

Full year results for the year ended 31 December 2012

Strong growth in 2012 led by Wood Group Engineering

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

Financial Summary

- Revenue from continuing operations of \$6,821.3m (2011: \$5,666.8m) up 20%
- EBITA from continuing operations¹ of \$461.1m (2011: \$341.6m) up 35%
- Profit from continuing operations before tax and exceptional items of \$362.7m (2011: \$254.1m) up 43%
- Adjusted diluted EPS of 85.2 cents (2011: 60.2 cents) up 42%
- Total dividend of 17 cents per share (2011: 13.5 cents) up 26%

Group Highlights

- · Leadership changes position Wood Group for the next phase of growth
- Increasing contribution from oil-producing US shale regions
- Overall market conditions expected to remain favourable
- Anticipate progress in all divisions in 2013
- Wood Group Engineering
 - Second consecutive year of 30%+ EBITA growth
 - Strength in upstream and subsea & pipelines
 - Revenue growth and margin improvement anticipated in 2013
- Wood Group PSN
 - Good performance in North Sea and strong growth in North America
 - Progress in Oman; confident of a significant improvement in 2013
 - Well placed to deliver strong performance in 2013
- Wood Group GTS
 - Increased revenues in Maintenance and EBITA up around 10%
 - Power Solutions EBITA slightly up on 2011
 - Anticipate improvement in Maintenance in 2013

Bob Keiller, CEO commented:

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

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

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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 See detailed footnotes.

Introduction

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

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

Markets

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

Financial Results

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

Dividends

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

Board changes

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

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

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

Allister Langlands Chairman

	2012	2011	%
2012 Group performance	\$m	\$m	Change
Revenue from continuing operations	6,821.3	5,666.8	20.4%
EBITA from continuing operations ¹	461.1	341.6	35.0%
EBITA margin from continuing operations %	6.8%	6.0%	0.8pts
Profit from continuing operations before tax and exceptional items	362.7	254.1	42.7%
Basic EPS	71.4c	530.7c	n/m
Adjusted diluted EPS ²	85.2c	60.2c	41.5%
Total dividend	17.0c	13.5c	25.9%
ROCE ⁶	19.2%	18.4%	0.8pts

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

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

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

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

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

Q: What are your priorities as CEO?

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

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

I'm looking to continue to build the business based around our Core Values which unite the Group. These Core Values - Safety & Assurance, Relationships, Social Responsibility, People, Innovation, Financial Responsibility and Integrity - define who we are, what we believe in, set out how we act and how we expect to be treated, and provide a sound basis to make decisions.

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

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

We continued to pursue long term and sustainable growth, retaining a balance across opex and capex driven markets in oil & gas and power. Looking at some of the operational highlights, we made good progress in broadening our international footprint in Wood Group Engineering in Saudi Arabia and the Far East, and developing relationships with a number of customers including IOCs and EPC contractors. In Wood Group PSN we have been focussing on expansion in the oil rich shale regions both organically and through the acquisitions of Mitchell's and Duval. In Wood

Group GTS we maintained our focus on driving improved margins in Maintenance and delivering returns in Power Solutions. I am keen to ensure that all parts of the business contribute to the Group's longer term growth ambitions and benefit from being part of the Group.

Q What about safety performance in 2012?

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

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

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

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

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

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

Q What's the outlook for the Group?

Overall, we anticipate progress in all divisions in 2013.

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

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

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

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

Bob Keiller CEO

Operational Review

Wood Group Engineering

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

	2012 \$m	2011 \$m	% Change
Revenue	1,787.3	1,458.6	22.5%
EBITA	220.0	162.0	35.8%
EBITA margin	12.3%	11.1%	1.2pts
People ³	10,200	9,100	12%

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

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

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

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

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

Outlook

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

Wood Group PSN

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

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

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

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

We saw a good performance in the North Sea, which accounted for around 40% of Wood Group PSN revenue. Activity on our operations & maintenance and brownfield engineering scopes on longer term contracts, including with BP, Shell, Talisman and TAQA, contributed to growth in 2012. During the year we negotiated contract renewals and extensions worth over \$800m. We were also awarded the operations & maintenance contract for Premier Oil's Balmoral FPV, the brownfield engineering work on Total's Franklin field and the hook-up and commissioning scope for Nexen's Golden Eagle project.

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

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

Outlook

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

Wood Group GTS

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

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

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

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

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

Outlook

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

Financial Review

Financial performance

	2012 \$m	2011 \$m
Revenue from continuing operations	6,821.3	5,666.8
EBITA from continuing operations	461.1	341.6
EBITA margin from continuing operations	6.8%	6.0%
Amortisation	(85.5)	(78.7)
Operating profit from continuing operations before exceptional items	375.6	262.9
Net finance expense	(12.9)	(8.8)
Profit from continuing operations before tax and exceptional items	362.7	254.1
Taxation on continuing operations before exceptional items	(103.9)	(75.0)
Profit for the period from continuing operations before exceptional items	258.8	179.1
(Loss)/profit from discontinued operations, net of tax	(1.2)	36.1
Profit for the period before exceptional items	257.6	215.2
Exceptional items, net of tax	0.6	2,087.6
Profit for the period	258.2	2,302.8
Basic EPS (cents)	71.4c	530.7c
Adjusted diluted EPS (cents)	85.2c	60.2c

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

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

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

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

Amortisation

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

Net finance expense

Net finance expense from continuing operations is analysed further below.

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

Interest on debt is driven by the average gross debt balance for the year, as shown below. Interest cover⁴, based on EBITA from continuing operations, remains strong at 35.7 times (2011: 38.8 times).

Exceptional items

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

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

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

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

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

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

Taxation

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

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

Earnings per share

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

Dividend

Reflecting our confidence in the longer term outlook for the Group, the directors have proposed a final dividend of 11.3 cents per share. This results in a total dividend for 2012 of 17.0 cents per share, a 26% increase on 2011 and an annual compound growth in dividends since IPO in 2002 of 19%. Dividend cover⁵ for 2012 is 5.0 times (2011: 4.5 times).

Reconciliation of number of fully diluted shares

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

Summary Balance Sheet

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

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

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

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

Capital efficiency

The continuing Group's pre tax Return on average Capital Employed⁶ ("ROCE") increased from 18.4% to 19.3%. This reflects an increase in ROCE in Wood Group Engineering following higher profitability in the period, offset to some extent by lower ROCE in Wood Group PSN which in 2012 has had the full year impact of higher goodwill and intangible assets arising on acquisition.

The continuing Group's ratio of average Operating Capital Employed to Revenue⁷ ("OCER") worsened from 10.6% to 12.5%. The movement was due principally to a general increase in average receivable days in Wood Group Engineering.

Cash flow and net debt

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

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

	2012 \$m	2011 \$m
Average net debt	140.7	*
Average gross debt	356.5	295.5
Closing net debt	154.5	3.9
Closing gross debt	326.8	230.5

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

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

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

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

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

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

Foreign exchange and constant currency reporting

The Group's revenue and EBITA can be impacted by movements in foreign exchange rates, including the effect of retranslating the results of subsidiaries with various functional currencies into US dollars at different exchange rates. Given there were no significant movements in the average US dollar to other major currencies in which we operate

between 2011 and 2012, our results in constant currency terms are materially the same as those presented above.

Pensions

The majority of the Group's pension arrangements are on a defined contribution basis. The Group operates one UK defined benefit scheme which had 258 active members and 933 deferred, pensionable deferred or pensionable members at 31 December 2012. At 31 December 2012 the scheme had a deficit of \$55.0m (2011: \$45.8m) before recognition of a deferred tax asset of \$12.7m (2010: \$11.5m). 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 in the deficit from 2011 was due primarily to a reduction in the discount rate used, which is based on corporate bond yields.

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

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

Acquisitions

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

Footnotes

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

JOHN WOOD GROUP PLC

GROUP FINANCIAL STATEMENTS ${\bf FOR\ THE\ YEAR\ TO\ 31^{ST}\ DECEMBER\ 2012}$

Company Registration Number SC 36219

John Wood Group PLC Consolidated income statement

for the year to 31 December 2012

2012 2011

		Pre- Exceptional Items	Exceptional Items (note 4)	Total	Pre- Exceptional Items	Exceptional Items (note 4)	Total
N	Note	\$m	\$m	\$m	\$m	\$m	\$m
Revenue from continuing operations Cost of sales	1	6,821.3 (5,619.6)	- -	6,821.3 (5,619.6)	5,666.8 (4,684.2)	- (29.7)	5,666.8 (4,713.9)
Gross profit Administrative expenses		1,201.7 (826.1)	(26.5)	1,201.7 (852.6)	982.6 (719.7)	(29.7) (125.7)	952.9 (845.4)
Operating profit	1	375.6	(26.5)	349.1	262.9	(155.4)	107.5
Finance income Finance expense	2 2	1.5 (14.4)	-	1.5 (14.4)	4.9 (13.7)	(3.8)	4.9 (17.5)
Profit before taxation from continuing operations Taxation	3 5	362.7 (103.9)	(26.5) 4.1	336.2 (99.8)	254.1 (75.0)	(159.2) 26.7	94.9 (48.3)
Profit for the year from continuing operations		258.8	(22.4)	236.4	179.1	(132.5)	46.6
(Loss)/profit from discontinued operations, net of tax	1	(1.2)	23.0	21.8	36.1	2,220.1	2,256.2
Profit for the year		257.6	0.6	258.2	215.2	2,087.6	2,302.8
Profit attributable to: Owners of the parent Non-controlling interests	25	256.4 1.2	0.6	257.0 1.2	214.7 0.5	2,087.6	2,302.3 0.5
		257.6	0.6	258.2	215.2	2,087.6	2,302.8
Earnings per share (expressed in cents per share) Basic Diluted	7 7	71.2 68.8		71.4 69.0	49.5 47.8	481.2 465.2	530.7 513.0

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

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

John Wood Group PLC Consolidated balance sheet

as at 31 December 2012

		2012	2011
	Note	\$m	\$m
Assets			
Non-current assets	_		
Goodwill and intangible assets	8	1,839.1	1,621.3
Property plant and equipment	9	198.6	150.0
Long term receivables	12	54.7	42.0
Deferred tax assets	19	39.4	60.6
		2,131.8	1,873.9
Current assets			
Inventories	11	439.5	404.5
Trade and other receivables	12	1,392.5	1,320.9
Income tax receivable		25.0	28.7
Gross assets held for sale	27	-	26.4
Cash and cash equivalents	13	172.3	226.6
		2,029.3	2,007.1
Liabilities			
Current liabilities		4= 0	60 2
Borrowings	15	45.3	69.2
Trade and other payables	14	1,188.0	1,286.2
Gross liabilities held for sale	27	-	10.6
Income tax liabilities		102.3	139.2
		1,335.6	1,505.2
Net current assets		693.7	501.9
Non-current liabilities			
Borrowings	15	281.5	161.3
Deferred tax liabilities	19	9.4	5.7
Retirement benefit liabilities	29	55.0	45.8
Other non-current liabilities	16	163.7	98.7
Provisions	18	80.6	89.8
		590.2	401.3
Net assets		2,235.3	1,974.5
Equity attributable to owners of the parent			
Share capital	21	23.5	23.4
Share premium	22	54.3	7.7
Retained earnings	23	1,640.7	1,469.8
Other reserves	24	508.6	463.6
		2,227.1	1,964.5
Non-controlling interests	25	8.2	10.0
Total equity		2,235.3	1,974.5

The financial statements on pages 18 to 71 were approved by the board of directors on 4 March 2013.

Bob Keiller, Director

Alan G Semple, Director

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

	Note	Share capital \$m	Share premium \$m	Retained earnings \$m	Other reserves \$m	Equity attributable to owners of the parent \$m	Non- controlling interests \$m	Total equity \$m
At 1 January 2011	11010	26.3	315.8	1,007.6	56.6	1,406.3	10.9	1,417.2
Profit for the year			-	2.302.3	-	2.302.3	0.5	2.302.8
Other comprehensive income:				_,,-		_,	***	_,,,,,_,,
Actuarial losses on retirement benefit liabilities	29	_	_	(22.6)	_	(22.6)	_	(22.6)
Movement in deferred tax relating to retirement benefit liabilities	5	_	_	6.1	_	6.1	_	6.1
Cash flow hedges	24	_	_	-	(1.6)	(1.6)	_	(1.6)
Exchange movements on retranslation of foreign currency net assets	24	_	_		(31.1)	(31.1)	(0.2)	(31.3)
Total comprehensive income for the year	- ·	-	-	2,285.8	(32.7)	2,253.1	0.3	2,253.4
Transactions with owners:								
Dividends paid	6	_	_	(53.4)	_	(53.4)	(0.3)	(53.7)
Transactions with non-controlling interests	25	_	_	-	_	-	(0.9)	(0.9)
Credit relating to share based charges	20	_	_	9.7	_	9.7	-	9.7
Tax credit relating to share option schemes	5	_	_	20.8	_	20.8	_	20.8
Shares issued in respect of the PSN acquisition	21	0.6	_	20.0	114.4	115.0	_	115.0
Proceeds from Group companies relating to options exercised under share symmetry scheme	22	-	6.0	(6.0)	-	-	_	-
Purchase of shares under tender offer	21	(3.6)	-	(675.7)	3.6	(675.7)	_	(675.7)
Issue of 'B' shares	21	436.1	(321.7)	(075.7)	(114.4)	(075.7)	_	(075.7)
Redemption of 'B' shares	21	(436.1)	(321.7)	(436.1)	436.1	(436.1)	_	(436.1)
Deferred share dividend	23	(430.1)		(533.3)	450.1	(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)	-	. ,
Shares allocated to employee share trusts	23	0.1	7.6	(7.7)	-	(42.3)	-	(42.5)
Shares disposed of by employee share trusts	23		7.0	12.3	-	12.3	-	12.3
Cash received by employee share trusts from the return of cash to shareholders		-	-		-		-	25.0
	23	-	-	25.0	-	25.0	-	
Exchange movements in respect of shares held by employee share trusts				1.4	162.6	1.4	- 10.0	1.4
At 31 December 2011		23.4	7.7	1,469.8	463.6	1,964.5	10.0	1,974.5
Profit for the year		-	-	257.0	-	257.0	1.2	258.2
Other comprehensive income:	20			(0.5)		(9.5)		(0.5)
Actuarial losses on retirement benefit liabilities	29	•	-	(8.5)	-	(8.5)	-	(8.5)
Movement in deferred tax relating to retirement benefit liabilities	5	-	-	2.1	-	2.1	-	2.1
Cash flow hedges	24	-	-	-	3.7	3.7	-	3.7
Exchange movements on retranslation of foreign currency net assets Total comprehensive income for the year	24	-	-	250.6	41.3 45.0	41.3 295.6	0.1 1.3	41.4 296.9
•								
Transactions with owners: Dividends paid	6			(EE 2)		(EE 3)	(1.2)	(E.C. A)
Transactions with non-controlling interests	6 25	-	-	(55.2)	-	(55.2)	(1.2)	(56.4)
Credit relating to share based charges	25 20	-		10.6	-	10.4	(1.9)	(1.9)
		-	-	19.6	-	19.6	-	19.6
Tax credit relating to share option schemes	5	-	42.5	1.1	-	1.1	-	1.1
Proceeds from Group companies relating to options exercised under share symmetry scheme	22	-	43.5	(43.5)	-	-	-	-
Shares allocated to employee share trusts	23	0.1	3.1	(3.2)	-	-	-	-
Shares disposed of by employee share trusts	23	-	-	6.5	-	6.5	-	6.5
Exchange movements in respect of shares held by employee share trusts		-		(5.0)	-	(5.0)		(5.0)
At 31 December 2012		23.5	54.3	1,640.7	508.6	2,227.1	8.2	2,235.3

Consolidated cash flow statement *for the year to 31 December 2012*

	Note	2012 \$m	2011 \$m
Cash generated from operations Tax paid	26	327.7 (134.7)	284.5 (118.7)
Net cash generated from operating activities		193.0	165.8
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and borrowings acquired)	27	(188.7)	(979.4)
Cash impact of exceptional items	21	(0.5)	(16.4)
Proceeds from divestment of subsidiaries (net of cash and borrowings		(0.5)	(10.4)
disposed and divestment costs)	27	40.6	2,793.6
Purchase of property plant and equipment	9	(69.4)	(72.4)
Proceeds from sale of property plant and equipment	,	0.4	3.5
Purchase of intangible assets	8	(57.8)	(32.0)
Proceeds from disposal of intangible assets	O	(37.6)	0.6
Investment by non-controlling interests		-	0.5
investment by non-controlling interests		-	0.3
Net cash (used in)/from investing activities		(275.4)	1,698.0
Cash flows from financing activities			
Proceeds from bank loans	26	89.0	39.9
Return of cash to shareholders	20	(7.7)	(1,725.8)
Expenses relating to return of cash to shareholders		-	(14.9)
Purchase of shares by employee share trusts		_	(42.5)
Disposal of shares by employee share trusts	23	6.5	12.3
Interest received	20	1.5	4.6
Interest paid		(11.3)	(17.4)
Dividends paid to shareholders	6	(55.2)	(53.4)
Dividends paid to non-controlling interests	25	(1.2)	(0.3)
Division para ve non vermoning inverses.		(1,2)	(0.5)
Net cash from/(used in) financing activities		21.6	(1,797.5)
Net (decrease)/increase in cash and cash equivalents	26	(60.8)	66.3
Effect of exchange rate changes on cash and cash equivalents	26	6.5	(19.8)
Opening cash and cash equivalents		226.6	180.1
Closing cash and cash equivalents	13	172.3	226.6

John Wood Group PLC Notes to the financial statements

for the year to 31 December 2012

General information

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

Accounting Policies

Basis of preparation

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

Significant accounting policies

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

Basis of consolidation

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

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

(b) Revenue recognition

Revenue on lump sum contracts for services, construction contracts and fixed price long-term service agreements is recognised according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed to total estimated costs. Estimating the costs to completion and therefore the total contract costs is a key judgment in respect of the revenue recognition on these contracts.

Notes to the financial statements

for the year to 31 December 2012

Accounting Policies (continued)

(c) Income taxes

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

(d) Retirement benefit liabilities

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

Functional currency

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

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

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

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

Notes to the financial statements

for the year to 31 December 2012

Accounting Policies (continued)

rewards of ownership have been transferred to the buyer, which is normally upon delivery of products and customer acceptance, if any. Revenue is stated net of sales taxes (such as VAT) and discounts.

Revenue on lump sum contracts for services, construction contracts and fixed price long-term service agreements is recognised according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed to total estimated costs. An estimate of the profit attributable to work completed is

recognised, on a basis that the directors consider to be prudent, once the outcome of the contract can be estimated reliably, which is when a contract is not less than 20% complete. Expected losses are recognised in full as soon as losses are probable. The net amount of costs incurred to date plus recognised profits less the sum of recognised losses and progress billings is disclosed as trade receivables/trade payables.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to

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

Finance expense/income

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

Dividends

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

Goodwill

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

Intangible assets

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

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

Property plant and equipment

Property plant and equipment (PP&E) is stated at cost less accumulated depreciation and impairment. No depreciation is charged with respect to freehold land and assets in the course of construction.

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

Freehold and long leasehold buildings 25-50 years Short leasehold buildings period of lease

Notes to the financial statements

for the year to 31 December 2012

Accounting Policies (continued)

Plant and equipment

3-10 years

When estimating the useful life of an asset group, the principal factors the Group takes into account are the durability of the assets, the intensity at which the assets are expected to be used and the expected rate of technological developments. Asset lives and residual values are assessed at each balance sheet date.

Impairment

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

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

Inventories

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term bank deposits with maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities. Where the Group uses pooling arrangements with a right of set-off, overdrafts and cash are netted and included in the appropriate category depending on the net position of the pool.

Trade receivables

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

Trade payables

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

Borrowings

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

Notes to the financial statements

for the year to 31 December 2012

Accounting Policies (continued)

Deferred and contingent consideration

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

Taxation

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

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

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

Accounting for derivative financial instruments and hedging activities

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

John Wood Group PLC Notes to the financial statements

for the year to 31 December 2012

Accounting Policies (continued)

forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge

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

(d) Derivatives that are not designated as hedges

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

Fair value estimation

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

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

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

Operating leases

As lessee

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

As lessor

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

Retirement benefit liabilities

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

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

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

Notes to the financial statements

for the year to 31 December 2012

Accounting Policies (continued)

Provisions

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

Share based charges relating to employee share schemes

The Group has a number of employee share schemes:-

- (i) Share options granted under Executive Share Option Schemes ('ESOS') are granted at market value. A charge is booked to the income statement as an employee benefit expense for the fair value of share options expected to be exercised, accrued over the vesting period. The corresponding credit is taken to retained earnings. The fair value is calculated using an option pricing model.
- (ii) Share options granted under the Long Term Retention Plan ('LTRP') are granted at par value. The charge to the income statement for LTRP shares is also calculated using an option pricing model and, as with ESOS grants, the fair value of the share options expected to be exercised is accrued over the vesting period. The corresponding credit is also taken to retained earnings.
- (iii) The Group has a Long Term Incentive Plan ('LTIP') for executive directors and certain senior executives. Participants are awarded shares dependent on the achievement of performance targets. The charge to the income statement for shares awarded under the LTIP is based on the fair value of those shares at the grant date, spread over the vesting period. The corresponding credit is taken to retained earnings. For those awards that have a market related performance measure, the fair value of the market related element is calculated using a Monte Carlo simulation model.
- (iv) The Group has a Long Term Cash Incentive Plan ('LTCIP') for senior management. Participants are paid a cash bonus dependent on the achievement of performance targets. The charge to the income statement is based on the fair value of the awards and is linked to movements in the Group's share price. The charge is spread over the vesting period with the corresponding credit being recorded in liabilities.

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

Share capital

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

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

Segmental reporting

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

The CODM measures the operating performance of these segments using 'EBITA' (Earnings before interest, tax and amortisation). Operating segments are reported in a manner consistent with the internal management reports

provided to the CODM who is responsible for allocating resources and assessing performance of the operating segments.

John Wood Group PLC Notes to the financial statements

for the year to 31 December 2012

Accounting Policies (continued)

Wood Group Engineering offers a wide range of engineering services to the upstream, subsea and pipelines, downstream and industrial, and clean energy sectors. These include conceptual studies, engineering, project and construction management ('EPCM') and control system upgrades. Wood Group PSN offers life of field support to producing assets through brownfield engineering and modifications, production enhancement, operations and management, training, maintenance management and abandonment services. Wood Group GTS is an independent provider of rotating equipment services and solutions for clients in the power and oil and gas markets. These services include power plant engineering, procurement and construction; facility operations and maintenance; and repair, overhaul, optimisation and upgrades of gas and steam turbines, pumps, compressors and other high speed rotating equipment.

Disclosure of impact of new and future accounting standards

(a) Amended standards and interpretations not relevant to the Group

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

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

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

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

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

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

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

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

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

1 Segmental reporting

The segment information provided to the CODM for the reportable operating segments for the year ended 31 December 2012 includes the following:

Reportable	Operating	Segments	(1)	

Reportable Operating Deginents (1)	Rev	enue	EBITDA(2)		EBITA	A (2)	Operating profit	
	Year ended 31 Dec 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2012	Year ended 31 Dec 2011	Year ended 31 Dec 2012	Year ended 31 Dec 2011
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	<u>\$m</u>
Wood Group Engineering	1,787.3	1,458.6	231.2	170.6	220.0	162.0	187.8	128.3
Wood Group PSN (see note 3)	3,690.7	3,012.7	219.9	165.8	205.0	153.2	146.1	42.0
Wood Group GTS	1,343.3	1,195.5	102.4	91.8	88.6	78.8	69.5	(8.9)
Central costs (see note 4)	-	-	(48.9)	(49.4)	(52.5)	(52.4)	(54.3)	(53.9)
Well Support – divested (see note 5)	-	347.8	-	69.5	-	57.6	27.2	57.6
Wood Group GTS – divested (see note 6)	6.8	37.7	(1.7)	(0.5)	(2.0)	(0.5)	(2.0)	(12.5)
Total (7)	6,828.1	6,052.3	502.9	447.8	459.1	398.7	374.3	152.6
Remove divested operations	(6.8)	(385.5)	1.7	(69.0)	2.0	(57.1)	(25.2)	(45.1)
Total continuing operations	6,821.3	5,666.8	504.6	378.8	461.1	341.6	349.1	107.5
Finance income							1.5	4.9
Finance expense							(14.4)	(17.5)
Profit before taxation from continuing operations							336.2	94.9
Taxation						_	(99.8)	(48.3)
Profit for the year from continuing operations							236.4	46.6
Profit from discontinued operations, net of tax (8)							21.8	2,256.2
Profit for the year						_	258.2	2,302.8

Notes to the financial statements

for the year to 31 December 2012

1 Segmental reporting (continued)

Notes

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

Notes to the financial statements

for the year to 31 December 2012

1 Segmental Reporting (continued)

Segment assets and liabilities

	Wood Group Engineering	Wood Group PSN	Wood Group GTS	Well Support divested	Wood Group GTS divested	Unallocated	Total
At 31 December 2012	\$m	\$m	\$m	\$m	\$m	\$m	<u>\$m</u>
Segment assets	807.2	2,203.9	1,034.2	-	-	115.8	4,161.1
Segment liabilities	360.6	693.3	271.5			600.4	1,925.8
At 31 December 2011							
Segment assets	724.9	1,897.8	1,059.3	7.7	18.7	172.6	3,881.0
Segment liabilities	328.9	615.4	373.6	1.0	9.6	578.0	1,906.5

The Well Support segment assets and liabilities at 31 December 2011 represent the assets and liabilities of the Middle Eastern business, the sale of which was completed in May 2012 (note 27). Unallocated assets and liabilities includes income tax, deferred tax and cash and cash equivalents and borrowings where this relates to the financing of the Group's operations.

Notes to the financial statements

for the year to 31 December 2012

1 Segmental Reporting (continued)

Other segment items

2012	Wood Group Engineering	Wood Group PSN	Wood Group GTS	Well Support - divested	Wood Group GTS – divested		Total
	\$m	\$m	\$m	\$m	\$m		\$m
Capital expenditure			-		·		
- Property plant and equipment	25.7	17.9	18.2	-	-	7.6	69.4
- Intangible assets	43.1	6.2	7.3	-	-	1.2	57.8
Non-cash expense							
- Depreciation of property plant and equipment	11.2	14.9	13.8	-	0.3	3.6	43.8
- Amortisation of intangible assets	18.4	55.8	9.5	-	-	1.8	85.5
- Continuing exceptional items (non-cash element)	13.3	3.1	9.6	-	-	-	26.0
2011	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Capital expenditure							
- Property plant and equipment	16.1	18.0	18.9	15.0	0.8	2.7	71.5
- Intangible assets	10.2	2.5	12.8	-	1.3	5.2	32.0
Non-cash expense							
- Depreciation of property plant and equipment	8.6	12.6	13.0	10.0	_	3.0	47.2
- Depreciation of rental inventory	-	-	-	1.9	_	_	1.9
- Amortisation of intangible assets	15.5	54.9	6.8	-	_	1.5	78.7
- Continuing exceptional items (non-cash element)	17.9	41.7	79.4	-	_	_	139.0

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

1 Segmental Reporting (continued)

Geographical segments

	Segment assets		Continuing	revenue	
	2012	2011	2012	2011	
	\$m	\$m	\$m	\$m	
UK	1,066.1	1,017.1	1,823.2	1,586.3	
US	1,526.2	1,308.2	1,946.2	1,517.9	
Rest of the World	1,568.8	1,555.7	3,051.9	2,562.6	
	1 161 1	2 001 0	6 021 2	5 666 0	
	4,161.1	3,881.0	6,821.3	5,666.8	
Revenue by geographical segment is based on the geographical loc	cation of th	e customer.			
			2012	2011	
D. I. d. B.			\$m	\$m	
Revenue by category is as follows: Sale of goods			108.2	100.2	
Rendering of services			6,713.1	5,566.6	
Revenue from continuing operations			6,821.3	5,666.8	
2 Finance expense/(income)					
2 Finance expense/(income)					
			2012	2011	
			\$m	\$m	
Interest payable on bank borrowings			11.2	11.3	
Bank facility fees expensed			1.4	1.1	
Interest relating to discounting of deferred and contingent considerate	ion		1.8	1.3	
Finance expense pre-exceptional items			14.4	13.7	
Bank facility fees relating to PSN acquisition			-	3.8	
Finance expense – continuing operations			14.4	17.5	
			•		
Interest receivable on short-term deposits			(1.4)	(4.4)	
Other interest income - retirement benefit liabilities (note 29)			(0.1)	(0.5)	
Finance income			(1.5)	(4.9)	
Finance expense – continuing operations - net			12.9	12.6	

Notes to the financial statements

for the year to 31 December 2012

3 Profit before taxation

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

Impairment of inventories is included in cost of sales in the income statement. Depreciation of property plant and equipment is included in cost of sales and administrative expenses in the income statement. Amortisation of intangible assets is included in administrative expenses in the income statement.

Services provided by the Group's auditors and associate firms

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

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

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

Notes to the financial statements

for the year to 31 December 2012

4 Exceptional items

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

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

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

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

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

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

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

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

Notes to the financial statements

for the year to 31 December 2012

5 Taxation

	2012 \$m	2011 \$m
Current tax	φιιι	ΨΠ
- Current year	107.5	117.9
- Adjustment in respect of prior years	4.7	(4.8)
	112.2	113.1
Deferred tax		
- Current year	(15.7)	(33.0)
- Adjustment in respect of prior years	7.4	(5.1)
Tax charge – pre-exceptional items	103.9	75.0
Tax on continuing exceptional items (note 4)	(4.1)	(26.7)
Tax charge – continuing operations	99.8	48.3
	2012	2011
Tax (credited)/charged to equity	\$m	<u>\$m</u>
Deferred tax movement on retirement benefit liabilities	(2.1)	(6.1)
Deferred tax relating to share option schemes	8.6	(13.9)
Current tax relating to share option schemes	(9.7)	(6.9)
Current tax relating to foreign exchange on return of cash to shareholders	-	(3.6)
Total credited to equity	(3.2)	(30.5)

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates. The expected rate is the weighted average rate taking into account the Group's profits in these jurisdictions. The expected rate has decreased in 2012 due to the change in mix of the tax jurisdictions in which the Group operates. The tax charge for the year is higher (2011: higher) than the expected tax charge due to the following factors:

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

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

Notes to the financial statements

for the year to 31 December 2012

6 Dividends

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

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

Notes to the financial statements

for the year to 31 December 2012

7 Earnings per share

		2012			2011	
	Earnings attributable			Earnings attributable to		
	to owners of	Number of		owners of the	Number of	
	the parent	shares	Earnings per	parent	shares	Earnings per
	\$m	(millions)	share (cents)	\$m	(millions)	share (cents)
Basic pre-exceptional	256.4	360.0	71.2	214.7	433.8	49.5
Exceptional items, net of tax	0.6	360.0	0.2	2,087.6	433.8	481.2
Basic	257.0	360.0	71.4	2,302.3	433.8	530.7
Effect of dilutive ordinary shares	-	12.6	(2.4)	-	15.0	(17.7)
Diluted Exceptional items, net of tax	257.0 (0.6)	372.6 372.6	69.0 (0.2)	2,302.3 (2,087.6)	448.8 448.8	513.0 (465.2)
Diluted pre-exceptional items	256.4	372.6	68.8	214.7	448.8	47.8
Amortisation, net of tax	61.0	-	16.4	55.5	-	12.4
Adjusted diluted	317.4	372.6	85.2	270.2	448.8	60.2
Adjusted basic	317.4	360.0	88.2	270.2	433.8	62.3

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

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

Notes to the financial statements

for the year to 31 December 2012

8 Goodwill and intangible assets

•	Goodwill \$m	Software and development costs \$m	Intangibles arising on acquisition \$m	Total \$m
Cost				
At 1 January 2012	1,465.0	140.0	252.2	1,857.2
Exchange movements	28.6	3.6	5.6	37.8
Additions	-	57.8	-	57.8
Acquisitions (note 27)	156.7	-	57.6	214.3
Disposals	=	(8.9)	-	(8.9)
At 31 December 2012	1,650.3	192.5	315.4	2,158.2
Aggregate amortisation and impairment				
At 1 January 2012	54.3	86.8	94.8	235.9
Exchange movements	-	2.1	2.3	4.4
Amortisation charge for the year	-	28.4	57.1	85.5
Impairment	1.9	-	_	1.9
Disposals	-	(8.6)	-	(8.6)
At 31 December 2012	56.2	108.7	154.2	319.1
Net book value at 31 December 2012	1,594.1	83.8	161.2	1,839.1
Cost				
At 1 January 2011	626.5	109.5	71.1	807.1
Exchange movements	(23.3)	(2.6)	(13.4)	(39.3)
Additions	· -	32.0	· -	32.0
Acquisitions	895.3	16.4	194.5	1,106.2
Disposals	-	(10.4)	-	(10.4)
Divestment of business	(33.5)	(1.2)	-	(34.7)
Reclassification as assets held for sale	-	(3.7)	-	(3.7)
At 31 December 2011	1,465.0	140.0	252.2	1,857.2
Aggregate amortisation and impairment				
At 1 January 2011	9.7	79.6	40.3	129.6
Exchange movements	0.1	(1.5)	(2.3)	(3.7)
Amortisation charge for the year	-	21.9	56.8	78.7
Impairment	46.2	-	-	46.2
Disposals	-	(9.8)	-	(9.8)
Divestment of business	(1.7)	(1.1)	-	(2.8)
Reclassification as assets held for sale	-	(2.3)	-	(2.3)
At 31 December 2011	54.3	86.8	94.8	235.9
Net book value at 31 December 2011	1,410.7	53.2	157.4	1,621.3

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

Notes to the financial statements

for the year to 31 December 2012

8 Goodwill and intangible assets (continued)

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

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

Details of the key assumptions underlying the cash flows are included in critical accounting judgements and estimates in the Accounting Policies on page 23.

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

A sensitivity analysis has been performed on the basis that the expected long-term growth rate falls to 2% and that the discount rates are 1% higher than those above in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. This analysis did not identify any further impairment.

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

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

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

Notes to the financial statements

for the year to 31 December 2012

9 Property plant and equipment

Land and Buildings

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

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

Notes to the financial statements

for the year to 31 December 2012

9 Property plant and equipment (continued)

Land and Buildings

	Long leasehold			
	and	Short	Plant and	
	freehold	leasehold	equipment	Total
	\$m	\$m	\$m	\$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)	(1.5)	(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 hook value at 31 December 2011	36.2	12.0	101 8	150.0
Net book value at 31 December 2011	36.2	12.0	101.8	150.0

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

Notes to the financial statements

for the year to 31 December 2012

10 Joint ventures

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

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

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

11 Inventories

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

Notes to the financial statements

for the year to 31 December 2012

	2012 \$m	2011 \$m
	Ψ	Ψ111
Trade receivables	1,150.1	1,010.6
Less: provision for impairment of trade receivables	(43.3)	(50.9)
Trade receivables – net	1,106.8	959.7
Amounts recoverable on contracts	105.9	171.2
Prepayments and accrued income	87.0	104.9
Other receivables	92.8	85.1
Trade and other receivables – current	1,392.5	1,320.9
Long term receivables	54.7	42.0
Total receivables	1,447.2	1,362.9

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

	Trade		Trade	
	receivables -	Provision for	receivables –	Receivable
	Gross	impairment	Net	days
31 December 2012	\$m	\$m	\$m	
Wood Group Engineering	299.7	(21.7)	278.0	56
Wood Group PSN	651.5	(14.0)	637.5	53
Wood Group GTS	198.9	(7.6)	191.3	33
Total Group	1,150.1	(43.3)	1,106.8	51
31 December 2011				
Wood Group Engineering	276.3	(27.2)	249.1	59
Wood Group PSN	546.7	(15.4)	531.3	56
Wood Group GTS	187.6	(8.3)	179.3	29
Total Group	1,010.6	(50.9)	959.7	50

Receivable days are calculated by allocating the closing trade receivables balance to current and prior period revenue including sales taxes. A receivable days calculation of 51 indicates that closing trade receivables represent the most recent 51 days of revenue. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the original receivables.

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

	2012	2011
	\$m	<u>\$m</u>
Up to 3 months	10.4	14.0
Over 3 months	32.9	36.9
	43.3	50.9

Notes to the financial statements

for the year to 31 December 2012

12 Trade and other receivables (continued)

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

2012	Wood Group Engineering \$m	Wood Group PSN \$m	Wood Group GTS \$m	Well Support \$m	Total \$m
A4.1 Taurana	27.2	15.4	0.2		50.0
At 1 January	27.2	15.4	8.3	-	50.9
Exchange movements	0.5	0.2	-	-	0.7
Credit to income statement	(6.0)	(1.8)	(0.7)	_	(8.5)
Acquisitions	<u> </u>	0.2		-	0.2
At 31 December	21.7	14.0	7.6	-	43.3

2011					
At 1 January	17.9	6.3	5.2	27.1	56.5
Exchange movements	(0.6)	(0.2)	-	-	(0.8)
Charge to income statement	9.9	2.2	3.1	4.6	19.8
Acquisitions	-	7.1	-	-	7.1
Divestment of businesses		-	-	(31.7)	(31.7)
At 31 December	27.2	15.4	8.3	-	50.9

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

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

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

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

Construction contracts

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

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

Notes to the financial statements

for the year to 31 December 2012

13 Cash and cash equivalents

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

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

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

14 Trade and other payables

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

Notes to the financial statements

for the year to 31 December 2012

15 Borrowings

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

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

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

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

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

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

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

Notes to the financial statements

for the year to 31 December 2012

15 Borrowings (continued)

Borrowing facilities

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

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

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

16 Other non-current liabilities

	2012	2011
	\$m	\$m
Deferred and contingent consideration	76.5	37.9
eferred and contingent consideration ther payables	87.2	60.8
	163.7	98.7

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

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.

Notes to the financial statements

for the year to 31 December 2012

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 2012 (2011:10%), post-tax profit for the year would have been \$10.6m higher or lower (2011: \$10.6m). If the closing sterling/US dollar rate was 10% higher or lower at 31 December 2012 (2011:10%), exchange differences in equity would have been \$48.0m (2011: \$28.8m) higher or lower respectively. 10% has been used in these calculations as it represents a reasonable possible change in the sterling/US dollar exchange rate.

(ii) Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at floating rates of interest and then uses interest rate swaps into fixed rates to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. At 31 December 2012, 19% (2011: 47%) of the Group's borrowings were at fixed rates after taking account of interest rate swaps.

The Group is also exposed to interest rate risk on cash held on deposit. The Group's policy is to maximise the return on cash deposits whilst ensuring that cash is deposited with a financial institution with a credit rating of 'A' or better, where possible. If average interest rates had been 1% higher or lower during 2012 (2011:1%), post-tax profit for the year would have been \$1.9m higher or lower respectively (2011: \$1.3m). 1% has been used in this calculation as it represents a reasonable possible change in interest rates.

(iii) Price risk

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

Notes to the financial statements

for the year to 31 December 2012

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

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

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

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

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

(c) Liquidity risk

With regard to liquidity, the Group's main priority is to ensure continuity of funding. At 31 December 2012, 96% (2011: 91%) of the Group's borrowing facilities (excluding joint ventures) were due to mature in more than one year. Based on the current outlook the Group has sufficient funding in place to meet its future obligations.

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

(d) Capital risk

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

Gearing is calculated by dividing net debt by equity attributable to owners of the parent. Gearing at 31 December 2012 was 6.9% (2011: 0.2%).

Interest cover is calculated by dividing EBITA from continuing operations by net finance expense from continuing operations before exceptional items. Interest cover for the year to 31 December 2012 was 35.7 times (2011: 38.8 times).

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

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17 Financial instruments (continued)

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

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

Fair value of non-derivative financial assets and financial liabilities

The fair value of short-term borrowings, trade and other payables, trade and other receivables, short-term deposits and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments. 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.

Notes to the financial statements

for the year to 31 December 2012

18 Provisions

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

Warranty provisions

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

Other provisions

At 31 December 2012, other provisions of \$65.0m (2011: \$75.6m) have been recognised. This amount includes provisions for future losses on onerous contracts, a provision for non-recoverable indirect taxes and provisions relating to the divestment of businesses. It is expected that any payment required in respect of these provisions would be made within the next two years.

19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the asset or liability has arisen. Deferred tax in relation to UK companies is provided at 23% (2011: 25%).

The movement on the deferred tax account is shown below:

	2012 \$m	2011 \$m
	фШ	ФПП
At 1 January	(54.9)	(97.9)
Exchange movements	(4.3)	2.3
Credit to income statement	(8.3)	(33.9)
Acquisitions (note 27)	31.0	69.5
Divestment of business	-	25.1
Deferred tax relating to retirement benefit liabilities	(2.1)	(6.1)
Deferred tax relating to share option schemes	8.6	(13.9)
At 31 December	(30.0)	(54.9)
Deferred tax is presented in the financial statements as follows:		
Deferred tax assets	(39.4)	(60.6)
Deferred tax liabilities	9.4	5.7
	(30.0)	(54.9)

Notes to the financial statements

for the year to 31 December 2012

19 Deferred tax (continued)

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

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

The Group has unrecognised tax losses of \$192.7m (2011: \$147.6m) to carry forward against future taxable income.

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

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

	Accelerated tax	Dangian	Share based	Short term timing differences	Laggag	Total
2011	depreciation \$m	Pension \$m	charges \$m	\$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)

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for the year to 31 December 2012

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

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

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

ESOS and LTRP

Around 1,200 employees participate in these schemes. For the purposes of calculating the fair value of the share options, a Black-Scholes option pricing model has been used. Based on past experience, it has been assumed that options will be exercised, on average, six months after the earliest exercise date, which is four years after grant date, and there will be a lapse rate of between 15% and 20%. The share price volatility used in the calculation of 35%-40% is based on the actual volatility of the Group's shares since IPO as well as that of comparable companies. The risk free rate of return is based on the implied yield available on zero coupon gilts with a term remaining equal to the expected lifetime of the options at the date of grant. The rate used ranges from 0.5% to 4.4%. A dividend yield of between 1.0% and 2.0% has been used in the calculations.

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

LTIP

The share based charge for the LTIP was calculated using a fair value of £4.12 for the first cycle, £1.81 for the second cycle, £3.01 for the third cycle, £5.10 for the fourth cycle and £6.18 for the fifth cycle. The charge for market related performance targets has been calculated using a Monte Carlo simulation model taking account of share price volatility against peer group companies, risk free rate of return, dividend yield and the expected lifetime of the award.

LTCIP

The share based charge for the LTCIP was calculated using a fair value of £7.01 (2011: £6.18). The fair value is calculated using a Black-Scholes option pricing model using similar assumptions to those used for ESOS and LTRP above. Payments under the LTCIP are linked to movements in the Group's share price.

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for the year to 31 December 2012

Executive Share Option Schemes

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

Year of	Number of ordinary Exercise shares under option price			
Grant	2012	2011	-	Exercise period
2003	72,500	162,500	158p	2007-2013
2004	160,000	455,584	128½p	2008-2014
2005	20,000	30,000	145p	2009-2015
2006	48,500	109,500	265½p	2010-2016
2007	102,290	231,660	268½p	2011-2017
2008	254,346	937,111	381¾p	2012-2018
2008	29,850	81,460	354½p	2012-2018
2009	2,498,791	2,818,105	222p	2013-2019
2009	50,000	55,836	283 ² / ₃ p	2013-2019
2010	2,556,687	2,805,667	377½p	2014-2020
2011	1,938,166	2,031,500	529½p	2015-2021
2012	1,919,865	-	680½p	2016-2022
2012	5,000	-	802p	2016-2022
	9,655,995	9,718,923		

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

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

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

Long Term Retention Plan

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

Year of		Number of ordinary shares under option		
Grant	2012	2011	(per share)	Exercise period
2007		106,500	3½p	2011-2012
2008	145,000	1,159,959	3½p	2012-2013
2009	2,201,000	2,502,932	3½p	2013-2014
2010	1,029,042	1,160,270	3½p	2014-2015
2011	75,000	75,000	3½p	2015-2016
2011	569,500	588,000	$4^{2}/_{7}p$	2015-2016
2012	896,334		$4^{2}/_{7}p$	2016-2017
	4,915,876	5,592,661		

20 Share based charges (continued)

Notes to the financial statements

for the year to 31 December 2012

Options are granted under the Group's LTRP at par value. The basis of the scheme is that an overall bonus pool is calculated annually based on performance criteria that consider the growth in the Group's adjusted earnings per share in the prior year. There are no performance criteria attached to the exercise of options under the LTRP. 145,000 options (2011: 106,500) were exercisable at 31 December 2012. 928,500 LTRP options were granted during the year, 1,279,681 LTRP options were exercised during the year and 325,604 LTRP options lapsed during the year. The weighted average share price for LTRP options exercised during the year was £7.51 (2011: £6.52). Further details on the LTRP are provided in the Directors' Remuneration Report.

Long Term Incentive Plan

The Group's Long Term Incentive Plan ('LTIP') has been in place since 2008. Under this Scheme, the executive directors and certain senior executives are awarded shares dependent upon the achievement of performance targets established by the Remuneration Committee. The performance measures for the LTIP are EBITA, OCER (ratio of operating capital employed to revenue), total shareholder return and adjusted diluted earnings per share. The LTIP awards are in the form of shares and forfeitable restricted shares. 20% of any award earned over the three year performance cycle are deferred for a further two years in the form of forfeitable restricted shares. At 31 December 2012, 4,448,914 shares were potentially issuable under this scheme. Further details of the LTIP are provided in the Directors' Remuneration Report.

21 Share capital

Ordinary shares of 4 ² / ₇ pence each (2011: 4 ² / ₇ pence)		2012		2011
Issued and fully paid	shares	\$m	shares	\$m
At 1 January	371,275,384	23.4	530,266,720	26.3
Shares issued to satisfy option awards		-	45,000	-
Shares issued relating to PSN acquisition	-	-	10,511,413	0.6
Purchase of shares under tender offer	-	-	(65,911,929)	(3.6)
New shares issued in advance of share reorganisation	-	-	4	-
Share reorganisation	-	-	(105,535,824)	_
Allocation of new shares to employee share trusts	1,900,000	0.1	1,900,000	0.1
At 31 December	373,175,384	23.5	371,275,384	23.4

On 20 December 2012, 1,900,000 new shares of $4^2/_7$ pence were issued to the employee share trusts at prices ranging from $4^2/_7$ pence to 222 pence.

During 2011, the Company purchased 65,911,929 shares at a cost of \$675.7m under the tender offer that formed the first part of the return of cash to shareholders. \$3.6m, representing the par value of these shares was deducted from share capital and a corresponding amount credited to a capital redemption reserve (note 24). The total cost of \$675.7m was deducted from retained earnings (note 23). In addition, 4 new shares were issued prior to the reorganisation of the Company's share capital. The reorganisation of the Company's share capital resulted in seven $4^2/_7$ pence shares being issued for each existing nine $3^1/_3$ pence shares. During 2011, 1,900,000 new shares were issued to the employee share trusts.

Notes to the financial statements

for the year to 31 December 2012

22 Share premium

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

During the year, the company received \$43.5m (2011: \$6.0m) proceeds from Group companies relating to the exercise of employee share options under the share symmetry scheme. This amount was credited to share premium. Under the share symmetry scheme, subsidiary companies remit share proceeds to the parent company in respect of employee share options granted before the IPO in 2002

On 20 December 2012, 1,900,000 new shares of $4^2/_7$ pence were issued to the employee share trusts at prices ranging from $4^2/_7$ pence to 222 pence and \$3.1m was credited to the share premium account.

During 2011, 191,250,234 'B' shares were issued at £1.40 each resulting in a total of \$436.1m being credited to the 'B' share capital account. At the same time, \$321.7m was deducted from share premium and \$114.4m was deducted from the merger reserve (note 24). 1,900,000 new shares were issued to the employee share trusts with \$7.6m being credited to the share premium account.

23 Retained earnings

	2012 \$m	2011 \$m
	·	
At 1 January	1,469.8	1,007.6
Profit for the year attributable to owners of the parent	257.0	2,302.3
Dividends paid (note 6)	(55.2)	(53.4)
Credit relating to share based charges (note 20)	19.6	9.7
Actuarial loss on retirement benefit liabilities (note 29)	(8.5)	(22.6)
Movement in deferred tax relating to retirement benefit liabilities	2.1	6.1
Proceeds from Group companies relating to options exercised under share symmetry scheme	(43.5)	(6.0)
Purchase of shares under tender offer	-	(675.7)
Redemption of 'B' shares	-	(436.1)
Deferred share dividend	-	(533.3)
Purchase of 'C' shares by company	-	(113.4)
Foreign exchange relating to return of cash to shareholders, net of tax	-	(9.8)
Expenses relating to return of cash to shareholders	-	(14.9)
Shares allocated to employee share trusts	(3.2)	(7.7)
Shares purchased by employee share trusts	-	(42.5)
Shares disposed of by employee share trusts	6.5	12.3
Cash received by employee share trusts from the return of cash to shareholders	-	25.0
Tax credit relating to share option schemes	1.1	20.8
Exchange movements in respect of shares held by employee share trusts	(5.0)	1.4
At 31 December	1,640.7	1,469.8

Notes to the financial statements

for the year to 31 December 2012

23 Retained earnings (continued)

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

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

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investment in own shares represents the cost of 11,599,912 (2011: 14,696,669) of the company's ordinary shares totalling \$112.7m (2011: \$111.0m). No options have been granted over shares held by the employee share trusts (2011: nil).

Shares acquired by the employee share trusts are purchased in the open market using funds provided by John Wood Group PLC to meet obligations under the Employee Share Option Schemes, the LTRP and the LTIP. During 2012, 1,900,000 new shares were allocated to the employee share trust at a value of \$3.2m. 2,718,158 shares were issued during the year to satisfy the exercise of share options at a value of \$6.5m. 2,278,599 shares were issued during the year to satisfy share awards under the Long Term Incentive Plan.

Exchange adjustments of \$5.0m (2011: \$1.4m) arose during the year relating to the retranslation of the investment in own shares from sterling to US dollars. The costs of funding and administering the trusts are charged to the income statement in the period to which they relate. The market value of the shares at 31 December 2012 was \$137.0m (2011: \$146.4m) based on the closing share price of £7.27 (2011: £6.41). The employee share trusts have waived their rights to receipt of dividends on ordinary shares.

Notes to the financial statements

for the year to 31 December 2012

24 Other reserves

	Capital reduction reserve \$m	Capital redemption reserve \$m	Merger reserve \$m	Currency translation reserve \$m	Hedging reserve \$m	Total \$m
At 1 January 2011	88.1	-	-	(28.4)	(3.1)	56.6
Shares issued relating to PSN acquisition	_	_	114.4	-	-	114.4
Purchase of shares under tender offer	-	3.6	-	-	-	3.6
Issue of 'B' shares	-	-	(114.4)			(114.4)
Redemption of 'B' shares	-	436.1	-	-	-	436.1
Exchange movements on retranslation of foreign currency						
net assets	=	-	-	(31.1)	-	(31.1)
Cash flow hedges	-	-	-	-	(1.6)	(1.6)
At 31 December 2011	88.1	439.7	-	(59.5)	(4.7)	463.6
Exchange movements on retranslation of foreign currency						
net assets	-	-	-	41.3	-	41.3
Cash flow hedges	-	-	-	-	3.7	3.7
At 31 December 2012	88.1	439.7	-	(18.2)	(1.0)	508.6

The currency translation reserve relates to the retranslation of foreign currency net assets on consolidation. This was reset to zero on transition to IFRS at 1 January 2004. The movement during the year relates to the retranslation of foreign currency net assets, including goodwill and intangible assets recognised on acquisition. The hedging reserve relates to the accounting for derivative financial instruments under IAS 39. Fair value gains and losses in respect of effective cash flow hedges are recognised in the hedging reserve.

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

25 Non-controlling interests

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

26 Cash generated from operations

	2012	2011
	\$m	\$m
Reconciliation of operating profit to cash generated from operations:		
Operating profit from continuing operations before exceptional items	375.6	262.9
Operating (loss)/profit from discontinued operations before exceptional items	(2.0)	57.1
Adjustments for:		
Depreciation	43.8	47.2
Loss/(gain) on disposal of property plant and equipment	1.3	(0.1)
Amortisation of intangible assets	85.5	78.7
Share based charges	26.2	19.2
Decrease in provisions	(8.1)	(3.1)
Changes in working capital (excluding effect of acquisition and divestment of		
subsidiaries) Increase in inventories	(42.7)	(51.4)
	(43.7)	(51.4)
Increase in receivables	(50.1)	(232.1)
(Decrease)/increase in payables	(99.1)	96.4
Exchange movements	(1.7)	9.7
Cash generated from operations	327.7	284.5

Analysis of net debt

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

Notes to the financial statements

for the year to 31 December 2012

27 Acquisitions and divestments

Acquisitions

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

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

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

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

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

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

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

Notes to the financial statements

for the year to 31 December 2012

27 Acquisitions and disposals (continued)

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

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

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

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

	ΨΙΙΙ
Continuing revenue	6,921.2
Continuing EBITA	483.0

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

Notes to the financial statements

for the year to 31 December 2012

27 Acquisitions and disposals (continued)

Divestments

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

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

Details of the assets and liabilities divested were as follows:

	\$m
Property plant and equipment	7.6
Goodwill and intangible assets	1.4
Inventories	14.1
Trade and other receivables	10.6
Cash and cash equivalents	0.4
Borrowings	(0.2)
Trade and other payables	(16.9)
	17.0
Non-controlling interests	(1.2)
Net assets divested	15.8
Gross proceeds received	43.0
Gain on divestment before tax	27.2
Tax	(4.2)
Net gain on divestment after tax (see note 4)	23.0
The inflow of cash and cash equivalents in relation to the divestments is analysed as follows:	
	\$m
Gross proceeds received	43.0
Divestment costs paid	(2.2)
Cash divested	(0.4)
Borrowings divested	0.2
Net cash inflow from divestment	40.6

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

Notes to the financial statements

for the year to 31 December 2012

28 Employees and directors

Employee benefits expense	2012 \$m	2011 \$m
	4	ΨΠ
Wages and salaries	2,758.8	2,355.2
Social security costs	184.1	170.9
Pension costs – defined benefit schemes (note 29)	7.4	7.8
Pension costs – defined contribution schemes (note 29)	87.5	73.3
Share based charges	26.2	19.2
	3,064.0	2,626.4
Average monthly number of employees (including executive directors)	2012	2011
	No.	No.
By geographical area:		
UK	7,791	6,909
US	9,896	9,211
Rest of the World	15,792	11,728
	33,479	27,848
T7	2012	2011
Key management compensation	2012	2011
	\$m	\$m
Salaries and short-term employee benefits	20.2	25.8
Amounts receivable under long-term incentive schemes	4.8	4.1
Social security costs	3.0	3.3
Post-employment benefits	1.1	1.2
Share based charges	9.4	7.5
	· • -	,,,,
	38.5	41.9

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

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

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

Two directors (2011: one) have retirement benefits accruing under a defined contribution pension scheme. Retirement benefits are accruing to two (2011: four) directors under the company's defined benefit pension scheme. Further details of director's emoluments are provided in the Directors' Remuneration Report.

Notes to the financial statements

for the year to 31 December 2012

29 Retirement benefit liabilities

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

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

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

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

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

At 31 December 2012 the actuary has determined pension liabilities by reference to a standard actuarial mortality table which considered UK wide mortality data relevant to the Group's pension scheme. Those observed mortality rates have been projected to improve at a specific rate into the future to allow for established trends and expectations in line with normal actuarial practice. Specifically, the actuarial table used was PXA00 and improvements were in line with the long cohort approach with an annual underpin of 1% p.a.

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

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

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

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

Notes to the financial statements

for the year to 31 December 2012

29 Retirement benefit liabilities (continued)

The amounts recognised in the income statement are as follows:

	2012	201
	\$m	\$n
Current service cost included within employee benefits expense	7.4	7.8
Interest cost	10.4	10.8
Expected return on scheme assets	(10.5)	(11.3)
Total included within finance income	(0.1)	(0.5
The employee benefits expense is included within administrative expenses in	the income statement.	
Changes in the present value of the defined benefit liability are as follows:		
	2012	201
	\$m	\$n
Present value of funded obligations at 1 January	206.7	188.3
Current service cost	7.4	7.8
Interest cost	10.4	10.8
Actuarial losses	17.0	7.7
Benefits paid	(5.7)	(5.3
Plan curtailment	-	(0.5
Exchange movements	10.3	(2.1
Present value of funded obligations at 31 December	246.1	206.7
Changes in the fair value of scheme assets are as follows:		
	2012	201
	\$m	\$n
Fair value of scheme assets at 1 January	160.9	155.0
Expected return on scheme assets	10.5	11.3
Contributions	8.9	16.1
Benefits paid	(5.7)	(5.3
Actuarial gains/(losses)	8.5	(14.9
Exchange movements	8.0	(1.3
Fair value of scheme assets at 31 December	191.1	160.9

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

Notes to the financial statements

for the year to 31 December 2012

29 Retirement benefit liabilities (continued)

Analysis of the movement in the balance sheet liability:

				2012	2011
				\$m	\$m
A4.1 Tanana				45.0	22.2
At 1 January				45.8	33.3
Current service cost				7.4	7.8
Finance income				(0.1)	(0.5)
Contributions				(8.9)	(16.1)
Plan curtailment				-	(0.5)
Net actuarial losses recognised in the year				8.5	22.6
Exchange movements				2.3	(0.8)
At 31 December				55.0	45.8
Cumulative actuarial losses recognised in equity:				2012	2011
				2012	2011
				\$m	\$m
At 1 January				73.1	50.5
Net actuarial losses recognised in the year				8.5	22.6
1vet detadriar 1055e5 recognised in the year				0.0	22.0
At 31 December				81.6	73.1
The actual return on scheme assets was \$19.0m (2011 : \$	S(3.6)m).				
History of aunopianae gains and losses:					
History of experience gains and losses:	2012	2011	2010	2009	2008
	2012	2011	2010	2009	2000
Difference between the expected and actual return on					
scheme assets:					
Gain/(loss) (\$m)	8.5	(14.9)	7.5	15.6	(44.3)
Percentage of scheme assets	4%	9%	5%	11%	44%
Experience losses on scheme liabilities:					
	(17.0)	(7.7)	((5)	(24.0)	25.6
(Loss)/gain (\$m)	(17.0)	(7.7)	(6.5)	(24.0)	25.6
Percentage of the present value of the scheme liabilities	7%	4%	4%	14%	21%
Present value of scheme liabilities (\$m)	246.1	206.7	188.3	174.4	124.7
Fair value of scheme assets (\$m)	191.1	160.9	155.0	140.1	101.6
Deficit (\$m)	55.0	45.8	33.3	34.3	23.1
Delivit (will)	22.0	∃2.0	33.3	57.5	23.1

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

Pension costs for defined contribution schemes are as follows:

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

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

Notes to the financial statements

for the year to 31 December 2012

30 Operating lease commitments – minimum lease payments

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

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

31 Contingent liabilities

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

In February 2010, the Group and several other parties were notified of a legal claim from a customer in respect of work carried out in 2008. Management believe that the Group is in a strong position to defend the claim. In addition, the Group is currently cooperating with an investigation in relation to a facility where it previously provided services. Management do not believe that it is probable that a material liability will arise from either of these matters. There has been no material change to the position on these matters during the year.

32 Capital and other financial commitments

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

The capital expenditure above relates to property plant and equipment. \$1.7m of the above amount relates to commitments made by the Group's joint venture companies.

33 Related party transactions

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

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

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

Notes to the financial statements

for the year to 31 December 2012

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 2012 are listed below.

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

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

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

Officers and advisers

Secretary and Registered OfficeRegistrarsR M B BrownEquiniti LimitedJohn Wood Group PLCAspect HouseJohn Wood HouseSpencer RoadGreenwell RoadLancingAberdeenWest SussexAB12 3AXBN99 6DA

Tel: 01224 851000 Tel: 0871 384 2649

Stockbrokers Independent Auditors

JPMorgan Cazenove Limited PricewaterhouseCoopers LLP

Credit Suisse Chartered Accountants and Statutory Auditors

32 Albyn Place Aberdeen AB10 IYL

Company SolicitorsSlaughter and May

Financial calendar

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

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