Wood Group NEWS RELEASE

Full year results for the year ended 31 December 2011

Successful strategic repositioning and strong growth

John Wood Group PLC ("Wood Group" or the "Group") is an international energy services company employing more than 39,000 people worldwide and operating in 50 countries. The Group has three businesses - Engineering, Wood Group PSN and Wood Group GTS - providing a range of engineering, production support, maintenance management and industrial gas turbine overhaul and repair services to the oil & gas, and power generation industries worldwide.

Financial Highlights

- Total revenue[1] of $6,052.3m (2010: $5,063.1) up 19.5%
- Total EBITA[1] of $398.7m (2010: $344.8m) up 15.6%
- Revenue from continuing operations[2] of $5,666.8m (2010: $4,085.1m) up 38.7%
- EBITA from continuing operations[2] of $341.6m (2010: $218.7m) up 56.2%
- Profit from continuing operations before tax and exceptional items of $254.1m (2010: $156.2m) up 62.7%
- Adjusted diluted EPS[3] of 60.2 cents (2010: 39.8 cents) up 51.3%
- Total dividend of 13.5 cents (2010: 11.0 cents) up 22.7%

Strategic and Operating Highlights

- Successful strategic repositioning
  - Acquisition of PSN, which performed ahead of expectations
  - Disposal of Well Support
  - Return of cash to shareholders of £1.1bn

- Engineering
  - Strong revenue growth and margin improvement in 2011
  - Increased activity in upstream and subsea & pipelines
  - Downstream activity in line with 2010
  - Recent awards support expectation of further revenue growth and margin improvement in 2012

- Wood Group PSN
  - Strong activity levels in North Sea and North America
  - Integration programme largely complete and on track to deliver expected synergies
  - Performance held back by previously announced losses on Wood Group Production Facilities contracts in Oman and Colombia
  - 2012 performance improvement from underlying growth and reduced contract losses

- Wood Group GTS
  - Strong recovery in Maintenance, with EBITA up over 20%
  - Successful progression of Dorad and GWF projects
  - Pursuing a number of additional Power Solutions prospects
  - Further Maintenance growth and good visibility in Power Solutions into 2012

Sir Ian Wood, Chairman, and Allister Langlands, Chief Executive said:

“We anticipate good progress in all divisions in 2012. In our activities supporting clients’ development capex, we are forecasting strong growth in Engineering driven by increased E&P capex spend and have good visibility in our Wood Group GTS Power Solutions business into 2012. In our activities supporting clients’ production opex activities, we see performance improvement in Wood Group PSN and further growth in Wood Group GTS Maintenance.

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

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There will be an analyst and investor presentation at the Lincoln Centre, 18 Lincoln’s Inn Fields, WC2A 3ED at 09.00 (GMT). Early registration is advised from 08.30 (GMT)

A live webcast of the presentation will be available from www.woodgroup.com/investors. Replay facilities will be available later in the day.

[1,2] See detailed footnotes. Continuing operations includes PSN since acquisition but excludes the Well Support division.

Chairman's and Chief Executive's statement

Introduction

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

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

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

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

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

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

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

Reflecting our confidence in the longer term outlook for the Group, we are declaring a final dividend of 9.6 cents which will bring the full year dividend to 13.5 cents, up 23% on 2010. This takes the annual compound growth in dividends since our IPO in 2002 to 18%.

Markets

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

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

Strategy

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

The strategy of the refocused group has four strands:

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

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

The Board

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

Risks and Uncertainties

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

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

Safety & Assurance

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

Outlook

We anticipate good progress in all divisions in 2012.

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

Operational Review

Engineering

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

	2011 $m	2010 $m	% Change
Revenue	**1,458.6**	1,239.1	17.7%
EBITA	**162.0**	122.0	32.8%
EBITA margin	**11.1%**	9.8%	1.3pts
People[5]	**9,100**	6,900	29%

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

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

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

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

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

Outlook

Our current order book represents around 8 months of forecast revenue following a good increase in the first two months of the year, and we have a strong prospects list. Recent contract awards, including the Ichthys detailed engineering scope for Samsung, the Tubular Bells topsides work for Williams Partners and our subsea engineering framework agreements with Shell, support our expectation of further growth in upstream and subsea & pipelines in 2012. In downstream, process & industrial, we

anticipate that performance in 2012 will be largely in line with 2011, due to ongoing weakness in the market in North America.

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

Wood Group PSN

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

	2011 $m	2010 $m	% Change
Revenue	**3,012.7**	2,041.1	47.6%
EBITA	**153.2**	101.4	51.1%
EBITA margin	**5.1%**	5.0%	0.1pts
People[5]	**26,200**	14,500	80.7%

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

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

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

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

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

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

Outlook

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

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

Wood Group GTS

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

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

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

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

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

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

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

Outlook

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

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

Financial Review

Financial Performance

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

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

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

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

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

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

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

Amortisation

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

Net finance expense

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

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

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

Exceptional Items

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

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

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

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

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

Taxation

The effective tax rate on continuing operations pre exceptional items was 29.5% (2010: 34.7%).

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

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

Earnings per share

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

Dividends

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

Summary Balance Sheet

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

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

Capital Efficiency

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

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

Return of cash and share consolidation

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

At the close of the Tender Offer on 2 June 2011, 65.9m Wood Group shares, representing approximately 12.2% of the issued ordinary share capital, had been tendered and were purchased by the Group at a price of 625 pence per share, for a total value of £411.9m ($675.7m). Following completion of the Tender Offer, the Company announced that it would complete the return of cash through a return of 140 pence per share to all shareholders on the register on 1 July 2011. The return was made through a B/C Share Scheme, which was substantially completed on 8 July 2011.

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

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

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

The amount returned under the B/C Share Scheme represented approximately 21.9% of the Company's market capitalisation on 10 June 2011. As a result of the share capital consolidation, the number of ordinary shares in issue has been reduced by a broadly equivalent percentage, shareholders having received 7 new ordinary shares for every 9 existing ordinary shares held. Following the cancellation of the ordinary shares purchased under the Tender Offer, there were 474.9 million ordinary shares in issue. On 4 July 2011, following the completion of the share capital consolidation, there were approximately 369.4 million new ordinary shares in issue.

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

Reconciliation of number of fully diluted shares

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

Cash flow and Net debt

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

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

	Full Year Dec 2011 $m	Full Year Dec 2010 $m
Average gross debt	295.5	364.3
Closing gross debt	230.5	195.2
Closing net debt	3.9	15.1

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

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

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

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

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

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

Foreign exchange and constant currency reporting

The Group's results can be impacted by movements in foreign exchange rates, including the effect of retranslating the results of subsidiaries with various functional currencies into US dollars at different exchange rates. The continuing Group's 2010 EBITA of $218.7m retranslated at 2011 average exchange rates would have been $225.4m resulting in a constant currency growth rate of 51.6% compared to a 56.2% increase in the reported numbers.

Pensions

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

The scheme is closed to new members and future benefits under the scheme are provided on a Career Average Revalued Earnings ("CARE") basis.

Full details of pension assets and liabilities are provided in note 29 to the Group financial statements.

Acquisitions

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

The Group also made a number of other acquisitions during the year including the acquisition of Dar E&C, Pi-Consult and ISI in the Engineering division and IMS and GTE in the Wood Group GTS division. These other acquisitions provide the Group with access to new markets and strengthen the Group's capabilities in certain areas. The acquired companies will be in a position to access the Group's wider client base and use the Group's existing relationships to further grow and develop their businesses.

* *

Footnotes

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

JOHN WOOD GROUP PLC

GROUP FINANCIAL STATEMENTS

FOR THE YEAR TO 31ST DECEMBER 2011

Company Registration Number 36219

John Wood Group PLC
Consolidated income statement
for the year to 31 December 2011

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

The notes on pages 25 to 74 are an integral part of these consolidated financial statements.

John Wood Group PLC
Consolidated statement of comprehensive income

for the year to 31 December 2011

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

The notes on pages 25 to 74 are an integral part of these consolidated financial statements.

John Wood Group PLC
Consolidated balance sheet
as at 31 December 2011

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

The financial statements on pages 21 to 74 were approved by the board of directors on 5 March 2012.

Allister G Langlands, Director　　　　Alan G Semple, Director

The notes on pages 25 to 74 are an integral part of these consolidated financial statements.

John Wood Group PLC
Consolidated statement of changes in equity
for the year to 31 December 2011

	Note	Share capital $m	Share premium $m	Retained earnings $m	Other reserves $m	Equity attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2010		26.3	315.8	877.6	50.5	1,270.2	10.8	1,281.0
Profit for the year		-	-	166.0	-	166.0	(0.2)	165.8
Other comprehensive income:								
Actuarial gains on retirement benefit liabilities	29	-	-	1.0	-	1.0	-	1.0
Movement in deferred tax relating to retirement benefit liabilities		-	-	(0.3)	-	(0.3)	-	(0.3)
Cash flow hedges	24	-	-	-	3.3	3.3	-	3.3
Net exchange movements on retranslation of foreign currency net assets		-	-	-	2.8	2.8	0.3	3.1
Total comprehensive income for the year		-	-	166.7	6.1	172.8	0.1	172.9
Transactions with owners:								
Dividends paid		-	-	(53.1)	-	(53.1)	(1.1)	(54.2)
Non-controlling interests arising on business combinations	25	-	-	-	-	-	0.3	0.3
Investment by non-controlling interests	25	-	-	-	-	-	0.8	0.8
Credit relating to share based charges	20	-	-	16.7	-	16.7	-	16.7
Tax credit relating to share option schemes		-	-	12.5	-	12.5	-	12.5
Shares purchased by employee share trusts		-	-	(20.8)	-	(20.8)	-	(20.8)
Shares disposed of by employee share trusts		-	-	6.3	-	6.3	-	6.3
Exchange movements in respect of shares held by employee share trusts		-	-	1.7	-	1.7	-	1.7
At 31 December 2010		26.3	315.8	1,007.6	56.6	1,406.3	10.9	1,417.2
Profit for the year		-	-	2,302.3	-	2,302.3	0.5	2,302.8
Other comprehensive income:								
Actuarial losses on retirement benefit liabilities	29	-	-	(22.6)	-	(22.6)	-	(22.6)
Movement in deferred tax relating to retirement benefit liabilities		-	-	6.1	-	6.1	-	6.1
Cash flow hedges	24	-	-	-	(1.6)	(1.6)	-	(1.6)
Net exchange movements on retranslation of foreign currency net assets		-	-		(31.1)	(31.1)	(0.2)	(31.3)
Total comprehensive income for the year		-	-	2,285.8	(32.7)	2,253.1	0.3	2,253.4
Transactions with owners:								
Dividends paid		-	-	(53.4)	-	(53.4)	(0.3)	(53.7)
Non-controlling interests arising on business combinations	25	-	-	-	-	-	0.4	0.4
Purchase of non-controlling interests	25	-	-	-	-	-	(1.8)	(1.8)
Investment by non-controlling interests	25	-	-	-	-	-	0.5	0.5
Credit relating to share based charges	20	-	-	9.7	-	9.7	-	9.7
Tax credit relating to share option schemes		-	-	20.8	-	20.8	-	20.8
Shares issued in respect of the PSN acquisition	21	0.6	-	-	114.4	115.0	-	115.0
Adjustments relating to options exercised under share symmetry scheme	22	-	6.0	(6.0)	-	-	-	-
Purchase of shares under tender offer	21	(3.6)	-	(675.7)	3.6	(675.7)	-	(675.7)
Issue of ‘B’ shares	21	436.1	(321.7)	-	(114.4)	-	-	-
Redemption of ‘B’ shares	21	(436.1)	-	(436.1)	436.1	(436.1)	-	(436.1)
Deferred share dividend	23	-	-	(533.3)	-	(533.3)	-	(533.3)
Purchase of ‘C’ shares by company	23	-	-	(113.4)	-	(113.4)	-	(113.4)
Expenses and foreign exchange relating to return of cash, net of tax	23	-	-	(24.7)	-	(24.7)	-	(24.7)
Shares purchased by employee share trusts	23	-	-	(42.5)	-	(42.5)	-	(42.5)
Shares allocated to employee share trusts	23	0.1	7.6	(7.7)	-	-	-	-
Shares disposed of by employee share trusts	23	-	-	12.3	-	12.3	-	12.3
Cash received by employee share trusts from the return of cash to shareholders	23	-	-	25.0	-	25.0	-	25.0
Exchange movements in respect of shares held by employee share trusts	23	-	-	1.4	-	1.4	-	1.4
At 31 December 2011		23.4	7.7	1,469.8	463.6	1,964.5	10.0	1,974.5

The notes on pages 25 to 74 are an integral part of these consolidated financial statements.

John Wood Group PLC
Consolidated cash flow statement
for the year to 31 December 2011

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

The notes on pages 25 to 74 are an integral part of these consolidated financial statements.

General information

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

Accounting Policies

Basis of preparation
These financial statements have been prepared in accordance with IFRS and IFRIC interpretations adopted by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of financial assets and liabilities at fair value through the income statement. Prior year comparatives have been restated to reflect the reclassification of discontinued operations and their presentation in the income statement.

Significant accounting policies
The Group's significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation
The Group financial statements are the result of the consolidation of the financial statements of the Group's subsidiary undertakings from the date of acquisition or up until the date of divestment as appropriate. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The Group's interests in joint ventures are accounted for using proportional consolidation. Under this method the Group includes its share of each joint venture's income, expenses, assets, liabilities and cash flows on a line by line basis in the consolidated financial statements. Transactions between Group subsidiaries are eliminated and transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. All Group companies apply the Group's accounting policies and prepare financial statements to 31 December.

Critical accounting 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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

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

(b) Revenue recognition
Revenue on lump sum contracts for services, construction contracts and fixed price long-term service agreements is recognised according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed to total estimated costs. Use of the percentage of completion method requires the use of estimates in assessing the stage of completion reached.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the

Accounting Policies (continued)

amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Functional currency
The Group's earnings stream is primarily US dollars and the principal functional currency is the US dollar, being the most representative currency of the Group. The Group's financial statements are therefore prepared in US dollars.

The following exchange rates have been used in the preparation of these accounts:

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

Foreign currencies
Income statements of entities whose functional currency is not the US dollar are translated into US dollars at average rates of exchange for the period and assets and liabilities are translated into US dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising on translation of net assets in such entities held at the beginning of the year, together with those differences resulting from the restatement of profits and losses from average to year end rates, are taken to the currency translation reserve.

In each individual entity, transactions in overseas currencies are translated into the relevant functional currency at the exchange rates ruling at the date of the transaction. Where more than one exchange rate is available, the appropriate rate at which assets can be readily realised and liabilities can be extinguished is used. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date. Any exchange differences are taken to the income statement.

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

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

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

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

Accounting Policies (continued)

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

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

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

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

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

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

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

Property plant and equipment
Property plant and equipment (PP&E) is stated at cost less accumulated depreciation and impairment. No depreciation is charged with respect to freehold land and assets in the course of construction. Transfers from PP&E to current assets are undertaken at the lower of cost and net realisable value.

Depreciation is calculated using the straight line method over the following estimated useful lives of the assets:

Freehold and long leasehold buildings	25-50 years
Short leasehold buildings	period of lease
Plant and equipment	3-10 years

When estimating the useful life of an asset group, the principal factors the Group takes into account are the durability of the assets, the intensity at which the assets are expected to be used and the expected rate of technological developments.

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

Accounting Policies (continued)

Impairment
The Group performs impairment reviews in respect of PP&E and other intangible assets whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. In addition, the Group carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than its carrying amount.

For the purposes of impairment testing, goodwill is allocated to the appropriate cash generating unit ("CGU"). The CGUs are aligned to the structure the Group uses to manage its business. Cash flows are discounted in determining the value in use.

Inventories
Inventories, which include materials, work in progress and finished goods and goods for resale, are stated at the lower of cost and net realisable value. Service based companies' inventories consist of spare parts and other consumables. Serialised parts are costed using the specific identification method and other materials are generally costed using the first in, first out method. Product based companies determine cost by weighted average cost methods using standard costing to gather material, labour and overhead costs. These costs are adjusted, where appropriate, to correlate closely the standard costs to the actual costs incurred based on variance analysis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. Allowance is made for obsolete and slow-moving items, based upon annual usage.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and other short-term bank deposits with maturities of three months or less and bank overdrafts where there is a right of set-off. Bank overdrafts are included within borrowings in current liabilities where there is no right of set-off.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is determined by reference to previous experience of recoverability for receivables in each market in which the Group operates.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Deferred and contingent consideration
Where it is probable that deferred or contingent consideration is payable on the acquisition of a business based on an earn out arrangement, an estimate of the amount payable is made at the date of acquisition and reviewed regularly thereafter, with any change in the estimated liability being reflected in the income statement. Changes in the estimated liability in respect of acquisitions completed before 31 December 2009 are reflected in goodwill. Changes in the estimated liability in respect of acquisitions completed after 31 December 2009 are expensed in the income statement. Where deferred consideration is payable after more than one year the estimated liability is discounted using an appropriate rate of interest.

Notes to the financial statements

for the year to 31 December 2011

Accounting Policies (continued)

Taxation

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

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

(c) Net investment hedge

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

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

Accounting Policies (continued)

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

Fair value estimation
The fair value of interest rate swaps is calculated as the present value of their estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance sheet date. The fair values of all derivative financial instruments are obtained from valuations provided by financial institutions.

The carrying values of trade receivables and payables approximate to their fair values.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

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

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

The defined benefit scheme's assets are measured using market values. Pension scheme liabilities are measured annually by an independent actuary using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in finance income/expense. Actuarial gains and losses are recognised in the statement of comprehensive income in full in the period in which they occur. The defined benefit scheme's net assets or net liabilities are recognised in full and presented on the face of the balance sheet.

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

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

Accounting Policies (continued)

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

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

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

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

(iii) The Group has a Long Term Incentive Plan ('LTIP') for executive directors and certain senior executives. Participants are awarded shares dependent on the achievement of performance targets. The charge to the income statement for shares awarded under the LTIP is based on the fair value of those shares at the grant date, spread over the vesting period. The corresponding credit is taken to retained earnings. For those awards that have a market related performance measure, the fair value of the market related element is calculated using a Monte Carlo simulation model.

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

Proceeds received on the exercise of share options are credited to share capital and share premium.

Share capital
John Wood Group PLC has one class of ordinary shares and these are classified as equity. Dividends on ordinary shares are not recognised as a liability or charged to equity until they have been approved by shareholders.

The Group is deemed to have control of the assets, liabilities, income and costs of its employee share trusts, therefore they have been consolidated in the financial statements of the Group. Shares acquired by and disposed of by the employee share trusts are recorded at cost. The cost of shares held by the employee share trusts is deducted from equity.

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

Notes to the financial statements

for the year to 31 December 2011

Accounting Policies (continued)

The CODM measures the operating performance of these segments using 'EBITA' (Earnings before interest, tax and amortisation). Operating segments are reported in a manner consistent with the internal management reports provided to the CODM who is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

Disclosure of impact of new and future accounting standards

New and amended standards adopted by the Group

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

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

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

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

John Wood Group PLC

Notes to the financial statements

for the year to 31 December 2011

1 Segmental reporting

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

Reportable Operating Segments (1)

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

Notes to the financial statements

for the year to 31 December 2011

1 Segmental reporting (continued)

Notes

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

John Wood Group PLC

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

1 Segmental Reporting (continued)

Segment assets and liabilities

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

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

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

John Wood Group PLC

Notes to the financial statements

for the year to 31 December 2011

1 Segmental Reporting (continued)

Other segment items

2011	Engineering	Wood Group PSN	Wood Group GTS	Well Support - divested	Wood Group GTS – to be divested	Unallocated	Total
	$m	$m	$m	$m	$m	$m	$m
Capital expenditure							
- Property plant and equipment	**16.1**	**18.0**	**18.9**	**15.0**	**0.8**	**2.7**	**71.5**
- Rental inventory	**-**	**-**	**-**	**2.1**	**-**	**-**	**2.1**
- Intangible assets	**10.2**	**2.5**	**12.8**	**-**	**1.3**	**5.2**	**32.0**
Non-cash expense							
- Depreciation of property plant and equipment	**8.6**	**12.6**	**13.0**	**10.0**	**-**	**3.0**	**47.2**
- Depreciation of rental inventory	**-**	**-**	**-**	**1.9**	**-**	**-**	**1.9**
- Amortisation of intangible assets	**15.5**	**54.9**	**6.8**	**-**	**-**	**1.5**	**78.7**
- Continuing exceptional items (non-cash element)	**17.9**	**41.7**	**79.4**	**-**	**-**	**-**	**139.0**

2010	$m	$m	$m	$m	$m	$m	$m
Capital expenditure							
- Property plant and equipment	5.1	13.5	10.9	22.4	0.9	2.3	55.1
- Rental inventory	-	-	-	9.0	-	-	9.0
- Intangible assets	6.3	4.3	4.4	-	-	0.6	15.6
Non-cash expense							
- Depreciation of property plant and equipment	8.2	10.8	13.9	30.3	0.4	2.7	66.3
- Depreciation of rental inventory	-	-	-	7.5	-	-	7.5
- Amortisation of intangible assets	16.0	6.6	5.9	-	-	0.5	29.0
- Continuing exceptional items (non-cash element)	-	6.2	13.4	-	-	-	19.6

1 Segmental Reporting (continued)

Geographical segments

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

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

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

2 Finance expense/(income)

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

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

3 Profit before taxation

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

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

Services provided by the Group's auditors and network firms

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

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

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

4 Exceptional items

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

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

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

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

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

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

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

5 Taxation

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

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

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates. The expected rate is the weighted average rate taking into account the Group's profits in these jurisdictions. The expected rate has decreased in 2011 due to the change in mix of the tax jurisdictions of the Group's subsidiaries following the change in structure of the Group. The tax charge for the year is higher (2010 : higher) than the expected tax charge due to the following factors:

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

6 Dividends

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

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

7 Earnings per share

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

The calculation of basic earnings per share is based on the earnings attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year excluding shares held by the Group's employee share trusts. For the calculation of diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has two types of dilutive ordinary shares – share options granted to employees under Executive Share Option Schemes and the Long Term Retention Plan; and shares issuable under the Group's Long Term Incentive Plan. Adjusted basic and adjusted diluted earnings per share is disclosed to show the results excluding the impact of exceptional items and amortisation, net of tax.

8 Goodwill and other intangible assets

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

In accordance with IAS 36 ‘Impairment of assets’, goodwill was tested for impairment during the year. The impairment tests were carried out on a Cash Generating Unit (‘CGU’) basis using the 2012-13 budgets. Cash flows for 2014-16 are assumed to grow at a rate of 5% per annum and subsequent cash flows have been assumed to grow at 3% per annum for a further 15 years reflecting expected long-term growth rates in the countries in which the Group operates. Management believe that 5% is an appropriate growth rate to use for the markets in which the Group operates. Details of other key assumptions used are included in critical accounting judgements and estimates in the Accounting Policies. In total, a 20 year period has been used for the impairment tests reflecting the expected long-term growth in the market. The cash flows have been discounted using a pre-tax discount rate of 10%.

8 Goodwill and other intangible assets (continued)

The value in use has been compared to the net book value of goodwill for each CGU to assess whether an impairment write down is required. $46.2m of goodwill has been impaired during the year. See note 4 for further details.

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

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

Development costs with a net book value of $22.9m (2010 : $11.7m) are internally generated intangible assets.

9 Property plant and equipment

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

9 Property plant and equipment (continued)

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

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

10 Joint ventures

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

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

The joint ventures have no significant contingent liabilities to which the Group is exposed, nor has the Group any significant contingent liabilities in relation to its interest in the joint ventures. The name and principal activity of the most significant joint ventures is disclosed in note 34.

11 Inventories

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

Notes to the financial statements

for the year to 31 December 2011

12 Trade and other receivables

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

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

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

Receivable days are calculated by allocating the closing trade receivables balance to current and prior period revenue including sales taxes. A receivable days calculation of 50 indicates that closing trade receivables represent the most recent 50 days of revenue. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the original receivables.

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

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

12 Trade and other receivables (continued)

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

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

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

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

Included within gross trade receivables of $1,010.6m above (2010 : $891.3m) are receivables of $209.6m (2010: $176.5m) which were past due but not impaired. These relate to customers for whom there is no recent history or expectation of default. The ageing analysis of these trade receivables is as follows:

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

Construction contracts

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

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

13 Cash and cash equivalents

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

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

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

14 Trade and other payables

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

15 Borrowings

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

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

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

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

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

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

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

15 Borrowings (continued)

Borrowing facilities

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

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

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

16 Other non-current liabilities

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

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

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 practical, the Group hedges part of its net investment in non-US dollar subsidiaries by using foreign currency bank loans. Other strategies, including the payment of dividends, are used to minimise the amount of net assets exposed to foreign currency revaluation.

Some of the revenues of the Group's businesses are to customers in overseas locations. Where possible, the Group's policy is to eliminate all significant currency exposures on revenues at the time of the transaction by using financial instruments such as forward currency contracts. Changes in the forward contract fair values are booked through the income statement, except where hedge accounting is used in which case the change in fair value is recorded in equity.

The Group carefully monitors the economic and political situation in the countries in which it operates to ensure appropriate action is taken to minimise any foreign currency exposure.

The Group's main foreign exchange risk relates to movements in the sterling/US dollar exchange rate. Movements in the sterling/US dollar rate impact the translation of sterling profit earned in the UK and the translation of sterling denominated net assets.

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

(ii) Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at floating rates of interest and then uses interest rate swaps into fixed rates to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's long-term policy is to maintain approximately 50% of its borrowings at fixed rates of interest. At 31 December 2011, 47% (2010 : 57%) of the Group's borrowings were at fixed rates after taking account of interest rate swaps.

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

(iii) Price risk

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

17 Financial instruments (continued)

(b) Credit risk

The Group's credit risk primarily relates to its trade receivables. The Group's operations comprise three divisions, Engineering, Wood Group PSN and Wood Group GTS each made up of a number of businesses. Responsibility for managing credit risks lies within the businesses with support being provided by Group and divisional management where appropriate.

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

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

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

The Group also has credit risk in relation to cash held on deposit. The Group's policy is to deposit cash at institutions with a credit rating of 'A' or better where possible. 74% of cash held on deposit at 31 December 2011 (2010 : 100%) was held with such institutions.

(c) Liquidity risk

With regard to liquidity, the Group's main priority is to ensure continuity of funding. At 31 December 2011, 91% (2010 : 94%) of the Group's borrowing facilities (excluding joint ventures) were due to mature in more than one year. Based on the current outlook the Group has sufficient funding in place to meet its future obligations.

(d) Capital risk

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

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

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

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

17 Financial instruments (continued)

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Drawdowns under long-term bank facilities are for periods of three months or less and are not therefore discounted.

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

At 31 December 2010				
Borrowings	30.1	165.1	-	-
Trade and other payables	1,055.2	-	-	-
Other non-current liabilities	-	27.9	56.8	-

Fair value of non-derivative financial assets and financial liabilities

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

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

18 Provisions

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

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

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

19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the asset or liability has arisen. Deferred tax in relation to UK companies is provided at 25% (2010: 27%).

The movement on the deferred tax account is shown below:

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

Deferred tax is presented in the financial statements as follows:

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

19 Deferred tax (continued)

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

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. As these earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

The Group has unrecognised tax losses of $147.6m (2010: $56.2m) to carry forward against future taxable income.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The deferred tax balances are analysed below:-

	Accelerated tax depreciation $m	Pension $m	Share based charges $m	Short term timing differences $m	Losses $m	Total $m
Deferred tax assets	59.8	(11.5)	(33.4)	(71.5)	(4.0)	(60.6)
Deferred tax liabilities	-	-	-	5.7	-	5.7
Net deferred tax liability/(asset)	**59.8**	**(11.5)**	**(33.4)**	**(65.8)**	**(4.0)**	**(54.9)**

20 Share based charges

The Group currently has four share schemes that give rise to share based charges. These are the Executive Share Option Scheme ('ESOS'), the Long Term Retention Plan ('LTRP'), the Long Term Incentive Plan ('LTIP') and the Long Term Cash Incentive Plan ('LTCIP'). Further details of these schemes is provided in the Directors' Remuneration Report and in note 21.

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

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

ESOS and LTRP

At 31 December 2011 there were 1,158 employees (2010 : 1,138) participating in these schemes. For the purposes of calculating the fair value of the share options, a Black-Scholes option pricing model has been used. Based on past experience, it has been assumed that options will be exercised, on average, six months after the earliest exercise date, which is four years after grant date, and there will be a lapse rate of between 15% and 20%. The share price volatility used in the calculation of 35%-40% is based on the actual volatility of the Group's shares since IPO as well as that of comparable companies. The risk free rate of return of 1.1%-5.2% is based on the implied yield available on zero coupon gilts with a term remaining equal to the expected lifetime of the options at the date of grant. A dividend yield of 1.0%-2.0% has been used in the calculations.

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

LTIP

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

LTCIP

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

21 Share capital

Ordinary shares of $4\frac{2}{7}$ pence each (2010 : 3⅓ pence)		**2011**		2010
Issued and fully paid	**shares**	**$m**	shares	$m
At 1 January	**530,266,720**	**26.3**	530,266,720	26.3
Shares issued to satisfy option awards	**45,000**	**-**	-	-
Shares issued relating to PSN acquisition	**10,511,413**	**0.6**	-	-
Purchase of shares under tender offer	**(65,911,929)**	**(3.6)**	-	-
New shares issued in advance of share reorganisation	**4**	**-**	-	-
Share reorganisation	**(105,535,824)**	**-**	-	-
Allocation of new shares to employee share trusts	**1,900,000**	**0.1**	-	-
At 31 December	**371,275,384**	**23.4**	530,266,720	26.3

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

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

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

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

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

On 19 December 2011, 1,900,000 new shares of $4\frac{2}{7}$ pence were issued to the employee share trusts at prices ranging from $4\frac{2}{7}$ pence to 381¾ pence.

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

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

21 Share capital (continued)

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

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

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

Executive Share Option Schemes

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

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

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

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

21 Share capital (continued)

Options granted to directors under the executive share option scheme are subject to performance criteria as set out in the Directors' Remuneration Report. No options have been granted to executive directors since 2009. There are no performance criteria under this scheme for options granted to employees.

Long Term Retention Plan

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

Year of Grant	Number of ordinary shares under option 2011	2010	Exercise price (per share)	Exercise period
2006	**-**	114,177	3⅓p	2010-2011
2007	**106,500**	1,450,647	3⅓p	2011-2012
2008	**1,159,959**	1,563,236	3⅓p	2012-2013
2009	**2,502,932**	3,368,090	3⅓p	2013-2014
2010	**1,160,270**	1,576,875	3⅓p	2014-2015
2011	**75,000**	-	3⅓p	2015-2016
2011	**588,000**	-	$4^2/_7$p	2015-2016
	5,592,661	8,073,025		

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

Long Term Incentive Plan

The Group's Long Term Incentive Plan ('LTIP') has been in place since 2008. Under this Scheme, the executive directors (but not the Chairman) and certain other senior executives are awarded shares dependent upon the achievement of performance targets established by the Remuneration Committee. The performance measures for the LTIP are EBITA, OCER (ratio of operating capital employed to revenue), total shareholder return and adjusted diluted earnings per share. The LTIP awards are in the form of shares and restricted shares. 20% of any award earned over the three year performance cycle are deferred for a further two years in the form of forfeitable restricted shares. At 31 December 2011, 5,556,856 shares were potentially issuable under this scheme. Further details of the LTIP are provided in the Directors' Remuneration Report.

22 Share premium

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

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

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

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

23 Retained earnings

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

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

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

23 Retained earnings (continued)

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

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

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investment in own shares represents the cost of 14,696,669 (2010 : 16,543,702) of the company's ordinary shares totalling $111.0m (2010 : $74.5m). No options have been granted over shares held by the employee share trusts (2010 : nil).

Shares acquired by the employee share trusts are purchased in the open market using funds provided by John Wood Group PLC to meet obligations under the Employee Share Option Schemes, the LTRP and the LTIP. During 2011, 5,000,000 shares were purchased on the open market at a cost of $42.5m. 1,900,000 new shares were allocated to the employee share trust at a value of $7.7m. 5,954,121 shares were issued during the year to satisfy the exercise of share options at a value of $12.3m. 285,906 shares were issued during the year to satisfy share awards under the Long Term Incentive Plan and the number of shares held by the trusts reduced by 2,507,006 following the share reorganisation.

Exchange adjustments of $1.4m (2010: $1.7m) arose during the year relating to the retranslation of the investment in own shares from sterling to US dollars. The costs of funding and administering the trusts are charged to the income statement in the period to which they relate. The market value of the shares at 31 December 2011 was $146.4m (2010 : $144.8m) based on the closing share price of £6.41 (2010 : £5.59). The employee share trusts have waived their rights to receipt of dividends on ordinary shares.

24 Other reserves

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

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

The currency translation reserve relates to the retranslation of foreign currency net assets on consolidation. This was reset to zero on transition to IFRS at 1 January 2004. The movement during the year largely relates to the retranslation of PSN's foreign currency net assets, including goodwill and intangible assets recognised on acquisition. The

hedging reserve relates to the accounting for derivative financial instruments under IAS 39. Fair value gains and losses in respect of effective cash flow hedges are recognised in the hedging reserve.

25 Non-controlling interests

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

26 Cash generated from operations

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

Analysis of net debt

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

27 Acquisitions and divestments

Acquisitions

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

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

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

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

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

27 Acquisitions and disposals (continued)

The other acquisitions during the year provide the Group with access to new markets and strengthen the Group's capabilities in certain areas. The acquired companies will be in a position to access the Group's wider client base and use the Group's existing relationships to further grow and develop their businesses. These factors contribute to the goodwill recognised by the Group on the acquisitions.

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

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

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

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

	$m
Continuing revenue	6,063.4
Continuing EBITA	365.6

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

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

27 Acquisitions and disposals (continued)

Divestments

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

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

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

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

Assets and liabilities held for sale

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

Notes to the financial statements
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28 Employees and directors

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

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

Key management compensation	**2011 $m**	2010 $m
Salaries and short-term employee benefits	**25.8**	18.4
Amounts receivable under long-term incentive schemes	**4.1**	9.9
Social security costs	**3.3**	2.4
Post employment benefits	**1.2**	1.0
Share based charges	**7.5**	7.4
	41.9	39.1

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

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

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

One director (2010: one) has retirement benefits accruing under a defined contribution pension scheme. Retirement benefits are accruing to four (2010: four) directors under the company's defined benefit pension scheme. Further details of directors emoluments are provided in the Directors' Remuneration Report.

Notes to the financial statements

for the year to 31 December 2011

29 Retirement benefit liabilities

One of the Group's pension schemes in the UK, the John Wood Group PLC Retirement Benefits Scheme, is a defined benefit scheme, which is contracted out of the State Scheme. The assets of the scheme are held separately from those of the Group, being invested with independent investment companies in trustee administered funds.

The most recent actuarial valuation of the scheme was carried out at 5 April 2010 by a professionally qualified actuary.

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

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

The expected return on scheme assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

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

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

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

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

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

29 Retirement benefit liabilities (continued)

The amounts recognised in the income statement are as follows:

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

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

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

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

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

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

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

29 Retirement benefit liabilities (continued)

Analysis of the movement in the balance sheet liability:

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

Cumulative actuarial losses recognised in equity:

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

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

History of experience gains and losses:

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

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

Pension costs for defined contribution schemes are as follows:

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

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

30 Operating lease commitments – minimum lease payments

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

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

31 Contingent liabilities

At the balance sheet date the Group had cross guarantees without limit extended to its principal bankers in respect of sums advanced to subsidiaries.

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

32 Capital and other financial commitments

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

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

33 Related party transactions

The following transactions were carried out with the Group's joint ventures. These transactions comprise sales and purchases of goods and services in the ordinary course of business.

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

In addition to the above, the Group charged JW Holdings Limited, a company in which Sir Ian Wood has an interest, an amount of $0.1m (2010 : $0.1m) for management services provided under normal commercial terms. Key management compensation is disclosed in note 28.

34 Principal subsidiaries and joint ventures

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

Name of subsidiary or joint venture	Country of incorporation or registration	Ownership interest %	Principal activity
Engineering			
Mustang Engineering Holdings, Inc	USA	100	Conceptual studies, engineering, project and construction management and control system upgrades.
Alliance Wood Group Engineering L.P.	USA	100	
J P Kenny Engineering Limited	UK	100	
IMV Projects Inc	Canada	100	
Wood Group PSN			
Wood Group Engineering (North Sea) Limited	UK	100	Brownfield engineering and modifications, production enhancement, operations management, maintenance management and abandonment services.
Wood Group Production Services, Inc	USA	100	
Wood Group Colombia S.A.	Colombia	100	
Hexagon S.A	Equatorial Guinea	65	
Wood Group E&PF Australia Pty Limited	Australia	100	
Bond Personnel Pty Limited	Australia	100	
Neal and Massy Wood Group Limited	Trinidad & Tobago	50	
Producers Assistance Corporation	USA	100	
Production Services Network (Aberdeen) Ltd	UK	100	
Production Services Network (UK) Ltd	UK	100	
Production Services Network US Inc	USA	100	
Production Services Network Canada Ltd	Canada	100	
Production Services Network Pty Ltd	Australia	100	
PSN Kastroy JSC	Kazakhstan	50	
Production Services Network Sakhalin LLC	Russia	100	
Sakhalin Technical Services Network LLC	Russia	80	

34 Principal subsidiaries and joint ventures (continued)

Name of subsidiary or joint venture	Country of incorporation or registration	Ownership interest %	Principal activity
Wood Group GTS:			
Rolls Wood Group (Repair & Overhauls) Limited	UK	50*	Gas turbine repair and overhaul
TransCanada Turbines Limited	Canada	50*	
Wood Group Field Services, Inc	USA	100	
Wood Group Gas Turbine Services Limited	UK	100	
Wood Group Pratt & Whitney Industrial Turbine Services, LLC	USA	49*	
Wood Group Power Solutions, Inc	USA	100	Power plant engineering, procurement and construction
Wood Group Advanced Parts Manufacture AG	Switzerland	100	Provision of gas turbine parts
Shanahan Engineering Ltd	Ireland	100	Power plant installation services
Wood Group Power Plant Services Inc	USA	100	Operations and maintenance

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

Shareholder information

Payment of dividends

The Company declares its dividends in US dollars. As a result of the shareholders being mainly UK based, dividends will be paid in sterling, but if you would like to receive your dividend in US dollars please contact the Registrars at the address below. All shareholders will receive dividends in sterling unless requested. If you are a UK based shareholder, the Company encourages you to have your dividends paid through the BACS (Banker's Automated Clearing Services) system. The benefit of the BACS payment method is that the Registrars post the tax vouchers directly to the shareholders, whilst the dividend is credited on the payment date to the shareholder's Bank or Building Society account. UK shareholders who have not yet arranged for their dividends to be paid direct to their Bank or Building Society account and wish to benefit from this service should contact the Registrars at the address below. Sterling dividends will be translated at the closing mid-point spot rate on 13 April 2012 as published in the Financial Times on 14 April 2012.

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Financial calendar

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

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