
days



Closing days sales outstanding measures our ability to collect cash after revenue has been recorded, and represents the most recent 58 days of revenue in 2014.

Progress in the year: DSO increased by 4 days in the year. The collection of outstanding receivables remains a focus of management attention.

Chairman's statement

"In May, following the retirement of Allister Langlands, I was delighted to be appointed non-executive Chairman of Wood Group; a business with tremendous people, a comprehensive range of value adding services, and operating in a market with strong long-term fundamentals."

Introduction

In May, following the retirement of Allister Langlands, I was delighted to be appointed non-executive Chairman of Wood Group; a business with tremendous people, a comprehensive range of value adding services, and operating in a market with strong long-term fundamentals, notwithstanding the current lower oil price environment.

Markets

In 2014, we saw the anticipated reduction in capex by many operators as they looked to increase efficiency on capital projects although some areas, such as independents in North America and NOCs, generally continued to increase expenditure. Towards the end of 2014 we witnessed a decline in the oil price. The impact of this and actions we are taking as a result are addressed in this report.

Dividend

The Group performed well in 2014, delivering in line with expectations. In February 2014, we outlined our expectation of an increase in the 2014 dividend by around 25%. The Board has recommended a final dividend of 18.6 cents per share, which makes a total distribution for the year of 27.5 cents, an increase of 25%. Reflecting our confidence in longer term growth, our intention remains to increase the US dollar dividend per share for 2015 onwards by a double digit percentage.

Board changes

Allister Langlands retired as Chairman in May having held the role since 2012, being CEO prior to that from 2007 and deputy CEO from 1999. He was an excellent leader of Wood Group and the Board, and we are grateful for his extraordinary contribution.

In November, we announced that Alan Semple, our long serving Chief Financial Officer (CFO), will retire from the Board in May 2015. David Kemp will succeed Alan in the role of Group CFO. David joined the Group in 2013 as Wood Group PSN CFO and has demonstrated sound judgement, financial acumen and knowledge in his role.

Also in November, we announced a new role of Chief Operating Officer (COO) in recognition of the increasing breadth of the Group's operations and longer term growth potential. Robin Watson, currently CEO of Wood Group PSN, will take on this role during the first half of 2015.

Mike Straughen, Group Director of Health, Safety, Security and Environment (HSSE), retired from the Board in June 2014. Mike served on the Board since 2007, initially as Chief Executive of Wood Group Engineering. He oversaw impressive growth in the Group's Engineering business globally and made a significant contribution in leading the Group HSSE function. At the AGM in May, Michel Contie will also step down from the Board, having served for 5 years as a non-executive director.

Outlook

We will continue to be directed by our Core Values. We will focus on helping customers increase productivity and efficiency in new projects and existing operations and extend asset lives, while recognising safety as the number one priority. In conjunction with our focus on customer efficiency, we are also implementing internal cost and efficiency measures to ensure we remain competitive.

We will remain a reimbursable, asset light business with a balance of opex and capex activities, a broad range of longer term contracts and significant customer and geographic diversification. As we look to 2015, we expect financial performance to demonstrate the relative resilience of our underlying business in a challenging market and we will see the full year benefit from completed acquisitions.

Ian Marchant, Chairman

CEO's review

"The Group performed well in 2014 reflecting the impact of completed strategic acquisitions and our diversified portfolio of geographic markets, customers and services."

Financial

The Group performed well in 2014, delivering EBITA of $549.6m up 3.1% and AEPS of 99.6c up 1.0% in line with expectations, against a backdrop of increased focus on efficiency by operators and a decline in oil price in the 4th quarter. The Group's financial performance reflected the impact of completed strategic acquisitions and our diversified portfolio of geographic markets, customers and services which positioned the Group well to benefit from areas of growth such as the US onshore market. Overall, the results reflect strong growth in Wood Group PSN Production Services more than offsetting the anticipated reduction in Wood Group Engineering and weaker performance in Turbine Activities.

Our strong balance sheet provides us with both security and flexibility. In early 2015 we extended our $950m bilateral borrowing facilities to 2020 and achieved a material improvement in pricing. Also in 2014, we issued $375m of unsecured notes in the US private placement market, which further diversified our funding and extended the maturity profile. Average net debt during the year was $416.4m including JVs, and net debt at the year-end on a similar basis was $295.7m, around the lower end of our stated preferred range of 0.5x-1.5x net debt to EBITDA.

Operational

In 2014, we continued to deliver our strategy underpinned by our focus on safety, organic growth, collaboration, acquisitions and risk management.

The safety of our people and those affected by what we do is our top priority. In 2014, across our workforce we had no fatalities and our total recordable case frequency (TRCF) and our lost work case frequency (LWCF) measures both showed improvement in the year.

In August, we appointed a new Group Head of HSSE, Nina Schofield, to continue our focus on improvement and further developing assurance across the Group.

Organic growth has accounted for close to 70% of the Group's growth since IPO and remains a primary objective. As such we continued to enhance our approach and processes in 2014, identifying and securing opportunities across our business through over 2,000 individual contract awards. Our order book relative to future sales is at the lower end of 6-9 months in our Engineering business and over 12 months in Wood Group PSN Production Services.

Collaboration has been an important focus area in the year. Working together as a Group developing the strong relationships we have with our customers has increased our pipeline of opportunities and we have secured several contracts including ExxonMobil in Malaysia, Tatweer in Saudi Arabia and Cabinda in Angola, which we do not believe would otherwise have been possible.

In 2014, we have seen the full year benefit of the successful acquisitions of Elkhorn in the US and Pyeroy in the UK, both of which have delivered notable growth since acquisition in 2013. We invested a further $217.3m on M&A in the year. We acquired Sunstone, a Calgary based pipeline consultancy; Cape Software, a Texas based training and process simulation company; Meesters, a specialist fabrication business in the Bakken shale region; Agility Projects AS, an offshore greenfield and brownfield company in the Norwegian sector of the North Sea; and in December we acquired Swaggart, a provider of civil construction and fabrication services in in the US. We also entered into a joint venture with Siemens, called EthosEnergy, in May, to improve the longer term positioning of our less differentiated Turbine Activities.

2014 Group performance	2014 $m	2013 $m	Change
Total Revenue	**7,616.4**	7,064.2	7.8%
Total EBITA[1]	**549.6**	533.0	3.1%
EBITA margin %	**7.2%**	7.5%	(0.3pts)
Revenue from continuing operations on an equity accounting basis	**6,574.1**	5,753.2	14.3%
Profit from continuing operations before tax and exceptionals on an equity accounting basis	**414.5**	373.7	10.9%
Basic EPS	**87.9c**	81.4c	8.0%
Adjusted diluted EPS[2]	**99.6c**	98.6c	1.0%
Total dividend	**27.5c**	22.0c	25.0%
ROCE[5]	**17.7%**	19.4%	(1.7pts)

Note: The commentary below on trading performance is presented based on proportionally consolidated numbers, which is the basis used by management to run the business. Total Revenue and Total EBITA include the contribution from joint ventures and activities classified as discontinued, which includes the results of the businesses that transferred to the EthosEnergy joint venture prior to its formation in May.

Our risk profile remains key to how we manage the business and establish an appropriate balance of through-cycle resilience with upside potential. We strive to maintain a diversified portfolio of geographic markets, customers and services. We are an asset light people business with significant flexibility, and around 60% of our revenues are customer opex driven relating to existing production. We are also a primarily reimbursable business with around 95% of Group revenue on this basis.

Reaction to a lower oil price environment

We are taking a number of actions in the lower price environment. Firstly, we are increasing our business development focus, highlighting how we can help our customers achieve their objective of reduced cost and increased efficiency. The lower oil price brings challenges for our customers, and we are in active discussions with them to assess how we can work together to improve performance from new and existing assets and reduce costs without affecting the safety or the integrity of the assets they operate. We are implementing plans to maintain and increase our own efficiency to ensure our ongoing competitiveness. This will continue to emphasise the importance of collaboration across Wood Group; management of our people utilisation levels; a range of short-term and longer-term actions designed to manage and reduce cost; and increased focus on credit risks. Our internal focus on efficiency is anticipated to lead to cost reductions and deferrals of over $30m in comparison to 2014. Alongside this, we will continue to look to make value adding acquisitions that are consistent with our strategy but will apply tougher filters on these acquisitions reflecting the macro environment.

The resilience of our through cycle model is demonstrated in the historic earnings growth profile of the Group. I have confidence that my management team's significant experience and long record of success in cyclical oil and gas markets will ensure we take the steps necessary to maximise performance in the new commodity price environment.

Robert Keiller

Bob Keiller, CEO

Segmental review

Wood Group Engineering

	2014 $m	2013 $m	% Change
Revenue	**2,130.7**	1,985.4	7.3%
EBITA	**232.0**	246.0	(5.7%)
EBITA margin	**10.9%**	12.4%	(1.5pts)
People[3]	**11,200**	10,600	5.7%

Wood Group Engineering

In Wood Group Engineering, revenue increased by 7.3%, EBITA decreased by 5.7% and EBITA margin fell by 1.5pts to 10.9%, reflecting lower margins in Upstream. Subsea & Pipelines and Downstream continued to perform well, however performance overall was impacted by the anticipated lower contribution from Upstream, which saw growth in onshore activity but was impacted by a reduction in US offshore and in Canadian oil sands.

Our Upstream business accounted for around 40% of Engineering revenue. Following the substantial completion of our scope on Mafumeira Sul and Ichthys in 2013 and the deferral of a number of projects as clients reassessed larger developments, we saw a slower pace in the award of significant replacement detailed offshore engineering contracts in 2014. Notwithstanding this, we remained active on detailed engineering for offshore work including Det Norske's Ivar Aasen, Anadarko Heidelberg and Hess Stampede which was awarded towards the end of the year; benefitted from onshore work in the US; and saw a greater volume of early stage project work than in previous years. We believe our involvement in early stage project work can significantly improve overall costs and is an encouraging indicator of customers turning to engineering to improve capital efficiency.

The acquisition of Agility Projects AS, with whom we had worked previously on the Ivar Aasen contract, completed in September 2014. The acquisition of Agility strengthens our offshore greenfield offering and adds a brownfield platform engineering capability in the Norwegian sector of the North Sea.

Subsea & pipelines represented around 40% of Engineering revenue. Performance in our subsea business has been led by good activity from our UK business, supporting projects in Africa, the Middle East and the Caspian. This included activity with BP on Shah Deniz and Tullow on the TEN project in Ghana where we have been providing services including engineering and project management support. In Australia, we are seeing the anticipated move to a higher proportion of brownfield activity as current greenfield projects, such as Gorgon, are completed. Our onshore pipelines business benefitted from US shale related pipeline work.

Downstream, process & industrial activities accounted for around 20% of revenue. We have seen some benefit of brownfield and greenfield work in refining and chemicals markets, in part due to the continued benefit of lower gas prices in the US.

Outlook

We remain well positioned to unlock value for clients and influence overall project costs through the delivery of high quality engineering. While the current oil price poses challenges for customers, we are confident that the Engineering market will strengthen in the longer term, with the greater volume of early stage projects in Upstream providing an encouraging indicator of future activity.

Wood Group PSN

Production Services	2014 $m	2013 $m	% Change
Revenue	**4,636.0**	3,996.0	16.0%
EBITA	**341.7**	262.1	30.4%
EBITA margin	**7.4%**	6.6%	0.8pts
People	**28,100**	29,000	(3.1%)

Turbine Activities	2014 $m	2013 $m	% Change
Turbine JVs	***818.6***	*896.9*	*(8.7%)*
Dorad/GWF	***31.1***	*185.9*	*(83.3%)*
Total Revenue	**849.7**	1,082.8	(21.5%)
Turbine JVs	***44.7***	*72.3*	*(38.2%)*
Dorad/GWF	***(11.4)***	*8.5*	*n/m*
Total EBITA	**33.3**	80.8	(58.8%)
Total EBITA margin	**3.9%**	7.5%	(3.6pts)

Production Services

Wood Group PSN's Production Services activities delivered strong growth, with revenue up 16.0% and EBITA up 30.4%. This increase is primarily attributable to performance in the Americas, led by higher margin US shale related activity, including the benefit of Elkhorn acquired in December 2013, and growth in the North Sea business.

In 2014, the Americas accounted for around 40% of Production Services revenue. Our US onshore activities, which are predominantly shale related, grew significantly, contributing over $1bn in revenue and were the largest contributor to Production Services EBITA. Our shale activities include well site preparation, infrastructure development and production related operations & maintenance and around 55-60% are opex related. We strengthened our service offering in 2014 with the addition of Meesters, a specialist fabrication business in the Bakken region and the acquisition in December of Swaggart, a civil construction and fabrication services business.

Our opex focused North Sea business accounted for 40% of revenue and remained robust, benefitting from growth in Pyeroy, acquired in 2013. We secured contract renewals worth in excess of $1.5bn which help maintain our leading position and provide good visibility, including multi-year contracts with Talisman Sinopec, BP and Enquest for the provision of engineering, procurement, construction and maintenance services. We have seen a continued focus by customers on their costs in the North Sea and have responded by delivering a number of solutions including implementing two cuts to contractor rates in May and December, which together reduce these costs to customers by around 20%. We continue to work with our customers to safely deliver production optimisation, asset life extension and operating cost management programmes which are becoming increasingly important in this mature basin.

Internationally, we have secured and commenced work on a number of important contracts. These include EPCM services for Woodside in Australia and ExxonMobil in Malaysia, and brownfield engineering and procurement support work for ExxonMobil in Papua New Guinea. In the Middle East we are seeing expansion in Iraq with BP and Taqa. We anticipate fully exiting our contract with PDO in Oman in mid-2015.

Outlook

Our focus on production related activity significantly weighted towards customer opex will provide relative resilience in a more challenging market in 2015. We currently see opportunities for growth in a number of areas in 2015 including the Middle East, Africa and Australasia, and we will benefit from the recent Swaggart acquisition in the US where we see a good longer-term market for our shale activities.

Turbine Activities

Our Turbine Activities comprise the two joint ventures with Siemens, EthosEnergy (Ethos) and RWG, and our joint venture with TransCanada, TransCanada Turbines (TCT) (together "Turbine JVs"). Turbine Activities also included the legacy Dorad EPC contract in 2014 and the Dorad and GWF contracts in 2013.

In Turbine JVs, revenue fell 8.7% and EBITA fell 38.0% largely due to performance in Ethos, which was adversely impacted by lower EPC project work, and in the other JVs' overall which were impacted by lower volumes in certain engine types.

On the Dorad contract we have reached agreement with the customer over a final settlement position. The contract generated a profit overall, with a loss recognised in 2014 of $11.4m.

Outlook

In 2015 we expect to see some recovery in performance in the Turbine JVs, led by EthosEnergy where the focus will be on actions to improve performance, including the delivery of synergies. Following a review of lump sum & fixed price contracts in 2013, we will not pursue fixed price EPC contracts of equivalent size and complexity to Dorad.

Financial review

Alan Semple, CFO

"In February 2014, we signalled our confidence in the longer-term outlook for the Group and our intent to increase the US dollar value of dividend per share paid from 2015 onwards by a double digit percentage."

Trading performance

Trading performance is presented based on proportionally consolidated numbers, which is the basis used by management to run the business. Total Revenue and Total EBITA include the contribution from joint ventures and activities classified as discontinued, which includes the results of the businesses that transferred to the EthosEnergy joint venture prior to its formation in May. A reconciliation to statutory measures of operating profit from Total EBITA is presented below. A reconciliation to revenue and operating profit from continuing operations excluding joint ventures is included in note 1 to the Group financial statements.

	2014 $m	2013 $m
Total Revenue	**7,616.4**	7,064.2
Total EBITA	**549.6**	533.0
EBITA margin %	***7.2%***	*7.5%*
Amortisation - software and system development	**(40.2)**	(44.5)
Amortisation - intangible assets from acquisitions	**(61.0)**	(57.6)
EBIT	**448.4**	430.9
Net finance expense	**(24.2)**	(18.6)
Profit before tax and exceptional items	**424.2**	412.3
Taxation before exceptional items	**(115.5)**	(113.4)
Profit before exceptional items	**308.7**	298.9
Exceptional items, net of tax	**27.6**	1.6
Profit for the year	**336.3**	300.5
Basic EPS (cents)	**87.9c**	81.4c
Adjusted diluted EPS (cents)	**99.6c**	98.6c

The review of our trading performance is contained within the CEO Review.

Reconciliation of Total EBITA to operating profit per accounts

The table below sets out a reconciliation of EBITA to operating profit per the Group income statement before exceptional items. Operating profit on a post exceptional basis by segment is included in note 1 to the financial statements.

	2014 $m	**2013 $m**
EBITA	**549.6**	533.0
Amortisation	**(101.2)**	(102.1)
EBIT	**448.4**	430.9
Tax and interest charges on joint ventures included within operating profit but not in EBITA	**(15.9)**	(11.6)
Operating loss/(profit) from discontinued activities	**4.3**	(27.8)
Operating profit before exceptional items per accounts	**436.8**	391.5

"Like for like" trading performance

The "like for like" pro forma performance of the Group, adjusting for acquisitions and on a constant currency basis, is shown below. The 2013 results have been restated to include the results of acquisitions made in 2013 (Elkhorn and Pyeroy in Wood Group PSN Production Services and Intetech in Engineering) as if they had been acquired on 1 January 2013 and also to apply the average exchange rates used to translate the 2014 results. The 2014 results have been restated to exclude the results of acquisitions made in 2014 (Meesters and Swaggart in PSN Production Services and Cape, Sunstone and Agility in Engineering).

Unaudited	**2014 Revenue $m**	**2014 EBITA $m**	**2013 Revenue $m**	**2013 EBITA $m**
Wood Group Engineering	**2,019.8**	**222.5**	1,981.8	246.1
Wood Group PSN – Production Services	**4,621.9**	**341.4**	4,409.5	299.8
Wood Group PSN – Turbine Activities	**849.7**	**33.3**	1,086.5	81.7
Central costs	**-**	**(57.4)**	-	(56.9)
Pro forma Revenue and EBITA	**7,491.4**	**539.8**	7,477.8	570.7
Acquisitions	**125.0**	**9.8**	(394.0)	(38.5)
Constant currency adjustment	**-**	**-**	(19.6)	0.8
Total Revenue and EBITA as reported	**7,616.4**	**549.6**	7,064.2	533.0

Amortisation

The amortisation charge for 2014 including joint ventures on a proportional basis of $101.2m (2013: $102.1m) includes $61.0m (2013: $57.6m) of amortisation relating to intangible assets arising from acquisitions. Of this amount $27.7m (2013: $38.5m) is in respect of the 2011 acquisition of PSN and $21.4m (2013: $8.5m) relates to the acquisitions of Elkhorn and Mitchells. Amortisation in respect of software and development costs was $40.2m (2013: $44.5m) and this largely relates to engineering software and ERP system development.

Included in the amortisation charge for the year above is $2.3m (2013: $0.4m) in respect of joint ventures.

Net finance expense

Net finance expense, including joint ventures on a proportional basis, is analysed further below.

	2014 $m	**2013 $m**
Interest on debt	**12.9**	10.2
Bank fees and charges	**8.0**	9.5
Interest and fees on US private placement debt	**4.7**	-
Total finance expense	**25.6**	19.7
Finance income	**(1.4)**	(1.1)
Net finance expense	**24.2**	18.6

Interest cover[4] was 22.7 times (2013: 28.7 times). In the second half of 2014, the Group issued $375m of unsecured senior notes in the US private placement market. The notes were issued at a mix of 7, 10 and 12 year maturities at an average fixed rate of 3.74%. In early 2015 we also extended our $950m bilateral borrowing facilities to 2020 and achieved a material improvement in pricing.

Included in the above are net finance charges of $1.9m (2013: $0.7m) in respect of joint ventures.

Exceptional (income)/expense

	2014 $m	**2013 $m**
Venezuela settlement	**(58.4)**	-
Integration and restructuring charges	**7.5**	15.9
Lease termination income	**-**	(15.1)
Onerous contract	**(9.7)**	28.0
Bad debt recoveries	**-**	(6.0)
Transaction related costs	**23.0**	11.1
Gain on divestment of Well Support division	**-**	(34.4)
Total exceptional items pre-tax	**(37.6)**	(0.5)
Tax on exceptional items	**10.0**	(1.1)
Total exceptional items net of tax	**(27.6)**	(1.6)

In January 2014, the Group finalised a settlement agreement in respect of a contract taken over by the Venezuelan national oil company, PDVSA, in 2009. A gain of $58.4m has been recorded in the income statement. $5.5m of the settlement relates to a minority shareholder.

Further restructuring charges of $7.5m have been recorded in the year in relation to the decision made in 2013 to exit certain markets in Wood Group PSN's Americas business.

In December 2013, the Group provided $28.0m in respect of Wood Group PSN's contract in Oman. The provision has been reassessed at the end of 2014 with $9.7m of the provision being released and credited to exceptional items.

Transaction related costs of $23.0m are in respect of EthosEnergy in 2014 and are discussed below.

EthosEnergy Transaction

On 6 May 2014 we entered a joint venture with Siemens, EthosEnergy, to improve the longer-term positioning of our less differentiated Turbine Activities. Whilst Wood Group has a 51% shareholding in the new entity, all significant decision making requires unanimous consent from both shareholders. Wood Group does not have control and the business is therefore accounted for as a joint venture.

The initial transaction was accounted for as follows:

	$m	**$m**
Book value of Wood Group net assets transferred to EthosEnergy		541.8
Cash received and receivable		(157.4)
Wood Group net assets disposed		384.4
Value of Wood Group's investment in EthosEnergy		(384.4)
		-
Wood Group costs associated with the creation of EthosEnergy		
Cumulative foreign exchange losses recycled through the income statement	7.0	
Transaction related costs	16.0	23.0
		23.0

The value of the investment in EthosEnergy at 31st December 2014 reduced to $360.2m, reflecting the post-tax results of EthosEnergy for the 8 months and foreign exchange losses on the retranslation of the underlying net assets.

In respect of cash received and receivable of $157.4m, under the joint venture agreement Wood Group received a 51% ownership interest in EthosEnergy and EthosEnergy was required to pay Wood Group $70.0m, of which $21.0m was paid in May 2014. In addition, $37.6m was paid by EthosEnergy in respect of post close adjustments for working capital and indebtedness at the date of formation with a further $49.8m payable in future periods.

Foreign exchange losses of $7.0m which were recorded in the currency translation reserve in prior periods in relation to the businesses transferred into EthosEnergy have been recycled through the income statement as required by IAS 21.

Transaction costs include legal fees and other costs associated with the setup of the joint venture, accelerated share based charges and a provision for liabilities which the Group has retained as part of the joint venture agreement.

An impairment review was carried out in December 2014 based on the latest budgets and forecasts for EthosEnergy. The review was based on the budgeted and forecast cash flows for the business and showed headroom of $32m using a 15% pre-tax discount rate and a 3% terminal growth rate. A sensitivity analysis was performed on the basis that the expected long-term growth rate falls to 2% and the pre-tax discount rate increased by 1% in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. The analysis showed that a 1% reduction in growth rate resulted in $1m of headroom and a 1% increase in the discount rate resulted in a $10m shortfall. Management view is that the investment in EthosEnergy is not impaired, in part recognising that the management team of EthosEnergy have clear plans to improve performance. The carrying value will continue to be monitored going forward.

Taxation

The effective tax rate on profit before tax and exceptional items including joint ventures and discontinued operations on a proportionally consolidated basis is set out below.

	2014 $m	2013 $m
Profit from continuing operations before tax (pre-exceptional items)	**424.2**	412.3
Tax charge (pre-exceptional items)	**115.5**	113.4
Effective tax rate on continuing operations (pre-exceptional items)	**27.2%**	27.5%

The tax charge above includes $14.0m in relation to joint ventures (2013: $10.9m).

Going forward we expect the medium term effective tax rate on a similar basis to remain around 27.5%.

The effective tax charge under equity accounting is 23.8%. The pre-tax profit number used to compute this figure includes the post-tax contribution from joint ventures and as such we do not consider this to be a meaningful measure.

Earnings per share

Adjusted diluted EPS for the year was 99.6 cents per share (2013: 98.6 cents). The average number of fully diluted shares used in the EPS calculation for the period was 375.2m (2013: 373.5m).

Adjusted diluted EPS adds back all amortisation. If only the amortisation related to intangible assets arising on acquisition is adjusted and no adjustment is made for that relating to software and development costs, the figure for 2014 would be 91.8 cents per share (2013: 90.0 cents).

Dividend

In February 2014, we signalled our confidence in the longer-term outlook for the Group and expectation of increasing the dividend in 2014 by around 25%, and our intent to increase the US dollar value of dividend per share paid from 2015 onwards by a double digit percentage.

In line with our policy, the Board is recommending a final dividend of 18.6 cents per share, an increase of 25%, which, when added to the interim dividend of 8.9 cents per share makes a total distribution for the year of 27.5 cents per share (2013: 22.0 cents), an increase of 25%. The dividend is covered 3.6 times (2013: 4.5 times) by adjusted earnings per share.

Since IPO the Group has increased the dividend by an equivalent of 20% per annum compound.

Cash flow and net debt

The cash flow and net debt position below has been prepared using equity accounting for joint ventures, and as such does not proportionally consolidate the cashflows, assets and liabilities of joint ventures.The gross and net debt figures including joint ventures are below for information.

	2014 $m	2013 $m
Opening net debt (excluding JV's)	**(325.3)**	(145.5)
Cash generated from operations pre working capital (excluding JV's)	**650.9**	573.8
Working capital movements (excluding JV's)	**(79.5)**	(65.2)
Cash generated from operations	**571.4**	508.6
Acquisitions	**(262.9)**	(290.4)
Capex and intangibles	**(110.2)**	(135.4)
Tax paid	**(84.9)**	(123.7)
Interest, dividends and other	**(114.7)**	(138.9)
Increase in net debt	**(1.3)**	(179.8)
Closing net debt (excluding JV's)	**(326.6)**	(325.3)
JV net cash	**30.9**	15.8
Closing net debt (including JV's)	**(295.7)**	(309.5)

Throughout the period the Group debt levels (including JV cash and debt) are set out below.

	2014 $m	2013 $m
Average net debt	416.4	258.4
Average gross debt	643.4	436.0
Closing net debt	295.7	309.5
Closing gross debt	559.3	493.0

Cash generated from operations pre-working capital increased by $77.1m to $650.9m and post-working capital increased by $62.8m to $571.4m.

The majority of the higher working capital outflow of $79.5m in 2014 was due to increased receivables. This was caused in part by higher levels of activity and in part by an increase in average days sales outstanding in 2014 to 58 days from 54 days in 2013.

Expenditure on acquisitions of $262.9m (2013: $290.4m) includes $217.3m relating to the acquisitions of Agility, Sunstone, Meesters, Cape and Swaggart. $40.8m relates to payments made in respect of companies acquired in prior periods and $4.8m relates to the acquisition of minority shareholdings.

Payments for capex and intangible assets were $110.2m (2013: $135.4m) and included investment in plant and infrastructure related to our US shale expansion, the ongoing requirement for updated design software in relation to the Engineering businesses, plus our continued development of our ERP systems across the Group.

Tax paid is lower in 2014 due to the timing of instalment payments in certain jurisdictions. Payments for interest, dividend and other are lower in 2014 as a result of the purchase of shares by the employee share trusts in 2013, offset by higher dividend payments in 2014.

Summary Balance Sheet

The balance sheet below has been prepared using equity accounting for joint ventures, and as such does not proportionally consolidate the joint ventures assets and liabilities.

	Dec 2014 $m	Dec 2013 $m
Non-current assets	**2,739.6**	2,276.3
Current assets	**1,647.3**	2,052.7
Current liabilities	**(1,093.9)**	(1,267.4)
Net current assets	**553.4**	785.3
Non-current liabilities	**(733.7)**	(645.3)
Net assets	**2,559.3**	2,416.3
Equity attributable to owners of the parent	**2,546.2**	2,407.4
Non-controlling interests	**13.1**	8.9
Total equity	**2,559.3**	2,416.3

The increase in non-current assets during the year is largely related to the investment in EthosEnergy, goodwill and other intangible assets added in relation to acquisitions made, and expenditure on property, plant and equipment.

The reduction in net current assets during the year is also largely related to the investment in EthosEnergy, offset by higher receivables as noted in the cash flow commentary above.

Capital efficiency

Net debt (including our share of JV net debt) to Total EBITDA was 0.5 times (2013: 0.5 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. There was no material change to the closing net debt to EBITDA figure if adjusted for the pro forma impact of acquisitions. To the extent that the Group has financial capacity which is surplus to the anticipated needs for acquisitions and organic growth, and giving consideration to market conditions, the Group would look to return this to shareholders through share buy backs or special dividends.

The Group's Return on Capital Employed ("ROCE")[5] including Turbine JVs reduced from 19.4% to 17.7% due to higher average working capital, combined with higher goodwill and other intangible assets recognised on acquisition and the lower EBITA margin achieved in 2014.

The Group's ratio of average Operating Capital Employed to Revenue (OCER)[6] including JVs worsened from 15.6% to 16.2%, as average operating capital grew at a faster rate than revenue. This was primarily due to higher average working capital in Wood Group PSN and Wood Group Kenny, offset by a reduction in Wood Group Mustang.

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 1,167 deferred, pensionable deferred or pensionable members at 31 December 2014. The scheme was closed to future accrual at 30 June 2014. A past service gain of $6.7m arose as a result of the closure of the scheme and this amount has been credited to administrative expenses in the income statement.

At 31 December 2014 the scheme had a deficit of $27.0m (2013: $41.2m) before recognition of a deferred tax asset of $5.4m (2013: $9.1m). In assessing the potential liabilities, judgment is required to determine the assumptions around inflation, investment returns and member longevity. The reduction in the deficit from 2013 was due to the closure of the scheme to future accrual and the payment of additional contributions by the Group during the year, offset by actuarial losses.

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 Meesters, a specialist fabrication business based in the Bakken shale region in North Dakota, Cape Software, a Texas based provider of simulation software and services for industrial control systems used by the oil & gas and other process-based industries, Sunstone Projects, a pipeline consulting company providing engineering, procurement and construction management services to clients in the Canadian oil & gas industry, Agility Projects, a Norwegian engineering, procurement, construction management, installation and commissioning company and Swaggart Brothers, an Oregon-based provider of civil construction and fabrication services to the US oil and gas and other sectors. The initial cost of these acquisitions amounted to $217.3m, net of cash and borrowings acquired.

Wood Group PSN Production Services performance in the year was impacted by provisioning against receivables in its US business, which also benefited from credits resulting from a release of deferred consideration provisions relating to prior period acquisitions. The release was in part related to provisions taken, and the overall impact was not material.

Footnotes

1 Total EBITA represents operating profit including JVs on a proportional basis of $486.0m (2013: $431.4m) before the deduction of amortisation of $101.2m (2013: $102.1m) and exceptional income of $37.6m (2013: $0.5m) and is provided as it is a key unit of measurement used by the Group in the management of its business.

2 Adjusted diluted earnings per share ("AEPS") is calculated by dividing earnings before exceptional items and amortisation, net of tax, by the weighted average number of ordinary shares in issue during the period, excluding shares held by the Group's employee share ownership trusts and adjusted to assume conversion of all potentially dilutive ordinary shares.

3 Number of people includes both employees and contractors at 31 December and includes our proportional share of joint ventures.

4 Interest cover is EBITA divided by the net finance expense.

5 Return of Capital Employed ("ROCE") is Total EBITA divided by average capital employed calculated using proportional consolidation.

6 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

Our Core Values are at the heart of our business because they define who we are, how we work, what we believe in and what we stand for. Our Core Values set out how we act and how we expect to be treated as part of Wood Group and provide a sound basis to make decisions.

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 those we work with so everyone returns home safely.

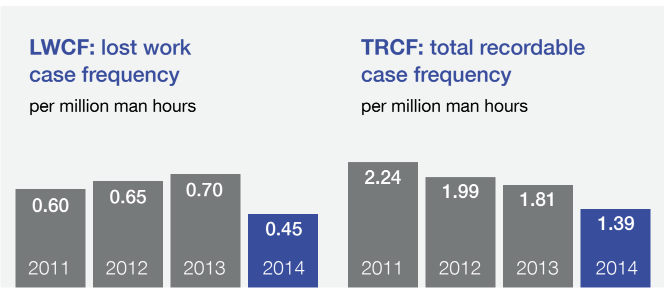
In 2014 we delivered measurable improvement in Health, Safety, Security and Environment (HSSE) performance, based on our key performance indicators. Across our workforce of 42,000 employees we had no fatalities and our lost work case frequency (LWCF) showed a 36% improvement on 2013 performance. We also had positive progress in our total recordable case frequency (TRCF) with a 23% improvement.

We launched our Safe Home vision which communicates our belief that all accidents are preventable. In support of Safe Home, we also implemented our Life Saving Rules which were established following a detailed review of critical activities that presented the highest risk of harm to our people. The nine rules set out the minimum standard that must be met to ensure the safety of our people when performing tasks in these areas.

Wood Group's security team worked across the business to ensure that security risks were identified and addressed prior to starting new operations. The security team is structured to provide regional expertise, which included recent enhancements to our security management capability and capacity.

A new Group head of HSSE was appointed with a focus on further developing HSSE assurance across Wood Group.

The 2015-2017 HSSE Strategic Plan aims to build on our strong foundation, while at the same time recognising the challenges that a business of significant breadth and diversity presents and the impact that this brings to the HSSE system as a whole. The Plan is centred on six core strategic objectives that focus on: robust processes and systems; competent people; inspiring leadership; risk understanding, management and assurance; and ensuring learning from previous events.



Relationships

Our business depends on healthy relationships with customers, business partners and suppliers.

We have a well balanced portfolio of customers from international oil companies, independents and national oil companies. Our track record in developing strong relationships is based on working closely with our customers in the safe delivery of their business goals.

This is underlined by the fact that we secured over 50 contract extensions and 11 contract renewals in 2014, 3 of which are long-term contract extensions with key operator clients in the North Sea. Our diverse customer base means that our top 10 customers typically generate less than 40% of total Group revenues and our top customer generates less than 10%.

Our high win rate is achieved through the strong long-term relationships we have fostered with our clients. One of our biggest contract wins this year for Wood Group PSN, at a value of $750m, was with BP, a company we have worked with globally for more than 40 years, testament to the partnership we have established.

Our strength is in helping customers to become more efficient and effective and we are committed to growing those relationships based on delivery; providing quality, consistency and strong alignment on health and safety. Our flexibility and adaptability in today's continually changing business environment is a key differentiator.

Collaboration within the Group has helped secure new contracts in Asia Pacific with global operators with whom we have well established relationships, utilising the competence and capability of the Group to fulfil the needs of customers.

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 focus principally on the areas of health, education, poverty and environment.

In 2014, we joined the London Benchmarking Group, an organisation whose members strive to measure their company's overall contribution to the community, taking account of cash, time and in-kind donations, as well as management costs. This will enhance our measurement framework and our ability to assess the quality and effectiveness of our social responsibility Core Value.

Our charitable and community support is an important part of our social responsibility and includes support for educational programmes in various locations around the world. Alongside the ongoing support for two flagship charities this year, the Vine Trust in Tanzania and the ARCHIE Foundation in the UK, we have supported other local initiatives. These include our support for the Clontarf Foundation in Australia, which improves education and employment prospects for young Aboriginal men and our support to the Cardiff High School in Houston. We also supported a wide range of local projects that our people care passionately about through our Employee Community Fund programmes in Aberdeen and Houston and will extend these programmes in 2015.

We manage environmental risks within our business by aligning and certifying our environmental management systems to ISO14001 and we drive heightened environmental awareness through HSE alerts and environmental initiatives.

In 2014 we continued our investment in a sustainable property portfolio for improved working conditions and energy efficiency within key strategic hubs including Melbourne, Australia and Houston, Texas. Building work also started for Wood Group's new Southern campus location in Aberdeen.

Our annual Environmental Day saw activities across the globe ranging from 'switch off' campaigns and informative presentations, to local area cleans and garden planting. The Nigg oil terminal in the north east of Scotland ran a community event to demonstrate the tight environmental controls we have on the site of specific scientific interest to conserve locally protected species.

We continue to develop our engineering, production support and renewable energy expertise to help reduce our customers' environmental impact. SgurrEnergy, our renewable energy consultancy, has assessed over 110GW of renewable energy developments internationally covering on and offshore wind, solar, hydro, wave and tidal and bioenergy. EcoMax, a gas turbine optimisation system, enables analysis to optimise gas turbine operations while complying with environmental law.

We are supporting our clients within the US Gulf of Mexico with Safety and Environmental management systems (SEMS) compliance requirements.

In 2015 we will revise our environmental strategy to reinforce our commitment on minimising the impact of our activities and ensure compliance with upcoming UK ESOS ("Energy Savings Opportunity Scheme") legislation.

Disclosures concerning greenhouse gas (GHG) emissions

Global GHG emissions data is shown for the year ended 31 December 2014 and totals 62,185 tonnes of CO^2 split as per the below. The data excluded non controlled businesses. The principal reason for the decrease in emissions in 2014 is the exclusion of data for businesses in our GTS division now transferred to a new non-controlled Joint Venture with Siemens, EthosEnergy.

Emissions from	2014	2013
Combustion of fuel and operation of facilities	**51,279** tonnes of CO_2e	118,439 tonnes of CO_2e
Electricity, heat, steam and cooling purchased for own use	**10,906** tonnes of CO_2e	9,109 tonnes of CO_2e
Company's chosen intensity measurement: Emissions reported above normalised to per tonne of $100,000 revenue	0.8	1.8

Methodology

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. In a few instances, where data was not available, estimation of data has occurred to best reflect an accurate view of those sources included in the reporting.

Core Values *continued*

People

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

As we seek to expand our global business we strive to make the best use of talent, representing wider communities and stakeholders. As a global group with over 42,000 people working in more than 40 countries, we are committed to attracting, developing and retaining the best people from different backgrounds and cultures, creating a dynamic workforce that can apply diverse perspectives and backgrounds to competitive advantage.

To operate at the highest levels we need to invest in our people wherever they are located and whatever role they hold. Our extensive training and development programmes are designed to help them learn new skills and refine existing ones. Our approach to early careers is an investment in the future of the Group with over 120 graduates and apprentices recruited into these programmes in 2014. The planned approach to developing talent from within the organisation ensures we have the capability to meet our current and future business needs.

Talent management is a key priority for our business; we recognise that in succession planning for the future, we need to ensure we have leaders who understand our global business and who exemplify our leadership principles. Supporting our succession planning process, our management and supervisory development programmes help our people further develop their own skills and prepare for progression in their own careers. In addition to internal programmes, there are a range of courses provided locally to focus on personal development, specific job related skills and vocational and professional qualifications.

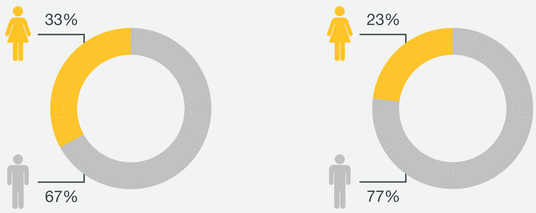
During 2014 we have continued our focus on driving consistency, fairness and transparency in the way we reward and incentivise our people. We have simplified our approach to annual bonus plans and long-term incentives, and aligned our approach to employee benefits in key geographical locations.

To retain and attract the best people, we recognise the need to offer challenging and exciting opportunities. During 2014, we enhanced processes to allow our people to effectively move around the world and throughout our businesses to deliver their full potential.

How we interact with people is crucial and our Human Rights Policy which can be found here (www.woodgroup.net/policies/documents/people/human_rights.pdf) is key to this. We are committed to protecting and enhancing the human dignity of all Wood Group personnel and everyone who has dealings with the Group worldwide.

Gender Diversity

Executive Committee [1] Senior management [2]



1. 9 people as at 31 December 2014 including CEO, CFO, WG Mustang CEO, WG Kenny CEO, WG PSN CEO, Group Head of HR, Group Head of HSS&E, Group Head of Strategy & Development and Company Secretary
2. 50 people as at 31 December 2014, comprising direct reports to the Executive Committee

Innovation

Innovation gives us competitive advantage.

In Wood Group we foster a culture of innovation and improvement which enables us to unlock or increase value for our customers. In order to promote and embed this culture we have a Group-wide Innovation Network who take the role of technology thought leaders to unearth blue sky thinking which has the potential to become a commercial reality.

More immediately, our continued focus on internal and external cost savings stimulates innovation as we look for improvement and efficiency. Our internal framework accommodates and encourages the pursuit of new ways of working as we work with our customers to overcome the challenges that the lower oil price environment presents.

Collaborating with our clients in the search for new ways of working in 2014 has led to notable innovation successes, the benefit of which has been passed onto our customers.

An example of this was the installation of an innovative tank solution for Esso Australia by Wood Group PSN which achieved a work schedule saving of 18 weeks, capex savings of over $2m and significantly reduced projected maintenance costs.

Again in Wood Group PSN we worked alongside a client on a North Sea project where we simplified processes and delivered a fit for purpose plant design more suitable for late life operation. This work was part of a strategy to help recover a further 35 million barrels of oil from mature fields and enhance one of the region's oldest platforms.

Wood Group Kenny's Integrity Management business developed a risk-based ROV inspection programme that aims to save approximately 30% in inspection resources. The team is also developing software tools to access and analyse online field measurements, saving thousands of hours a year in manual processing, allowing more efficient review and decision making based on key performance indicators.

Attention to detail by the Process Plants & Industrial unit in Wood Group Mustang led to the development of a more automated application for accurate material procurement, improving on the solution offered to clients from a perspective of schedule, budget and quality.

Innovation is usually associated with the creation of cost savings however alongside these, there can be other benefits. The decision to use a Cyberhawk ROAV (Remote Operated Aerial Vehicle) to carry out a detailed structural inspection of the drilling derrick on Brent Delta was a significantly safer solution than traditional rope access methods and removed the need for a 3 week shutdown.

Financial Responsibility

We expect to receive fair reward for our business performance.

Our financial responsibility Core Value covers five key topics: receiving fair reward for what we do; managing financial risk; communicating financial performance responsibly; and looking after our own and our customers' costs.

As a primarily reimbursable business, there is transparency in the reward we receive. The receipt of fair reward allows us to invest in our people and our business. In turn this allows us to improve the service to our customers. An example of this is the investment in ERP systems to enhance and consolidate our back office capabilities as a step towards increased efficiency and improved service to customers.

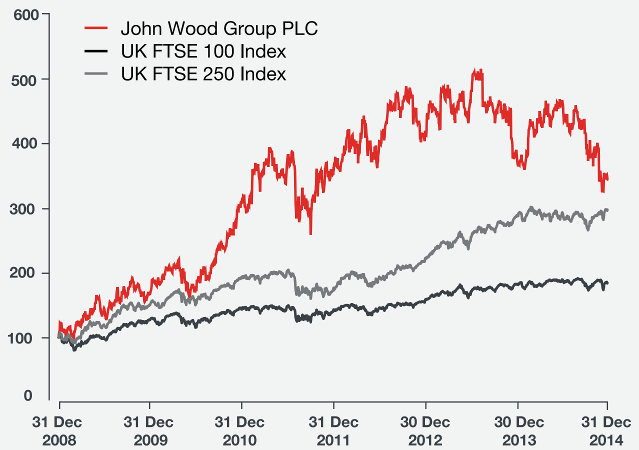
Financial risk is reviewed by the Board alongside all risks twice a year. The business is continually assessing financial risks as part of its normal operations. We have Group-wide accounting, treasury and tax policies that underpin our approach to managing financial risk. As a move to lower our financial risk we adopted a new policy effective in 2014, to limit our exposure to fixed price or lump sum work to less than 15% of revenues.

Key to our business and operations are the flows of information. We regularly communicate our financial performance in a clear and concise manner. Throughout the year we seek feedback from investors, analysts and financial media. This takes the form of roadshows, conferences and also one-to-one sessions. In 2014, we held a capital markets day focused on Wood Group PSN Production Services, which provided a valuable insight for investors, analysts and lenders into the structure, scope, risks and opportunities in the business. This was delivered by operational management and gave attendees the opportunity to ask questions around the content and enabled discussion with extended management after the event.

Managing our customers' costs is crucially important, particularly in an environment of increased focus on efficiency. By working alongside our customers at the start of a project we believe that we have the potential to significantly reduce the overall cost of the project or extend asset life.

Our next Annual General Meeting, to be held on 13 May 2015, will provide an opportunity for shareholders to raise any questions they may have with the Board.

Total shareholder return



Integrity

We are proud of our reputation, built over many years, which depends on us doing the right thing.

Our Business Ethics Policy highlights the importance of conducting business ethically and legally. Our Business Ethics Committee oversees the implementation of this policy and our business ethics compliance programme. The Committee comprises senior managers from across the Group and is chaired by Robbie Brown, Company Secretary. Its members appoint the Group's Responsible Officers, senior business leaders who, liaising with a number of designated Country Officers, promote ethical conduct across the business. We use various forms of communication and training, both in-person and through electronic media, to embed the Integrity message across the Group.

Compliance with the Business Ethics Policy is mandatory for our directors, officers and employees, as well as all contractors, consultants, representatives, intermediaries and agents retained by Wood Group. It is updated regularly, and is available in nine languages.

Over 5,000 designated business ethics personnel were required to undertake on-line training and confirm their continued compliance in 2014. Business ethics personnel are identified based on a range of roles and responsibilities, including those who liaise with customers and third parties.

We recognise that the use of third party intermediaries increases our exposure to corruption risks. Our Commercial Intermediaries Policy requires pre-appointment due diligence to be undertaken, as well as on-going post-appointment monitoring and audit. In addition to commercial sales representatives, the policy also applies to those who assist in securing business permits, licenses, visas, work permits, clearances or waivers on behalf of Wood Group.

Using our external, confidential, multi-lingual Business Ethics helpline, anyone, anywhere, can raise a concern, or report a suspected violation of the Business Ethics Policy. We investigate violations or complaints and take necessary action. A register of matters is maintained by the Group's Chief Compliance Officer and the Board receives regular updates. During 2014 we conducted a number of internal investigations into allegations of unethical behaviour. Appropriate disciplinary action was taken based on the facts and circumstances, including the dismissal of four employees and two other cases where an employee left during or immediately upon completion of an investigation.

Principal risks and uncertainties

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 which were included in the Board review process carried out during February 2015.

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 segments varies through the nature of our activities, specific customer contracts and geographic spread, and each segment operates under an established policy and procedural framework which supports our corporate attitude to risk.

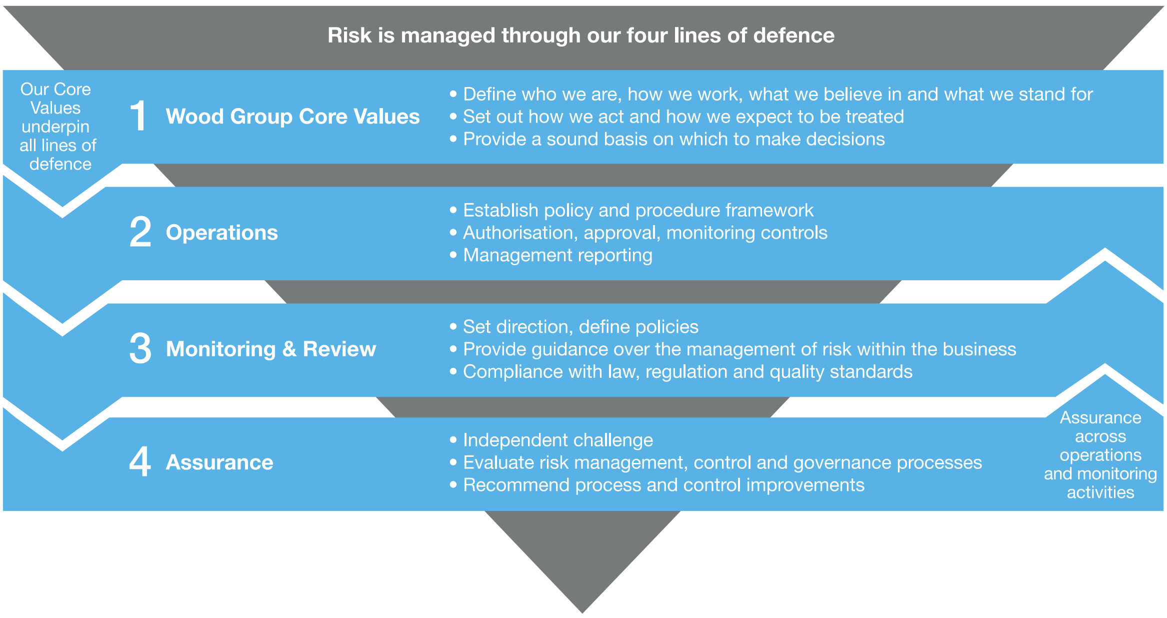
Monitoring & Review
The Board formally reviews risk management and internal control arrangements twice a year, usually in February and August, and through the course of the year the Board will consider current and emerging risks facing the Group.

Our leadership teams review specific activities designed to monitor key risks. 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.

2014 Developments
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 2014 include:

- the introduction of Group-wide Life Saving Rules to help prevent the risk of reoccurring accidents
- an updated Commercial Intermediaries Policy to support revised procedures in relation to the selection, appointment and monitoring of commercial intermediaries who may represent Wood Group
- the update of impact and likelihood definitions used to assess risks to ensure greater consistency of risk assessment across the Group



Board assessment of change in risk from 2013

- ▶ No change in risk since 2013
- ▼ Risk has decreased since 2013
- ▲ Risk has increased since 2013

Analysis of principal risks

Risk profile	Mitigation, monitoring and assurance
▲ **Health, Safety, Security & Environment (HSSE)**	
Major incident: Poor HSSE performance leading to multiple loss of life or significant environmental damage. Our risk profile in this area has increased through our expansion into construction and fabrication activity through our acquisitions in Wood Group PSN in the US shale market.	• Priority Core Value underpinned by HSSE and integrity management systems • Roll out of Safe Home vision and Life Saving Rules which set a minimum standard for safe behaviour across the Group • Group Incident Review Panels for high potential and high severity incidents.
▲ **Strategic**	
Reduction in demand: A significant and continued reduction in demand for our services due to market changes, client investment decisions or major reduction in commodity prices resulting in a failure to grow. Our risk profile in this area has increased as a result of the lower oil price environment.	• Maintain a broad customer base and balance of business between client capital and operating expenditure • Development of relationship management programmes and focus on helping customers to operate efficiently and extend asset life • Extensive review of costs in the business, with a particular focus on cost relative to activity levels.
Failed joint venture: Poor approval and start up process leading to Joint Venture not operating as intended, and/or adding value.	• Established business and Board approval process for new Joint Ventures • Wood Group participation on the Boards of Joint Ventures.
Undervaluation risk: Undervaluation of the business resulting in a loss of value for shareholders.	• Active IR programme • Board consideration of company valuation • Annual Board defence review.
▶ **Operational**	
Project execution risk: Ineffective project start up, new country entry or failure to successfully execute projects to expected quality, on time and within budget.	• Start up and execution plans for key projects supported by monitoring and reporting • Group strategy & development team embed learnings from previous projects • Quality assurance activity within all our businesses.
Acquisition and integration risk: Failure to identify, assess, secure or integrate strategic acquisitions to support growth strategy.	• Established mergers and acquisitions and diligence processes • Integration plans and associated monitoring established for new acquisitions • Dedicated teams assigned to new acquisitions to support integration.
Collaboration: Inefficiencies in collaboration efforts leading to missed opportunities where a wider service offering is sought by the customer.	• Development of relationship management programmes and focus on collaboration across segments.
▶ **Financial**	
Forecasting: Forecast information used to inform business decisions and external market varies materially from actual results.	• Group and divisional review of budget and reforecast information • Established budgeting and frequent reforecast process • Bottom up and top down assessments of budgets and reforecasts.
Working capital management: Material divergence from budgeted business unit cash collection and working capital management.	• Reporting and monitoring of days sales outstanding performance and associated incentive plans • Management of inventory processes in turbine joint ventures.
Credit risk: Customer fails to settle significant debt.	• Credit checks performed • Monitoring and reporting of aged debt.

Principal risks and uncertainties *continued*

Risk profile	Mitigation, monitoring and assurance
People	
Availability of competent resources: Inability to balance the identification and retention of qualified and experienced personnel with client demand.	• Revised model to support identification and recruitment of suitable resource • Line management succession planning process monitored by HR teams • Training and development programmes refreshed under the Group leadership framework • Management of people utilisation.
Compliance	
Bribery and corruption: Risk associated with a breach of bribery and corruption legislation through an improper payment (e.g bribe / facilitation payment). Heightened risk in relation to third parties working on our behalf or joint venture operations in countries with a risk of corruption.	• Business ethics policy with identified responsible officers • Annual training programme and associated annual certification • Independent business ethics helpline • Group Compliance monitoring programme.
Major regulatory investigation: Regulatory investigation or proceedings relating to non-compliance with applicable legislation.	• Integrity management and quality assurance mechanisms • HSSE management standards including incident review panels • Group legal and external counsel support as necessary.
Trade sanctions: Trade with sanctioned countries leading to regulatory enforcement and financial penalties.	• Maintain a watchlist of economic trade sanctioned countries • Processes established for Group Legal review and approval by Segment/Business Unit Director and Group CEO.
Commercial	
Fixed price/lump sum contracting: Risk of significant loss on fixed price, unit rate or lump sum contracts. Our risk profile in this area has reduced as our significant lump sum turbine contract has achieved completion during 2014.	• Group-wide policy on fixed price/lump sum contracts developed including approval and assurance processes • Limits established on the value of fixed price/lump sum contracts to be underway at any point in time • Lesson learnt reviews undertaken to help embed lessons into business processes • Group internal audit review of controls on significant fixed price/lump sum contracts.
Contracting risk: Weaknesses in the contract bidding and award process, inappropriate pricing, misalignment of contract terms, or failure to comply with contractual conditions could lead to reputational damage, or poor financial performance.	• Established processes for the review and approval of key contracts terms including price, scope and subcontractor management • Derogation from the Group's contracting procedure is subject to a range of approvals.
Technology	
ERP roll out: Failure to deliver current ERP projects on budget and to agreed specification, or to deliver anticipated benefits.	• Steering Group and associated governance processes for ERP projects • Group wide ERP coordination Committee established to monitor progress and share lessons across each implementation • Internal audit involvement across each implementation.
Information security: Loss of data through unauthorised access, cyber attack or physical loss.	• IT security standards and acceptable use policy • Information security roadmap and associated investment • Perimeter security application and end point protection.

Governance

Governance

Letter from the Chairman of the Board

"Following a successful period of transition amongst the executive leadership, I feel the Board is now very well placed to ensure continued challenge, debate and effective decision making in the best long-term interests of the Group."

Dear Shareholder

During 2014 the Group achieved a significant milestone in the evolution of its governance environment and Board composition.

In May, I succeeded Allister Langlands, becoming the Group's first independent non-executive Chairman, having served as a non-executive director since 2006. Allister held the role since 2012, being CEO prior to that from 2007. Our principal shareholders unanimously supported the Board's decision to appoint Allister to the role, to provide continuity at the top level over the period of transition of executive leadership to Bob Keiller, who was appointed CEO in November 2012. My proposed appointment was discussed and recommended by the Nomination Committee and represents a natural evolution in the Group's stewardship.

At the beginning of the year, the Group's strategy was reviewed by the Board which agreed a strategic framework to help define the Group's focus and risk appetite. This framework was reviewed by the Board later in the year which reaffirmed the Group's longer term growth ambitions in the context of more immediate and significant reductions in customer spending which are covered in more detail elsewhere in this annual report.

During the year, the Nomination Committee was also engaged in the search for a new non-executive director with strong listed company financial experience which ultimately resulted in the appointment of Jann M Brown in May, previously Managing Director and CFO of Cairn Energy. The review of executive succession planning was a key focus of the Committee in 2014. In 2014, Alan Semple expressed a desire to retire after 19 years with the Group and will be succeeded in May 2015 by David Kemp, previously Wood Group PSN CFO. Recognising the breadth of the Group's operations and its longer-term growth potential, we also appointed Robin Watson to a new role as chief operating officer ("COO"). Michel Contie has informed the Board that he will not seek re-election at the AGM and the Committee is considering the future succession needs of the Board in the light of this. The Board will continue to comprise a majority of independent directors after Michel steps down and we remain committed to ensuring that the Board retains an appropriate balance of skills, diversity, experience and personalities. In particular, we have made progress on addressing the under-representation of women on the Board, up from 1/11 (9%) in 2013 to 2/10 (20%) at the year end and increasing to 22% following Michel's retirement.

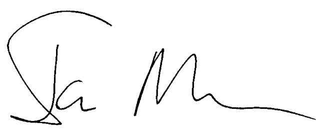
The Board is supported by a number of Committees in addition to the Nomination Committee, which bring appropriate insight to the Board's deliberations and ensure that the long-term interests of the Group are met.

Our Safety & Assurance Committee established in May 2013, and chaired by Tom Botts, oversees the management of Safety & Assurance, consistent with its status as the Group's top priority. During the year, the Group's new head of HSSE, Nina Schofield joined the Committee, replacing Mike Straughen who retired in August 2014.

In 2014, Jann Brown was appointed as Chair of the Audit Committee. Jann brings considerable oil & gas, international finance and financial markets experience to the role. The Committee, operating under its charter, met four times in the year and their report includes additional detail on the primary areas of financial reporting judgement considered in relation to the 2014 financial statements and how they were addressed.

The Remuneration Committee has considered several changes to executive remuneration for 2014/15 in line with our longer term approach of simplifying the Group's remuneration arrangements. As a result, 2015 long-term incentive awards will be based on Group level targets only; 20% of any vested long-term incentives award will continue to be deferred for a further 2 years, resulting in 5 years in total; and in line with best practice the annual bonus and long-term incentive scheme rules were revised to ensure the inclusion of appropriate clawback provisions. More information within the Directors' Remuneration Report will also be provided on performance against targets for 2014.

Following a successful period of transition amongst the executive leadership, I feel the Board is now very well placed to ensure continued challenge, debate and effective decision making in the best long-term interests of the Group.



Ian Marchant, Chairman
17 February 2015

Statement of Directors' responsibilities and compliance

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 24 and 25, 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 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the significant 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.

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. This section of the annual report explains how the Group has applied the main principles of Leadership, Effectiveness, Accountability, Remuneration and Relations with shareholders outlined in the Governance Code. A copy of the Governance Code is available at www.frc.org.uk. The directors consider that the Company has fully complied with the provisions of the Governance Code during the year ended 31 December 2014. 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.

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 10 to 13. 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 UK Corporate Governance Code (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.

Our Board of Directors

Non-executive directors

1 Ian D Marchant Chairman

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

Appointed: 2006, Chairman since 2014
Was Chief Executive of SSE plc, a leading UK energy utility company, for over 10 years until stepping down in mid 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 Nomination Committee

2 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, is Co-Chair of the Governor's Task Force at the University of Wyoming, and is a long-standing member of the Society of Petroleum Engineers.
Committee membership: Chair of the Safety & Assurance Committee and member of the Nomination Committee

3 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 is currently Vice Chairman of the International Association of Oil and Gas Producers (IOGP). He is also a non-executive director of Expro International Group Holdings Ltd and Oryx Petroleum Corporation Limited.
Committee membership: Member of the Nomination, Remuneration and Safety & Assurance Committees

4 Mary L Shafer-Malicki

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

Appointed: 2012
Worked for Amoco and BP for 26 years, latterly a Senior Vice President and CEO for BP Angola, with previous appointments in Vietnam, Aberdeen, Holland and the US, 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 in 2014. Appointed to Remuneration Committee in 2015

5 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 & gas mergers over the years. He 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

6 David K Woodward Senior Independent Director

Key experience: International oil & gas (including North Sea, 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

7 Jann M Brown

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

Appointed: 2014
Jann spent her career in the accounting profession before moving into the oil industry, latterly as Managing Director and CFO of Cairn Energy PLC. She is currently President of the Institute of Chartered Accountants of Scotland (ICAS) and Chair of the Consultative Committee of Accountancy Bodies (CCAB), Audit Committee Chair of Troy Income and Growth Trust and a Trustee of Edinburgh University Development Trust.
Committee membership: Chair of the Audit Committee and member of the Nomination Committee

Executive directors

8 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

9 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. He is a non-executive director of Cobham plc, and a member of the board of the University of Strathclyde USA Foundation.
Committee membership: None

10 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

Previous directors

Allister G Langlands

Appointed: 1991, retired May 2014
Was Chairman from November 2012, formerly CEO since January 2007 and Deputy CEO from 1999

Mike Straughen

Appointed: 2007, retired August 2014
Was Group Director of HSSE from October 2012. Previously Chief Executive of Wood Group Engineering from 2007

The directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2014.

Results and dividends
The Group income statement for the year is set out on page 51.
In respect of the year ended 31 December 2014 an interim dividend of 8.9 cents per share was paid on 25 September 2014 and the directors have proposed a final dividend of 18.6 cents per share to be paid on 19 May 2015. The full year dividend will therefore be 27.5 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:

Corporate governance

What is the role of the Board?

The Board has a schedule of matters specifically reserved for its consideration and approval. These include responsibility for Group strategy, the annual budget, significant acquisitions, risk management and the overall system of internal control. Executive management is responsible for the implementation of Board decisions in these areas and all other aspects of managing the business. A typical Board agenda is set out below.

What is the composition of the Board?

The Board comprised 10 or 11 directors at various times during the year. At all times the non-executive directors comprised a majority of the Board (excluding the Chairman) as recommended by the Governance Code.

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's 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 24-25.

Jeremy R Wilson was a senior adviser to J.P.Morgan on a part-time basis to October 2014. The Company has a material business relationship with J.P.Morgan and 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.

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 pages 18-20.

What is a typical Board agenda?

Review of reports from Board Committees - Safety & Assurance, Audit and Remuneration, CEO report, operations updates and functional updates - HR, IT&S and Finance (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
Annual agenda items included			
Annual Safety & Assurance presentation	AGM statement review	Annual HR presentation and succession planning update	Corporate governance review and regulatory report
Review of preliminary statement and annual report	Corporate governance review and regulatory report	Strategy update and risk review	Strategy setting
Strategy update	Strategy setting	Review of half year results and interim report	Pre-close trading statement review
Annual Ethics presentation		Acquisition performance update	IT Security update
Risk review		Ethics update	

The Board allows for time on other items where necessary. In 2014, the Board devoted considerable time to discussing the macro market environment including the implications of the reduction in oil price in the second half of the year. In addition, the Board evaluation process and potential acquisitions, including the acquisition of Agility Projects (now WG Mustang Norway), were discussed.

Are Board members standing for re-election?

All directors, other than Alan G Semple and Michel Contie, will seek re-election at the 2015 AGM.

How does the Board discharge its responsibilities?

There were six scheduled Board meetings during 2014, plus two unscheduled meetings. Four of the meetings were scheduled over two days and were held in Aberdeen, London and Houston. Safety & Assurance is always the first item on the agenda at Board meetings. The Board received detailed presentations from senior management within the Group's businesses during the year, each including updates on Safety & Assurance.

The Executive Directors attended 12 Group Executive Committee meetings throughout the year which include reports and discussions on HSSE, operational issues, finance, legal, business ethics, investor relations and human resources matters. In addition, divisional CEO's conduct Quarterly Review Meetings with senior managers within their division. These meetings are also normally attended by the Group CEO and the Group 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.

How is the Board's performance evaluated?

The Board completed a formal evaluation of its own performance and of its Committees, individual directors, and of the Chairman during the year. In accordance with paragraph B.6.2. of the Governance Code, the Board retained Lintstock Limited (Lintstock) as advisers 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 October and December 2014 and in 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 and 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 continue to expand the Board's discussion of strategic considerations, industry trends and market factors, which will be reflected in the Board schedule by ensuring that more time is available at Board meetings for these deliberations
- A request to review the extent of any duplication in reporting which is being addressed through ongoing review of the meeting process
- A desire to continue the Board's review of senior management succession planning, which was subsequently considered at the Board's meeting in December 2014.

Lintstock have no other connection to the Company.

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 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.

Stewardship – how does the Board engage with 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. 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.

The Company has been notified, in accordance with DTR 5, of the following major shareholdings in the Company as of 27 February 2015

Name of shareholder	Number of issued shares held	% of issue shares
Aberdeen Asset Management	**45,305,599**	**12.02%**
Ameriprise Financial	**19,119,082**	**5.07%**
FIL Limited	**19,017,664**	**5.05%**
APG Asset Management N.V.	**18,914,688**	**5.02%**
Schroder Investments	**16,777,852**	**4.45%**
The Capital Group Companies, Inc.	**15,049,692**	**3.99%**

Internal control

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 September 2012 edition of the UK Corporate Governance Code. The Group, for the purposes of applying the Code, 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.

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; 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 noncompliance 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. Where the internal or external auditors identify any significant deficiencies in the financial internal control system, a plan of action is agreed to remedy these and progress against them is tracked and reported with updates provided to the Audit Committee as necessary. The Chairman of the Audit Committee regularly reports to the Board on their discussions. During the year, specific control deficiencies were identified within a business in relation to project controls and the documentation of customer approval of work orders. We have subsequently put in place additional procedures and management resources to strengthen the control environment in that business.

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.

Committees of the Board

The Board has delegated some of its responsibilities to Committees – the Safety & Assurance Committee, the Nomination Committee, the Audit Committee and the Remuneration Committee. A summary of the Committees' work is set out below and the report of the Remuneration Committee is included in the Directors' Remuneration Report on pages 32-44. The Charters 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 below. The dates of future Board meetings have now been agreed until the end of 2016.

Board and Committee meeting attendance 2014

	Board	Committee membership				Safety & Assurance Committee	Nomination Committee	Audit Committee	Remuneration Committee
Number of meetings held	**8**	**S&A**	**N**	**A**	**R**	**4**	**5**	**4**	**4**
Chairman									
I D Marchant	8		✓			–	4	2	–
Executive directors									
R Keiller	8	✓				4	–	–	–
A G Semple	8					–	–	–	–
R Watson	8					–	–	–	–
Non-executive directors									
M Contie	8	✓	✓		✓	4	5	–	4
J R Wilson	7		✓	✓	✓	–	4	3	3
D K Woodward	8		✓	✓	✓	–	5	4	4
M L Shafer-Malicki	8	✓	✓	✓		4	5	4	–
J M Brown (appointed May 2014)	3		✓	✓		–	3	2	–
T M Botts	8	✓	✓			4	5	–	–

✓ Denotes Chairman of the Committee

Safety & Assurance Committee

"The Safety & Assurance Committee is responsible for overseeing the Group's management of Safety and 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 Thomas M Botts, Chairman, Michel Contie, Mary L Shafer-Malicki and Bob Keiller. In addition, Nina Schofield joined the Committee in August 2014, replacing Mike Straughen.

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 2014.

Nomination Committee

"We adapted the proceedings of the Nomination Committee to reflect its transition to a wholly non-executive membership and met five times during the year to consider Board and Committee appointments and to understand and challenge proposals for executive succession planning and appointments."

Ian Marchant
Chairman, Nomination Committee

Who is on the Nomination Committee?

The Nomination Committee comprises the Chairman and all of the independent non-executive directors. Allister Langlands, previously Chairman, retired from the Board and the Committee on 14 May 2014.

How does the Committee discharge its responsibilities?

The Committee meets at least once a year, and has met five times in 2014. It operates within a written charter (which is 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 met twice early in the year, to consider the appointment of a new Chairman in succession to Allister Langlands (those discussions were chaired by David Woodward and excluded Ian Marchant); David Woodward's appointment as Senior Independent Director (SID) to succeed Ian Marchant; and to receive an update from its advisers, Korn Ferry, on the search for a further non-executive director, preferably with strong listed company financial experience to assume the chair of the Audit Committee, which ultimately led to the appointment of Jann Brown in May. Those appointments were concluded in time to be included in last year's annual report.

In August the Committee reviewed executive succession planning and this was subsequently broadened to include a wider senior management group and summarised to the Board at its meeting in December. Having completed his initial term of three years, Jeremy Wilson's reappointment to the Board was considered, noting in particular his knowledge of international oil & gas and financial markets, and was recommended to the Board.

In the final quarter of the year, the Committee again met twice to consider the appointment of a Chief Financial Officer after Alan Semple expressed a desire to retire after 19 years with the Group. David Kemp emerged as the clear candidate for recommendation to the Board following a rigorous selection process that included a series of interviews with members of the Committee and internal and external benchmarking supported by its advisers, Spencer Stuart.

The Committee also spent considerable time considering proposals for the reorganisation of executive director roles in order to capitalise on the Group's through-cycle growth potential and endorsed Robin Watson's promotion to a new role as Chief Operating Officer, which will take effect during 2015.

Having joined as Group Head of HSSE in August, Nina Schofield's appointment to the Safety & Assurance Committee was recommended. Mary L Shafer-Malicki stepped down from the Audit Committee at the end of the year and joined the Remuneration Committee, enhancing the balance and composition of those Committees.

Committee evaluation

With external facilitation from the advisers, Lintstock, in the final quarter of the year the Committee assessed its own performance during the year and concluded that it had benefited from more frequent meetings during the year and would continue to meet on a more regular and structured basis.

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.

Audit Committee

"I was delighted to be asked to Chair the Audit Committee following my appointment to the Board in May. Since my appointment I have taken the opportunity to meet with senior management around the Group to find out more about the business and to promote the work of the Audit Committee. Our meetings during the year covered a wide range of topics including the effectiveness of the Group's internal financial controls, the integrity of the Group's financial reporting and effectiveness of the internal and external audit processes."

Jann M Brown
Chair, Audit Committee

Who is on the Audit Committee?

The Audit Committee comprises Jann M Brown, Chair, Jeremy R Wilson, David K Woodward and Mary L Shafer-Malicki. Jann Brown joined the Audit Committee from the August 2014 meeting, replacing Ian Marchant as the Chair following his appointment as Chairman of the Group. To provide continuity on certain issues and as part of the handover process, Ian attended subsequent meetings as an observer.

What are the Committee's responsibilities?

The Committee has a written charter, which is 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
- 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 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, identifying any matters in respect of which it considers that action or other improvement is needed and making recommendations as to the steps to be taken.

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

How does the Committee discharge its responsibilities?

The Committee met four times since the date of the last annual report 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 the Chair of the Committee at all times, and to meet the Committee without management present.

The Chair of the Committee reports to the Board as part of a separate agenda item, on the activity of the Committee.

During the year 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 2014 financial statements and how they were addressed are outlined below.

▶ Review of significant contracts
During 2014, the Committee reviewed the Group's largest ongoing contracts including those executed on a fixed price and lump sum basis. The recognition of profit or loss on lump sum and fixed price contracts is subject to management estimation, albeit these contracts only accounted for a small percentage of the Group's revenue in 2014. During the year the Committee received regular updates from management on the status of significant contracts and the accounting for these. In addition, the external auditors assessed this as an area of particular focus and the Committee received updates on related work undertaken by PwC.

▶ Impairment reviews
At the half year and the year end the Committee considered management's assessment of whether or not indicators of impairment existed and where this was the case the results of impairment reviews. Annual reviews are carried out in relation to goodwill and intangible assets. This involves challenging the significant assumptions and estimates made and the basis for them. No impairments were noted.

The Committee also considered the assumptions used by management to support their view that the Group's investment in the EthosEnergy JV was not impaired, and reviewed the outcome of the sensitivities prepared; noting that under certain conditions impairment was possible. Overall, taking into account that the joint venture was only formed during 2014 and the specific factors which impacted 2014 performance, the Committee was satisfied that the carrying value of our investment in EthosEnergy was not impaired at this time. The Committee will continue to monitor actual performance against that forecast to ensure that this remains the case.

▶ Joint Ventures and the Adoption of IFRS 11 Joint Arrangements
During 2014 the Group entered into a Joint Venture with Siemens, now known as EthosEnergy. The joint venture combined elements of both parties' Gas Turbine activities, with further details set out in note 10 and 27 to the Group financial statements. The Committee reviewed the accounting for this transaction, and received reports from PwC on their audit work.

The Group adopted IFRS 11 Joint Arrangements effective 1 January 2014, which meant that the Group could no longer elect to proportionately consolidate joint ventures and must apply equity accounting. When taken in combination with the EthosEnergy transaction this had a significant impact on the way the Group's statutory results are presented for the current and comparative periods.

In May the Committee received a presentation by the Group Financial Controller on the impact on the Group and the proposed additional disclosures which were to be provided to allow users to better understand the changes. At the August 2014 and February 2015 meetings the draft interim and full year financial statements which contained the revised disclosures were reviewed and approved.

Current and deferred tax balances
The Group operates in a number of different tax regimes and must comply with various corporate tax regulations. Provisioning for potential current tax liabilities and the basis for deferred tax assets and liabilities is underpinned by a range of judgements. The Committee addresses these issues through a combination of reporting from senior management and the extent to which these are supported by professional advice from advisory firms and considers the positions taken by management to be appropriate. This has also been recognised by PwC as an area of higher audit risk and external audit test the basis for significant uncertain tax positions and the recognition of tax asset and liabilities.

Review of provisions for doubtful debts
At each meeting the Committee receives and reviews a management report which includes details of more material provisions including those made around doubtful debts, which are discussed and challenged. In particular during 2014 the recoverability of certain disputed debts in our North American business was discussed and the level of provision was agreed as appropriate.

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 the Committee considered the process by which the Group evaluated its internal financial control environment. This work was primarily driven by regular updates from the Group Head of Internal Audit on the effectiveness of internal financial controls and the results of the financial risk self-assessment process undertaken across the Group. External audit also provide feedback on assessment of specific areas of financial control as appropriate during the course of their work.

Internal audit
Monitoring the activity of the Group Internal Audit function 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 internal audit and updates on relevant regulatory matters impacting on the role of the Audit Committee.

The Chair of the Committee holds 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.

The Committee assessed the effectiveness of the audit process through consideration of the reporting received from PwC at both the half year and year end, 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.

The Committee also reviews the standing, experience and tenure of the external audit lead partner, the arrangements for ensuring the independence and objectivity of the external auditors and the nature and level of services provided. In addition, we conduct an annual exercise to seek feedback from financial management around the Group on the effectiveness of the audit process. We provide an opportunity for open dialogue and feedback between the external auditor 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 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 Auditing Practices Board standards that require the Group audit partner to rotate every five years. This is the second year that the current lead audit partner has been involved in the audit of the Group.

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 UK Corporate Governance Code, the UK Competition and Markets Authority (CMA) Order and regulations issued by the European Union. Having considered the need to tender the external audit, to date the Committee has been satisfied with the effectiveness of the external auditors and has not considered it necessary to require PwC to tender for the external audit work during 2014.

The Committee provided the Board with its recommendation to shareholders on the reappointment of PwC as external auditor for the year ending 31 December 2015. Accordingly a resolution proposing the reappointment of PwC as our external auditor will be put to shareholders at the 2015 AGM.

We will continue to assess when 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 auditor independence is the provision of non-audit services by the external auditor. The Committee considers and approves fees in respect of non-audit services provided by the external auditors in accordance with the Group's policy in this area, which is set out in the Audit Committee's terms of reference. The cost of non-audit services provided in 2014 is reported in note 3 to the financial statements. In the opinion of the Committee, the provision of these non-audit services did not impair PwC's independence.

Committee evaluation

The Committee's activities formed part of the external review of Board and Committee effectiveness performed in the year. Details of this process can be found on page 27.

Directors' Remuneration Report

This is the Board's report to shareholders on directors' remuneration and covers both executive directors and non-executive directors. It has been prepared by the Remuneration Committee and has been approved by the Board. This report is subject to an advisory vote in relation to the annual report on Remuneration (Part 2 of this report) at the 2015 Annual General Meeting (AGM).

Contents

The Board's report to shareholders on directors' remuneration

Part 1

The directors' remuneration policy

The Group's Directors' Remuneration Policy was approved by shareholders on 14 May 2014 at the 2014 AGM. Full details of the policy can be found at: **www.woodgroup.com/rempolicy**

Part 2

Annual report on remuneration

* 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

The Group's Directors' Remuneration Policy, comprising Part 1 of the Directors' Remuneration Report (DRR), sets out the Group's remuneration policy. The policy is subject to a binding shareholder vote held at least every three years and received overwhelming support from our shareholders at the 2014 AGM. The Group will continue to follow the agreed policy during 2015. As there are no proposed changes to the Directors' Remuneration Policy there is no requirement for a shareholder vote on this part of the DRR at the 2015 AGM. Our agreed Directors' Remuneration Policy with updated scenario charts can be found at: **www.woodgroup.com/rempolicy**

Part 2 of the DRR contains the annual report on Remuneration, which describes how the Directors' Remuneration Policy has been operated in 2014 and how it will be applied in 2015. This part of the DRR will be subject to an advisory vote by shareholders at the 2015 AGM.

Our objective is to provide a remuneration package that promotes the long-term success of the Group. In line with our agreed policy, we do this through a balance of fixed and variable pay, which we intend will result in competitive total remuneration packages that reflect performance, while creating an appropriate alignment between executives and the long-term interests of shareholders.

Resolutions in respect of remuneration were overwhelmingly supported at the 2014 AGM, however it was noted that there were a number of abstentions. As a result, the Committee consulted major shareholders holding in aggregate just over 48% of the equity of the Company to better understand the reasons why some shareholders felt unable to support the relevant resolutions at the 2014 AGM. In reviewing the comments received and in conjunction with a general review of arrangements for 2015 with the aim of simplifying and standardising the variable pay structure for executive directors and senior managers, the Committee decided to base 2015 long-term incentive awards on Group targets only for all executive director participants. It was also decided to include more detail retrospectively on performance against targets for annual bonus within the DRR for 2014. I trust these changes will be welcomed by our shareholders.

The Committee also considered the period over which our long-term incentive awards must be held. Wood Group was one of the first companies in our sector to extend deferral beyond the traditional 3 year-period when we introduced our current requirement in 2008 for 20% of any vested award to be held for a further two years, i.e. five years in total. Having considered this issue, the Committee believes that this arrangement, in conjunction with our recently introduced requirement that the deferred 50% of annual bonus paid to executive directors will be in the form of shares and the introduction in 2013 of minimum shareholding requirements for executive directors, continues to help promote the long-term success of the Group and creates an appropriate alignment with the interests of shareholders. I hope you will be able to continue to support these arrangements.

The Committee also considered the changes to the UK Corporate Governance Code which were published in September 2014 by the Financial Reporting Council. In particular, the Committee noted the requirement for bonus and long-term incentive schemes to contain "clawback" provisions (the ability to recover sums already paid) as well as "malus" provisions (the ability to withhold any payments due) in circumstances considered by the Committee to be appropriate. As a result, the Committee revised our annual bonus and long-term incentive scheme rules to ensure both of these provisions were included, thereby ensuring that our arrangements remain fully compliant with the Code.

Against a market backdrop of falling oil prices, increased focus on efficiency by oil & gas operators generally and the consequential impact on investment in certain areas, EBITA performance was up 3.1% on 2013, which contributed to annual bonuses of between 48% and 64% of maximum being awarded to executive directors. The 2014 performance also contributed to a moderate payout in the LTIP cycle 2012 – 2014 with growth in AEPS over the three year cycle of 65% and TSR performance against selected peer companies at 9 out of 17.

During the year, the Committee considered the executive directors' remuneration packages for 2015. As you may recall, last year the Committee considered that Bob Keiller should be awarded a salary increase at 1 January 2014 of 12.5% to an annual base salary of £630,000 reflecting the progress he had made since appointment as Group CEO. Bob decided to defer this increase for 12 months and this increase duly took effect on 1 January 2015. After consideration, and recognising the current difficult operating environment, the Committee agreed that no general salary increases should apply to executive directors at 1 January 2015. However the Committee were mindful of the appointment of Robin Watson into his new role of Chief Operating Officer of Wood Group, which is scheduled to take place at 6th April 2015. The Committee has agreed that a significant adjustment to salary should take place at that time to £500,000 p.a. and that it would be appropriate for Robin's 2015 annual bonus opportunity to remain at 125% of base salary while increasing his LTIP award to 150% of base salary reflecting the scope and long-term importance of this new role. The Committee consulted with major shareholders holding in aggregate just over 48% of the Company at that time in relation to these points and no objections were received. Further details of these changes are included in the section on policy implementation in 2015. The Committee also determined the remuneration arrangements on retirement for Allister Langlands and Mike Straughen as they stepped down from the Board on 14 May 2014 and 31 August 2014 respectively. These arrangements were in line with our agreed policy and are fully documented in Part 2 of this report.

In setting targets for the 2015 annual bonus and LTP 2015-2017 cycle, the Committee has been particularly mindful of the more challenging market conditions currently being seen in the oil & gas sector, and the uncertainty that these conditions bring. Details of the selected AEPS targets for the LTP 2015-2017 cycle are provided in Part 2 of this report while the 2015 annual bonus targets will be disclosed retrospectively in next year's DRR.

At the time of preparing this report, consideration was being given by the Company to an employee share purchase plan for all employees other than executive directors. The Committee is supportive of this type of plan and hope shareholders will vote in favour of its adoption should a relevant Resolution be tabled at the 2015 AGM.

In preparing the DRR for 2014, the Committee has endeavoured to provide full and clear explanations of decisions made and the reasons for these. I hope you will be able to support the relevant resolution.

David K Woodward
Chairman, Remuneration Committee
Date: 16 February 2015

Remuneration Committee

During 2014, the Remuneration Committee comprised three independent non-executive directors: David K Woodward (Chairman), Michel Contie and Jeremy R Wilson. Mary L. Shafer-Malicki joined the Committee in February 2015.

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

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 his role as Secretary to the Committee.

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

- promote the long-term success of the Group
- reflect the size and complexity of the Group's business
- take account of executives' individual responsibilities and geographical location
- attract, retain and motivate executives
- 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 2014, 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 2014	Determined executive directors' salaries for 2014 Confirmed executive directors' annual bonuses for 2013 Reviewed 2013 Directors' Remuneration Report	Approved LTCIP and LTIP payments for 2011 – 2013 cycle Approved targets, participants and communications for the LTP 2014 – 2016 cycle
May 2014	Confirmed approval of ESOS and LTP grants	Reviewed possible future changes to bonus & LTP Reviewed pension arrangements for Group directors
August 2014	Discussed bonus & LTP arrangements for 2015 Agreed approach to DRR 2014 Reviewed Committee Charter Committee performance evaluation discussed	Reviewed levels of delegated authority re long-term incentives Reviewed outcome of shareholder consultation on 2014 AGM abstentions Agreed exit arrangements for Mike Straughen Reviewed arrangements for those employees transferred to EthosEnergy
December 2014	Reviewed executive directors' remuneration arrangements for 2015 Reviewed estimate of bonuses for 2014 Reviewed potential ESOS & LTP grants for 2015	Reviewed draft DRR 2014 Reviewed progress against targets for all long-term incentive plans Reviewed changes to the UK Corporate Governance Code and revised scheme rules accordingly

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 £55,925 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 2014. 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.

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[a]
Binding vote on the 2013 Remuneration Policy Report (2014 AGM)	248,287,388 (97.75%)	5,726,766 (2.25%)	19,791,320
Advisory vote on the 2013 annual report on Remuneration (2014 AGM)	241,413,120 (99.43%)	1,385,960 (0.57%)	31,006,394

The Committee noted the number of abstentions and contacted a number of leading shareholders to better understand the reasons why some shareholders felt unable to support the relevant resolutions at the 2014 AGM. In reviewing the comments received and in conjunction with a general review of arrangements for 2015 the Committee has decided to base 2015 long-term incentive awards on Group targets only for all executive director participants as well as including more detail retrospectively on performance against targets for annual bonus within Part 2 of the Directors' Remuneration Report for 2014.

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.

Directors’ Remuneration Report *continued*

Part 1 Policy report

This part of the DRR was approved by shareholders at the 2014 AGM. Full details of the agreed policy can be found at:
www.woodgroup.com/rempolicy

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 each of the executive directors (as well as the former Chairman), split between those based in the UK and the US.

Executive directors (and former Chairman) - UK based (£’000)

	Year	Salary [a]	Benefits [b]	Bonus [c]	Long-term incentives [d]	Pension related benefits [e]	Total [f]
Bob Keiller	**2014**	**£560**	**£14**	**£378**	**£294**	**£84**	**£1,330**
	2013	£560	£14	£421	£545	£84	£1,624
Robin Watson	**2014**	**£379**	**£14**	**£304**	**£260**	**£57**	**£1,014**
	2013	£336	£14	£279	£182	£34	£845
Mike Straughen [g]	**2014**	**£289**	**£11**	**£173**	**£105**	**£29**	**£607**
	2013	£336	£13	£229	£510	£34	£1,122
Allister G Langlands [h]	**2014**	**£102**	**£1**	**£0**	**£235**	**£0**	**£338**
	2013	£400	£14	£298	£803	£258	£1,773

Executive directors - US based ($’000)

	Year	Salary [a]	Benefits [b]	Bonus [c]	Long-term incentives [d]	Pension related benefits [e]	Total [f]
Alan G Semple [i]	**2014**	**$653**	**$31**	**$392**	**$363**	**$151**	**$1,590**
	2013	$634	$32	$480	$961	$188	$2,295

Details relating to the single figure of remuneration (executive directors and former Chairman)

(a) Salary or fees 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.

For 2014, maximum bonus opportunity was 125% of base salary for all executive directors. Bonus for Bob Keiller was based on his deferred salary of £630,000. Bonus measures were split between financial (60%) and non-financial (40%) measures. The financial measures consisted of EBITA (50%) and average DSO (10%). DSO is Days Sales Outstanding and is a key contributing factor to cash flow. Non-financial measures were split between corporate objectives (30%) and individual personal objectives (10%).

Group financial targets applied to all executive directors other than Robin Watson where EBITA and DSO targets were split 25/75 between Group and Divisional targets. The financial targets for the bonus year ended 31 December 2014, and the extent to which they were achieved, are set out below. Once 90% of the relevant financial measure is met, bonus starts to accrue with 71% of maximum paid at target and maximum paid when the respective measure is 10% above target. Achievement is calculated on a straight-line basis between threshold and target and between target and maximum.

Measures	Threshold	Target	Maximum	Achieved
Group EBITA	$520.7m	$578.6m	$636.5m	$549.6m
Group DSO	64 days	59 days	53 days	63 days
Divisional EBITA (Watson)	$297.0m	$330.0m	$363.0m	$341.7m
Divisional DSO (Watson)	61 days	56 days	50 days	62 days
Non-financial measures	Corporate objectives related to HSSE; business growth; Executive Committee team effectiveness. Personal objectives related to leadership; corporate social responsibility; people & organisation.			

Corporate objectives, amounting to 30% of the bonus opportunity, were shared by all executive directors with each executive director's individual personal objectives amounting to 10% of the bonus opportunity. The Committee determined awards of 36.375% of base salary for the combined corporate and personal performance against these objectives for each of the executive directors. Payment of 50% of the total bonus was deferred in the form of shares for a further two years (based on an average share price computed using the 20 day trading average in the period running up to 31 December 2014), with continued employment a requirement to receive the deferred payment other than for those classified as good leavers.

For 2013, maximum bonus opportunity was 125% of base salary for all executive directors. Bonus measures were split between financial (70%) and non-financial (30%) measures. The financial measures consisted of EBITA and average DSO weighted 70/30. Group targets applied to all executive directors other than Robin Watson and Mike Straughen where EBITA and DSO targets were split 50/50 between Group and Divisional targets. The financial targets for the bonus year ended 31 December 2013, and the extent to which they were achieved, are set out below. Once 85% of the EBITA measure is met (90% for DSO), bonus starts to accrue with 71% of maximum paid at target and maximum paid when the EBITA measure is 15% above target (10% above target for DSO). Achievement is calculated on a straight-line basis between threshold and target and between target and maximum.

Measures	Threshold	Target	Maximum	Achieved
Group EBITA	$461.5m	$542.9m	$624.3m	$533.0m
Group DSO	62 days	56 days	50 days	59 days
Divisional EBITA (Watson)	$226.7m	$266.7m	$306.7m	$262.1m
Divisional DSO (Watson)	64 days	58 days	52 days	58 days
Divisional EBITA (Straughen)	$217.8m	$256.3m	$294.7m	$246.0m
Divisional DSO (Straughen)	65 days	59 days	53 days	71 days
Non-financial measures	Personal objectives related to Group Strategy; health & safety; key customers; people & organisation and corporate social responsibility			

Performance against non-financial objectives varied by each director with payments under this element ranging from 27.5% to 31.0% of base salary. Payment of 50% of the total bonus was deferred in the form of cash for a further two years with continued employment a requirement to receive the deferred 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.

For 2014, this figure relates to awards under the LTIP 2012-2014 cycle which vested at 31 December 2014. The figure has been calculated using the number of share options that vested multiplied by the closing mid-market share price on 31 December 2014 of £5.965. The exchange rate at 31 December 2014 of £1 = $1.5593 was used for those executive directors paid in US dollars. Maximum awards under the 2012-2014 cycle were 125% of base salary for all executive directors. For Allister G Langlands, Bob Keiller and Alan G Semple the LTIP measures were split between TSR and AEPS weighted 25% and 75% respectively.

Mike Straughen was also measured on Divisional EBITA, the split of his award being TSR 25%, AEPS 37.5% and Divisional EBITA 37.5%. Robin Watson was measured exclusively on Divisional performance (his award being made prior to his appointment as an executive director), with the measures being EBITA and OCER weighted 75% and 25% respectively.

The TSR of the Group was 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. Foster Wheeler was retained in the comparator group despite their acquisition by AMEC in November 2014 given that almost 35/36ths of the performance period had been completed. The targets for the LTIP 2012-2014 and the extent to which they were achieved, are set out below. On reaching the threshold, one-third of the relevant measure becomes payable and on reaching the maximum, 100% of the relevant measure becomes payable. For achievement between threshold and maximum, the allocation is on a straight line basis.

Financial measures	Threshold	Maximum	Achieved
TSR	50th percentile	75th percentile	50th percentile
AEPS	93.2 cents	111.2 cents	99.6 cents
Divisional EBITA (Straughen)	$237.4m	$272.0m	$232.0m
Divisional EBITA (Watson)	$293.5m	$323.5m	$341.7m
Divisional OCER (Watson)	5.1%	4.6%	10.8%

For all participants, 20% of the share options that were awarded were deferred for a further two years to contribute to alignment with shareholders and to aid retention, with continued employment a requirement to receive the deferred payment other than for those classified as good leavers.

For 2013, this figure relates to awards under the LTIP 2011-2013 cycle which vested at 31 December 2013. The figure has been calculated using the number of share options that vested multiplied by the closing mid-market share price on 31 December 2013 of £6.86. Maximum awards under the 2011-2013 cycle were 125% of base salary for all executive directors except for Robin Watson (whose award was made prior to him becoming an executive director) where 100% of base salary applied. For Allister G Langlands and Alan G Semple the LTIP measures were split between TSR and AEPS weighted 25% and 75% respectively. Bob Keiller (whose award was made before his appointment as Group CEO) and Mike Straughen were also measured on Divisional EBITA, the split of their awards being TSR 25%, AEPS 37.5% and Divisional EBITA 37.5%. Robin Watson was measured exclusively on Divisional performance (his award being made prior to his appointment as an executive director), with the measures being EBITA and OCER weighted 75% and 25% respectively with EBITA being split 50/50 between two separate business units. The TSR of the Group was 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, The Weir Group, Worley Parsons and WS Atkins. The targets for the LTIP 2011-2013 and the extent to which they were achieved, are set out below. On reaching the threshold, one-third of the relevant measure becomes payable and on reaching the maximum, 100% of the relevant measure becomes payable. For achievement between threshold and maximum, the allocation is on a straight line basis.

Financial measures	Threshold	Maximum	Achieved
TSR	50th percentile	75th percentile	75th percentile
AEPS	82.5 cents	90.0 cents	98.6 cents
Divisional EBITA (Keiller)	$264.4m	$290.4m	$268.6m
Divisional EBITA (Straughen)	$195.8m	$215.8m	$246.0m
Divisional EBITA 1 (Watson)	$264.4m	$290.4m	$268.6m
Divisional EBITA 2 (Watson)	$65.5m	$69.5m	$88.8m
Divisional OCER (Watson)	6.8%	6.1%	7.1%

For all participants, 20% of the share options that were awarded were deferred for a further two years to contribute to alignment with shareholders and to aid retention, with continued employment a requirement to receive the deferred 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 40.

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

(g) Mike Straughen retired from the Board on 31 August 2014. His remuneration for 2014 reflects the period up to his employment end date of 31 October 2014.

(h) Allister G Langlands retired as Chairman at the end of the AGM on 14 May 2014. His remuneration for 2014 reflects the period up to this date.

(i) Alan G Semple is based in the US and receives his remuneration in US dollars. All figures relating to Alan G Semple in the above table are therefore expressed in US dollars.

The following table sets out the single figure of remuneration for the Chairman and each of the non-executive directors. Further details on the non-executive director fee structure for 2015 is set out on page 39.

Chairman & non-executive directors single figure of remuneration (£'000)

	Year	Fees	Total
Ian D Marchant [a]	**2014**	**£205**	**£205**
	2013	£60	£60
Thomas M Botts [b]	**2014**	**£62**	**£62**
	2013	£54	£54
Jann M Brown [c]	**2014**	**£35**	**£35**
	2013	£n/a	£n/a
Michel Contie	**2014**	**£56**	**£56**
	2013	£53	£53
Mary L Shafer-Malicki	**2014**	**£56**	**£56**
	2013	£53	£53
Jeremy R Wilson	**2014**	**£54**	**£54**
	2013	£52	£52
David K Woodward	**2014**	**£69**	**£69**
	2013	£59	£59

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

(a) Ian D Marchant was appointed Chairman at the end of the AGM on 14 May 2014. His remuneration for 2013 reflects fees received in his previous role as non-executive director. His remuneration for 2014 includes fees received in his previous role as non-executive director up to 14 May 2014 and his remuneration as Chairman from that date onwards.

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

(c) Jann M Brown was appointed 15 May 2014.

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 2015 in line with the agreed remuneration policy at: **www.woodgroup.com/rempolicy**

Base salary

The table below shows base salaries for 2014 and 2015.

	2014 annual base salary	Annual base salary from 1 January 2015	% increase
Bob Keiller	£630,000	£630,000	0%[a]
Alan G Semple	$653,432	$653,432	0%
Robin Watson	£378,500	£378,500	0%[b]

(a) As reported last year, the Remuneration Committee awarded Bob Keiller an increase to £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 to defer the approved increase for 12 months. The % increase figure for 2015 reflects the position after the application of the deferred increase.

(b) The Committee has agreed that Robin Watson's salary will be increased to £500,000 from his appointment as Chief Operating Officer at 6 April 2015.

Benefits

The current executive directors will continue to participate in existing benefit arrangements in line with the agreed remuneration policy.

Pension

The current executive directors will continue to participate in existing pension arrangements in line with the agreed remuneration policy.

Annual bonus

The maximum annual bonus opportunity for the executives will remain at 125% of salary in 2015.

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

		Relative weighting (% of bonus opportunity)
Financial measures		60%
EBITA	48%	
DSO	12%	
Non-financial measures		40%

For 2015, 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 with 70% of maximum paid at target and maximum paid when EBITA is 10% above target.

No payment is made against Days Sales Outstanding (DSO) performance if DSO is 10% worse than target, with 70% of maximum paid at target and maximum paid when DSO is 10% better than target.

The Committee has set the financial targets for the annual bonus plan for the year ending 31 December 2015 but has chosen not to disclose the detail in this Report as in the opinion of the Committee, these are commercially sensitive and it would not be in the Company's best interests to disclose these. The specific targets and the extent to which the targets are met will be disclosed retrospectively in next year's Report. Non-financial measures consist of corporate and personal objectives which are aimed at the achievement of the Group's business goals and core values. For 2015, corporate objectives include objectives related to HSSE & business growth. Personal objectives include objectives related to leadership; customers and stakeholders; cost efficiencies and people & organisation.

LTP

Awards of up to 125% of salary will be made to executive directors other than to Bob Keiller and Robin Watson where the awards will be 150%. Alan Semple has notified the Board of his intention to retire during 2015, therefore no LTP award will be made in 2015.

For 2015, awards made to the executive directors will be based on TSR and AEPS weighted 25% and 75% respectively.

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.

In setting the targets for the 2015–2017 cycle, the Committee took into consideration the current market conditions in the oil & gas sector and the uncertainties that a significantly reduced oil price will have on our customer's spending patterns. The AEPS targets were set at 100 cents at threshold and 120 cents at maximum. This represents a broadly flat position to the 2014 actual AEPS at threshold and 6.4% compound annual growth from 2014 actual AEPS at maximum. The Committee believe that the uncertainty and more challenging markets are likely to apply throughout 2015, and possibly beyond, therefore a more appropriate measure would be growth against analyst consensus for 2015. As at the date of this report, analyst consensus of 2015 AEPS was 94.3 cents and as such the range selected represents 3.0% compound annual growth at threshold and 12.8% compound annual growth at maximum.

The TSR of the Group is compared to a peer group comprising the following engineering/construction and support services companies – Aker Solutions, AMEC Foster Wheeler, Chicago Bridge & Iron Company, Fluor, 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 the 50th percentile for TSR. On reaching the threshold or 50th percentile, 25% of the AEPS or TSR-related element becomes payable and on reaching the maximum performance for AEPS or 75th percentile for TSR, 100% of the AEPS or TSR element becomes payable. For achievement level between threshold and maximum for AEPS 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 2015. This has been simplified from the previous arrangements without any significant change in overall costs.

	2015 fees
Chairman of the Board remuneration	£275,000 p.a.
Annual non-executive director fee inclusive of all Committee attendance	£55,500 p.a.
Additional fee for senior independent director	£5,000 p.a.
Additional fee for Audit / Remuneration / Safety & Assurance Chairs	£5,000 p.a.

2.2 Total pension entitlements

Pension benefits provided to UK executive directors
Bob Keiller is provided with pension benefits via the Wood Group Group Personal Pension Plan (WG 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.

Robin Watson is provided with pension benefits via the WG GPP. 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.

Mike Straughen received a cash payment of 10% of base salary in lieu of pension provision and was provided with life assurance cover of four times basic salary up to his employment end date of 31 October 2014.

Allister G Langlands accrued no pension in 2014. He was provided with life assurance cover of four times basic salary up to his retiral from the Board on 14 May 2014.

Pension benefits provided to US-based executive directors
From 1 July 2014, Alan G Semple is provided with a cash payment of 15% of base salary in lieu of pension provision. Prior to this, he was 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 (RBS). Benefits ceased to accrue under this arrangement at 30 June 2014 in line with the date the RBS closed to future accrual for all members. As Alan is a US resident, his pension arrangement has been structured within a Supplemental Executive Retirement Plan (SERP) in line with common practice in the US. He is provided with life assurance cover of approximately four times basic salary.

Alan G Semple had the following accrued entitlements at 31 December 2014:

$'000	Age at 31 December 2014	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 2014
Alan G Semple	55	60	11	6	195

$'000	Accumulated total accrued pension at 31 December 2013	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
Alan G Semple	184	129	0	27	102

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 and allows for service to 30 June 2014 only, as benefits of a defined benefit nature ceased to accrue at that date.

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

<table>
<tr><th>Director</th><th>Type of award</th><th>Basis of award</th><th>Face value of the award (a)</th><th>Percentage vesting at threshold</th><th>Performance period</th><th>Holding period for 20% of award</th><th>Summary of performance measures and targets</th></tr>
<tr><td>Bob Keiller</td><td rowspan="3">Conditional award of shares awarded under the LTP</td><td>150% of salary</td><td>£945,000</td><td rowspan="3">25%</td><td rowspan="3">1 Jan 2014 - 31 Dec 2016</td><td rowspan="3">Two years from vesting of the award date</td><td rowspan="2">Performance measures are TSR and AEPS weighted 25% and 75% respectively. TSR is compared to an external comparator group. The AEPS targets for the 2014-2016 cycle were set at 120.8 cents at threshold and 142.2 cents at maximum.</td></tr>
<tr><td>Alan G Semple (b)</td><td rowspan="2">125% of salary</td><td>£493,141</td></tr>
<tr><td>Robin Watson</td><td>£473,125</td><td>Performance measures are TSR, AEPS & Divisional EBITA weighted 25%, 37.5% and 37.5% respectively. TSR is compared to an external comparator group. The AEPS targets for the 2014-2016 cycle were set at 120.8 cents at threshold and 142.2 cents at maximum. Divisional EBITA was set at $370m at threshold and $406m at maximum.</td></tr>
</table>

Note

(a) The face value of the awards is calculated from the salary at the beginning of the cycle multiplied by the maximum award. For Bob Keiller, the award was based on his deferred salary of £630,000.

(b) The face value of the award for Alan G Semple is calculated using an exchange rate of £1 = $1.6563, being the exchange rate at the beginning of the performance cycle.

2.4 Payments to past directors

Mark S Dobler served as an executive director from 1 January 2013 until he stepped down from the Board on 9 October 2013 to lead EthosEnergy, the joint venture with Siemens AG. His long-term incentive award that was due to vest at 31 December 2014 lapsed on his move to the joint venture company and was replaced by a long-term cash plan designed to produce a broadly similar outcome. The value of the long-term cash plan award at vesting on 31 December 2014 was $170,766.

There were no other payments made to past directors during 2014 which had not already been disclosed in previous Directors' Remuneration Reports.

2.5 Payments for loss of office

There were no payments made for loss of office to any director during 2014 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 2014 (not including connected persons)	Value of shares held as a multiple of salary (a)	Shareholding guideline met at 31 December 2014
Bob Keiller	1,615,808	15.3	Achieved
Alan G Semple	436,704	6.7	Achieved
Robin Watson	72,986	1.2	Achieved
Mike Straughen	144,600 (b)	2.5	Achieved

Note

(a) Calculated using the closing mid-market share price on 31 December 2014 of £5.965 and base salary levels at the same date other than for Bob Keiller where the shareholding guidelines were applied against his deferred salary of £630,000. The exchange rate at 31 December 2014 of £1 = $1.5593 was used for those executive directors paid in US dollars.

(b) Mike Straughen retired from the Board on 31 August 2014. His details relate to his shareholding at that date.

Directors' Remuneration Report *continued*

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 2014 were:

Beneficial interest	**Shares owned outright as at 1 January 2014 (a)**	**Shares owned outright as at 31 December 2014 (a)**	**Interests in share incentive plans, awarded without performance conditions at 31 December 2014**	**Interests in share incentive plans, awarded subject to performance conditions at 31 December 2014**
Bob Keiller	1,582,321	1,615,808	15,881	338,638
Alan G Semple	420,798	436,704	17,907	209,522
Robin Watson	25,292	78,179	45,311	179,157
Ian D Marchant	7,777	22,777	–	–
Thomas M Botts	-	8,500	–	–
Michel Contie	4,634	4,634	–	–
Mary L Shafer-Malicki	2,000	2,250	–	–
Jeremy R Wilson	-	10,000	–	–
David K Woodward	21,000	25,000	–	–
Jann M Brown (b)	-	1,578	–	–
Allister G Langlands (c)	792,865	743,313	117,071	66,429
Mike Straughen (d)	238,289	250,946	14,865	93,882
Non-beneficial interest				
Bob 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) Jann M Brown appointed 15 May 2014

(c) Allister G Langlands retired from the Board on 14 May 2014. His details relate to his shareholding and incentive plan interests at that date

(d) Mike Straughen retired from the Board on 31 August 2014. His details relate to his shareholding at that date and incentive plan interests reflect the position at his employment end date of 31 October 2014

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 2014 figures include interest in retained long-term plan awards.

Details of directors' interests in long-term incentive plans at 31 December 2014 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 2014	Granted in 2014	Exercised in 2014	Lapsed in 2014	Number as at 31 December 2014
Bob Keiller											
LTIP	31/10/2011 [(a)]	Share options	Y	01/01/2014	0	£7.7125	100,596	–	63,552	21,163	15,881
LTIP	20/05/2012 [(a)]	Share options	Y	01/01/2015	0	–	96,854	–	–	–	96,854
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	111,572	–	–	–	111,572
LTP	26/03/2014	Share options	Y	01/01/2017	0	–	–	130,212	–	–	130,212
							309,022	**130,212**	**63,552**	**21,163**	**354,519**
Robin Watson											
LTRP	07/04/2010	Share options	N	07/04/2014	3⅓p	£7.39	40,000	–	40,000	–	–
LTRP	26/05/2011	Share options	N	26/05/2015	3⅓p	–	40,000	–	–	–	40,000
LTIP	31/10/2011 [(a)]	Share options	Y	01/01/2014	0	£7.745	49,233	–	21,242	22,680	5,311
LTIP	20/05/2012 [(a)]	Share options	Y	01/01/2015	0	–	58,113	–	–	–	58,113
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	55,852	–	–	–	55,852
LTP	26/03/2014	Share options	Y	01/01/2017	0	–	–	65,192	–	–	65,192
							243,198	**65,192**	**61,242**	**22,680**	**224,468**
Alan G Semple											
LTIP	31/10/2011 [(a)]	Share options	Y	01/01/2014	0	£5.735	89,534	–	71,627	–	17,907
LTIP	20/05/2012 [(a)]	Share options	Y	01/01/2015	0	–	76,774	–	–	–	76,774
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	64,798	–	–	–	64,798
LTP	26/03/2014	Share options	Y	01/01/2017	0	–	–	67,950	–	–	67,950
							231,106	**67,950**	**71,627**	**–**	**227,429**
Allister G Langlands											
LTIP	31/10/2011 [(a)]	Share options	Y	01/01/2014	0	–	117,071	–	–	–	117,071
LTIP	20/05/2012 [(a)]	Share options	Y	01/01/2015	0	–	66,429	–	–	–	66,429
							183,500	**–**	**–**	**–**	**183,500**
Mike Straughen											
LTIP	31/10/2011 [(a)]	Share options	Y	01/01/2014	0	£7.64	74,323	–	59,458	–	14,865
LTIP	20/05/2012 [(a)]	Share options	Y	01/01/2015	0	–	63,265	–	–	3,515	59,750
LTP	15/05/2013	Share options	Y	01/01/2016	0	–	55,852	–	–	21,720	34,132
							193,440	**–**	**59,458**	**25,235**	**108,747**
Total							**1,160,266**	**263,354**	**255,879**	**69,078**	**1,098,663**

Note on incentive plan interests

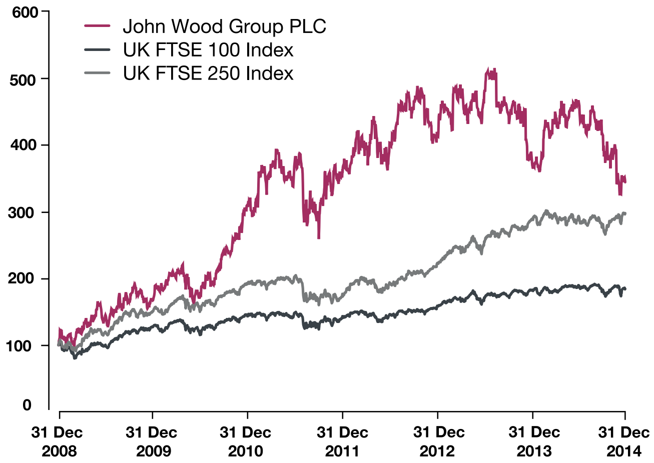
(a) Awards under the 2011-2013 and 2012-2014 LTIP cycles were granted at the end of the initial 3 year performance period. The number of shares granted was determined by the extent to which the relevant performance conditions were achieved at the end of the initial 3 year performance period. 20% of any award is required to be held for an additional 2 year period following completion of the initial 3 year performance period. The number at 1 January 2014 represents the maximum number of shares that could have been awarded.

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 six financial years.

TSR Wood Group, FTSE 250 and FTSE 100 over the last six 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
2014	Bob Keiller	£1,330	48%	51%
2013	Bob Keiller	£1,624	60%	79%
2012 (a)	Bob Keiller	£199	75%	25%
2012 (b)	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 G 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.

Percentage change in CEO remuneration

	% change between 2013 and 2014		
	Salary	Benefits	Bonus
CEO (a)	0%	-0.3%	-10.2%
Average increase of all other UK employees in the Group (b)	3%	-0.9%	-11.4%

Notes to the percentage change in CEO remuneration

(a) A 12.5% increase in salary was awarded at 1 January 2014 but was deferred for 12 months and did not become effective until 1 January 2015.

(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 28% of the overall workforce. Benefits increase is based on a sample employee on a salary of £50,000 per annum receiving taxable employee benefits including car allowance, private medical and dental insurance. Average bonus increase is based on average bonus paid as a percentage of salary for 2013 for the noted comparator group against average bonus paid as a percentage of salary for 2014.

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	2013	2014	Difference	% change
Remuneration paid to or receivable by all employees of the Group	3,252.4	3,256.7	4.3	0.1%
Distributions to shareholders by way of dividend and share buyback	67.4	87.2	19.8	29.4%

Financial statements

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

Report on the financial statements

Our opinion

In our opinion, John Wood Group PLC's financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its 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.

What we have audited

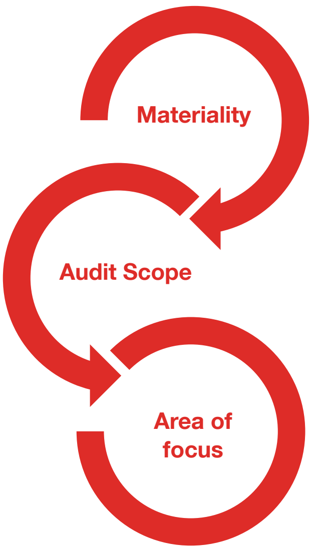
John Wood Group PLC's financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report & accounts (the "annual report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

Our audit approach



Overview

- Overall Group materiality: $23 million (2013: $22m) which represents 5% of the Group's profit before tax

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- We performed audit work across five countries - UK, USA, Oman, Australia, and Canada
- Our audit work accounted for approximately 70% of Group revenues and 77% of the Group's profit before tax
- We supplemented this with work at the Group's head office in Aberdeen

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- Carrying value of investment in EthosEnergy joint venture
- Carrying value of goodwill and intangibles
- Subjective provisions
- Revenue recognition in significant contracts
- Uncertain tax provisions

Independent auditor's report *continued*

The area of our audit focus specifically included

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud. As part of this we considered the appropriateness of the classification of exceptional items.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Carrying value of investment in EthosEnergy joint venture In May 2014 the Group entered into a joint venture with Siemens to create EthosEnergy. At 31 December 2014 the carrying value of the investment in the joint venture was $360.2m. Since formation the joint venture has not performed as well as expected which, together with a challenging trading outlook, indicates the investment may be impaired. Management performed an impairment assessment at 31 December 2014 which took into consideration the performance of EthosEnergy since its establishment and the forecasted future cash flows to determine the "value in use" of the joint venture compared to its carrying value, to ascertain whether the carrying value was impaired. This shows headroom of $31.7m. Management's assessment of the "value in use" is judgemental in nature because it is based on forecasted results and uncertain outcomes. As a result this is an area of focus for our audit.	We have evaluated and challenged management's assessment of the carrying value at 31 December 2014 with a focus on the future cash flow forecasts as compared to the recent performance of EthosEnergy. Our challenge focused on: ▶ The significant revenue and profit growth assumptions within the forecast cash flows for the next 2 years. These were supported by backlog, current sales pipeline and strategic opportunities together with a comparison to historic performance. We also focused on planned synergies (for example leveraging supplier relationships) and future cost reduction plans. ▶ The longer term growth rate assumptions by comparing them to economic and industry forecasts; and ▶ The post-tax discount rate used of 11% (pre-tax 15%) by benchmarking against the rates used by comparable organisations in the economic environments in which EthosEnergy operates. We found the key drivers assumptions above used in the cash flow forecasts to be acceptable, although, we note that these assumptions are sensitive and as a result detailed disclosures regarding key drivers and assumptions have been set out within the investments note of the financial statements. As reflected in the disclosures, upward changes to the discount rate and downward changes to the growth rate may result in elimination of the headroom.
Carrying value of goodwill and intangibles The carrying value of goodwill and intangibles as at 31 December 2014 is $1,943.5m. This relates to a number of acquisitions, the most significant of which is PSN goodwill ($900m) which was acquired in 2011. Management's assessment of the "value in use" of the Group's Cash Generating Units ("CGU's") involves judgements about the future results of the business and the discount rates applied to future cash flow forecasts. This is particularly relevant at the current time due to the lower price of crude oil.	We evaluated and challenged managements' future cash flow forecasts and tested the underlying "value in use" model. We assessed the appropriateness of the inputs into managements' model through challenge of the following key assumptions: ▶ The long term growth rate of 3% by comparing it with economic and industry forecasts and, in particular, considering the recent fall in the price of crude oil; and ▶ The post-tax discount rate used ranging from 9% to 11% (12% to 15% pre-tax) depending on region was benchmarked against the rates used by comparable organisations in the economic environments in which Wood Group operates. We performed additional sensitivities to those performed by management on the key assumptions. Any changes in the assumptions that would result in a material impairment are considered unlikely, but given the nature of the estimates, are not without risk.

Independent auditor's report *continued*

Area of focus	How our audit addressed the area of focus
Subjective provisions There are a number of provisions across the Group that require significant management judgement during the estimation process. We have focused on the following: **Oman onerous contract provision** – In 2013 management recorded an onerous contract provision in relation to Oman. At 31 December 2014 $15m of this provision remains after a release of $9.7m and is expected to be utilised in 2015 when the contract will be exited. The provision is based on expected losses and estimated exit costs still to be incurred and as such, remains subjective in nature. **Provision against trade receivables balances** – In the current lower oil price environment there is a heightened risk of non-recovery of amounts due from customers. Provisions against receivables have increased from $25m to $47m in the year.	Due to the highly judgemental nature of subjective provisions, our testing focused on the need for provisions and the accuracy of the amounts recorded. Our work focused on the following most significant provisions: **Oman onerous contract provision** - We tested the calculation of the provision by challenging management on the following key assumptions: - Future losses compared with historic performance and expected activity changes; and - Exit costs provision for completeness and accuracy based on available information and our knowledge of the known costs to exit for example employee termination costs. - On the basis of the work we performed we concluded that there is still sufficient evidence to support the recognition of the onerous contract provision and consider the level of provision is appropriate based on the future expected cash outflows in Oman. **Provisions against trade receivable balances** - We performed detailed sample tests of accounts receivable including agreement to original invoice, tests of ageing, circularisation of customers and agreement to subsequent receipts. In addition we also focused our work in areas where the level of provisioning has increased to understand the specific customer disputes which have been provided. Based on the evidence we have seen we consider the level of provisions to be adequate and supportable. We also performed legal enquiries and audit procedures in respect of ongoing legal cases and warranty claims and did not identify the need for any material provisions.
Revenue recognition in significant contracts There is a risk of material misstatement over revenue recognition and unbilled revenue as it relates to Wood Group's significant contracts. Most of the Group's contracts are reimbursable in nature however, in the current environment of significantly lower crude oil prices, Wood Group's customers are increasingly more cost focused; therefore, recognition of unbilled work in progress is an area of focus. Wood Group also have a small number of major lump sum and fixed price contracts which represent less than 5% of the Group's total revenue. Revenue on these contracts is recognised based on the stage of completion reached by measuring the proportion of costs incurred against total estimated costs. Measuring the costs to completion is a key judgement in respect of the revenue recognition on these contracts. As such there is a risk that material revenue amounts may either be recognised inaccurately or in the incorrect period.	We reviewed the significant contracts across the Group and met with both senior management and operational staff to corroborate our understanding of the operations and future outcomes of these contracts, including any ongoing disputes with customers. We tested the recognition of unbilled revenue for evidence to support customer acceptance of the work performed. We focused our procedures on revenue where it is subject to management's estimates such as costs incurred versus costs to complete. We tested the timing of revenue recognition by reconciling to the contract terms and reviewing journal entries impacting revenue. We tested the profit taken in the context of the revenue recognition over the life of the contract. These procedures included agreement of a sample of significant revenue streams to documents such as invoices, evidence of delivery, cash receipts, and order variations. No significant issues arose from our work.
Uncertain tax provisions The Group operates in multiple tax jurisdictions and has a number of ongoing disputes and investigations with tax authorities where certain tax positions and treatments may be successfully challenged at a later date. There is judgement required in assessing the level of provisions to cover the risk of successful challenge of certain of the Group's tax positions. Provisions are held principally in respect of current tax deductions previously taken, ongoing tax audits, and uncertainties on the utilisation of deferred tax assets (tax losses and excess tax credits).	We evaluated and challenged management's rationale for the level of provisions held. We considered the status of recent and current tax audits and enquiries, the outturn of previous claims, the macro-tax environment in each territory, and where necessary the statute of limitations for open enquiries. We also considered any interest and penalty regimes that could apply should any of the tax positions be successfully challenged. This is an area which requires significant judgement and has a range of possible outcomes. However from the evidence we have obtained and our challenge on the key assumptions we consider the overall level of provisioning in respect of uncertain tax provisions is reasonable in the context of our group materiality.

Independent auditor's report *continued*

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We scoped the audit by determining the reporting units which are significant for a full scope audit either based on contribution of profit to the Group or by inherent risk (for example significant acquisitions in recent years such as Elkhorn and Mitchells). We then looked for reporting units where individual account balances were significant to the Group as a whole and scoped these in for specified audit procedures for those account balances.

Where the work was performed by other audit teams, we determined the level of involvement we needed to have in the audit work by these teams 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.

The Group engagement team in Aberdeen performed audit work at multiple locations in North America and the UK, including Head Office. This was supplemented by PwC offices in Australia, Oman, Canada and Guernsey. Together we obtained coverage of 70% of the Group's revenues and 77% of the profit before tax.

Further, specific audit procedures over central functions and areas of significant judgement, including taxation, goodwill, treasury, acquisitions, impairment analysis, post-retirement benefits and litigation, were performed at the Group's head office.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and 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 financial statements as a whole as follows:

Overall Group materiality	$23 million (2013: $22 million)
How we determined it	Based on 5% of profit before tax
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1m (2013: $1m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement 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 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.

Other required reporting

Consistency of other information Companies Act 2006 opinions

In our opinion:

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

ISAs (UK & Ireland) reporting

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 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 otherwise misleading.	We have no exceptions to report arising from this responsibility.
▶ the statement given by the directors, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), 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 is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
▶ the section of the annual report, as required by provision C.3.8 of the Code, 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.

Independent auditor's report *continued*

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 are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

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. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.

What an audit of financial statements involves
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.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited 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.

Other matter

We have reported separately on the Parent Company financial statements of the John Wood Group PLC for the year ended 31 December 2014 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

16 February 2015

Consolidated income statement
for the year to 31 December 2014

	Note	2014 Pre-Exceptional Items $m	2014 Exceptional Items (note 4) $m	2014 Total $m	2013 (restated) Pre-Exceptional Items $m	2013 (restated) Exceptional Items (note 4) $m	2013 (restated) Total $m
Revenue from continuing operations	1	6,574.1	-	6,574.1	5,753.2	-	5,753.2
Cost of sales		(5,564.7)	-	(5,564.7)	(4,803.3)	-	(4,803.3)
Gross profit		1,009.4	-	1,009.4	949.9	-	949.9
Administrative expenses		(592.9)	50.9	(542.0)	(588.3)	1.1	(587.2)
Share of profit from joint ventures		20.3	9.7	30.0	29.9	(28.0)	1.9
Operating profit	1	436.8	60.6	497.4	391.5	(26.9)	364.6
Finance income	2	1.4	-	1.4	1.1	-	1.1
Finance expense	2	(23.7)	-	(23.7)	(18.9)	-	(18.9)
Profit before taxation from continuing operations	3	414.5	60.6	475.1	373.7	(26.9)	346.8
Taxation	5	(102.9)	(10.0)	(112.9)	(83.1)	0.9	(82.2)
Profit for the year from continuing operations		311.6	50.6	362.2	290.6	(26.0)	264.6
(Loss)/profit from discontinued operations, net of tax	27	(2.9)	(23.0)	(25.9)	8.3	27.6	35.9
Profit for the year		308.7	27.6	336.3	298.9	1.6	300.5
Profit attributable to:							
Owners of the parent		299.9	22.1	322.0	294.3	1.6	295.9
Non-controlling interests	25	8.8	5.5	14.3	4.6	-	4.6
		308.7	27.6	336.3	298.9	1.6	300.5
Earnings per share (expressed in cents per share)							
Basic	7	81.9	6.0	87.9	81.0	0.4	81.4
Diluted	7	79.9	5.9	85.8	78.8	0.4	79.2

The income statement for the year ended 31 December 2013 has been restated to show the results from joint ventures under equity accounting as required by IFRS 11 'Joint arrangements' (proportional consolidation was used previously). Profit from discontinued operations represents the profit from the Wood Group GTS businesses transferred to EthosEnergy for the period from January to April 2014.

The notes on pages 56 to 96 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year to 31 December 2014

	Note	**2014** **$m**	2013 $m
Profit for the year		**336.3**	300.5
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Re-measurement (losses)/gains on retirement benefit obligations	**29**	**(16.5)**	16.5
Movement in deferred tax relating to retirement benefit obligations	**5**	**3.3**	(3.8)
Total items that will not be reclassified to profit or loss		**(13.2)**	12.7
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	**24**	**(0.1)**	0.2
Tax credit relating to share option schemes	**5**	**1.8**	3.2
Tax credit relating to foreign exchange on net investment in subsidiary	**5**	**15.0**	-
Exchange movements on retranslation of foreign currency net assets	**24**	**(147.4)**	(37.6)
Exchange movements on retranslation of non-controlling interests	**25**	**(0.3)**	(0.2)
Total items that may be reclassified subsequently to profit or loss		**(131.0)**	(34.4)
Other comprehensive expense for the period, net of tax		**(144.2)**	(21.7)
Total comprehensive income for the period		**192.1**	278.8
Total comprehensive income for the period is attributable to:			
Owners of the parent		**178.1**	274.4
Non-controlling interests	**25**	**14.0**	4.4
		192.1	278.8
Total comprehensive income for the period is attributable to:			
Continuing operations		**218.0**	242.9
Discontinued operations	**27**	**(25.9)**	35.9
		192.1	278.8

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

Total comprehensive income from discontinued operations in 2013 includes $10.1m share of profit from joint ventures.

The notes on pages 56 to 96 are an integral part of these consolidated financial statements.

Consolidated balance sheet
as at 31 December 2014

	Note	2014 $m	2013 (restated) $m
Assets			
Non-current assets			
Goodwill and intangible assets	**8**	**1,943.5**	1,855.0
Property plant and equipment	**9**	**194.6**	187.3
Investment in joint ventures	**10**	**460.0**	137.8
Long term receivables	**12**	**79.2**	68.0
Deferred tax assets	**19**	**62.3**	28.2
		2,739.6	2,276.3
Current assets			
Inventories	**11**	**9.1**	11.4
Trade and other receivables	**12**	**1,443.6**	1,242.8
Income tax receivable		**11.5**	19.1
Assets held for sale	**27**	**-**	634.4
Cash and cash equivalents	**13**	**183.1**	145.0
		1,647.3	2,052.7
Liabilities			
Current liabilities			
Borrowings	**15**	**14.7**	74.1
Trade and other payables	**14**	**969.1**	951.1
Liabilities held for sale	**27**	**-**	183.0
Income tax liabilities		**110.1**	59.2
		1,093.9	1,267.4
Net current assets		**553.4**	785.3
Non-current liabilities			
Borrowings	**15**	**495.0**	396.2
Deferred tax liabilities	**19**	**3.9**	-
Retirement benefit obligations	**29**	**27.0**	41.2
Other non-current liabilities	**16**	**129.7**	141.7
Provisions	**18**	**78.1**	66.2
		733.7	645.3
Net assets		**2,559.3**	2,416.3
Equity attributable to owners of the parent			
Share capital	**21**	**23.7**	23.6
Share premium	**22**	**56.0**	56.0
Retained earnings	**23**	**2,142.8**	1,856.6
Other reserves	**24**	**323.7**	471.2
		2,546.2	2,407.4
Non-controlling interests	**25**	**13.1**	8.9
Total equity		**2,559.3**	2,416.3

The balance sheet as at 31 December 2013 has been restated to show the results from joint ventures under equity accounting as required by IFRS 11 'Joint arrangements' (proportional consolidation was used previously).

The financial statements on pages 51 to 96 were approved by the Board of Directors on 16 February 2015.

Bob Keiller, Director

Alan G Semple, Director

The notes on pages 56 to 96 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year to 31 December 2014

	Note	Share capital $m	Share premium $m	Retained earnings $m	Other reserves $m	Equity attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2013		**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
Other comprehensive income/(expense):								
Re-measurement 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
Tax credit relating to share option schemes	**5**			3.2		3.2		3.2
Exchange movements on retranslation of foreign currency net assets	**24/25**	-	-	-	(37.6)	(37.6)	(0.2)	(37.8)
Total comprehensive income for the year		**-**	**-**	**311.8**	**(37.4)**	**274.4**	**4.4**	**278.8**
Transactions with owners:								
Dividends paid	**6/25**	-	-	(67.4)	-	(67.4)	(3.1)	(70.5)
Transactions with non-controlling interests		-	-	(3.3)	-	(3.3)	(0.6)	(3.9)
Credit relating to share based charges	**20**	-	-	21.0	-	21.0	-	21.0
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)
At 31 December 2013		**23.6**	**56.0**	**1,856.6**	**471.2**	**2,407.4**	**8.9**	**2,416.3**
Profit for the year		-	-	**322.0**	-	**322.0**	**14.3**	**336.3**
Other comprehensive income/(expense):								
Re-measurement losses on retirement benefit liabilities	**29**	-	-	(16.5)	-	(16.5)	-	(16.5)
Movement in deferred tax relating to retirement benefit liabilities	**5**	-	-	3.3	-	3.3	-	3.3
Cash flow hedges	**24**	-	-	-	(0.1)	(0.1)	-	(0.1)
Tax credit relating to share option schemes	**5**	-	-	1.8	-	1.8	-	1.8
Tax credit relating to foreign exchange on net investment in subsidiary	**5**	-	-	15.0	-	15.0	-	15.0
Exchange movements on retranslation of foreign currency net assets	**24/25**	-	-	-	(147.4)	(147.4)	(0.3)	(147.7)
Total comprehensive income for the year		**-**	**-**	**325.6**	**(147.5)**	**178.1**	**14.0**	**192.1**
Transactions with owners:								
Dividends paid	**6/25**	-	-	(87.2)	-	(87.2)	(7.7)	(94.9)
Transactions with joint ventures and non-controlling interests	**23/25**	-	-	8.5	-	8.5	(2.1)	6.4
Credit relating to share based charges	**20**	-	-	19.5	-	19.5	-	19.5
Shares allocated to employee share trusts	**23**	0.1	-	(0.1)	-	-	-	-
Shares disposed of by employee share trusts	**23**	-	-	11.2	-	11.2	-	11.2
Exchange movements in respect of shares held by employee share trusts	**23**	-	-	8.7	-	8.7	-	8.7
At 31 December 2014		**23.7**	**56.0**	**2,142.8**	**323.7**	**2,546.2**	**13.1**	**2,559.3**

The notes on pages 56 to 96 are an integral part of these consolidated financial statements.

Consolidated cash flow statement
for the year to 31 December 2014

	Note	2014 $m	2013 (restated) $m
Cash generated from operations	**26**	**571.4**	508.6
Tax paid		**(84.9)**	(123.7)
Net cash generated from operating activities		**486.5**	384.9
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and borrowings acquired)	**27**	**(258.1)**	(287.3)
Acquisition of non-controlling interests	**27**	**(4.8)**	(3.1)
Proceeds from divestment of subsidiaries (net of cash and borrowings disposed and divestment costs)	**27**	**1.7**	0.3
Payments received in relation to EthosEnergy transaction	**27**	**58.6**	-
Purchase of property plant and equipment	**9**	**(59.0)**	(84.5)
Proceeds from sale of property plant and equipment		**2.9**	2.3
Purchase of intangible assets	**8**	**(51.2)**	(50.9)
Interest received		**1.4**	1.1
Loans to joint ventures		**(78.0)**	(6.6)
Investment in joint ventures		**-**	(1.3)
Net cash used in investing activities		**(386.5)**	(430.0)
Cash flows from financing activities			
(Repayment of)/proceeds from bank loans	**26**	**(331.0)**	166.7
Proceeds from senior loan notes	**15**	**375.0**	-
Purchase of shares by employee share trusts	**23**	**-**	(47.8)
Proceeds from disposal of shares by employee share trusts	**23**	**11.2**	7.9
Interest paid		**(13.2)**	(18.0)
Dividends paid to shareholders	**6**	**(87.2)**	(67.4)
Dividends paid to non-controlling interests	**25**	**(7.7)**	(3.1)
Net cash (used in)/from financing activities		**(52.9)**	38.3
Net increase/(decrease) in cash and cash equivalents	**26**	**47.1**	(6.8)
Effect of exchange rate changes on cash and cash equivalents	**26**	**(9.0)**	(5.4)
Opening cash and cash equivalents		**145.0**	157.2
Closing cash and cash equivalents	**13**	**183.1**	145.0

The cash flow statement for the year ended 31 December 2013 has been restated to show the results from joint ventures using equity accounting as required by IFRS 11 'Joint arrangements' (proportional consolidation was used previously).

Cash flows from discontinued operations are disclosed in note 27.

The notes on pages 56 to 96 are an integral part of these consolidated financial statements.

Notes to the financial statements
for the year to 31 December 2014

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 equity accounting. Under this method the Group includes its share of joint venture profit on the line 'Share of post-tax profit from joint ventures' in the Group income statement and its share of joint venture net assets in the 'investment in joint ventures' line in the Group balance sheet. All Group companies apply the Group's accounting policies and prepare financial statements to 31 December.

Critical accounting judgments and estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. 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) EthosEnergy joint venture

The Group's investment in the EthosEnergy joint venture is recorded at the book value of the net assets transferred to the joint venture by the Group less cash received and receivable. An impairment review was carried out in December 2014 based on the latest budgets and forecasts for EthosEnergy using a pre-tax discount rate of 15%. See note 10 for further details.

(c) 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.

(d) 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.

(e) 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. The Group's retirement benefit scheme was closed to future accrual on 30 June 2014. See note 29 for further details.

(f) 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 financial statements:

	2014	2013
Average rate £1 = $	**1.6469**	1.5673
Closing rate £1 = $	**1.5593**	1.6563

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 and other receivables/trade and other 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 and expenses in respect of the Group's debt 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 in finance expense.

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

Goodwill
The Group uses the purchase method of accounting to account for acquisitions. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised. Acquisition costs are expensed in the income statement.

Intangible assets
Intangible assets are carried at cost less accumulated amortisation. Intangible assets are recognised if it is probable that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. Where the Group acquires a business, intangible assets on acquisition such as customer contracts are identified and evaluated to determine the carrying value on the acquisition balance sheet. Intangible assets are amortised over their estimated useful lives, as follows:

Software and development costs	3-5 years
Intangible assets on acquisition	3-10 years

Accounting Policies *(continued)*

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, investment in joint ventures 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.

Taxation
The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from depreciation on PP&E, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantially enacted, at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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).

Notes to the financial statements *continued*

Accounting Policies *(continued)*

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.

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 scheme was closed to future accrual on 30 June 2014.

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 netted and included in finance expense. Re-measurement 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.

Accounting Policies *(continued)*

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

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

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

(iii) The Group'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.

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 and Wood Group PSN.

Following the formation of the EthosEnergy joint venture in May 2014, all of the Group's predominantly opex related turbine activities are carried out through joint ventures and now managed and reported as part of Wood Group PSN. In order to provide visibility over the performance of the turbine activities, they are included on a separate line (Wood Group PSN – Turbine Activities) in the Group's management information.

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, chemical process and industrial and clean energy sectors. These include conceptual studies engineering, project and construction management ('EPCM') and control system upgrades. Wood Group PSN Production Services offers production facilities support focused on optimising production and extending asset life safely. Wood Group PSN Production Services provides life of field services to producing assets through brownfield engineering and modifications, production enhancement, operations and management, facility construction and maintenance management training, and abandonment services. Wood Group PSN Turbine Activities provides industrial gas turbine and rotating equipment repair, maintenance, overhaul and power plant EPC services to the oil and gas and power sectors.

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

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

There has been no material impact on the financial statements on the adoption of IFRS 10, nor IFRS 12.

Until 31 December 2013, the Group accounted for its interests in joint ventures using proportional consolidation. As IFRS 11 does not permit proportional consolidation, from 1 January 2014, for all periods presented, the Group has accounted for its interests in joint ventures using equity accounting. The use of equity accounting has no impact on Group profit for the year or earnings per share, but does impact the presentation of the Group's interests in joint ventures in the income statement, the balance sheet and the cash flow statement. Comparative figures have been restated to reflect the change to equity accounting. For further details see note 36 to the financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group
The following 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 2015, but the Group has not early adopted them:

- IFRS 15 'Revenue from contracts with customers' was published in May 2014 and is effective for accounting periods beginning on or after 1 January 2017. The Group is in the process of assessing the likely impact of this standard on the financial statements.

Notes to the financial statements *continued*

1 Segmental reporting

The Group operates through two segments, Wood Group Engineering and Wood Group PSN. Following the formation of the EthosEnergy joint venture in May 2014, all of the Group's predominantly opex related turbine activities are carried out through joint ventures and now managed and reported as part of Wood Group PSN. In order to provide visibility over the performance of the turbine activities, they are included on a separate line in the table below (Wood Group PSN – Turbine Activities). This presentation is consistent with the Group's internal management reporting. Under IFRS 11 'Joint arrangements', the Group is now required to account for joint ventures using equity accounting, however for management reporting the Group continues to use proportional consolidation, hence the inclusion of the proportional presentation in this note.

The segment information provided to the Group's Chief Executive for the reportable operating segments for the year ended 31 December 2014 includes the following:

Reportable Operating Segments [(1)]

	Revenue		EBITDA[(2)]		EBITA[(2)]		Operating profit	
	Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m
Wood Group Engineering	**2,130.7**	1,985.4	**248.1**	260.3	**232.0**	246.0	**203.9**	228.0
Wood Group PSN – Production Services	**4,636.0**	3,996.0	**368.0**	281.5	**341.7**	262.1	**336.1**	161.9
Wood Group PSN – Turbine Activities	**849.7**	1,082.8	**47.3**	95.1	**33.3**	80.8	**28.5**	65.0
Well Support – discontinued	**-**	-	**-**	-	**-**	-	**-**	34.4
Central costs [(3)]	**-**	-	**(52.8)**	(52.0)	**(57.4)**	(55.9)	**(82.5)**	(57.9)
Total	**7,616.4**	7,064.2	**610.6**	584.9	**549.6**	533.0	**486.0**	431.4
Remove discontinued	**(188.5)**	(652.5)	**(0.7)**	(45.8)	**1.7**	(36.4)	**27.3**	(55.2)
Remove share of joint ventures	**(853.8)**	(658.5)	**(53.2)**	(48.9)	**(38.5)**	(41.8)	**(45.9)**	(13.5)
Total continuing operations excluding joint ventures	**6,574.1**	5,753.2	**556.7**	490.2	**512.8**	454.8	**467.4**	362.7
Share of post-tax profit from joint ventures							**30.0**	1.9
Operating profit							**497.4**	364.6
Finance income							**1.4**	1.1
Finance expense							**(23.7)**	(18.9)
Profit before taxation from continuing operations							**475.1**	346.8
Taxation							**(112.9)**	(82.2)
Profit for the year from continuing operations							**362.2**	264.6
Profit from discontinued operations, net of tax [(4)]							**(25.9)**	35.9
Profit for the year							**336.3**	300.5

Notes

1. The Group's reportable segments are Wood Group Engineering and Wood Group PSN. Following the formation of the EthosEnergy joint venture in May 2014, all of the Group's predominantly opex related Turbine Activities are carried out through joint ventures and managed and reported as part of Wood Group PSN. In order to provide visibility over the performance of the Turbine Activities, they are included on a separate line (Wood Group PSN – Turbine Activities) above.
2. Total EBITDA represents operating profit of $486.0m (2013 : $431.4m) before depreciation of property plant and equipment of $61.0m (2013 : $51.9m), amortisation of $101.2m (2013 : $102.1m) and net exceptional income of $37.6m (2013 : $0.5m). EBITA represents EBITDA less depreciation. EBITA and EBITDA are provided as they are units of measurement used by the Group in the management of its business.
3. Central costs include the costs of certain management personnel in both the UK and the US, along with an element of Group infrastructure costs. Central operating profit in 2014 is stated after deducting $23.0m of exceptional costs relating to the formation of the EthosEnergy joint venture.
4. Profit from discontinued operations, net of tax, represents the profit from the Wood Group GTS businesses transferred to EthosEnergy in May 2014. The profit from discontinued operations for 2013 also includes additional profit relating to the Well Support business divested in 2011. See note 27 for further details.
5. Revenue arising from sales between segments is not material.

1 Segmental reporting *(continued)*

Segment assets and liabilities

	Wood Group Engineering $m	Wood Group PSN - Production Services $m	Wood Group PSN - Turbine Activities $m	Unallocated $m	Total $m
At 31 December 2014					
Segment assets	**1,094.5**	**2,345.3**	**675.3**	**271.8**	**4,386.9**
Segment liabilities	**524.9**	**635.3**	**34.4**	**633.0**	**1,827.6**
At 31 December 2013					
Segment assets	880.0	2,342.9	967.8	138.3	4,329.0
Segment liabilities	407.4	685.4	174.4	645.5	1,912.7

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

2014	Wood Group Engineering $m	Wood Group PSN - Production Services $m	Wood Group PSN - Turbine Activities $m	Unallocated $m	Total $m
Capital expenditure					
- Property plant and equipment	**15.7**	**34.0**	**5.3**	**4.0**	**59.0**
- Intangible assets	**31.9**	**16.0**	**2.8**	**0.5**	**51.2**
Non-cash expense					
- Depreciation of property plant and equipment	**15.6**	**23.5**	**2.6**	**4.6**	**46.3**
- Amortisation of intangible assets	**28.1**	**65.9**	**2.8**	**2.1**	**98.9**
- Exceptional items (non-cash element)	**-**	**7.5**	**16.0**	**-**	**23.5**

2013	$m	$m	$m	$m	$m
Capital expenditure					
- Property plant and equipment	16.2	55.0	10.7	3.6	85.5
- Intangible assets	29.8	10.7	9.3	1.7	51.5
Non-cash expense					
- Depreciation of property plant and equipment	14.3	17.1	9.5	3.9	44.8
- Amortisation of intangible assets	32.9	58.2	8.6	2.0	101.7
- Exceptional items (non-cash element)	0.9	9.1	3.6	(37.0)	(23.4)

The figures in the tables above are prepared on an equity accounting basis and therefore exclude the share of joint ventures.

Depreciation in respect of joint ventures was $14.7m (2013: $7.1m) and joint venture amortisation was $2.3m (2013: $0.4m).

The non-cash exceptional items in Unallocated in 2013 relates to adjustments following the disposal of the Well Support business in 2011.

Notes to the financial statements *continued*

1 Segmental reporting *(continued)*

Geographical segments

	Segment assets		Continuing revenue	
	2014	2013	**2014**	2013
	$m	$m	**$m**	$m
UK	**1,196.3**	1,195.2	**1,979.9**	1,785.9
US	**1,684.1**	1,670.2	**2,397.2**	1,776.1
Rest of the world	**1,506.5**	1,463.6	**2,197.0**	2,191.2
	4,386.9	4,329.0	**6,574.1**	5,753.2

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

	2014	**2013**
	$m	**$m**
Revenue by category is as follows:		
Sale of goods	**-**	-
Rendering of services	**6,574.1**	5,753.2
Revenue from continuing operations	**6,574.1**	5,753.2

2 Finance expense/(income)

	2014	**2013**
	$m	**$m**
Interest payable on borrowings including senior loan notes	**15.7**	9.4
Bank facility fees expensed	**4.3**	4.3
Interest relating to discounting of deferred and contingent consideration	**1.9**	2.8
Interest expense – retirement benefit obligations (note 29)	**1.8**	2.4
Finance expense – continuing operations	**23.7**	18.9
Interest receivable on short-term deposits	**(1.4)**	(1.1)
Finance income	**(1.4)**	(1.1)
Finance expense – continuing operations - net	**22.3**	17.8

Interest expense of $1.9m (2013: $0.7m) has been deducted in arriving at the share of post-tax profit from joint ventures.

3 Profit before taxation

	2014 $m	2013 $m
The following items have been charged in arriving at profit before taxation (before exceptional items) :		
Employee benefits expense (note 28)	**3,256.7**	3,252.4
Cost of inventories recognised as an expense	**30.6**	73.2
Depreciation of property plant and equipment (note 9)	**46.3**	44.8
Amortisation of intangible assets (note 8)	**98.9**	101.7
Loss on disposal of property plant and equipment	**6.2**	1.6
Other operating lease rentals payable:		
- Plant and machinery	**52.0**	56.5
- Property	**79.3**	84.3
Foreign exchange losses	**7.4**	3.1

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 and is prepared on an equity accounting basis.

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:

	2014 $m	2013 $m
Fees payable to the Group's auditors and its associate firms for -		
Audit of parent company and consolidated financial statements	**1.0**	0.9
Audit of Group companies pursuant to legislation	**1.9**	1.9
Tax and other services	**0.1**	0.1
	3.0	2.9

Notes to the financial statements *continued*

4 Exceptional items

	2014 $m	2013 $m
Exceptional items included in continuing operations		
Venezuela settlement	**(58.4)**	-
Restructuring charges	**7.5**	15.9
Lease termination income	**-**	(15.1)
Onerous contract	**(9.7)**	28.0
Other	**-**	(1.9)
	(60.6)	26.9
Taxation	**10.0**	(0.9)
Continuing operations exceptional items, net of tax	**(50.6)**	26.0
Exceptional items included in discontinued operations		
Gain on divestment - Well Support	**-**	(34.4)
Costs relating to EthosEnergy transaction	**23.0**	7.0
	23.0	(27.4)
Taxation	**-**	(0.2)
Discontinued operations exceptional items, net of tax	**23.0**	(27.6)
Total exceptional credit, net of tax	**(27.6)**	(1.6)

During the year, the Group finalised a settlement agreement in respect of a contract taken over by Petróleos de Venezuela S.A.(PDVSA) in 2009 and a gain of $58.4m has been recorded in the income statement. $5.5m of the settlement is attributable to a minority shareholder.

Further restructuring charges of $7.5m have been recorded in the period in relation to the decision made in 2013 to exit certain markets in Wood Group PSN's Americas business.

In December 2013, the Group provided $28.0m in respect of Wood Group PSN's contract in Oman. The provision has been reassessed at the end of 2014 with $9.7m of the provision being released and credited to exceptional items.

For details of the EthosEnergy transaction see note 27.

A tax charge of $10.0m has been recorded in respect of continuing exceptional items.

For further details of the 2013 exceptional items please refer to the 2013 annual report and accounts.

5 Taxation

	2014 $m	2013 $m
Current tax		
- Current year	**142.6**	109.9
- Adjustment in respect of prior years	**0.6**	24.9
	143.2	134.8
Deferred tax		
- Current year	**(15.0)**	(9.2)
- Adjustment in respect of prior years	**(16.7)**	(24.2)
	(31.7)	(33.4)
Total tax charge	**111.5**	101.4
Comprising -		
Tax on continuing operations before exceptional items	**102.9**	83.1
Tax on exceptional items in continuing operations	**10.0**	(0.9)
Total tax on continuing operations	**112.9**	82.2
Tax on discontinued operations before exceptional items	**(1.4)**	19.4
Tax on exceptional items in discontinued operations	**-**	(0.2)
Total tax on discontinued operations	**(1.4)**	19.2
Total tax charge	**111.5**	101.4

Tax (credited)/charged to equity	2014 $m	2013 $m
Deferred tax movement on retirement benefit liabilities	**(3.3)**	3.8
Deferred tax relating to share option schemes	**6.3**	10.7
Current tax relating to share option schemes	**(8.1)**	(13.9)
Deferred tax relating to foreign exchange on net investment in subsidiary	**(11.1)**	-
Current tax relating to foreign exchange on net investment in subsidiary	**(3.9)**	-
Total (credited)/charged to equity	**(20.1)**	0.6

Notes to the financial statements *continued*

5 Taxation *(continued)*

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates. The expected rate is the weighted average rate taking into account the Group's profits in these jurisdictions. The expected rate has decreased in 2014 due to the change in mix of the tax jurisdictions in which the Group operates. The tax charge for the year is lower (2013: lower) than the expected tax charge due to the following factors:

	2014 $m	2013 $m
Profit before taxation from continuing operations (excluding profits from joint ventures)	**445.1**	344.9
(Loss)/profit before taxation from discontinued operations	**(27.3)**	55.1
Total profit before taxation	**417.8**	400.0
Profit before tax at expected rate of 27.69% (2013: 29.32%)	**115.7**	117.3
Effects of:		
Adjustments in respect of prior years	**(16.1)**	0.7
Non-recognition/(recognition) of losses and other attributes	**22.5**	(7.6)
Effect of foreign taxes	**(1.5)**	6.6
Other permanent differences	**(9.1)**	(15.6)
Total tax charge	**111.5**	101.4

The deferred tax adjustment in respect of prior years relates mainly to timing differences on expenses which are tax deductible when paid.

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

	2014 $m	2013 $m
Dividends on ordinary shares		
Final dividend paid - year ended 31 December 2013: 14.9 cents (2013: 11.3 cents) per share	**54.5**	41.4
Interim dividend paid - year ended 31 December 2014: 8.9 cents (2013: 7.1 cents) per share	**32.7**	26.0
	87.2	67.4

The directors are proposing a final dividend in respect of the financial year ended 31 December 2014 of 18.6 cents per share. The final dividend will be paid on 19 May 2015 to shareholders who are on the register of members on 10 April 2015. The financial statements do not reflect the final dividend, the payment of which will result in an estimated $68.4m reduction in equity attributable to owners of the parent.

7 Earnings per share

	2014			2013		
	Earnings attributable to owners of the parent $m	**Number of shares (millions)**	**Earnings per share (cents)**	Earnings attributable to owners of the parent $m	Number of shares (millions)	Earnings per share (cents)
Basic pre-exceptional	**299.9**	**366.1**	**81.9**	294.3	363.3	81.0
Exceptional items, net of tax and non-controlling interests	**22.1**	**-**	**6.0**	1.6	-	0.4
Basic	**322.0**	**366.1**	**87.9**	295.9	363.3	81.4
Effect of dilutive ordinary shares	**-**	**9.1**	**(2.1)**	-	10.2	(2.2)
Diluted	**322.0**	**375.2**	**85.8**	295.9	373.5	79.2
Exceptional items, net of tax and non-controlling interests	**(22.1)**	**-**	**(5.9)**	(1.6)	-	(0.4)
Diluted pre-exceptional items	**299.9**	**375.2**	**79.9**	294.3	373.5	78.8
Amortisation, net of tax	**73.7**	**-**	**19.7**	74.0	-	19.8
Adjusted diluted	**373.6**	**375.2**	**99.6**	368.3	373.5	98.6
Adjusted basic	**373.6**	**366.1**	**102.0**	368.3	363.3	101.4

Basic discontinued earnings per share for the year is (7.1) cents (2013: 9.9 cents) and diluted discontinued earnings per share is (6.9) cents (2013: 9.6 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.

Notes to the financial statements *continued*

8 Goodwill and intangible assets

	Goodwill $m	Software and development costs $m	Intangible assets arising on acquisition $m	Total $m
Cost				
At 1 January 2014	1,622.2	151.9	384.8	2,158.9
Exchange movements	(86.4)	(7.4)	(32.0)	(125.8)
Additions	-	51.2	-	51.2
Acquisitions (note 27)	200.0	7.0	27.6	234.6
Disposals	(7.9)	(23.1)	-	(31.0)
Reclassification from property, plant and equipment	-	4.9	-	4.9
At 31 December 2014	**1,727.9**	**184.5**	**380.4**	**2,292.8**
Aggregate amortisation and impairment				
At 1 January 2014	4.7	97.0	202.2	303.9
Exchange movements	(0.3)	(3.6)	(24.4)	(28.3)
Amortisation charge for the year	-	37.9	61.0	98.9
Disposals	(3.2)	(22.0)	-	(25.2)
At 31 December 2014	**1.2**	**109.3**	**238.8**	**349.3**
Net book value at 31 December 2014	**1,726.7**	**75.2**	**141.6**	**1,943.5**
Cost				
At 1 January 2013	1,638.5	176.9	315.4	2,130.8
Exchange movements	(21.3)	0.9	(10.9)	(31.3)
Additions	-	51.5	-	51.5
Acquisitions	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	(132.1)	(72.1)	(2.2)	(206.4)
At 31 December 2013	**1,622.2**	**151.9**	**384.8**	**2,158.9**
Aggregate amortisation and impairment				
At 1 January 2013	56.2	105.4	154.2	315.8
Exchange movements	(0.6)	0.2	(7.7)	(8.1)
Amortisation charge for the year	-	44.2	57.5	101.7
Disposals	-	(5.6)	-	(5.6)
Divestment of business	(1.8)	-	-	(1.8)
Reclassification as assets held for sale	(49.1)	(47.2)	(1.8)	(98.1)
At 31 December 2013	**4.7**	**97.0**	**202.2**	**303.9**
Net book value at 31 December 2013	**1,617.5**	**54.9**	**182.6**	**1,855.0**

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 operating divisions, which are aligned with how the Group manages and monitors performance.

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 2015 and 2016. 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	**$461.0m**	13%
	Wood Group Kenny	**$79.6m**	
Wood Group PSN – Production Services	WG PSN International (Australia and Asia Pacific)	**$148.6m**	13%
	WG PSN International (Africa)	**$117.3m**	
	WG PSN International (Middle East and ERC)	**$8.3m**	
	WG PSN Americas	**$419.1m**	
	WG PSN UK	**$449.3m**	
	WG PSN Global Business	**$43.5m**	

The pre-tax discount rates used range from 12-15% and the average for the businesses is 13%.

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

The value-in-use has been compared to the carrying value for each CGU. No goodwill has been written off during the current or prior year.

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.

Notes to the financial statements *continued*

9 Property plant and equipment

	Land and Buildings			
	Long leasehold and freehold $m	Short leasehold $m	Plant and equipment $m	Total $m
Cost				
At 1 January 2014	54.4	19.8	224.9	299.1
Exchange movements	(2.0)	(0.7)	(6.2)	(8.9)
Additions	7.1	3.6	48.3	59.0
Acquisitions (note 27)	-	-	12.9	12.9
Disposals	(1.7)	(1.8)	(24.2)	(27.7)
Divestment of business	-	-	(5.0)	(5.0)
Reclassification to intangible assets	-	-	(4.9)	(4.9)
At 31 December 2014	**57.8**	**20.9**	**245.8**	**324.5**
Accumulated depreciation and impairment				
At 1 January 2014	18.9	9.9	83.0	111.8
Exchange movements	(0.7)	(0.4)	(5.0)	(6.1)
Charge for the year	3.5	3.2	39.6	46.3
Disposals	(1.6)	(0.9)	(16.1)	(18.6)
Divestment of business	-	-	(3.5)	(3.5)
At 31 December 2014	**20.1**	**11.8**	**98.0**	**129.9**
Net book value at 31 December 2014	**37.7**	**9.1**	**147.8**	**194.6**
Cost				
At 1 January 2013	63.0	26.3	271.1	360.4
Exchange movements	(0.5)	(0.6)	(1.6)	(2.7)
Additions	2.4	2.1	81.0	85.5
Acquisitions	-	-	22.2	22.2
Disposals	(1.1)	(4.8)	(19.6)	(25.5)
Divestment of businesses	-	-	(3.7)	(3.7)
Reclassification as assets held for sale	(9.4)	(3.2)	(124.5)	(137.1)
At 31 December 2013	**54.4**	**19.8**	**224.9**	**299.1**
Accumulated depreciation and impairment				
At 1 January 2013	22.5	13.2	167.3	203.0
Exchange movements	-	(0.3)	(1.6)	(1.9)
Charge for the year	2.4	2.9	39.5	44.8
Disposals	(1.1)	(3.3)	(17.2)	(21.6)
Divestment of business	-	-	(3.0)	(3.0)
Reclassification as assets held for sale (note 27)	(4.9)	(2.6)	(102.0)	(109.5)
At 31 December 2013	**18.9**	**9.9**	**83.0**	**111.8**
Net book value at 31 December 2013	**35.5**	**9.9**	**141.9**	**187.3**

There were no assets in the course of construction at 31 December 2014 (2013: nil).

10 Investment in joint ventures

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

	2014 $m	2013 $m
Non-current assets	**254.2**	60.8
Current assets	**667.3**	324.4
Current liabilities	**(375.1)**	(203.2)
Non-current liabilities	**(86.4)**	(44.2)
Net assets	**460.0**	137.8
Revenue	**853.8**	658.5
Cost of sales	**(724.8)**	(566.4)
Administrative expenses	**(92.8)**	(50.6)
Exceptional income/(expense)	**9.7**	(28.0)
Operating profit	**45.9**	13.5
Net finance expense	**(1.9)**	(0.7)
Profit before tax	**44.0**	12.8
Tax	**(14.0)**	(10.9)
Share of post-tax results from joint ventures	**30.0**	1.9

The profit before tax is net of the onerous contract exceptional item referred to in note 4. The assets and liabilities contributed by the Group to the EthosEnergy joint venture were categorised as 'held for sale' at 31 December 2013.

The movement in investments in joint ventures is shown below.

	2014 $m
At 1 January 2014	**137.8**
Exchange movements on retranslation of net assets	**(30.5)**
Additions	**384.4**
Disposals	**(49.9)**
Share of profit after tax	**30.0**
Dividends	**(20.3)**
Other movements	**8.5**
At 31 December 2014	**460.0**

The Group's joint venture with Siemens, EthosEnergy Group Limited was formed in May 2014. Wood Group contributed net assets of $541.8m to the joint venture. Cash received and receivable of $157.4m was netted against that amount and the net investment in EthosEnergy at date of formation was $384.4m (see note 27). The value of the investment at 31st December 2014 was $360.2m, reflecting the post-tax results of EthosEnergy for the 8 months and foreign exchange losses on the retranslation of the underlying net assets.

An impairment review was carried out in December 2014 based on the latest budgets and forecasts for EthosEnergy, the results of which are shown in the following table.

Pre-tax discount rate	15%
Terminal growth rate	3%
Net present value of future post-tax cash flows	$391.9m
Book value of investment	$360.2m
Headroom	$31.7m

Notes to the financial statements *continued*

10 Investment in joint ventures *(continued)*

The impairment test was based on the budgeted and forecast cash flows for the business. The calculation shows headroom of $31.7m using a 15% pre-tax discount rate and a 3% terminal growth rate.

A sensitivity analysis was performed on the basis that the expected long-term growth rate falls to 2% and the discount rate is increased by 1% in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. The results of the sensitivity analysis are shown in the following table.

Pre-tax discount rate	15%	16%
Terminal growth rate	2%	3%
Net present value of future post-tax cash flows	$361.2m	$350.1m
Book value of investment	$360.2m	$360.2m
Headroom	$1.0m	$(10.1)m

The sensitivity analysis shows that a 1% reduction in growth rate results in $1.0m headroom and a 1% increase in the discount rate results in a $10.1m shortfall. EthosEnergy has only been in operation for eight months and the carrying value of the investment will continue to be monitored going forward.

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

	2014 $m	2013 $m
Materials	**4.6**	3.5
Work in progress	**0.6**	5.0
Finished goods and goods for resale	**3.9**	2.9
	9.1	11.4

12 Trade and other receivables

	2014 $m	2013 $m
Trade receivables	**1,122.5**	999.3
Less: provision for impairment of trade receivables	**(47.5)**	(25.4)
Trade receivables – net	**1,075.0**	973.9
Amounts recoverable on contracts	**91.8**	103.1
Prepayments and accrued income	**60.1**	50.4
Loans due from joint ventures	**132.4**	54.4
Other receivables	**84.3**	61.0
Trade and other receivables – current	**1,443.6**	1,242.8
Long term receivables	**79.2**	68.0
Total receivables	**1,522.8**	1,310.8

12 Trade and other receivables *(continued)*

The Group's trade receivables balance is shown in the table below.

31 December 2014	Trade receivables - Gross $m	Provision for impairment $m	Trade receivables - Net $m	Receivable days
Wood Group Engineering	**401.0**	**(23.2)**	**377.8**	**59**
Wood Group PSN – Production Services	**720.0**	**(24.3)**	**695.7**	**58**
Wood Group PSN – Turbine Activities	**1.5**	**-**	**1.5**	**n/a**
Total Group	**1,122.5**	**(47.5)**	**1,075.0**	**58**
31 December 2013				
Wood Group Engineering	373.9	(15.3)	358.6	64
Wood Group PSN – Production Services	625.4	(10.1)	615.3	52
Wood Group PSN – Turbine Activities	-	-	-	-
Total Group	999.3	(25.4)	973.9	54

Receivable days are calculated by allocating the closing trade receivables balance to current and prior year revenue including sales taxes. A receivable days calculation of 58 indicates that closing trade receivables represent the most recent 58 days of revenue. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the original receivables.

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

	2014 $m	2013 $m
Up to 3 months	**14.1**	2.6
Over 3 months	**33.4**	22.8
	47.5	25.4

Notes to the financial statements *continued*

12 Trade and other receivables *(continued)*

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

2014	Wood Group Engineering $m	Wood Group PSN - Production Services $m	Wood Group PSN – Turbine Activities $m	Total $m
At 1 January	15.3	10.1	-	25.4
Exchange movements	(0.5)	(0.1)	-	(0.6)
Net movement in provision	8.4	14.3	-	22.7
At 31 December	**23.2**	**24.3**	**-**	**47.5**
2013				
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)
At 31 December	15.3	10.1	-	25.4

Charges/credits to the income statement are included in administrative expenses. The other classes within trade and other receivables do not contain impaired assets.

Included within gross trade receivables of $1,122.5m above (2013: $999.3m) are receivables of $230.9m (2013: $162.5m) which were past due but not impaired. These relate to customers for whom there is no recent history or expectation of default. The ageing analysis of these trade receivables, net of provisions, is as follows:

	2014 $m	2013 $m
Up to 3 months overdue	**163.1**	129.1
Over 3 months overdue	**67.8**	33.4
	230.9	162.5

Construction contracts

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

	2014 $m	2013 $m
Contract costs incurred and recognised profit for projects to date	**1,082.7**	1,051.3
Contract revenue recognised in the year	**31.4**	183.9
Receivables for work done under these contracts at the balance sheet date	**92.1**	79.2

13 Cash and cash equivalents

	2014 $m	2013 $m
Cash at bank and in hand	**146.6**	115.6
Short-term bank deposits	**36.5**	29.4
	183.1	145.0

The effective interest rate on short-term deposits was 0.2% (2013: 0.5%) and these deposits have an average maturity of 21 days (2013: 44 days).

At 31 December 2014 the Group held $10.0m of cash (2013: $10.0m) in its insurance captive subsidiary to comply with local regulatory requirements.

At 31 December 2014, $26.5m of the cash balance was subject to an attachment order.

14 Trade and other payables

	2014 $m	2013 $m
Trade payables	**297.2**	290.0
Other tax and social security payable	**54.6**	65.9
Accruals and deferred income	**548.3**	513.9
Deferred and contingent consideration	**3.0**	27.6
Other payables	**66.0**	53.7
	969.1	951.1

15 Borrowings

	2014 $m	2013 $m
Bank loans and overdrafts due within one year or on demand		
Unsecured	**14.7**	74.1
Non-current bank loans		
Unsecured	**120.0**	396.2
Senior loan notes		
Unsecured	**375.0**	-
Total non-current borrowings	**495.0**	396.2

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 bank borrowings at the balance sheet date were as follows:

	2014 %	2013 %
US Dollar	**1.21**	1.16
Sterling	**-**	1.47
Euro	**-**	1.24
Canadian Dollar	**-**	2.21
Other	**3.14**	3.14

Notes to the financial statements *continued*

15 Borrowings *(continued)*

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

	2014 $m	2013 $m
US Dollar	**124.5**	255.6
Sterling	**-**	91.1
Euro	**-**	61.3
Canadian Dollar	**-**	52.7
Other	**10.2**	9.6
	134.7	470.3

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 2014 the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to $689.2m (2013: $700.6m). At 31 December 2014, these facilities were 49% utilised (2013: 44%).

Borrowing facilities

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

	2014 $m	2013 $m
Expiring within one year	**108.8**	72.1
Expiring between two and five years	**830.0**	553.8
	938.8	625.9

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review at various dates during 2015. The Group was in compliance with its bank covenants throughout the year. In January 2015, the Group extended its $950m bilateral bank facilities until January 2020.

16 Other non-current liabilities

	2014 $m	2013 $m
Deferred and contingent consideration	**40.6**	57.6
Other payables	**89.1**	84.1
	129.7	141.7

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

17 Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy is to hedge exposures wherever practicable in order to minimise any potential adverse impact on the Group's financial performance.

Risk management is carried out by the Group Treasury department in line with the Group's Treasury policies. Group Treasury, together with the Group's business units identify, evaluate and where appropriate, hedge financial risks. The Group's Treasury policies cover specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and investment of excess cash.

Where the Board considers that a material element of the Group's profits and net assets are exposed to a country in which there is significant geo-political uncertainty a strategy is agreed to ensure that the risk is minimised.

17 Financial instruments *(continued)*

(a) Market risk

(i) Foreign exchange risk
The Group is exposed to foreign exchange risk arising from various currencies. The Group has a number of subsidiary companies whose revenue and expenses are denominated in currencies other than the US dollar. 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 does not have any financial instruments in place to hedge foreign currency movements in its balance sheet. However, strategies such as payment of intercompany dividends are used to minimise the amount of net assets exposed to foreign currency revaluation.

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 largest 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. The potential impact of changes in the sterling/US dollar exchange rate is summarised in the table below. As the Group reports in US dollars a strengthening of the pound has a positive impact on translation of its sterling companies' profits and net assets.

	2014 $m	2013 $m
Impact of 10% change to average £/$ exchange rate on profit after tax	**12.3**	15.1
Impact of 10% change to closing £/$ exchange rate on equity	**72.9**	59.4

10% has been used in these calculations as it represents a reasonable possible change in the sterling/US dollar exchange rate. The Group also has foreign exchange risk in relation a number of other currencies, in particular, the Australian dollar, the Canadian dollar, the Euro and the Norwegian kroner.

(ii) Interest rate risk
The Group finances its operations through a mixture of retained profits and debt. 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 2014, 89% (2013: 24%) of the Group's bank borrowings were at fixed rates after taking account of interest rate swaps. The increase during the year is due to the repayment of most of the Group's floating rate debt following the issue of senior loan notes in the US private placement market. If the senior loan notes are taken into account the percentage of debt at fixed rate increases to 97%.

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 2014 (2013: 1%), post-tax profit for the year would have been $2.7m lower or higher respectively (2013: $2.4m). 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 Wood Group Engineering and Wood Group PSN, each of which is 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 is provided in note 12. Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is a relevant metric.

The Group also has credit risk in relation to cash held on deposit. The Group's policy is to deposit cash at institutions with a credit rating of 'A' or better where possible. 100% of cash held on deposit at 31 December 2014 (2013: 81%) was held with such institutions.

Notes to the financial statements *continued*

17 Financial instruments *(continued)*

(c) Liquidity risk
With regard to liquidity, the Group's main priority is to ensure continuity of funding. At 31 December 2014, 89% (2013: 84%) of the Group's borrowing facilities 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. During 2014, the Group issued US$375m of unsecured senior loan notes in the US private placement market. The notes were issued at a mix of 7, 10 and 12 year maturities. In January 2015, the Group extended its bilateral facilities of $950m to January 2020.

(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. These ratios are calculated using the proportionally consolidated figures used for management reporting.

Gearing is calculated by dividing net debt by equity attributable to owners of the parent. Gearing at 31 December 2014 was 11.6% (2013: 12.9%).

Interest cover is calculated by dividing total EBITA by net finance expense. Interest cover for the year to 31 December 2014 was 22.7 times (2013: 28.7 times).

The ratio of net debt to total EBITDA at 31 December 2014 was 0.5 (2013: 0.5).

Financial liabilities
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 the bilateral bank facilities are for periods of three months or less and therefore loan interest payable is excluded from the amounts below.

At 31 December 2014	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m
Borrowings	**28.7**	**14.0**	**162.1**	**447.5**
Trade and other payables	**914.5**	**-**	**-**	**-**
Other non-current liabilities	**-**	**37.8**	**94.2**	**-**
At 31 December 2013				
Borrowings	74.1	-	396.2	-
Trade and other payables	885.2	-	-	-
Other non-current liabilities	-	50.6	96.0	-

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 2014	31.6	34.6	66.2
Exchange movements	(2.0)	(0.3)	(2.3)
Net movement in provision	4.1	10.1	14.2
At 31 December 2014	**33.7**	**44.4**	**78.1**

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

Other provisions
At 31 December 2014, other provisions of $44.4m (2013: $34.6m) have been recognised. This amount includes provisions for non-recoverable indirect taxes, provisions for legal claims, and provisions relating to the divestment of businesses. It is expected that any payment required in respect of these provisions would be made within the next two years.

19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the asset or liability has arisen. Deferred tax in relation to UK companies is provided at 20% (2013: 22%). The movement on the deferred tax account is shown below:

	2014 $m	2013 $m
At 1 January	**(28.2)**	(30.6)
Exchange movements	**2.4**	1.3
Credit to income statement (note 5)	**(31.7)**	(33.4)
Acquisitions (note 27)	**5.9**	4.1
Disposals	**1.3**	-
Deferred tax relating to retirement benefit liabilities	**(3.3)**	3.8
Deferred tax relating to share option schemes	**6.3**	10.7
Deferred tax relating to foreign exchange on net investment in subsidiary	**(11.1)**	-
Reclassified as held for sale	**-**	15.9
At 31 December	**(58.4)**	(28.2)

Deferred tax is presented in the financial statements as follows:

	2014 $m	2013 $m
Deferred tax assets	**(62.3)**	(28.2)
Deferred tax liabilities	**3.9**	-
	(58.4)	(28.2)

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 $93.7m (2013: $51.1m) 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:-

2014	**Accelerated tax depreciation $m**	**Pension $m**	**Share based charges $m**	**Short term timing differences $m**	**Losses $m**	**Total $m**
Deferred tax assets	**44.5**	**(5.4)**	**(10.7)**	**(90.3)**	**(0.4)**	**(62.3)**
Deferred tax liabilities	**-**	**-**	**-**	**3.9**	**-**	**3.9**
Net deferred tax asset	**44.5**	**(5.4)**	**(10.7)**	**(86.4)**	**(0.4)**	**(58.4)**
2013						
Deferred tax assets	66.3	(9.1)	(19.2)	(57.1)	(9.1)	(28.2)

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 2014 for these schemes amounted to $17.4m (2013: $22.4m). $18.2m (2013: $21.0m) relating to the charge has been credited to retained earnings and $0.8m (2013: $1.4m charge) has been deducted from liabilities reflecting a credit to operating profit for the year in respect of 2013 true-ups to the LTCIP, which is a cash settled scheme.

In addition, accelerated charges of $4.8m have been booked to exceptional items in the period relating to employees who transferred to the EthosEnergy joint venture. $1.3m of this amount is credited to equity and $3.5m, representing the cash amount payable to former Group employees in compensation for loss of the options, is credited to non-current liabilities.

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

ESOS and LTRP

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 20% for ESOS and 25% for LTRP. The share price volatility used in the calculation of 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.

Long Term Incentive Plan

The Group's Long Term Incentive Plan ('LTIP') was in place from 2008 to 2012. Under this Scheme, the executive directors and certain senior executives were awarded shares or share options dependent upon the achievement of performance targets established by the Remuneration Committee. The performance measures for the LTIP were 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.

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 the 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. Participants may be granted conditional share awards or nil cost options at the start of the cycle. Performance is measured over a three year period and up to 80% of an award may vest based on the performance over that period. The vesting of at least 20% of any award is normally deferred for a further period of at least two years.

Performance based awards

Details of the LTIP/LTP awards are set out in the table below. 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.

	Cycle 3 (LTIP)	Cycle 4 (LTIP)	Cycle 5 (LTIP)	Cycle 6 (LTP)	Cycle 7 (LTP)
Performance period	2010-12	2011-13	2012-14	2013-15	2014-16
Fair value of awards	£3.01	£5.10	£6.18	£7.53	£7.26
Type of award	Shares	Shares/options	Shares/options	Options	Options
Outstanding at 31/12/14	370,947	491,657	-	1,912,928	2,241,930
Options issuable at 31/12/14	-	-	616,202	-	-

The awards outstanding under cycles 3 and 4 represent 20% of the award at vesting which is deferred for two years. The options issuable under cycle 5 are estimated based on anticipated achievement against the set targets.

Further details on the LTP are provided in the Directors' Remuneration Report.

LTCIP

The share based charge for the LTCIP for cycle 4 and 5 was calculated using a fair value of £5.95 (2013: £6.62). 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.

20 Share based charges *(continued)*

Share options

A summary of the basis for the charge for ESOS, LTRP and LTP options is set out below together with the number of options granted, exercised and lapsed during the year.

	ESOS		LTRP		LTRP	
	2014	2013	**2014**	2013	**2014**	2013
Number of participants	**1,002**	1,054	**442**	453	**293**	3
Lapse rate	**25%**	20%	**20%**	15%	**20%**	15%
Risk free rate of return on grants during year	**1.55%**	1.45%	**-**	-	**1.55%**	1.45%
Share price volatility	**40%**	40%	**40%**	40%	**40%**	40%
Dividend yield on grants during year	**1.78%**	1.47%	**-**	-	**1.78%**	1.47%
Fair value of options granted during year	**£2.27**	£2.29	**-**	-	**£7.03**	£7.65
Weighted average remaining contractual life	**6.9 years**	7.2 years	**2.3 years**	2.7 years	**4.3 years**	4.5 years
Options outstanding 1 January	**8,736,827**	9,655,995	**3,421,120**	4,915,876	**11,500**	-
Options granted during the year	**1,166,552**	1,954,000	**-**	913,680	**973,000**	11,500
Options exercised during the year	**(1,872,405)**	(2,130,318)	**(1,139,828)**	(2,104,012)	**-**	-
Options lapsed during the year	**(1,162,480)**	(742,850)	**(435,734)**	(304,424)	**(22,104)**	-
Options outstanding 31 December	**6,868,494**	8,736,827	**1,845,558**	3,421,120	**962,396**	11,500
No. of options exercisable at 31 December	**1,612,803**	1,139,791	**160,552**	256,500	**-**	-
Weighted average share price of options exercised during year	**£7.67**	£8.54	**£7.48**	£8.45	**-**	-

Executive Share Option Schemes

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

	Number of ordinary shares under option		Exercise price	
Year of grant	**2014**	2013	**(per share)**	**Exercise period**
2004	**-**	135,000	128½p	2008-2014
2005	**-**	10,000	145p	2009-2015
2006	**35,000**	38,500	265¼p	2010-2016
2007	**44,000**	61,000	268½p	2011-2017
2008	**77,658**	118,989	381¾p	2012-2018
2008	**8,986**	8,986	354⅓p	2012-2018
2009	**499,621**	732,316	222p	2013-2019
2009	**25,000**	35,000	283⅔p	2013-2019
2010	**922,538**	2,270,374	377½p	2014-2020
2011	**1,309,192**	1,730,681	529½p	2015-2021
2012	**1,313,636**	1,710,398	680½p	2016-2022
2012	**5,000**	5,000	802p	2016-2022
2013	**1,482,019**	1,876,583	845⅓p	2017-2023
2013	**4,000**	4,000	812p	2017-2023
2014	**1,141,844**	-	767⅔p	2018-2024
	6,868,494	8,736,827		

Details of the Group's Executive Share Option Schemes are set out in the Directors' Remuneration Report. Share options are granted at an exercise price equal to the average mid-market price of the shares on the three days prior to the date of grant.

Notes to the financial statements *continued*

20 Share based charges *(continued)*

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 **2014**	2013	**Exercise price (per share)**	**Exercise period**
2009	**-**	256,500	$3\frac{1}{3}$p	2013-2014
2010	**160,552**	940,272	$3\frac{1}{3}$p	2014-2015
2011	**71,563**	67,917	$3\frac{1}{3}$p	2015-2016
2011	**394,799**	495,982	$4\frac{2}{7}$p	2015-2016
2012	**583,811**	794,010	$4\frac{2}{7}$p	2016-2017
2013	**634,833**	866,439	$4\frac{2}{7}$p	2017-2018
	1,845,558	3,421,120		

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. Further details on the LTRP are provided in the Directors' Remuneration Report.

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

Year of grant	Number of ordinary shares under option **2014**	2013	**Exercise price (per share)**	**Exercise period**
2013	**11,500**	11,500	0.00p	2017-2018
2014	**950,896**	-	0.00p	2018-2019
	962,396	11,500		

Options are granted under the Group's LTP at nil value. There are performance criteria relating to the creation of the pool available but none relating to the exercise of the options. Further details on the LTP are provided in the Directors' Remuneration Report.

21 Share capital

Ordinary shares of $4\frac{2}{7}$ pence each (2013: $4\frac{2}{7}$ pence) Issued and fully paid	**2014 shares**	**2014 \$m**	2013 **shares**	2013 \$m
At 1 January	**375,075,384**	**23.6**	373,175,384	23.5
Allocation of new shares to employee share trusts	**1,900,000**	**0.1**	1,900,000	0.1
At 31 December	**376,975,384**	**23.7**	375,075,384	23.6

22 Share premium

	2014 \$m	2013 \$m
At 1 January	**56.0**	54.3
Allocation of new shares to employee share trusts	**-**	1.7
At 31 December	**56.0**	56.0

23 Retained earnings

	2014 $m	2013 $m
At 1 January	**1,856.6**	1,640.7
Profit for the year attributable to owners of the parent	**322.0**	295.9
Dividends paid (note 6)	**(87.2)**	(67.4)
Credit relating to share based charges (note 20)	**19.5**	21.0
Re-measurement (loss)/gain on retirement benefit liabilities (note 29)	**(16.5)**	16.5
Movement in deferred tax relating to retirement benefit liabilities	**3.3**	(3.8)
Shares allocated to employee share trusts	**(0.1)**	(1.8)
Shares purchased by employee share trusts	**-**	(47.8)
Shares disposed of by employee share trusts	**11.2**	7.9
Tax credit relating to share option schemes	**1.8**	3.2
Tax credit relating to foreign exchange on net investment in subsidiary	**15.0**	-
Transactions relating to joint ventures and non-controlling interests	**8.5**	(3.3)
Exchange movements in respect of shares held by employee share trusts	**8.7**	(4.5)
At 31 December	**2,142.8**	1,856.6

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. No options have been granted over shares held by the employee share trusts (2013: nil).

Shares held by employee share trusts

	2014		2013	
	Shares	**$m**	Shares	$m
Balance 1 January	**11,640,553**	**158.9**	11,599,912	112.7
New shares allocated	**1,900,000**	**0.1**	1,900,000	1.8
Shares purchased	**-**	**-**	3,934,000	47.8
Shares issued to satisfy option exercises	**(3,012,233)**	**(11.2)**	(4,227,436)	(7.9)
Shares issued to satisfy awards under Long Term Incentive Plan	**(1,038,523)**	**-**	(1,565,923)	-
Exchange movement	**-**	**(8.7)**	-	4.5
Balance 31 December	**9,489,797**	**139.1**	11,640,553	158.9

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. Shares are allocated to the employee share trusts in order to satisfy future option exercises at various prices.

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 2014 was $88.3m (2013: $132.3m) based on the closing share price of £5.96 (2013: £6.86). The employee share trusts have waived their rights to receipt of dividends on ordinary shares.

Notes to the financial statements *continued*

24 Other reserves

	Capital reduction reserve $m	Capital redemption reserve $m	Currency translation reserve $m	Hedging reserve $m	Total $m
At 1 January 2013	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
At 31 December 2013	88.1	439.7	(55.8)	(0.8)	471.2
Exchange movements on retranslation of foreign currency net assets	-	-	(147.4)	-	(147.4)
Cash flow hedges	-	-	-	(0.1)	(0.1)
At 31 December 2014	**88.1**	**439.7**	**(203.2)**	**(0.9)**	**323.7**

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

	2014 $m	2013 $m
At 1 January	**8.9**	8.2
Exchange movements	**(0.3)**	(0.2)
Share of profit for the year	**14.3**	4.6
Dividends paid to non-controlling interests	**(7.7)**	(3.1)
Other transactions with non-controlling interests	**(2.1)**	(0.6)
At 31 December	**13.1**	8.9

26 Cash generated from operations

	2014 $m	2013 $m
Reconciliation of operating profit to cash generated from operations:		
Operating profit from continuing operations	**497.4**	364.6
Less share of post-tax profit from joint ventures	**(30.0)**	(1.9)
	467.4	362.7
Operating (loss)/profit from discontinued operations (note 27)	**(27.3)**	55.2
	440.1	417.9
Adjustments for:		
Depreciation	**46.3**	44.8
Loss on disposal of property plant and equipment	**6.2**	1.6
Amortisation of intangible assets	**98.9**	101.7
Share based charges	**22.2**	22.4
Increase/(decrease) in provisions	**7.5**	(7.5)
Dividends from joint ventures	**20.3**	24.7
Exceptional items- non cash impact	**23.5**	(23.4)
Changes in working capital (excluding effect of acquisition and divestment of subsidiaries)		
Increase in inventories	**(5.2)**	(9.7)
Increase in receivables	**(73.5)**	(66.5)
(Decrease)/increase in payables	**(0.8)**	11.0
Exchange movements	**(14.1)**	(8.4)
Cash generated from operations	**571.4**	508.6

Analysis of net debt

	At 1 January 2014 $m	Cash flow $m	Exchange movements $m	At 31 December 2014 $m
Cash and cash equivalents	145.0	47.1	(9.0)	**183.1**
Short-term borrowings	(74.1)	59.3	0.1	**(14.7)**
Long-term borrowings	(396.2)	(103.3)	4.5	**(495.0)**
Net debt	(325.3)	3.1	(4.4)	**(326.6)**

Notes to the financial statements *continued*

27 Acquisitions and divestments

Acquisitions

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

	Agility Projects AS $m	Other $m	Total $m
Property plant and equipment	2.9	10.0	12.9
Intangible assets recognised on acquisition	17.1	10.5	27.6
Other intangible assets	7.0	-	7.0
Trade and other receivables	66.6	20.8	87.4
Cash and cash equivalents	9.3	4.3	13.6
Borrowings	-	(8.7)	(8.7)
Trade and other payables	(75.9)	(7.8)	(83.7)
Income tax liabilities	-	(0.2)	(0.2)
Deferred tax	(5.7)	(0.2)	(5.9)
Total identifiable net assets acquired	**21.3**	**28.7**	**50.0**
Goodwill	140.9	59.1	200.0
Non-controlling interests	-	2.1	2.1
Consideration	**162.2**	**89.9**	**252.1**
Consideration satisfied by:			
Cash	162.2	105.6	267.8
Deferred and contingent consideration	-	(15.7)	(15.7)
	162.2	**89.9**	**252.1**

The Group has used acquisition accounting for the purchases and, in accordance with the Group's accounting policies, the goodwill arising on consolidation of $200.0m has been capitalised. The table reflects payments in respect of deferred and contingent consideration made in relation to acquisitions in prior periods.

During the year the Group acquired 100% of the share capital of Agility Projects AS, 100% of the share capital of Cape Software Inc, 100% of the share capital of Sunstone Projects Ltd and 100% of the share capital of Swaggart Brothers Inc. The Group also acquired the assets of Meesters. Due to its size, the acquisition of Agility Projects AS 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 $27.6m, 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 $2.8m have also been recorded. Trade and other receivables acquired of $87.4m are expected to be recovered in full.

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

	$m
Cash consideration	**267.8**
Cash acquired	**(13.6)**
Borrowings acquired	**8.7**
Cash outflow	**262.9**

Included in the cash outflow above are deferred and contingent consideration payments of $40.8m made during the year in respect of acquisitions made in prior periods and $4.8m in respect of the acquisition of non-controlling interests.

27 Acquisitions and divestments *(continued)*

The results of the Group, as if the above acquisitions had been made at the beginning of period, are presented in the table below. Note that total revenue and EBITA includes share of joint venture revenue and EBITA and is consistent with the presentation in note 1.

	$m
Total Revenue	**7,820.0**
Total EBITA	**569.8**

From the date of acquisition to 31 December 2014, the acquisitions contributed $125.0m to revenue and $9.8m to EBITA.

Divestments

In May 2014, the Group's joint venture with Siemens, EthosEnergy Group Limited was formed. Whilst the Group has a 51% shareholding in the new entity, all significant decision making requires unanimous consent from both parties and therefore the Group does not have control and the new company is accounted for as a joint venture. The transaction was accounted for under IAS 28 'Investments in associates and joint ventures' as follows -:

	$m	**$m**
Book value of net assets transferred to EthosEnergy		541.8
Cash received and receivable		(157.4)
Net assets disposed		384.4
Value of the Group's investment in EthosEnergy		(384.4)
		-
Disposal costs		
Cumulative foreign exchange losses recycled through the income statement	7.0	
Accelerated share based charges	4.8	
Legal and other costs	11.2	23.0
Net impact of transaction included in exceptional items per note 4		23.0

The value of the Group's investment in EthosEnergy represents the fair value of the net assets disposed.

Under the joint venture agreement the Group received a 51% ownership interest in EthosEnergy and EthosEnergy was required to pay the Group $70.0m, of which $21.0m was paid during 2014. In addition, an estimated $87.4m is payable by EthosEnergy in respect of post close adjustments for items including working capital and indebtedness at the date of formation. $37.6m of this amount was received during 2014. Foreign exchange losses of $7.0m which were recorded in the currency translation reserve in prior years have been recycled through the income statement as required by IAS 21 'The effects of changes in foreign exchange rates'. Further details of the accelerated share based charges are provided in note 20.

The results of the Wood Group businesses transferred to EthosEnergy are shown as profit from discontinued operations in the Group income statement. EBITA losses for the four month period were $1.7m, operating losses (after deducting the $23.0m disposal costs above) were $27.3m, and losses after tax were $25.9m. Cash outflows from discontinued operations amounted to $24.3m, comprising $12.7m operating cash outflows, $7.1m investing cash outflows and $4.5m financing cash outflows. At 31 December 2013 the assets and liabilities that the Group anticipated transferring to EthosEnergy were classified as held for sale.

During the year, the Group disposed of one of its South American businesses for net proceeds of $1.7m. No gain or loss was recorded on the transaction, the net assets having already been written down in 2013.

28 Employees and directors

Employee benefits expense	**2014 $m**	2013 $m
Wages and salaries	**2,905.6**	2,927.7
Social security costs	**240.6**	202.0
Pension costs – defined benefit schemes (note 29)	**3.5**	7.5
Pension costs – defined contribution schemes (note 29)	**89.6**	92.8
Share based charges	**17.4**	22.4
	3,256.7	3,252.4

Employee benefits expense includes both continuing and discontinued operations.

Notes to the financial statements *continued*

28 Employees and directors *(continued)*

Average monthly number of employees (including executive directors)	2014 No.	2013 No.
By geographical area:		
UK	**9,512**	8,412
US	**12,409**	10,699
Rest of the World	**10,019**	10,759
	31,940	29,870

The average number of employees excludes contractors and employees of joint venture companies.

Key management compensation	2014 $m	2013 $m
Salaries and short-term employee benefits	**8.4**	8.5
Amounts receivable under long-term incentive schemes	**1.6**	2.0
Social security costs	**1.1**	1.1
Post-employment benefits	**0.4**	0.5
Share based charges	**2.6**	4.1
	14.1	16.2

Key management compensation represents the charge to the income statement in respect of the remuneration of the Group Board and Group Excom members.

Directors	2014 $m	2013 $m
Aggregate emoluments	**5.0**	5.9
Aggregate amounts receivable under long-term incentive schemes	**1.0**	1.4
Aggregate gains made on the exercise of share options	**1.4**	0.9
Share based charges	**1.7**	3.1
	9.1	11.3

At 31 December, three directors (2013: three) had retirement benefits accruing under a defined contribution pension plan and no directors (2013: one) had benefits accruing under the Group's defined benefit pension scheme. Further details of directors' 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. From April 2007 members accrued benefits under the scheme on a 'CARE' (Career Averaged Revalued Earnings) basis. On 30 June 2014, the scheme was closed to future accrual. A past service gain of £4.0m ($6.7m) arose as a result of the closure of the scheme and this amount has been credited to administrative expenses in the income statement.

The most recent actuarial valuation of the scheme was carried out at 5 April 2013 by a professionally qualified actuary. On closure of the scheme to future accrual, £7.5m was paid by the Group to reduce the scheme deficit. The Group has also agreed to pay deficit reduction contributions of £1.7m per annum from 2014 until 2021. At 31 December 2014, there were no active members (2013: 241), 330 pensioners (2013: 286) and 837 deferred members (2013: 654) of the scheme.

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

	2014 %	2013 %
Discount rate	**3.6**	4.5
Rate of increase in pensionable salaries	**N/A**	5.4
Rate of increase in pensions in payment and deferred pensions	**3.1**	3.4
Rate of retail price index inflation	**3.1**	3.4
Rate of consumer price index inflation	**2.3**	2.6

29 Retirement benefit obligations *(continued)*

At 31 December 2014, 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 PXA00 CMI_2012 (1.25%).

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

	2014 $m	2013 $m
Present value of funded obligations	**(293.1)**	(267.1)
Fair value of scheme assets	**266.1**	225.9
Net liabilities	**(27.0)**	(41.2)

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

	2014 $m	2014 %	2013 $m	2013 %
Equity securities	**201.4**	**75.7**	196.8	87.1
Corporate bonds	**18.4**	**6.9**	17.8	7.9
Gilts	**19.4**	**7.3**	8.1	3.6
Annuity policies	**7.2**	**2.7**	-	-
Cash	**19.7**	**7.4**	3.2	1.4
	266.1	**100.0**	225.9	100.0

The amounts recognised in the income statement are as follows:

	2014 $m	2013 $m
Current service cost included within employee benefits expense	**3.5**	7.5
Past service gain	**(6.7)**	-
Interest cost	**12.0**	10.8
Interest income on scheme assets	**(10.2)**	(8.4)
Total included within finance expense	**1.8**	2.4

The employee benefits expense and past service gain are included within administrative expenses in the income statement.

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

	2014 $m	2013 $m
Present value of funded obligations at 1 January	**267.1**	246.1
Current service cost	**3.5**	7.5
Past service gain	**(6.7)**	-
Interest cost	**12.0**	10.8
Re-measurements:		
- actuarial losses arising from changes in financial assumptions	**37.5**	11.4
- actuarial gains arising from changes in demographic assumptions	**-**	(9.2)
- actuarial losses arising from changes in experience	**7.0**	0.1
Benefits paid	**(9.2)**	(5.1)
Exchange movements	**(18.1)**	5.5
Present value of funded obligations at 31 December	**293.1**	267.1

At 31 December 2014, the present value of funded obligations comprised $216.0m relating to deferred members and $77.1m relating to pensioners.

Notes to the financial statements *continued*

29 Retirement benefit obligations *(continued)*

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

	2014 $m	2013 $m
Fair value of scheme assets at 1 January	**225.9**	191.1
Interest income on scheme assets	**10.2**	8.4
Contributions	**28.0**	7.9
Benefits paid	**(9.2)**	(5.1)
Expenses paid	**(0.5)**	(0.4)
Re-measurement gain on scheme assets	**28.0**	18.8
Exchange movements	**(16.3)**	5.2
Fair value of scheme assets at 31 December	**266.1**	225.9

Analysis of the movement in the balance sheet liability:

	2014 $m	2013 $m
At 1 January	**41.2**	55.0
Current service cost	**3.5**	7.5
Past service gain	**(6.7)**	-
Finance expense	**1.8**	2.4
Contributions	**(28.0)**	(7.9)
Expenses paid	**0.5**	0.4
Re-measurement losses/(gains) recognised in the year	**16.5**	(16.5)
Exchange movements	**(1.8)**	0.3
At 31 December	**27.0**	41.2

The contributions expected to be paid during the financial year ending 31 December 2015 amount to $2.7m (£1.7m).

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 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.

29 Retirement benefit obligations *(continued)*

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.

Assumption	Change	Impact on obligation
Discount rate	0.1%	$5.8m
Rate of retail prices index inflation	0.1%	$3.3m
Rate of consumer price index inflation	0.1%	$1.2m
Life expectancy	1 year	$7.5m

Defined contribution plans

Pension costs for defined contribution plans were as follows:

	2014 $m	2013 $m
Defined contribution plans	**89.6**	92.8

There were no material contributions outstanding at 31 December 2014 in respect of defined contribution plans.

30 Operating lease commitments – minimum lease payments

	2014 Property $m	**2014 Vehicles, plant and equipment $m**	2013 Property $m	2013 Vehicles, plant and equipment $m
Amounts payable under non-cancellable operating leases due:				
Within one year	**87.8**	**17.7**	83.0	11.0
Later than one year and less than five years	**268.1**	**14.5**	244.9	18.2
After five years	**188.2**	**-**	184.8	-
	544.1	**32.2**	512.7	29.2

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.

The Group is aware of potential legal challenges which may affect historic and future employment costs and may have an impact on the Group. At this point it is not possible to make a reliable estimate of the liability, if any, that may arise and therefore no provision has been made.

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 investigations in relation to facilities where it provides or 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

	2014 $m	2013 $m
Contracts placed for future capital expenditure not provided in the financial statements	**5.8**	8.8

The capital expenditure above relates to property plant and equipment. In addition, joint venture companies have commitments amounting to $2.0m.

Notes to the financial statements *continued*

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.

	2014 $m	2013 $m
Sale of goods and services to joint ventures	**57.5**	25.1
Purchase of goods and services from joint ventures	**15.6**	11.7
Receivables from joint ventures	**181.0**	87.0
Payables to joint ventures	**27.6**	9.8

Key management compensation is disclosed in note 28.

34 Subsequent events

In January 2015, the Group extended its $950m bilateral bank facilities until January 2020.

35 Principal subsidiaries and joint ventures

The Group's principal subsidiaries and joint ventures at 31 December 2014 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	
Wood Group Mustang (Canada) Inc	Canada	100	
Wood Group Mustang Norway AS	Norway	100	
Wood Group PSN – Production Services			
Wood Group Engineering (North Sea) Limited	UK	100	Brownfield engineering and modifications, production enhancement, operations and management, facility construction and maintenance management training 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 PSN – Turbine Activities			
RWG (Repair & Overhauls) Limited	UK	50*	Industrial gas turbine and rotating equipment repair, maintenance and overhaul and power plant EPC services.
TransCanada Turbines Limited	Canada	50*	
EthosEnergy Group Limited	UK	51*	

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

36 Reconciliation of primary financial statements as previously reported to adjust for change to equity accounting

The financial statements for the year ended 31 December 2013 have been restated as a result of the introduction of IFRS 11 'Joint Arrangements'. Previously, the Group used proportional consolidation to account for its interests in joint ventures. Under IFRS 11, equity accounting must be used to account for interests in joint ventures and therefore these periods have been restated accordingly.

Group income statement for year ended 31 December 2013

	As previously reported $m	Adjust for joint ventures previously proportionally consolidated $m	As restated $m
Revenue from continuing operations	6,379.7	(626.5)	5,753.2
Cost of sales	(5,351.9)	548.6	(4,803.3)
Gross profit	**1,027.8**	**(77.9)**	**949.9**
Administrative expenses	(662.2)	75.0	(587.2)
Share of post-tax profit from joint ventures	-	1.9	1.9
Operating profit	**365.6**	**(1.0)**	**364.6**
Finance income	1.1	-	1.1
Finance expense	(19.6)	0.7	(18.9)
Profit before tax from continuing operations	**347.1**	**(0.3)**	**346.8**
Taxation	(92.6)	10.4	(82.2)
Profit for the period from continuing operations	**254.5**	**10.1**	**264.6**
Profit from discontinued operations, net of tax	46.0	(10.1)	35.9
Profit for the year	**300.5**	**-**	**300.5**

Notes to the financial statements *continued*

36 Reconciliation of primary financial statements as previously reported to adjust for change to equity accounting *(continued)*

Group balance sheet as at 31 December 2013

	As reported $m	Joint venture held for sale adjustment $m	Equity accounting adjustment $m	As restated $m
Non-current assets				
Goodwill and other intangible assets	1,875.5	3.8	(24.3)	1,855.0
Property plant and equipment	221.3	2.4	(36.4)	187.3
Investment in joint ventures	-	-	137.8	137.8
Long term receivables	68.0	-	-	68.0
Deferred tax assets	27.2	-	1.0	28.2
	2,192.0	**6.2**	**78.1**	**2,276.3**
Current assets				
Inventories	101.1	35.1	(124.8)	11.4
Trade and other receivables	1,365.1	9.9	(132.2)	1,242.8
Income tax receivable	20.7	-	(1.6)	19.1
Assets held for sale	685.6	(51.2)	-	634.4
Cash and cash equivalents	183.5	-	(38.5)	145.0
	2,356.0	**(6.2)**	**(297.1)**	**2,052.7**
Current liabilities				
Borrowings	96.8	-	(22.7)	74.1
Trade and other payables	1,123.0	1.9	(173.8)	951.1
Liabilities held for sale	185.4	(2.4)	-	183.0
Income tax liabilities	61.3	0.3	(2.4)	59.2
	1,466.5	**(0.2)**	**(198.9)**	**1,267.4**
Net current assets	**889.5**	**(6.0)**	**(98.2)**	**785.3**
Non-current liabilities				
Borrowings	396.2	-	-	396.2
Retirement benefit obligations	41.2	-	-	41.2
Other non-current liabilities	141.0	-	0.7	141.7
Provisions	86.8	0.2	(20.8)	66.2
	665.2	**0.2**	**(20.1)**	**645.3**
Net assets	**2,416.3**	**-**	**-**	**2,416.3**
Equity attributable to owners of the parent				
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
	2,407.4	**-**	**-**	**2,407.4**
Non-controlling interests	8.9	-	-	8.9
Total equity	**2,416.3**	**-**	**-**	**2,416.3**

36 Reconciliation of primary financial statements as previously reported to adjust for change to equity accounting *(continued)*

Group cash flow statement for the year ended 31 December 2013

	As reported $m	Equity accounting adjustment $m	As restated $m
Cash generated from operations			
Operating profit from continuing operations	365.6	(2.9)	362.7
Operating profit from discontinued operations	65.8	(10.6)	55.2
Adjustments for:			
Depreciation	51.9	(7.1)	44.8
Loss on disposal of property plant and equipment	1.6	-	1.6
Amortisation of intangible assets	102.1	(0.4)	101.7
Share based charges	22.4	-	22.4
Decrease in provisions	(7.6)	0.1	(7.5)
Dividends from joint ventures	-	24.7	24.7
Exceptional items - non-cash impact	4.6	(28.0)	(23.4)
Changes in working capital			
Increase in inventories	(17.9)	8.2	(9.7)
Increase in receivables	(66.8)	0.3	(66.5)
Increase in payables	23.2	(12.2)	11.0
Exchange movements	(8.5)	0.1	(8.4)
Cash generated from operations	**536.4**	**(27.8)**	**508.6**
Tax paid	(127.8)	4.1	(123.7)
Net cash from operating activities	**408.6**	**(23.7)**	**384.9**
Cash flow from investing activities			
Acquisition of subsidiaries (net of cash and borrowings acquired)	(287.3)	-	(287.3)
Acquisition of non-controlling interests	(3.1)	-	(3.1)
Proceeds from disposal of subsidiaries (net of cash and borrowings disposed)	0.3	-	0.3
Purchase of property, plant and equipment	(90.4)	5.9	(84.5)
Proceeds from sale of property, plant and equipment	2.6	(0.3)	2.3
Purchase of intangible assets	(51.6)	0.7	(50.9)
Interest received	1.1	-	1.1
Loans to joint ventures	-	(6.6)	(6.6)
Investment in joint ventures	-	(1.3)	(1.3)
Net cash used in investing activities	**(428.4)**	**(1.6)**	**(430.0)**
Cash flows from financing activities			
Proceeds from bank loans	165.4	1.3	166.7
Purchase of shares by employee share trusts	(47.8)	-	(47.8)
Proceeds from disposal of shares by employee share trusts	7.9	-	7.9
Interest paid	(18.6)	0.6	(18.0)
Dividends paid to shareholders	(67.4)	-	(67.4)
Dividends paid to non-controlling interests	(3.1)	-	(3.1)
Net cash from financing activities	**36.4**	**1.9**	**38.3**
Net increase/(decrease) in cash and cash equivalents	**16.6**	**(23.4)**	**(6.8)**
Effect of exchange rate changes on cash	(5.4)	-	(5.4)
Opening cash and cash equivalents	172.3	(15.1)	157.2
Closing cash and cash equivalents	**183.5**	**(38.5)**	**145.0**

Company financial statements

Company financial statements

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

Report on the Parent Company financial statements

Our opinion

In our opinion, John Wood Group PLC's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2014;
- 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.

What we have audited

John Wood Group PLC's financial statements comprise:

- the Balance sheet as at 31 December 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is 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.

Opinions on matter 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 financial statements are prepared is consistent with the financial statements.

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 financial statements 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 are not made. 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 financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited 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.

Other matter

We have reported separately on the group financial statements of John Wood Group PLC for the year ended 31 December 2014.

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

16 February 2015

Company balance sheet
as at 31st December 2014

	Note	2014 $m	2013 $m
Fixed assets			
Investments	1	**3,221.8**	2,926.0
Current assets			
Debtors	2	**1,031.7**	1,035.9
Cash at bank and in hand	3	**1.7**	-
		1,033.4	1,035.9
Creditors: amounts falling due within one year	4	**(947.0)**	(1,006.1)
Net current assets		**86.4**	29.8
Total assets less current liabilities		**3,308.2**	2,955.8
Creditors: amounts falling due after more than one year	5	**(1,789.4)**	(1,623.6)
Net assets		**1,518.8**	1,332.2
Capital and reserves			
Share capital	7	**23.7**	23.6
Share premium	8	**56.0**	56.0
Profit and loss account	9	**901.4**	714.8
Other reserves	10	**537.7**	537.8
Total shareholders' funds		**1,518.8**	1,332.2

The financial statements on pages 100 to 107 were approved by the Board of Directors on 16 February 2015, and signed on its behalf by

Bob Keiller, Director

Alan G Semple, Director

Notes to the Company financial statements
for the year to 31st December 2014

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 financial statements:-

	2014	2013
Average rate £1 = $	**1.6469**	1.5673
Closing rate £1 = $	**1.5593**	1.6563

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 financial statements 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 tax expense in the profit and loss account represents the sum of taxes currently payable and deferred taxes. The tax currently payable is based on taxable profit for the year and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, tax is recognised in the profit and loss account.

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

Notes to the Company financial statements *continued*

1 Investments

	Subsidiaries $m
Cost	
At 1 January 2014	2,992.1
Exchange movements	(3.6)
Additions	299.4
At 31 December 2014	**3,287.9**
Amounts provided	
At 1 January 2014 and 31 December 2014	**66.1**
At 31 December 2014	**3,221.8**
At 31 December 2013	2,926.0

The most significant addition during the year was the acquisition of shares in Wood Group Power Investments Limited amounting to $282.1m.

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

The Company's principal subsidiaries at 31 December 2014 are listed below. The Company 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	Country of incorporation or registration	Ownership interest %
JWG USA Holdings Limited	Scotland	100%
Wood Group Investments Limited	Scotland	100%
Wood Group Power Investments Limited	Scotland	100%
John Wood Group Holdings BV	The Netherlands	100%
Wood Group Holdings (International) Limited	Scotland	100%
JWGUSA Holdings Inc	USA	100%
JWG Ireland USD	Ireland	100%
JWG Ireland USD 2	Ireland	100%
Wood Group Management Services Limited	Scotland	100%
Wood Group Properties Limited	Scotland	100%
W L S Holdings Limited	Scotland	100%
Wood Group Engineering Services (Middle East) Limited	Jersey	100%
Wood Group Gas Turbine Services Holdings Limited	Scotland	100%
Wood Group International Limited	Scotland	100%

Notes to the Company financial statements *continued*

2 Debtors

	2014 $m	2013 $m
Loans to Group companies	**949.7**	997.9
Trade debtors – Group companies	**77.1**	32.2
Other debtors	**2.2**	-
Prepayments and accrued income	**0.5**	5.8
Corporation tax receivable	**1.0**	-
Group relief receivable	**1.2**	-
	1,031.7	1,035.9

At 31 December 2014, $63.1m (2013: $63.7m) of the amounts owed by Group companies were impaired. These amounts relate to balances due from Group companies from whom there is no expectation of payment. The ageing of these amounts is as follows:

	2014 $m	2013 $m
Over 3 months	**63.1**	63.7

The movement on the provision for impairment is as follows:

	2014 $m	2013 $m
At 1 January	**63.7**	11.3
Exchange movements	**(0.6)**	0.1
Provided during the year	**-**	52.3
At 31 December	**63.1**	63.7

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 2014 or 31 December 2013. The other classes within debtors do not contain impaired assets.

3 Cash at bank and in hand

	2014 $m	2013 $m
Cash at bank and in hand	**1.7**	-

4 Creditors : amounts falling due within one year

	2014 $m	2013 $m
Bank loans and overdrafts	**433.9**	450.7
Loans from Group companies	**500.5**	545.2
Group relief payable	**-**	4.2
Other creditors	**7.0**	4.8
Corporation tax payable	**-**	0.2
Accruals and deferred income	**5.6**	1.0
	947.0	1,006.1

5 Creditors : amounts falling due after more than one year

	2014 $m	2013 $m
Bank loans	**120.0**	396.2
Senior loan notes	**375.0**	-
Amounts due to Group undertakings	**1,294.4**	1,227.4
	1,789.4	1,623.6

During 2014, the Group issued US$375.0m of unsecured senior notes in the US private placement market. The notes were issued at a mix of 7, 10 and 12 year maturities at an average fixed rate of 3.74%.

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:

	2014 %	2013 %
US Dollar	**1.21**	1.14
Sterling	**-**	1.47
Euro	**-**	1.17
Canadian Dollar	**-**	2.21

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

	2014 $m	2013 $m
US Dollar	**120.0**	222.0
Sterling	**-**	63.9
Euro	**-**	61.3
Canadian Dollar	**-**	49.0
	120.0	396.2

Notes to the Company financial statements *continued*

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. 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 debt. 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 2014, 100% (2013: 30%) 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 2014.

(c) Liquidity risk
With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2014, 100% (2013: 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.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2014	**$m**	**$m**	**$m**	**$m**
Bank loans and senior loan notes	**14.0**	**14.0**	**162.1**	**447.5**
Creditors	**947.0**	**-**	**1,294.4**	**-**
At 31 December 2013				
Bank loans	-	-	396.2	-
Creditors	1,001.7	-	1,227.4	-

7 Share capital

	2014 $m	2013 $m
Issued and fully paid		
376,975,384 ordinary shares of 4²⁄₇p each (2013: 375,075,384 shares of 4²⁄₇p each)	**23.7**	23.6

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

8 Share premium

	2014 $m	2013 $m
At 1 January	**56.0**	54.3
Allocation of new shares to employee share trusts	**-**	1.7
At 31 December	**56.0**	56.0

9 Profit and loss account

	2014 $m	2013 $m
At 1 January	**714.8**	629.3
Retained profit for the year	**151.0**	108.6
Credit relating to share based charges	**17.4**	22.4
Shares allocated to employee share trusts	**(0.1)**	(1.8)
Shares purchased by employee share trusts	**-**	(47.8)
Shares disposed of by employee share trusts	**11.2**	7.9
Foreign exchange in respect of shares held by employee share trusts	**8.7**	(4.5)
Foreign exchange movements	**(1.6)**	0.7
At 31 December	**901.4**	714.8

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investment in own shares represents the cost of 9,489,797 (2013: 11,640,553) of the Company's ordinary shares totalling $139.1m (2013: $158.9m).

The profit for the financial year for the Company was $151.0m (2013: $108.6m). 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 (2013: $64,000). 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.

Notes to the Company financial statements *continued*

10 Other reserves

	Capital reduction reserve $m	Capital redemption reserve $m	Hedging reserve $m	Total $m
At 1 January 2013	88.1	439.7	9.8	537.6
Fair value gains	-	-	0.2	0.2
At 31 December 2013	88.1	439.7	10.0	537.8
Fair value gains	-	-	(0.1)	(0.1)
At 31 December 2014	**88.1**	**439.7**	**9.9**	**537.7**

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.

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 Reconciliation of movements in shareholders' funds

	2014 $m	2013 $m
Profit for the financial year	**238.2**	176.0
Dividends	**(87.2)**	(67.4)
	151.0	108.6
Credit relating to share based charges	**17.4**	22.4
Fair value (losses)/gains	**(0.1)**	0.2
Shares purchased by employee share trusts	**-**	(47.8)
Shares disposed of by employee share trusts	**11.2**	7.9
Foreign exchange in respect of shares held in employee share trusts	**8.7**	(4.5)
Foreign exchange movements	**(1.6)**	0.7
	186.6	87.5
Shareholders' funds at 1 January	**1,332.2**	1,244.7
Shareholders' funds at 31 December	**1,518.8**	1,332.2

Five year summary

	2014 $m	2013 $m	2012 $m	2011 $m	2010 $m
Total revenue	**7,616.4**	**7,064.2**	**6,828.1**	**6,052.3**	**5,063.1**
EBITA	**549.6**	**533.0**	**459.1**	**398.7**	**344.8**
Amortisation	(101.2)	(102.1)	(85.5)	(78.7)	(29.0)
Non-recurring items	37.6	0.5	0.7	2,138.3	(27.6)
Net finance expense	(24.2)	(18.6)	(12.9)	(12.8)	(33.6)
Profit before taxation	**461.8**	**412.8**	**361.4**	**2,445.5**	**254.6**
Taxation	(125.5)	(112.3)	(103.2)	(142.7)	(88.8)
Profit for the year	**336.3**	**300.5**	**258.2**	**2,302.8**	**165.8**
Attributable to:					
Owners of the parent	322.0	295.9	257.0	2,302.3	166.0
Non-controlling interests	14.3	4.6	1.2	0.5	(0.2)
	336.3	**300.5**	**258.2**	**2,302.8**	**165.8**
Equity attributable to owners of the parent	**2,546.2**	**2,407.4**	**2,227.1**	**1,964.5**	**1,406.3**
Net borrowings	**295.7**	**309.5**	**154.5**	**3.9**	**15.1**
Gearing ratio	**11.6%**	**12.9%**	**6.9%**	**0.2%**	**1.1%**
Interest cover	**22.7**	**28.7**	**35.6**	**31.1**	**10.3**
Diluted earnings per share (cents)	**85.8**	**79.2**	**69.0**	**513.0**	**31.3**
Adjusted diluted earnings per share (cents)	**99.6**	**98.6**	**85.2**	**60.2**	**39.7**
Dividend per share (cents)	**27.5**	**22.0**	**17.0**	**13.5**	**11.0**
Dividend cover	**3.6**	**4.5**	**5.0**	**4.5**	**3.6**

Notes

Information for shareholders

Payment of dividends

The Company declares its dividends in US dollars. As a result of the shareholders being mainly UK based, dividends will be paid in sterling, but if you would like to receive your dividend in US dollars please contact the Registrars at the address below. All shareholders will receive dividends in sterling unless requested. If you are a UK based shareholder, the Company encourages you to have your dividends paid through the BACS (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 10 April 2015 as published in the Financial Times on 11 April 2015.

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Financial calendar

Results announced	17 February 2015
Ex-dividend date	9 April 2015
Dividend record date	10 April 2015
Annual General Meeting	13 May 2015
Dividend payment date	19 May 2015

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

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