# John Wood Group PLC

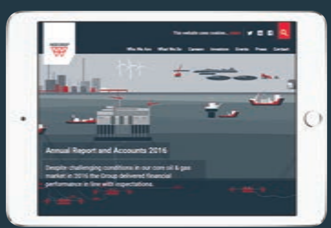
Annual Report and Accounts 2016

# Contents



"Despite challenging conditions in our core oil & gas market in 2016 the Group delivered financial performance in line with expectations. Results benefited from the robust management of utilisation and costs and one off benefits. We enter 2017 as One Wood Group, repositioned to enhance customer delivery and we are encouraged by their support for our services, albeit in a competitive pricing environment. The oil & gas market continues to present challenges and we remain cautious on the near term outlook."

Robin Watson, Chief Executive





To view and download our Annual Report online:
**www.woodgroup.com/ar16**

# Highlights

## Financial Summary

**Total Revenue**[1]
$4,934m ▼ 15.7% (2015: $5,852m)

**Total EBITA**[1]
$363m ▼ 22.8% (2015: $470m)

**EBITA Margin**
7.4% ▼ 0.6% (2015: 8.0%)

**Revenue from continuing operations on an equity accounting basis**
$4,121m ▼ 17.6% (2015: $5,001m)

**Operating Profit before exceptional items**
$244m ▼ 28.4% (2015: $341m)

**Profit for the year**
$34.4m ▼ 61.8% (2015: $90.1m)

**Basic EPS**
7.5 cents ▼ 65.0% (2015: 21.4 cents)

**Adjusted diluted EPS**
64.1 cents ▼ 23.7% (2015: 84.0 cents)

**Total Dividend**
33.3 cents per share ▲ 10.0% (2015: 30.3 cents)

1. Total Revenue and Total EBITA are presented based on proportionally consolidated numbers, which is the basis used by management to run the business and includes the contribution from joint ventures. A reconciliation to statutory numbers is provided in note 1 to the accounts.

For further detailed footnotes:
**See page 19**

## Operational Highlights

- Oil & gas markets remained very challenging in 2016; lower oil prices endured and activity fell
- EBITA of $363m in line with expectations, down 22.8% on 2015. Adjusted EPS of 64.1c down 23.7%
- Despite lower volumes and pricing pressure, impact on EBITA and margin partly offset by:
  - Robust management of utilisation and decisive action on cost: headcount down 18%, overheads reduced by a further $96m
  - Commercial contract close outs on significant and legacy projects contributed $29m of EBITA
- Balance sheet remains robust: Net debt, including JVs of $331m. Net debt to EBITDA of 0.8x
- Proposed dividend up 10% in line with stated intention. Dividend cover of 1.9 times (2015: 2.8 times). Intention is to pursue a progressive dividend policy from 2017, taking into account cash flows and earnings
- Exceptional costs of $140m net of tax include $89m in respect of further impairment and restructuring of EthosEnergy and charges in respect of reorganisation, delayering and back office rationalisation in our core business
- Oil & gas market continues to present challenges in 2017. Modest recovery anticipated only in selected areas such as US onshore and greenfield offshore projects
- One Wood Group reorganisation together with sustainable overhead savings position the Group well for the longer term

# Our vision

"We want to be recognised as the best technical services company to work with, work for and invest in, with a relentless focus on excellence."


WOOD GROUP

# Our business

## Inputs

**Safety first attitude**

**Strong shared values**

See page **20**

**Technical capability and experience**

**Talented, flexible and motivated workforce**

See page **24**

**Innovative, efficient and effective processes**

**Low risk commercial model**

**Efficient capital allocation and robust balance sheet**

See page **18**

## How we create and sustain value

- We design, modify, construct and operate industrial facilities, mainly in the oil & gas sector
- We provide our services across the asset life cycle and enhance this with a wide range of specialist technical solutions
- We employ an asset light, delivery focused business model
- We are differentiated by our range of services, our track record of delivery, the passion of our people and our culture and values
- We look to grow by extending the scale and scope of our services, broadening into adjacent industries, and developing smart technologies

**Total revenue:**

$4.9bn

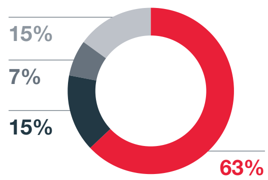
**People:**

29,000

**Countries:**

>40

**Markets and sectors:**

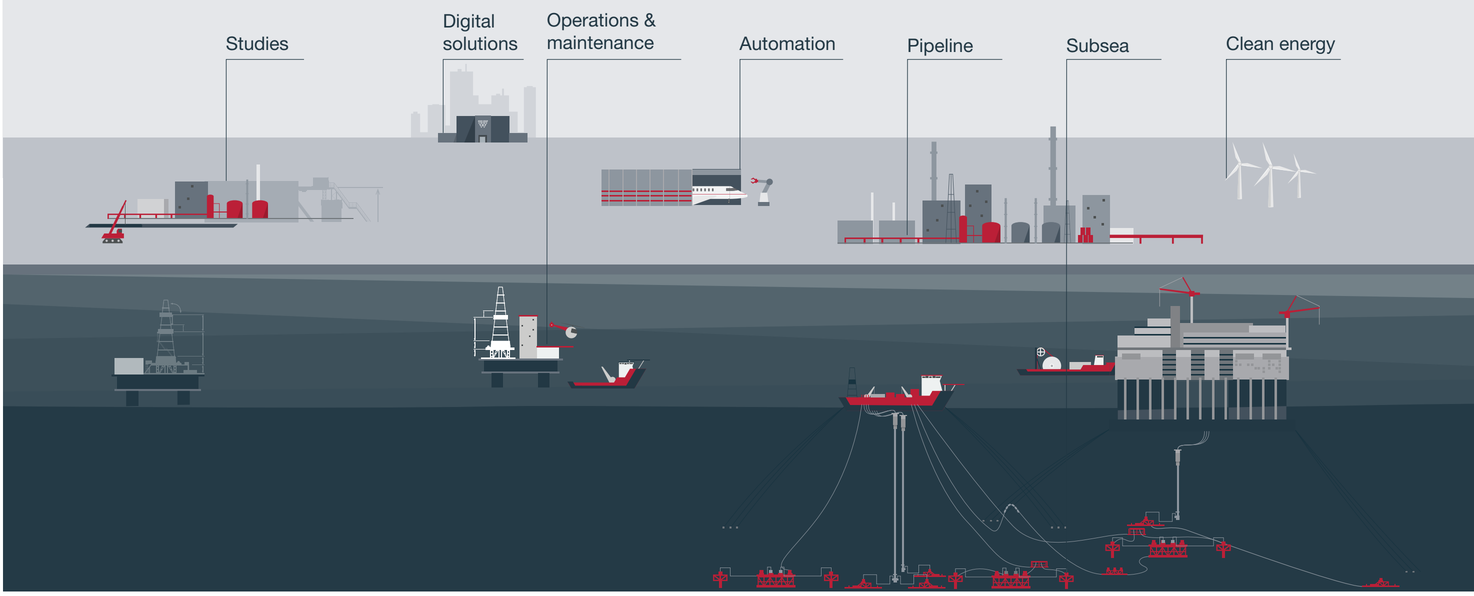



- Upstream oil & gas
- Midstream oil & gas
- Downstream oil & gas
- Other sectors

## Our services

During 2016 we repositioned as 'One Wood Group', an organisation defined by service provision, with the intention of ensuring that the breadth of our offering across the asset life cycle is better understood. This will enable efficiency gains as a simpler business with less internal complexity and increase our effectiveness by enabling easier customer engagement.

Find out more at:
**www.woodgroup.com/revisedsegments**



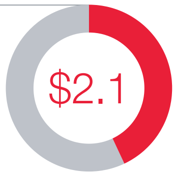
## How we organise our business

### Asset Life Cycle Solutions

#### Western region

% of total revenue ($bn)

43%

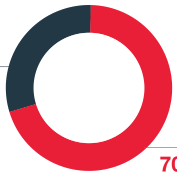



People:

10,900

Service breakdown

30%



70%

- Customer opex driven operations & maintenance
- Customer capex driven projects & modifications

#### Eastern region

% of total revenue ($bn)

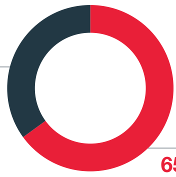
47%


People:

15,300

Service breakdown

35%



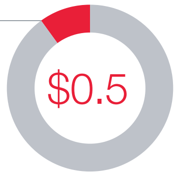
65%

- Customer opex driven operations & maintenance
- Customer capex driven projects & modifications

### Specialist Technical Solutions

% of total revenue ($bn)

10%

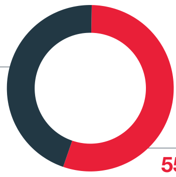



People:

2,800

Service breakdown

45%



55%

- Subsea & technology
- Automation

## Outputs

Strong shareholder returns

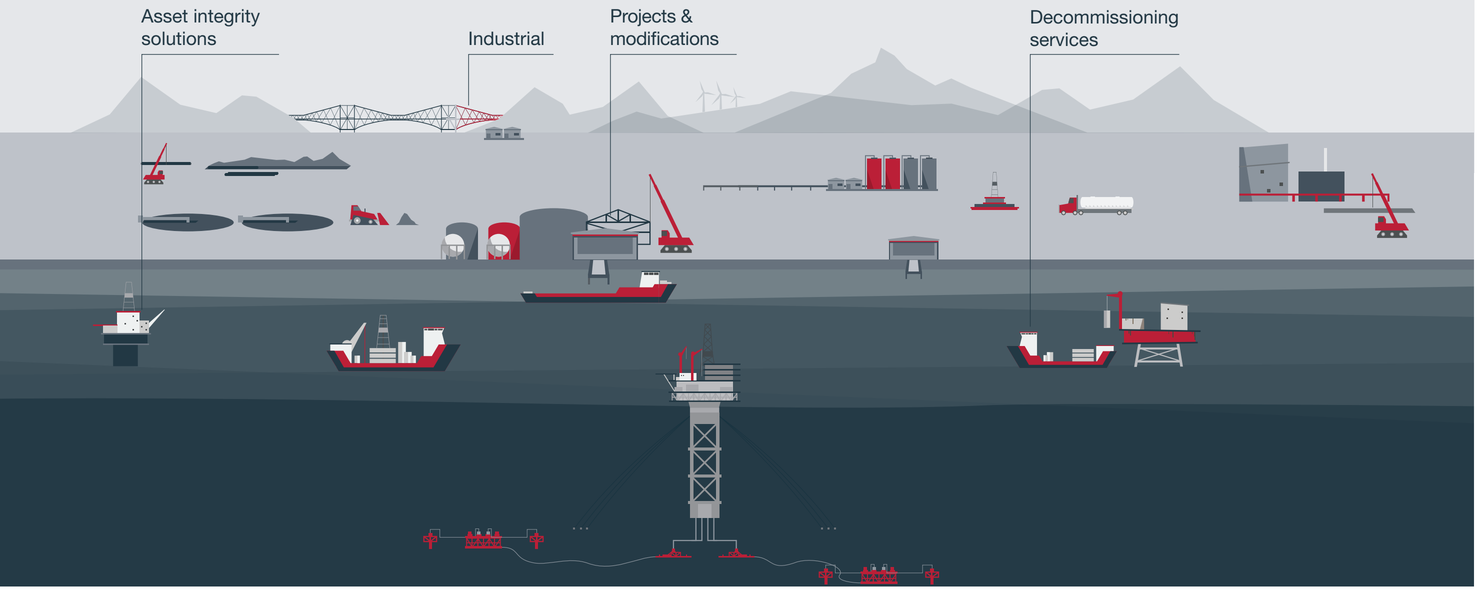
Leading technical services and solutions

Track record on industry leading projects

Global reach with long term customer relationships

Significant contribution to local employment and communities

See page 25



# Key performance indicators

## To help the Group assess its performance, our leadership team sets KPI targets and monitors and assesses performance against these targets on a regular basis.

### Safety:

**Total recordable case frequency (TRCF)**
per million man hours


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

We saw a 3% increase in our TRCF. Hours worked for the year reduced by 12% and case recording across the Group improved, both of which contributed to the rise in our TRCF.

**Lost work case frequency (LWCF)**
per million man hours

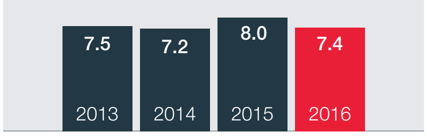

Lost work case frequency measures lost work cases per million man hours.

We had zero fatalities and our lost work case frequency remained static year on year.

For more information on our safety performance:
**See page 21**

### Financial:

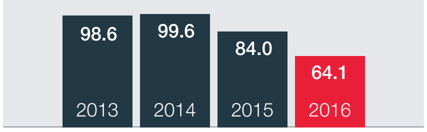
**EBITA margin**
%




EBITA margin demonstrates our ability to convert revenue into profit.

EBITA margin reduced in the year, due to lower volumes and pricing pressure. This was partially offset by management of utilisation, significant cost savings and one off benefits.

**Adjusted diluted EPS (AEPS)**
cents




Adjusted diluted EPS represents earnings before exceptional items and amortisation, net of tax, divided by the weighted average number of shares during the year.

AEPS reduced 23.7% in 2016 reflecting reduced earnings.

**Dividend per ordinary share**
cents


The share of AEPS distributed to shareholders.

We delivered in line with our previously stated intention for 2016 of double digit growth.

For more information on our financial performance:
**See pages 16-19**

**Net debt: EBITDA ratio**
times


The Net debt: EBITDA ratio measures our ability to service our debt.

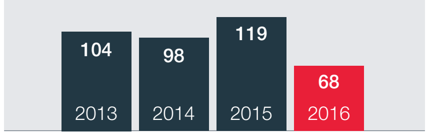
The Net debt: EBITDA ratio increased in the year; we are still within our preferred range of 0.5 to 1.5 times.

**Return on capital employed**
%


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

The reduction in return on capital employed reflects the lower EBITA for the year.

**Cash conversion**
%




The cash conversion ratio is post working capital cash flow divided by EBITDA.

Cash conversion reduced to 68% due to the increase in working capital outflow combined with the impact of a net release of provisions on contract close outs.

# Chair's statement

"The flexibility of Wood Group's business model, market leading position and the impact of bolt on M&A were key to delivering financial performance in line with expectations. The impact of structural cost reductions and the organisational change, will help ensure that Wood Group emerges from this prolonged downturn as a stronger, better business."

Ian Marchant, Chair

## Markets

2016 represented a second successive fall in global E&P customer spending which was down over 20% following a similar reduction in 2015. Oil and gas markets remained very challenging; lower oil prices endured and activity fell across the sector. Early indications for 2017 suggest the potential for some modest increase in spending from 2016 levels, reflecting a recovery in North American onshore spending, largely offset by further reductions elsewhere for a third successive year.

Given the spending outlook for 2017 and the inherent lag of the impact on service company activity, we are cautious on the near term outlook for the Group. However, we remain positive on the longer term recovery.

## Overview of 2016

The flexibility of Wood Group's business model, market leading position and the impact of bolt on mergers and acquisitions (M&A) were key to delivering financial performance in line with expectations. In particular, the management of utilisation and early and decisive actions taken on cost reduction and efficiency in 2015, which continued in 2016, partly mitigated the impact of the tough pricing environment and reduced volumes.

During the year, Robin and the executive leadership reorganised and repositioned the Group across Asset Life Cycle Solutions and Specialist Technical Solutions. This organisational change is reflected in our full year results and our revised reportable segments mirror the new operating structure.

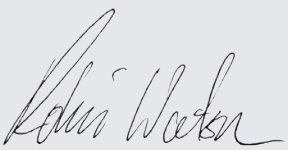
Together, the impact of structural cost reductions and the organisational change will help ensure that Wood Group emerges from this prolonged downturn as a stronger, better business in an oil & gas market that has recalibrated to a lower for longer commodity price environment.

## Dividend

The Board has recommended a final dividend of 22.5 cents per share, which makes a total distribution for the year of 33.3 cents, an increase of 10% in line with previously stated intentions. The dividend cover ratio was 1.9 times (2015: 2.8 times). Following successive 10% annual increases in the dividend, we intend to pursue a progressive dividend policy going forward, taking into account cash flows and earnings.

# Chief Executive review

"During 2016 the Group focused on the short term challenges of cost efficiency and utilisation and positioning for a prolonged period of lower oil prices. We made significant progress against my initial objectives; to ensure our business was appropriately structured to improve delivery to customers; to continue to generate sustainable cost savings; to develop our best talent; to continue to invest both organically and through acquisition; and to create value for shareholders. The repositioning increases our effectiveness by enabling easier customer engagement, generates efficiency gains as a simpler business with less internal complexity, and better positions the Group to develop smart solutions."



Robin Watson, Chief Executive

## 2016 Group performance

**Total Revenue**

$4,934m ▼ **15.7%** (2015: $5,852m)

**EBITA[1]**

$363m ▼ **22.8%** (2015: $470m)

**EBITA Margin**

7.4% ▼ **0.6%** (2015: 8.0%)

**Operating Profit before exceptional items**

$244m ▼ **28.4%** (2015: $341m)

**Adjusted diluted EPS[2]**

64.1c ▼ **23.7%** (2015: 84.0c)

**Note:** The following commentary on trading performance is presented based on proportionally consolidated numbers, which is the basis used by management to run the business. Total Revenue and Total EBITA include the contribution from joint ventures. A reconciliation to statutory numbers is provided in note 1 to the accounts.

For further detailed footnotes: **See page 19**

**Financial performance in 2016 reflected lower volumes and pricing pressure. The Group delivered EBITA of $363m in line with expectations, down 22.8% on 2015. Adjusted EPS of 64.1c was down 23.7%. EBITA margins fell 0.6%. The impact on EBITA was partly offset by robust management of utilisation and decisive action on cost, with headcount down 18% and overheads down a further $96m.**

EBITA also benefitted from the impact of commercial contract close outs on significant and legacy projects of around $15m in Asset Life Cycle Solutions Eastern region and $14m in Specialist Technical Solutions. Due to the nature of the contracts that completed and the current outlook we do not anticipate that this will repeat in 2017.

Safety remains our top priority. In 2016, whilst there were some areas where we had excellent safety delivery, the overall picture across the business was one where safety performance remained broadly static but we saw an increase in high potential incidents. Looking ahead, we have immediate plans to draw together safety initiatives and ideas generated across the business to improve our programmes. In the Gulf of Mexico, we have reached plea agreements in respect of investigations into certain events in previous years. The plea agreements, which were approved by the court, provide for the payment of fines and penalties, as well as a compliance plan which is still to be finalised. We have taken significant steps to protect against any recurrence. Costs associated with the potential outcome were provided in 2015.

In February 2016, I set out my vision for Wood Group; to be recognised as the best technical services company to work with, work for and invest in, with a relentless focus on excellence. The Group focused on the short term challenges of cost efficiency and utilisation and positioning for a prolonged period of lower oil prices. We made significant progress against my initial objectives; to ensure our business was appropriately structured to improve delivery to customers; to continue to generate sustainable cost savings; to develop our best talent; to continue to invest both organically in innovation and through acquisition; and to create value for shareholders.

We reorganised and repositioned as One Wood Group, refining our operating structure to enhance customer delivery. We moved to an organisation defined by service provision, with the intention of ensuring that customers understand the breadth of our offering across Asset Life Cycle Solutions and Specialist Technical Solutions.

The change increases our effectiveness by enabling easier customer engagement, generates efficiency gains as a simpler business with less internal complexity, and better positions the Group to develop smart solutions.

Asset Life Cycle Solutions accounts for c. 90% of revenue and has a Western and Eastern region management structure. Specialist Technical Solutions is a smaller discrete business unit (BU) that pulls together specialist and niche offerings to ensure they receive appropriate executive attention, investment and strategic direction.

The organisational change has been welcomed by customers and the benefits are already being seen in a number of live bids and contract awards. Our combined experience in pipelines and facility operations and maintenance was key in securing the operatorship scopes for the CATS and SAGE systems. More generally, renewals and awards from some of our largest customers owed much to the improved visibility of our broad offering, including our growing automation service line, and One Wood Group delivery model.

Following a sustainable overhead cost reduction of $148m in 2015, we reduced overhead costs by a further $96m in 2016. This has meant further tough decisions which directly impact our people. Underlying headcount, excluding acquisitions, is down 36% over a two year period. As expected, the pace of saving has slowed, although we believe the savings achieved are sustainable into 2017.

We recognised exceptional costs of $140m net of tax in 2016. This included $89m in respect of the restructuring of, and a further impairment in, the carrying value of our investment in EthosEnergy. We are actively pursuing our longer term strategic options for EthosEnergy, which include a possible disposal of our interest. We recognised a charge of $51m net of tax relating to reorganisation, delayering and back office rationalisation in our core business as we took actions in response to the tough market.

There is no change to our appetite or focus on M&A. Opportunities have been less than anticipated in 2016 and we have remained disciplined as regard to potential targets. We continue to focus on opportunities that may better consolidate our offering or accelerate delivery against our strategic objectives, including broadening our end market exposure.

The Group continues to benefit from a strong balance sheet and we are comfortable with the flexibility, diversity and maturity of our funding. Ongoing dividends, organic investment and M&A remain our preferred uses of cash.

## Outlook

Financial performance in 2016 reflected lower volumes and pricing pressure. This was partly offset by the robust management of utilisation and decisive action on costs, significant one off benefits and the contribution from bolt on acquisitions completed in 2015.

We are cautious on the near term outlook for the Group, although customer support for our services remains strong. In a competitive pricing environment, we secured a number of renewals and new awards with some of our largest customers. This gives us confidence that our reorganised business is well positioned to support customers in a lower for longer environment.

Overall, the oil and gas market continues to present challenges in 2017. We anticipate modest recovery only in markets such as US onshore and greenfield offshore projects. 2017 performance will reflect the current pricing environment for work which remains competitive, although we believe our cumulative overhead cost savings since 2015 will be sustainable in 2017.

Our market position remains strong. I am confident that our focus on delivering value through our Asset Life Cycle Solutions and Specialist Technical Solutions together with our customer relationships, global footprint, and strong financial footing position us well over the longer term.

# Segmental review

In 2016 we reorganised and repositioned the Group, moving from an organisation defined by brand to one defined by service. As a result, Asset Life Cycle Solutions West, Asset Life Cycle Solutions East and Specialist Technical Solutions replace Wood Group Engineering and Wood Group PSN as our reportable segments. By closely mirroring our operating structure, we hope to better facilitate evaluation of the financial impact of our activities and the markets in which we operate.

## Hibernia

In October 2016, Wood Group secured a five-year contract to provide engineering, procurement, construction and maintenance services to the Hibernia platform, offshore Newfoundland. Since first oil in 1997, Wood Group has been the incumbent contractor for many of these services on the Hibernia platform. The first producing field of Canada's East Coast, it has been a cornerstone of our business in the region. Key to our performance has been the safe execution of work with local talent, even in the harshest of environments.

# Asset Life Cycle Solutions - Western region

Revenue in 2016 was broadly flat with 2015 due to the contribution from businesses acquired in late 2015 offsetting underlying revenues that fell by over 15%. Despite significant pricing pressure, margin fell by only 1.6%, due to robust and decisive management of utilisation and cost.

Operations and maintenance work accounted for around 70% of revenue and was up on 2015 due to the contribution of Infinity and Kelchner acquired in 2015. Our US onshore business was significantly impacted by the tough market but remained the largest contributor to this service line in the Western region. We saw a good contribution from our work in the Gulf coast petrochemical market following the acquisition of Infinity. Performance in East Canada improved significantly. We continue to work on our hook up and commissioning scope on the Hebron topsides and we secured a five year contract on the Hibernia platform.

Projects and modifications accounted for around 30% of revenue and was down on 2015. US onshore work was the largest contributor to revenue and included the ETC Dakota access pipeline, the Flint Hills refinery project and activity on process plants and transmission pipelines more generally. Activity in greenfield offshore remained in line with prior year and included the detailed design on Stampede for Hess and Peregrino 2 for Statoil, completion of the FEED and commencement of the detailed engineering for Noble Leviathan and ongoing FEED activity for Anadarko Shenandoah. We also commenced detailed engineering for Kiewit on the BP South Pass Platform expansion project in the Gulf of Mexico.

## Outlook

There are early signs of improvement for our Operations and maintenance services in the core US onshore market where we have a breadth of capability across the Permian, Eagle Ford, Marcellus & Utica and Bakken basins. Rig count increases are beginning to have a modest impact on activity. In Projects and Modifications, a number of large projects reached conclusion in 2016 including Flint Hills and Stampede. However, we believe we have increased our market share in the greenfield topsides market albeit in a tougher pricing environment.

**Asset Life Cycle Solutions Western region**

**Total Revenue**

$2,115m ▼ **0.3%** (2015: $2,121m)

**Total EBITA**

$176m ▼ **15.8%** (2015: $209m)

**EBITA Margin**

8.3% ▼ **1.6%** (2015: 9.9%)

**People**

10,900 ▼ **21.0%** (2015: 13,800)

## CATS

In 2016 we commenced work on a new $250m duty holder contract with Antin Infrastructure Partners operating the CATS (Central Area Transition System) terminal and pipeline. The system transports gas from 34 producing fields through 404km of pipeline from the Central North Sea to its terminal in Teesside in the UK where it is then processed on behalf of major North Sea gas producers. Our collaborative approach across multiple service lines including pipeline management, operations, maintenance and industrial services was key to the award, and our focus continues to be on the delivery of safe, seamless, efficient and effective operations.

# Asset Life Cycle Solutions - Eastern region

Revenue in 2016 fell 26%, principally due to a significant reduction in brownfield modifications work in a very subdued North Sea market. EBITA fell 34% reflecting lower activity, the tougher pricing environment and foreign exchange headwinds, despite the offsetting impact of commercial contract close out on significant and legacy projects of around $15m and further reductions in overhead costs.

Operations and maintenance accounted for around 60% of Eastern region revenues. We faced a tough market in the North Sea, which was down on 2015. We maintained our leading position, having renewed a majority of contracts over the last 18 months that secures access to work as activity levels recover in the longer term. Our duty holder scopes operating both the CATS gas plant and pipeline for Antin Infrastructure and the SAGE gas plant and pipeline for Ancala Midstream demonstrate our strong capability to partner with new entrants to the basin. Elsewhere, activity levels increased on our Exxon contracts in Papua New Guinea and in Australia we renewed our contract with Melbourne Water. We also secured a five year managed services scope from Hess Malaysia for their offshore facilities in the North Malay basin.

Turbine related operations and maintenance activity was down on 2015. We saw weaker than expected performance in our EthosEnergy joint venture with reductions in major maintenance and equipment sales. This has impacted our longer term view of performance, resulting in an impairment of the carrying value of our investment in EthosEnergy. We are actively pursuing our longer term strategic options for EthosEnergy.

Projects and modifications accounted for around 40% of revenues. We completed the later stage follow-on engineering and construction support scope on Det Norske's Ivar Aasen project. In the UK North Sea, we experienced a significant fall in brownfield modifications and upgrade activity under existing contracts. Activity on our Saudi Aramco contracts grew and we renewed our General Engineering Services Plus frame agreement in the second half of the year. Work with Exxon in Iraq and BP in Azerbaijan is ongoing, although the pace of activity has been slower than anticipated. In Kazakhstan, we saw strong activity on our work with NCOC.

## Outlook

Activity levels in the North Sea operations, maintenance and modifications work are not anticipated to improve significantly in 2017 and results will reflect the margin impact of renegotiated contract renewals secured in 2016. We do expect higher activity elsewhere, with customers including Hess in Malaysia and Exxon on PNG. We have low visibility on larger greenfield projects work in the Eastern region and the market generally remains weak, following the completion of a number of projects in 2016 including Ivar Aasen. The Middle East market presents the greatest opportunities for projects and modifications in 2017.

**Asset Life Cycle Solutions Eastern Region**

**Total Revenue**
$2,331m ▼ **25.9%** (2015: $3,145m)

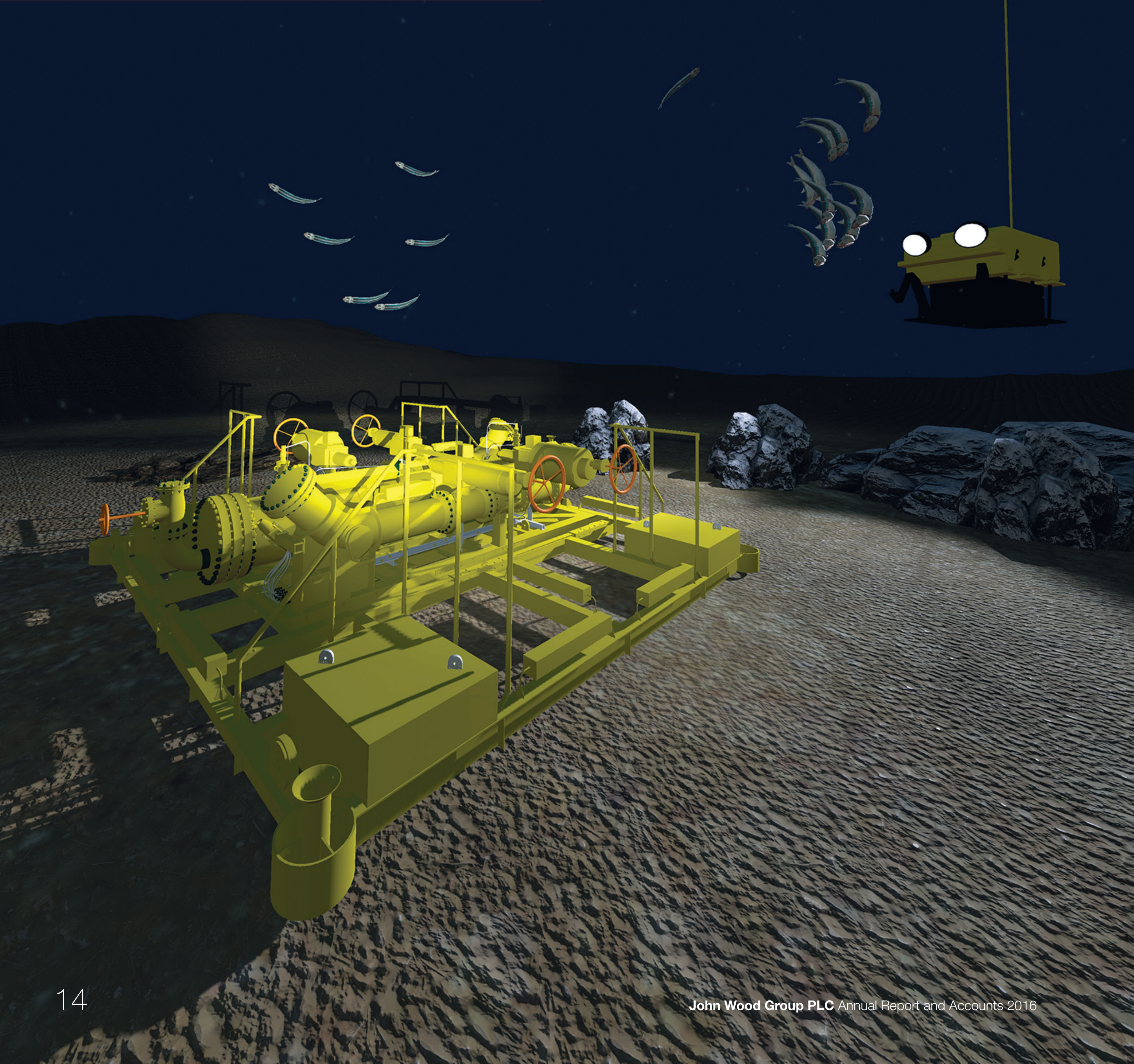
**Total EBITA**
$143m ▼ **34.1%** (2015: $217m)

**EBITA Margin**
6.1% ▼ **0.8%** (2015: 6.9%)

**People**
15,300 ▼ **19.5%** (2015: 19,000)

## Digital Solutions

Our digital solutions service line within our Specialist Technical Solutions business has created a suite of virtual reality and augmented reality subsea platforms that are completely accurate in their design and configuration with operable valve and well heads, offering a unique insight to the equipment we design and help to install. Digital Solutions will be extremely important in helping shape the future delivery of our services as the world moves forward in an ever more digital and technology-enabled manner.



# Specialist Technical Solutions

Financial performance in Specialist Technical Solutions reflects a significant reduction in subsea activity, partially offset by robust activity in automation and the contribution of ATG acquired in September 2015.

Despite a tough pricing environment, commercial contract close out on significant and legacy projects, the release of deferred consideration provisions for acquisitions in the second half of the year and the impact of cost reduction initiatives resulted in an increase in margins.

We have seen significantly reduced subsea services activity. We are working on a number of early stage, tie back and verification scopes but there are minimal large projects coming to market. Relationships with our customers remain positive, evidenced by a number of renegotiated master service agreements secured with Statoil, Apache, BP and Chevron, albeit at lower margins. Within our technology offering, we saw growth in our smart asset integrity and clean energy services.

Automation activity was up on 2015. Following our engagement on early stage engineering, we were formally awarded the $700m main automation contractor scope for Chevron's Tengiz expansion project in 2016, and this was followed up with a $40m award from ExxonMobil Chemical to provide main automation contractor services for a Texas polyethylene plant following completion of the FEED work.

## Outlook

The subsea market remains very subdued for larger projects and it is likely there will be lower activity in 2017 under our renewed master services agreements. We have strong visibility for our automation activity which is expected to grow following a number of awards and we anticipate a good contribution from the recently acquired CEC business. We also see good opportunities for our clean energy offering within our technology business.

### Specialist Technical Solutions

**Total Revenue**

$488m ▼ **16.7%** (2015: $586m)

**Total EBITA**

$79m ▼ **14.1%** (2015: $92m)

**EBITA Margin**

16.2% ▲ **0.5%** (2015: 15.7%)

**People**

2,800 ▲ **7.7%** (2015: 2,600)

# Financial review

"Financial performance in 2016 reflected lower volumes and pricing pressure. The Group delivered EBITA of $363m in line with expectations, down 22.8% on 2015. Adjusted EPS of 64.1c was down 23.7%."

David Kemp, Group CFO

## Trading performance

Trading performance is presented based on proportionally consolidated numbers, which is the basis used by management to run the business. Total Revenue and Total EBITA include the contribution from Joint Ventures. A reconciliation to statutory measures of revenue and operating profit from continuing operations excluding joint ventures is included in note 1 to the Financial Statements.

| | **2016 $m** | 2015 $m |
|---|---|---|
| **Total Revenue** | **4,934.0** | 5,852.4 |
| **Total EBITA** | **363.4** | 469.7 |
| ***EBITA margin %*** | ***7.4%*** | *8.0%* |
| Amortisation - software and system development | **(54.4)** | (54.8) |
| Amortisation - intangible assets from acquisitions | **(49.9)** | (54.2) |
| **EBIT** | **259.1** | 360.7 |
| Net finance expense | **(25.8)** | (23.1) |
| **Profit before tax and exceptional items** | **233.3** | 337.6 |
| Taxation before exceptional items | **(59.1)** | (88.4) |
| **Profit before exceptional items** | **174.2** | 249.2 |
| Exceptional items, net of tax | **(139.8)** | (159.1) |
| **Profit for the period** | **34.4** | 90.1 |
| Basic EPS (cents) | **7.5c** | 21.4c |
| Adjusted diluted EPS (cents) | **64.1c** | 84.0c |

The review of our trading performance is contained within the Chief Executive Review on pages 08 to 09.

## Reconciliation to operating profit

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

| | **2016 $m** | 2015 $m |
|---|---|---|
| **EBITA** | **363.4** | 469.7 |
| Amortisation | **(104.3)** | (109.0) |
| EBIT | **259.1** | 360.7 |
| Tax and interest charges on joint ventures included within operating profit but not in EBITA | **(15.4)** | (19.7) |
| **Operating profit before exceptional items** | **243.7** | 341.0 |

From half year 2017, it is our intention to use operating profit (pre-exceptional items), as set out in our Group financial statements, rather than EBITA as our key financial performance measure. We have chosen to move to operating profit in order to make our performance measures more straightforward and to remove the need for additional reconciliations to statutory measures.

## 'Like for like' trading

The financial performance of the Group, adjusting for acquisitions and on a constant currency basis, is shown below. The 2015 results have been restated to include the results of acquisitions made in 2015 (Infinity, Kelchner, Beta and ATG) as if they had been acquired on 1 January 2015 and also to apply the average exchange rates used to translate the 2016 results. The 2016 results have been restated to exclude the results of acquisitions made in 2016 (SVT and Ingenious).

| | **2016 Total Revenue $m** | **2016 Total EBITA $m** | 2015 Total Revenue $m | 2015 Total EBITA $m |
|---|---|---|---|---|
| Asset Life Cycle Solutions East | **2,331.2** | **143.3** | 2,916.9 | 200.4 |
| Asset Life Cycle Solutions West | **2,115.3** | **176.3** | 2,524.6 | 239.9 |
| Specialist Technical Solutions | **475.1** | **77.7** | 607.0 | 93.6 |
| Central costs | **-** | **(35.5)** | - | (44.3) |
| **Pro forma** | **4,921.6** | **361.8** | 6,048.5 | 489.6 |
| Acquisitions | **12.4** | **1.6** | (460.0) | (40.5) |
| Constant currency | **-** | **-** | 263.9 | 20.6 |
| **Total Revenue and EBITA as reported** | **4,934.0** | **363.4** | 5,852.4 | 469.7 |

## Amortisation

The amortisation charge for 2016 of $104.3m (2015: $109.0m) includes $49.9m (2015: $54.2m) of amortisation relating to intangible assets arising from acquisitions. $38.7m (2015: $26.6m) of the charge relates to businesses acquired by Asset Life Cycle Solutions West including Infinity, Elkhorn and Mitchells. Amortisation in respect of software and development costs was $54.4m (2015: $54.8m) and this largely relates to engineering software and ERP system development.

Included in the amortisation charge for the year above is $2.0m (2015: $1.9m) in respect of joint ventures.

## Net finance expense

Net finance expense is analysed further below.

| | **2016 $m** | 2015 $m |
|---|---|---|
| Interest on debt, arrangement fees and non-utilisation charges | **13.9** | 12.9 |
| Interest on US Private Placement debt | **14.1** | 14.1 |
| **Total finance expense** | **28.0** | 27.0 |
| Finance income | **(2.2)** | (3.9) |
| **Net finance expense** | **25.8** | 23.1 |

Interest cover[4] was 14.1 times (2015: 20.3 times).

Included in the above are net finance charges of $2.4m (2015: $2.3m) in respect of joint ventures.

## Taxation

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

| | **2016 $m** | 2015 $m |
|---|---|---|
| Profit from continuing operations before tax (pre-exceptional items) | **233.3** | 337.6 |
| Tax charge (pre-exceptional items) | **59.1** | 88.4 |
| Effective tax rate on continuing operations (pre-exceptional items) | **25.3%** | 26.2% |

The tax charge above includes $12.4m in relation to joint ventures (2015: $17.4m).

The Group's effective tax rate is likely to reflect a degree of volatility in the near term, principally due to potential changes in the US tax regime. A significant proportion of the Group's income is earned in the US, but the Group also has material deferred tax assets in the US that would need to be revalued should there be a change in the US tax rate. The impact of any change in US rate is therefore difficult to predict at this stage.

Our tax strategy is available at:
**www.woodgroup.com/taxstrategy**

## Exceptional expense/(income)

| | **2016 $m** | 2015 $m |
|---|---|---|
| EthosEnergy impairment and restructuring | **89.0** | 159.1 |
| Restructuring charges | **65.9** | 36.6 |
| Onerous contract | **-** | (14.1) |
| Gain on divestment of Well Support division | **-** | (10.4) |
| Total exceptional items pre-tax | **154.9** | 171.2 |
| Tax on exceptional items | **(15.1)** | (12.1) |
| Total exceptional items, net of tax | **139.8** | 159.1 |

At 31 December 2016, the Group carried out an impairment review of its investment in the EthosEnergy joint venture. The recoverable amount of the investment of $100.0m is lower than the book value and an impairment charge of $56.7m has been booked in the income statement. In addition, the Group has impaired its receivables by $2.4m in relation to a balance due by EthosEnergy and a provision of $29.9m has been recorded by EthosEnergy relating to redundancy costs and the closure of certain operations at the end of 2016. See note 10 to the financial statements for further details. The EthosEnergy impairments are recorded in the Asset Life Cycle Solutions East segment.

As a result of reorganisation, delayering and back office rationalisation, an exceptional charge of $65.9m has been recorded in the period. $27.5m relates to redundancy costs incurred as people have left the business and $38.4m relates to onerous lease provisions in relation to property.

A tax credit of $15.1m has been recorded in respect of the exceptional items included in continuing operations.

For more information on the EthosEnergy impairment:
**See note 10 to the Group financial statements**

## Earnings per share

Adjusted diluted EPS for the year was 64.1 cents per share (2015: 84.0 cents). The average number of fully diluted shares used in the EPS calculation for the period was 382.9m (2015: 379.3m).

Adjusted diluted EPS adds back all amortisation. If only the amortisation related to intangible assets arising on acquisition is adjusted and no adjustment is made for that relating to software and system development costs, the figure for 2016 would be 53.5 cents per share (2015: 73.3 cents).

For more information:
**See note 7 to the Group financial statements**

## Dividend

The Board is recommending a final dividend of 22.5 cents per share, an increase of 10%, which, when added to the interim dividend of 10.8 cents per share makes a total distribution for the year of 33.3 cents per share (2015: 30.3 cents), a full year increase of 10%. The dividend is covered 1.9 times (2015: 2.8 times) by adjusted earnings per share.

Going forward we intend to pursue a progressive dividend policy, taking into account cash flows and earnings.

## Cash flow and net debt

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

| | **2016 $m** | 2015 $m |
|---|---|---|
| **Opening net debt (excluding JV's)** | **(293.9)** | (326.6) |
| Cash generated from operations pre working capital (excluding JV's) | **325.5** | 503.7 |
| Working capital movements (excluding JV's) | **(80.4)** | 59.2 |
| **Cash generated from operations** | **245.1** | 562.9 |
| Acquisitions | **(36.2)** | (238.0) |
| Capex and intangibles | **(86.8)** | (82.6) |
| Tax paid | **(55.6)** | (96.6) |
| Interest, dividends and other | **(95.2)** | (113.0) |
| **(Increase)/decrease in net debt** | **(28.7)** | 32.7 |
| **Closing net debt (excluding JV's)** | **(322.6)** | (293.9) |
| **JV net cash** | **(8.8)** | 3.6 |
| **Closing net debt (including JV's)** | **(331.4)** | (290.3) |

Cash generated from operations pre-working capital decreased by $178.2m to $325.5m and post-working capital decreased by $317.8m to $245.1m.

Days Sales Outstanding ("DSO") increased from 63 to 74 days due to administrative and billing issues with certain of our larger customers and a general increase in the time customers are taking to pay, although bad debts remain low and we have no concerns around the recoverability of the outstanding receivables balances. In line with activity the total level of receivables reduced in the year, however this was more than offset by a reduction in payables and the impact of the increase in DSO, resulting in a net working capital outflow of $80.4m.

Cash conversion, calculated as cash generated from operations as a percentage of EBITDA, reduced to 68% (2015: 119%) due to the net working capital outflow combined with the impact of a net release of provisions following contract close outs.

Expenditure on acquisitions of $36.2m includes $12.2m in relation to the acquisitions of SVT and Ingenious, $5.2m in respect of companies acquired in prior periods and $18.8m in relation to the acquisition of additional shareholdings in Mustang Al-Hejailan, the Group's Saudi Arabian engineering business, and SgurrEnergy Ltd its renewable energy business during the year.

Payments for capex and intangible assets were $86.8m (2015: $82.6m) and included software development and expenditure on ERP systems across the Group.

Net debt of $331.4m (including our share of JV net debt) to Total EBITDA was 0.79 times (2015: 0.55 times). The Board would generally expect net debt to EBITDA on this basis to be in a range of around 0.5 to 1.5 times going forward and to be typically below 1.0 times.

## Summary balance sheet

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

| | **Dec 2016 $m** | Dec 2015 $m |
|---|---|---|
| Non-current assets | **2,450.0** | 2,656.8 |
| Current assets | **1,579.5** | 2,057.1 |
| Current liabilities | **(1,070.7)** | (1,496.3) |
| **Net current assets** | **508.8** | 560.8 |
| Non-current liabilities | **(750.6)** | (796.6) |
| **Net assets** | **2,208.2** | 2,421.0 |
| Equity attributable to owners of the parent | **2,195.2** | 2,398.3 |
| Non-controlling interests | **13.0** | 22.7 |
| **Total equity** | **2,208.2** | 2,421.0 |

The reduction in non-current assets during the year reflects the impairment of our investment in EthosEnergy.

Current assets and current liabilities are lower than 2015 reflecting the lower level of activity in 2016. Values of both assets and liabilities have been impacted by the weakening of sterling against the US dollar.

The Group's Return on Capital Employed ("ROCE")[5] reduced from 16.3% to 13.0% due to lower profits in the period.

## Pensions

The majority of the Group's pension arrangements are on a defined contribution basis. The Group operates one UK defined benefit scheme which had 1,121 deferred, pensionable deferred or pensionable members at 31 December 2016. The scheme was closed to future accrual at 30 June 2014.

At 31 December 2016, based on the actuary's valuation the scheme had a deficit of $7.0m (2015: surplus $4.5m) before recognition of a deferred tax liability of $1.4m (2015: asset $0.9m). In assessing the potential liabilities, judgment is required to determine the assumptions around inflation, investment returns and member longevity. The movement in the year is due to the increase in liabilities resulting from a lower discount rate driven by lower corporate bond yields and an increased inflation rate partly offset by better than expected asset performance and company contributions made in the period. Full details of pension assets and liabilities are provided in note 29 to the Group financial statements.

For full details of pension assets and liabilities:
**See note 29 to the Group financial statements**

## Acquisitions

In April 2016, the Group acquired 100% of the share capital of SVT Holdings Pty Limited. SVT, which is based in Perth, Australia, provides piping and rotating equipment vibration, noise, integrity engineering and asset integrity services to the oil and gas, power, mining and utilities sectors. Also in April, the Group acquired 100% of the share capital of Ingenious Inc. Ingenious, which is based in Houston, Texas, provides proprietary software and consulting services to the global chemical, oil and gas, and energy industries. SVT and Ingenious are reported in the Specialist Technical Solutions segment.

For more information:
**See note 27 to the Group financial statements**

## Footnotes

1. Total EBITA represents operating profit including JVs on a proportional basis of $104.2m (2015: $179.1m) before the deduction of amortisation of $104.3m (2015: $109.0m) and continuing exceptional expense of $154.9m (2015: $181.6m) and is provided as it is a key unit of measurement used by the Group in the management of its business. A reconciliation to statutory numbers is provided in note 1 to the accounts.
2. Adjusted diluted earnings per share ("AEPS") is calculated by dividing earnings before exceptional items and amortisation, net of tax, by the weighted average number of ordinary shares in issue during the period, excluding shares held by the Group's employee share ownership trusts and adjusted to assume conversion of all potentially dilutive ordinary shares.
3. Number of people includes both employees and contractors at 31 December 2016 and includes joint ventures.
4. Interest cover is EBITA divided by the net finance expense.
5. Return of Capital Employed ("ROCE") is EBITA divided by average capital employed.

# Building a sustainable business

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

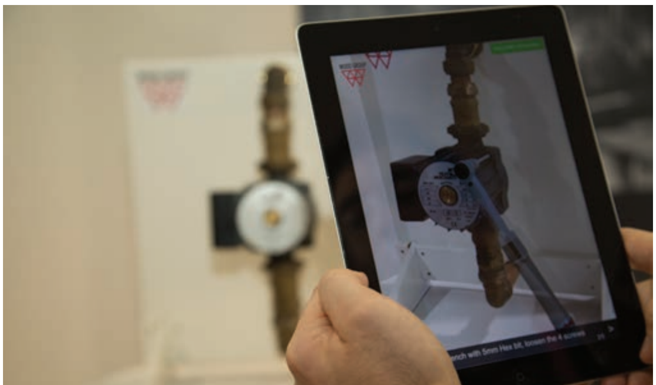
Find out more about our shared values at:
**www.woodgroup.com/values**


**Environment Day 2016** Read more on page 23

**Volunteers at Aberdeen Children's Hospital** Read more on page 25

**SafeZone**
Our SafeZone system allows you to create a controlled environment around the work site and execute work in safety without shutting down, saving valuable time and increasing production up-time.

Find out more at:
**www.woodgroup.com/safezone**



**Innovation Day 2016** Read more on page 23

**Maggie's Art Extravaganza**
Employees have helped raise more than £100,000 for the Maggie's centre in Aberdeen. The exhibition showcased more than 200 pieces of work from more than 50 artists.

# Health, safety, security & ethics

**The One Wood Group reorganisation in 2016 presented a great opportunity to streamline our business and supports our aim of driving consistent common Health, Safety, Security and Environment (HSSE) standards across the Group.**

In 2016 the remit of the Safety and Assurance Committee was extended to include business ethics. Therefore this section should be read in conjunction with the report from the Safety, Assurance and Business Ethics Committee chair on page 37.

Wood Group is committed to ensuring that our growth is inclusive of a commitment to the highest standards of health, safety, environmental and security management. Good safety is good business. In 2016 we welcomed three new acquisitions into the Group. The new businesses were supported by robust integration plans to ensure that adoption and compliance with Wood Group standards occurred at the earliest opportunity.

2016 presented many challenges for our industry but as a group we maintained a strong focus on our HSSE performance. Throughout the course of the year we have worked to improve our reporting capabilities and in particular the capture of our subcontractor data, a key objective set to continue in 2017.

This year we have moved to a combined Wood Group personnel and subcontractor reporting basis against our key performance indicators, with these performance metrics restated for previous year's reporting.

Across our workforce of 26,000 employees (excluding JVs) we had zero fatalities and our lost work case frequency (LWCF) remained static year on year. We did however see a 3% increase in our total recordable case frequency (TRCF); the increase is deemed partly attributable to improved case recording across the Group. Hours worked for the year reduced by 12%.


In 2016, we focused on four strategic initiatives:

- Back to basics was concentrated on ensuring our minimum standards are clear, understood and complied with. We issued a new HSSE Management System Standard which sets out minimum compliance requirements to be met by each BU
- We also focused on inspiring leadership, helping our leaders understand what is expected of them and how to deliver against those expectations. This was supported by a number of 'Leadership Reset' engagement sessions with senior management. We also implemented our Front Line Leadership course which is aimed at supervisors and managers in both operational and functional roles across the business whose position within the organisation is pivotal in shaping the safety management and culture of our people
- In 2016, we continued our focus on risk management and assurance by implementing a standard approach to risk management and developing associated risk based assurance plans
- Our final strategic initiative centred on driving a learning culture through a closer emphasis on high potential incidents and how we communicate shared learning

In addition, as part of our focus on high potential incidents and the control of major accident hazards, we issued a new Group Major Incident Prevention (MIP) Standard.

Wood Group's security team worked across the business to ensure that security risks were identified and addressed prior to starting new operations. The security team is structured to provide extensive regional support and expertise. In 2016 they worked to further develop our security management capability and capacity through key activities that support our focus on sustainable and responsible business development with the safety and security of our people at the forefront.

The 2015-2017 HSSE Strategic Plan continues to build on our strong foundation, while at the same time recognising the challenges that a business of significant breadth and diversity presents and the impact that this brings to the HSSE system as a whole.

We will continue to focus on our four strategic initiatives with particular emphasis on:

- Management control and compliance with our standards
- Workforce engagement
- Shared learning

Find out more about our safety and assurance shared value at:
**www.woodgroup.com/safetyassurance**

## Ethical conduct

Wood Group is committed to protecting and enhancing the human dignity of all personnel and everyone who has dealings with the Group worldwide. Our human rights policy respects and enforces the principles established in the Universal Declaration of Human Rights. This policy is supported by our commitment to equal opportunities across the Group.

Our Human Rights Policy is available at:
**www.woodgroup.com/humanrights**

We encourage and train our personnel to do the right thing and we are proud of the reputation we have built on this. Our Business Ethics Policy highlights the importance of conducting business both ethically and legally. Compliance with our Business Ethics Policy is mandatory for our directors, officers and employees as well as all contractors, consultants, representatives, intermediaries and agents retained by Wood Group.

We offer an external, confidential, multi-lingual Business Ethics helpline where anyone, anywhere can raise a concern or report a suspected violation of the Business Ethics Policy. Violations or complaints are investigated and any necessary action is taken.

A register of matters reported is maintained by the Group's Corporate Ethics and Compliance Officer, and the Board is provided with regular updates regarding the same. During 2016, we conducted a number of internal investigations into allegations of unethical behaviour. Appropriate disciplinary action was taken based on the facts and circumstances, including termination of personnel contracts.

In 2016, we committed to extend our ethics and compliance training programme to cover all personnel globally. At the end of 2016, our online ethics training programme was rolled out to all personnel with computer access in connection with their job function. As a result, 20,000 personnel were required to complete online training and confirm their commitment to comply with the Business Ethics Policy. Those personnel without computer access in connection with their job function will receive face to face training in 2017.

Our Business Ethics Policy and information on our helpline is available at:
**www.woodgroup.com/ethics**

### Tyrinselkä Wind Farm

One of the world's tallest turbines, with a height of 210 metres, the 12MW Tyrinselkä onshore wind farm in Finland was installed with support from SgurrEnergy. Having consulted on the wind farm since the early stages of the project, SgurrEnergy has drawn on expertise across all disciplines to provide a range of services including engineering support and wind analysis. SgurrEnergy continues its involvement with this project by providing asset performance management services following energisation.

Find out more at:
**www.woodgroup.com/tyrinselka**

# Environment

**At Wood Group we aim to make a positive difference to the communities where we operate and seek ways to reduce or minimise the impact of our operations. We recognise that sustainability isn't just important for people and the planet, but is also vital for business success and responsible growth.**

We manage environmental risks within our business by aligning our environmental management systems to ISO14001 and we drive heightened environmental awareness through HSSE alerts and environmental initiatives. We ensure compliance with all regulatory requirements as well as participate in the voluntary Carbon Disclosure Project (CDP). The CDP is an independent not-for-profit organisation and the largest published registry of corporate greenhouse gas (GHG) emissions in the world.

In 2016 Wood Group submitted to CDP Climate Change and for the first time to CDP Water. CDP Water disclosure uses critical water-related data to provide valuable insight into the strategies deployed by companies to manage water resources and help drive investment towards sustainable water use. Being our first year of disclosure and the limited data available this response has not been made public with the aim to develop our water strategy over the coming years.

Our performance in the 2016 CDP Climate Change submission saw Wood Group demonstrate continuous improvement on previous years' and score higher than some of our key competitors, giving us a platform from which to proactively demonstrate our commitment to reducing the Group's carbon footprint.

### Disclosures concerning greenhouse gas (GHG) emissions

Global GHG emissions data is shown for the year ended 31 December 2016 and totals 22,334 tonnes of $CO_2$e split as per the below. The reduction in 2016 is mainly attributable to the reduction in US activity, alongside the consolidation and reduction of our global property portfolio.

| Emissions from | 2016 | 2015 |
|---|---|---|
| Combustion of fuel and operation of facilities | **18,964** tonnes of $CO_2$e | 23,319 tonnes of $CO_2$e |
| Electricity, heat, steam and cooling purchased for own use | **3,370** tonnes of $CO_2$e | 4,433 tonnes of $CO_2$e |
| Company's chosen intensity measurement: Emissions reported above normalised to per tonne of $100,000 revenue | **0.54** | 0.54 |

### Methodology

We have reported on all of the emission sources required under the Quoted Companies Greenhouse Gas Emissions (Directors' Reports) Regulations 2013. We do not have responsibility for any emission sources that are not included in our consolidated financial statements and that we do not have managerial control over. This includes Scope 1 and Scope 2 emissions.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2016.

Wood Group in the UK purchases 100% green electricity.

Note: Our intensity measurement for 2015 has been re-stated due to a change in the chosen method calculation.

We understand that cutting energy costs through improved energy efficiency does not only benefit the environment but also makes us a more sustainable and competitive organisation.

In 2016 we continued to source 100% Green Electricity across our UK locations and to invest in a sustainable property portfolio for improved working conditions and energy efficiency, upgrading and consolidating our existing locations. We recognise our social responsibility to continually manage our carbon footprint. By promoting a leaner and more sustainable culture and by increasing occupancy in our more energy efficient buildings around the globe we hope to realise greater efficiencies in 2017.

Our annual event for World Environment Day saw activities undertaken across our global footprint to raise awareness around our impact on the environment. Activities ranged from local area clean ups and garden planting to local community events, energy efficiency campaigns and informative presentations with a focus on sustainability. The theme for this year's event was 'You can make a world of difference' focusing on the role each person in our business plays in contributing to our common environmental goals.

Environment Day 2016 activities

We continue to develop our engineering, production support and renewable expertise to help reduce our customers' environmental impact. In 2015 we launched our Innovation Seed Fund which aims to bring new innovative ideas to life and in 2016 we hosted the first Innovation Day for both customers and employees to showcase new technologies and services available.

SgurrEnergy, our renewable energy consultancy, has already developed innovative models which will enhance and improve the operational performance of wind farms. This highlights our belief that the future of renewable energy is not only robust, but is a business sector in which we intend to grow, expand and develop further.

In 2016 SgurrEnergy expanded its services in Latin America with a new office in Mexico. SgurrEnergy was already active in the region having worked on both wind and solar projects in Mexico, including energy yield prediction and wind feasibility, operational management of wind projects and providing technical advisory services on solar developments. We are proud to support the country's ambitious target of 50% clean energy by 2050 and the new office will allow the company to strategically support the development of renewable energy in Mexico and other Latin American countries.

Find out more about our social responsibility shared value at: **www.woodgroup.com/socialresponsibility**

# Society

## Our People

Our industry faced considerable challenges in 2016, and unfortunately during the course of the year, due to restructuring and the ongoing market conditions, we had to make the difficult decision to reduce our underlying headcount by around 6,000 people. Where possible we redeployed employees to other roles across the Group, but sadly this was not always possible. We also had to implement pay freezes, or pay reductions, in most of our business during the year in order to reduce our cost base and try to secure longer term employment for our people.

Despite these difficult times and ongoing uncertainty, our people strategy is focused on building a sustainable future and Wood Group remains committed to attracting, retaining, developing and mobilising the right people to the right place at the right time at the right cost. We aim to create an environment where people choose to stay with us for the long term, by having excellent leaders, high engagement and development opportunities supported by fair and competitive compensation. We know that our success depends entirely on the strength of our people, their skillset and values and our ability to identify, promote and mobilise our people is important to the long term health of the organisation.

Our first ever Group-wide employee survey, 'Your Voice, Our Future', was carried out in 2016 with the aim of facilitating employee voice and two-way communication, to raise engagement levels and organisation effectiveness to support our business strategy. The survey focused on:

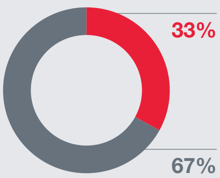
- Employees' perceptions of the organisation
- Employees' contribution to the organisation
- Perceptions of leadership
- How employees feel about being part of Wood Group
- Employees' commitment to staying with Wood Group and encouraging others to join us.

Key areas identified for improvement are: opportunities for career development and progression; wider training and development; working collaboratively across the Group; and enhancing communication and engagement. We were encouraged to learn that the majority of our people feel they are supported to share their ideas, opinions and suggestions to add value to our clients and the wider organisation.

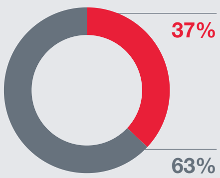
### Gender diversity

We value and demonstrate equal opportunity in recruitment, career development, promotion, training and reward for all employees.

**Board**

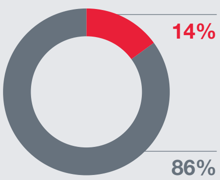



**Executive leadership team**




For more information:
**See pages 32-33**

**Overall**




Around **26,000** people (excluding JVs) as at 31 December 2016.

Women Men

Zoë Mason Alkins and Tara Breedon-Turner, being presented with their Integrity 'Living our Values' Award.

We are particularly proud that our people are comfortable and confident to challenge unsafe behaviours, promoting our safety message of getting our people home safe, every day. Our employees believe that the new leadership team is doing a good job, ensuring our people are treated fairly and with respect, continuing with our vision of being the best technical services company to work with, work for and invest in, with a relentless focus on excellence.

During 2016 we have continued to strengthen our commitment to our talent management framework, with a focus on leadership and career development whilst bringing in diverse talent globally to secure the future of Wood Group. Our leaders are supported to enable them to nurture talent, build relationships and help our people realise their potential. We help them to coach their teams to effectively deliver a valuable service to our customers, whilst inspiring our people and developing them to be the best they can be. We celebrated our commitment to developing talent in our Living Our Values awards during 2016, with our winners displaying genuine and visible commitment to developing the skills of their teams, using passion, patience, time and energy.

Wood Group aims to achieve competitive advantage through our workforce planning model, connecting the business strategy with our people strategy, ensuring maximum utilisation and mobility of Group talent. We attract and select the best people to join our global team by ensuring our global and regional resourcing strategies deliver an efficient and cost effective service to our stakeholders.

We provide meaningful performance-based recognition programs to drive organisational results, recognise high performance among employees and value employee contributions. For senior leaders, we have continued to simplify our long term reward programmes, focused on delivering the business strategy whilst ensuring alignment to our shareholders interests. In addition we undertook a review of our annual bonus plan, in which more than 800 employees participate, to ensure it delivers annual objectives, including stretching financial targets, whilst being externally competitive and internally fair. Our first ever all-employee share plan was launched in January 2016 with the aim of encouraging wider employee shareholding in Wood Group, in a plan that has a simple, consistent structure in every country eligible to participate. We are delighted that by the end of 2016, 68% of our employees were eligible to participate.

During the year we made significant progress in restructuring our business with a tremendous amount of work completed behind the scenes. In support of our new structure, we created an organisational effectiveness team, focused on organisation design, change management, performance and functional capability, enabling Wood Group to be more effective in delivering our strategy. We now have an organisation that is strong and fit for the future.

## Community

Our shared values are embedded in our business and define who we are, how we work, what we believe in and what we stand for. Being socially responsible is integral to what we do. We aim to make a positive difference to the communities in which we operate and seek ways to assist them by building relationships based on respect, understanding and empowerment. We prioritise the hiring and development of local people and work with local supply chains where we can. We are proud that our people used the employee survey to tell us that we are making a positive difference in the countries where we operate. We help our local communities by supporting health, welfare, education and humanitarian relief. Each year our employees can support worthy charities and community groups through our Employee Community Fund (ECF). Our employees also give their time and fundraise for local charities that provide critical local support. We actively support local communities in the following ways:

- Developing closer ties between Wood Group, our clients and the community
- Community investment that brings sustainable benefits to the communities where we do business
- Forming and sustaining relationships with local communities.

In the US we provided assistance for families impacted by four flood disasters along with support for medical care. The efforts of our many volunteers demonstrate our shared values to the community and our industry. Once again we had a Wood Group team participate in the MS150 challenge, a cycle road race covering 180 miles, which raised more than $85,000.

In Australia we are making a positive contribution to indigenous communities by helping to build sustainable futures for Aboriginal and Torres Strait Islander people, plus we are working with Melbourne Water on a community development project. We work in partnership with the Clontarf Foundation, which is a charitable not-for-profit organisation that improves the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men, to equip them to participate more meaningfully in society.

Papua New Guinea book donations

We also partner with the Girls Academy, an initiative by Role Models and Leaders Australia (RMLA), with the aim of developing and empowering girls through leadership training, mentoring, sport and extra-curricular education programmes. In Papua New Guinea our employees across Australia and Asia Pacific donate educational books to a mobile book library charity to assist in the learning and development of primary school children who otherwise would not have had access to such material. More than 1,000 books have been donated so far.

In Africa our focus is on providing opportunities and understanding the positive influence we can have on a local supply chain and community by supporting the development of skills and capabilities that provide long term sustainability. This allows us to collaborate with educational institutions to support them in developing training programs and we have a strong history of actively working with local technical colleges and universities to help them build their curriculum for our industry. In Uganda we have taken a leading position in helping two key universities shape and structure their academic programs. In Equatorial Guinea we run a training school, in collaboration with Hess and on behalf of the government, which provides a three year apprentice program. In Mozambique we are looking at how we can get involved in some of the local training schools to ensure the industry is equipped with the skilled craftsmen and technicians who will support its progress. We see the success of this approach and have prioritised employing of local people in our operations in Cameroon and Chad, where we are 100% and 90% nationalised respectively. In addition, over the last three years we have raised £250,000 for the Vine Trust, an organisation that provides healthcare and housing to some of the world's poorest people. More than 60 volunteers from across Wood Group have built homes for vulnerable children and families in Tanzania and provided engineering support to the Jubilee Hope (a floating hospital) that has treated 200,000 people with no other access to healthcare.

We help local charities in Aberdeen, particularly those helping homeless and disadvantaged people in the city, and donated £30,000 to Aberdeen Cyrenians, Cornerstone and Instant Neighbour. Throughout 2016 our employees have helped raise more than £100,000 for the Maggie's cancer support centre in Aberdeen and hundreds volunteered to create a garden at Aberdeen Children's Hospital, having raised more than £260,000 to improve the hospital.

We are very proud of the help our employees provide to our local communities; our people genuinely care about others - not because they work for Wood Group, but because Wood Group has great people.

Find out more about our people shared value at:
**www.woodgroup.com/people**

Girls academy award winners

# Principal risks and uncertainties

The principal risks identified that face the Group are set out below. During the year the Board has carried out a robust assessment of these principal risks and monitored the Group's risk management and internal control systems.

## Risk management

The Board is responsible for:

- Identifying the nature and extent of the principal risks faced
- Determining the extent of those risks it is willing to take in achieving its strategic objectives (its "risk appetite")
- Performing a robust assessment of those risks
- Monitoring and reviewing the risk management and internal control systems, and providing oversight of the processes that management follows

The Board is assisted in this assessment by the Audit Committee and the Safety, Assurance, and Business Ethics committee, who are delegated responsibility for various aspects of risk and assurance.

For more information on the effectiveness of internal control systems:
**See page 31**

## Identification of principal risks

A bottom up and top down approach to identifying risks operates within the Group, which has been refined during 2016. The risk measurement framework has been harmonised across the Group during the year.

Risk registers are developed at an individual contract or project level and rolled up into BU risk registers, which are reviewed by the BU Leadership Teams every quarter. The Chief Executive, Group CFO, and other members of the Group Executive Leadership Team (ELT) subsequently review the BU risk registers as part of the quarterly BU review meetings. During 2016, each BU also maintained separate organisational change risk matrices, due to the internal reorganisation. Group level functions followed this process as well as developing functional risk registers for the first time. The aggregation of the individual risk registers into a Group risk register is reviewed by the Group ELT twice a year to ensure that the material risks for the Group are appropriately measured and managed. Following the ELT review, the summary of Principal Risks is then formally reviewed by the Board twice a year. Emerging risks are identified throughout the year, via the BU and functional processes, and escalated to the ELT and Board as required.

The principal Group risks considered by the Board in February 2017 are set out on pages 27 and 28.

## Risk appetite

The Group's risk appetite has been determined for each of the principal risks identified and provided to the Board in August 2016 to consider any changes due to the continuing challenging market environment and the internal reorganisation. The Group's risk appetite is taken into account when setting the nature and extent of the key control mechanisms in place and the level of assurance activity required for each risk.

## Robust assessment of principal risks

The Board has carried out a robust assessment of the principal risks facing the Group. To support this, the Board and its committees received regular reports from key functions such as safety, compliance, finance, legal, IT, internal audit and people & organisation (P&O), along with operational reports from the BUs, which include key risks, information on compliance with controls, and reports on assurance activities where applicable. This year, the Board also received regular updates on the reorganisation and repositioning, providing more visibility on the progress, risks, and controls in place.

## Monitoring the risk management and internal control systems and processes

The Board received six monthly updates on the key controls in place in relation to each of the principal risks, the level of assurance activity carried out, and management's assessment of the adequacy of the assurance provided and the effectiveness of the controls. As part of this monitoring, the Board could ensure that corrective action was taken where necessary.

To ensure that responsibilities for risk and assurance were clear within the revised committee structure, each principal risk and area of risk was assigned to either the Board or one of the Board committees. Enhancements were made to the HSSE programme with alignment of some processes and ways of working with internal audit. The Corporate Ethics and Compliance Officer now has a dotted reporting line to the Chair of the Safety, Assurance and Business Ethics Committee to mirror the arrangement with the Group Head of Internal Audit and the Chair of the Audit Committee, to protect the independence of these functions.

Overall the control environment was considered to be operating effectively.

For more information on the internal control environment:
**See page 31**

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 01 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 16 to 19. In addition, note 17 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with the cash inflows generated from its existing activities as set out in notes 13,15 and 26 to the Group financial statements. As a consequence, the directors believe that the Group is well placed to manage its principal risks successfully. Having made the appropriate enquiries including a review of cash flow projections and key sensitivities, the directors consider, in accordance with the UK Corporate Governance Code (the Governance Code), that the business is a going concern. The directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of Preparation paragraph in the Accounting Policies.

## Viability statement

The directors have assessed the Group's viability over a three year period to 31 December 2019.

The process of establishing the period over which the Group's viability has been assessed is subjective and takes into account a range of factors, all of which are indicative of slightly different time frames. In making their assessment the directors have considered these factors both individually and in aggregate and have decided that, on balance, three years was the most appropriate period. The directors assumed that the current committed financing which extends to February 2021, as set out in note 15 to the Group financial statements, remains available. This availability of committed long term financing for over three years together with factors such as the Group's asset light and flexible business model, the Group's planning cycle, the period over which acquisitions and other capital investments are evaluated and the visibility of operational backlog led the directors to select a period of three years to assess the Group's viability.

In order to make this assessment, the Board considered the current trading position and reviewed a number of future scenarios which stress-tested the viability of the business in severe but plausible scenarios. These scenarios took into account the potential financial and operational impacts of the Group's principal risks and uncertainties arising and the degree of effectiveness of mitigating actions. As indicated in the table below these included, individually and in combination, multi-year reductions in demand, project execution and contracting risk, forecasting risk, acquisition and integration risk and the impact of a catastrophic safety incident or the damage sustained by an ethical or regulatory breach. Based on the modelling performed, the Board's assessment was that the strength of our balance sheet and the flexibility of our business model meant that in all plausible scenarios considered the business would continue to be viable for at least three years.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet all its liabilities as they fall due up to 31 December 2019.

## Analysis of principal risks

**Board assessment of change in risk from 2015:**

▲ Risk has increased since 2015 ▶ No change in risk since 2015 ▼ Risk has decreased since 2015 (V) Considered as part of viability assessment

| Risk Profile | Mitigation, monitoring and assurance |
|---|---|
| **Health, Safety, Security & Environment (HSSE)** | ▶ No change |
| (V) **Major incident:** Significant HSSE event leading to a major incident resulting in multiple loss of life, significant harm, damage to the environment and damage to our reputation | • Priority shared value underpinned by HSSE and integrity management systems, including cross-BU standard on risk management and assurance<br>• Safe Home vision and Life Saving Rules which set a minimum standard for safe behaviour across the Group<br>• Dedicated Group HSSE Assurance team in place<br>• Group Incident Review Panels for high potential and high severity incidents |
| **Strategic** | ▲ Increased |
| (V) **Reduction in demand:** A significant and continued reduction in demand for our services due to market changes, client investment decisions or major reduction in commodity prices resulting in a failure to grow, or our inability to react leads to reduced profitability. Our risk exposure in this area has remained high as a result of the prolonged lower oil price environment | • Maintained a broad customer base and balance of business between client capital and operating expenditure<br>• Extensive review of costs in the business, with a particular focus on cost relative to activity levels<br>• Mangement focus on utilisation<br>• Increased diversification in non oil and gas sectors |
| **Organisational change:** Failure to ensure business continuity while successfully delivering organisational change, ERP projects, and expanding the use of shared services on budget and to agreed specification. This risk has increased during the year due to the scale of change ongoing throughout the Group | • Cross-BU organisational change steering committee established with regular reporting to ELT and Board<br>• Organisational change risk registers developed for each BU and functional areas at Group level<br>• Roll ins to existing systems rather than new system builds<br>• ERP and shared services steering committees combined, to reflect the interdependencies of the two programmes in the East and the West regions |
| **Valuation:** Valuation of the business is not aligned with business performance, resulting in a loss of value for shareholders | • Active Investor Relations (IR) programme<br>• Board consideration of company valuation<br>• Annual Board defence review |
| **Commercial** | ▶ No change |
| (V) **Contracting:** Weaknesses in the contract bidding and award process, inappropriate pricing, misalignment of contract terms, or failure to comply with contractual conditions could lead to reputational damage, or poor financial performance | • Established processes for the review and approval of key contracts<br>• Derogation from the Group's contracting procedure is subject to a range of approvals |

| Operational | |
|---|---|
| **Project execution:** Ineffective project start up, new country entry or failure to successfully execute projects safely and to expected quality, on time and within budget | • Start up and execution plans for key projects supported by monitoring and reporting<br>• Group strategy & development team embed learnings from previous projects<br>• Quality assurance activity within all our businesses |
| **Acquisition and integration:** Failure to identify, assess, secure, or integrate strategic acquisitions to support growth strategy | • Established mergers and acquisitions and diligence processes, which have been refined during the year to focus more on compliance risk<br>• Integration plans and associated monitoring established for new acquisitions, including internal audits within six months<br>• Dedicated teams assigned to new acquisitions to support integration |
| **Financial** | |
| **Forecasting:** Forecast information used to inform business decisions and external market varies materially from actual results. This risk has remained high due to the challenging oil price environment | • Group and BU review of budget and reforecast information<br>• Established budgeting and frequent reforecast process<br>• Bottom up and top down assessments of budgets and reforecasts |
| **Working capital management:** Material divergence from budgeted BU cash collection and / or inventory levels | • Reporting and monitoring of days sales outstanding performance and associated incentive plans |
| **Credit:** Customer fails to settle a significant debt. This risk has remained high due to the challenging oil price environment | • Group credit policy in place with monthly reporting process<br>• Credit checks performed with credit limits in place for high risk customers<br>• Monthly monitoring and reporting of aged debt including any unbilled amounts |
| **People** | |
| **Availability of competent resources:** Inability to effectively balance the need to maintain high levels of utilisation in order to protect margins, with the need to maintain core competency in areas of the Group | • Revised model to support identification and recruitment of suitable resource<br>• Line management succession planning process monitored by P&O teams<br>• Training and development programmes refreshed under the Group leadership framework<br>• Management of people utilisation |
| **Management change:** Readiness of successors to move into key leadership positions following significant number of senior management changes as part of the reorganisation and respositioning | • Talent policy established during the year supported by global succession management guidance<br>• BU and functional talent reviews facilitated by P&O teams<br>• Training and development programmes run as part of the new Leadership Network |
| **Compliance** | |
| **Bribery and corruption:** Risk associated with a breach of bribery and corruption legislation through an improper payment (e.g bribe / facilitation payment). | • Business ethics policy with identified responsible officers at country and regional level<br>• Annual training programme and associated annual certification rolled out to over 75% of employees during the year<br>• Independent business ethics helpline<br>• Group Compliance monitoring programme overseen by Group Business Ethics steering committee |
| **Major regulatory investigation:** Regulatory investigation, proceedings, or major litigation resulting from non-compliance with applicable legislation | • Integrity management and quality assurance mechanisms<br>• HSSE management standards including incident review panels<br>• Group legal and external counsel support as necessary<br>• Ethical matters now included in Board sub-committee to increase governance |
| **Trade sanctions:** Trade with sanctioned countries leading to regulatory enforcement and financial penalties | • Watchlist of economic trade sanctioned countries maintained and distributed internally<br>• Processes established for Group Legal review and approval by BU CEO and Chief Executive |
| **Technology** | |
| **Information security:** Loss of Wood Group or client data through unauthorised access, cyber attack or physical loss | • IT security standards and acceptable use policy<br>• Information security roadmap and associated investment<br>• Perimeter security application and end point protection<br>• Data Protection steering committee established |

# Letter from the Chair of the Board

"Richard Howson and Jacqui Ferguson were appointed in the year as non-executive directors. Their appointments strengthen the Board, enhance the breadth of knowledge of sectors adjacent to the Group's core oil and gas market, and bolster the depth of experience in technology and innovation which are key to the Group's future strategy."

Ian Marchant, Chair

## Dear Shareholder

2016 represented the first year of Robin Watson's tenure as Chief Executive and a second year of very tough market conditions. This required the Board to once again devote significant time to challenging and supporting the executive leadership team's strategic response to the lower oil price environment.

In 2015, this response was reflected in the decisive actions taken on cost reduction and efficiency. In 2016, focus moved to the actions taken to emerge from the prolonged downturn as a stronger, better business. This was most visible in the strategic reorganisation and repositioning of the Group across Asset Life Cycle Solutions and Specialist Technical Services. The Board devoted considerable time to this initiative which was communicated externally in November and was sponsored at a Board level by Thomas Botts. This organisational change is reflected in our full year results and our revised reportable segments mirror the new operating structure.

Safety remains the Group's top priority. In January 2016, the remit of the Safety and Assurance Committee was broadened to include Ethics. The committee spent time considering our response to safety events in the Gulf of Mexico. In addition to the steps already taken to protect against any recurrence, we will also enter a compliance plan with government agencies for a three-year period.

The Nomination Committee continued to make good progress in adding complementary skill sets to the Board and improving the overall balance and culture. Following the retirement of David Woodward, Jann Brown became Senior Independent Director and Richard Howson and Jacqui Ferguson were appointed later in the year as non-executive directors. Their appointments strengthen the Board, enhance the breadth of knowledge of sectors adjacent to the Group's core oil and gas market, and bolster the depth of experience in technology and innovation which are key to the Group's future strategy. The Board continues to comprise a majority of non-executive directors with a gender split in line with the recommendations of the Davies report.

During the year, the Audit Committee was active in the tender process for the appointment of external auditors from 2018. Subject to shareholder approval at the AGM, KPMG will be appointed. The Group is compliant with EU regulations and best practice on external audit rotation.

The Remuneration Committee focused on preparing for the Group's second shareholder vote on policy, as now enshrined in UK legislation. The Committee undertook a full review of remuneration arrangements for executive directors. Throughout the process, consideration was given to; alignment with strategy and delivery of shareholder value, simplicity and balance, linking pay to performance and internal fairness balanced with external competitiveness. As part of the review we actively engaged with our shareholders, seeking and acting on feedback on the proposed policy changes and application.

I remain confident that the executive team under Robin's leadership is well placed to navigate the Group through a challenging market. Looking to 2017, I believe the recent Board changes will improve our balance, culture and effectiveness as we continue to ensure effective challenge, debate and decision making in the best long term interests of the Group.

# Directors' report

## The directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2016.

The Group consolidated income statement for the year is set out on page 74. In respect of the year ended 31 December 2016 an interim dividend of 10.8 cents per share was paid on 22 September 2016 and the directors have proposed a final dividend of 22.5 cents per share to be paid on 16 May 2017. The full year dividend will therefore be 33.3 cents per share.

**Further reading**
Information relevant to and forming part of the report of the directors is to be found in the following sections of the annual report:



### Statement of directors' responsibilities

The directors are responsible for preparing the annual report, the Directors' Remuneration Report and the Group and the John Wood Group PLC (the Company) financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union. In line with the notice given to shareholders in May 2016 the Company financial statements are prepared in accordance with FRS 101 "Reduced Disclosure Framework". The Group and Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State that the Group financial statements comply with IFRSs as issued by the IASB and as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on pages 32 and 33, confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRS as issued by the IASB and as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- The directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the significant risks and uncertainties that it faces.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Relevant information is defined as 'information needed by the Company's auditors in connection with preparing their report'. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Governance Code compliance

The Board remains fully committed to maintaining high standards of corporate governance and believes that this is key to overall performance and integrity, consistent with our shared values.

The Board also believes that good corporate governance extends beyond regulatory compliance and consistently monitors developments in best practice, including guidance published by investor groups.

This section of the annual report explains how the Group has applied the main principles of Leadership, Effectiveness, Accountability, Remuneration and Relations with shareholders outlined in the UK Corporate Governance Code issued in April 2016 (the Governance Code). A copy of the Governance Code is available at www.frc.org.uk. The directors consider that the Group has, throughout 2016, fully complied with the provisions of the Governance Code which applies to the year ended 31 December 2016.

## Fair, balanced and understandable

The Board considers that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

In reaching this assessment, the Board was assisted by the Chair and the Senior Independent Director who engaged directly with Company management during the planning, drafting and review stages of the annual report and were provided with draft materials for review and comment as the document progressed. This facilitated a good level of understanding of the process of compilation and assurance over the information contained within the annual report. The Board subsequently considered the annual report and accounts as a whole and discussed the report's tone, balance, and language at the February 2017 board meeting.

## Risk management and internal control

The Board has overall responsibility for the Group's systems of internal control and risk management which is fundamental to the achievement of the Group's strategic objectives.

### Risk management

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, that has been in place for the year under review and up to the date of approval of this annual report. The process is regularly reviewed by the Board and is in accordance with the April 2016 edition of the Governance Code. The Group, for the purposes of applying the Code, comprises John Wood Group PLC and its subsidiaries[1]. For further details on the principal risks and uncertainties faced by the Group along with associated mitigations, monitoring and assurance please refer to pages 27 to 28.

Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements of the ongoing procedures, which the directors have established to review the effectiveness of the system of internal control on an annual basis, are listed below. As a result of these ongoing procedures the Board's assessment was that the overall internal control environment was operating effectively.

### ▶ Internal control structure

The Group has a clear organisational structure for the control and monitoring of its businesses, including defined lines of responsibility through the organisation up to board level and delegations of authority in place. The Group has issued policies which define the standards of business conduct and include Accounting; Contract Risk Management and Review; Health, Safety, Security and Environment; and Business Ethics. A Group Business Ethics helpline, operated by an independent third party, is in place to enable staff and third parties to raise concerns in confidence about possible non-compliance with the Group's Business Ethics Policy.

For more information on Business Ethics:
**See page 21**

### ▶ Ongoing monitoring of internal control systems

The Board has agreed certain reporting procedures to monitor key risk areas on an ongoing basis, including safety, legal and financial matters. The Audit Committee has been delegated the responsibility to review the effectiveness of the internal financial and IT control systems implemented by management. The Safety, Assurance and Business Ethics Committee has been delegated responsibility for the effectiveness of the Group's safety policies and systems and since the start of 2016 has had responsibility for ethical and regulatory matters.

The Board and its Committees are assisted by the internal audit function and, where appropriate, the external auditors. Where the internal or external auditors identify any significant deficiencies in the financial or IT internal control systems, a plan of action is agreed to remedy these and progress against them is tracked and reported with updates provided to the Audit Committee as necessary.

The Audit Committee receives regular updates concerning ongoing audits. Details of audit updates received by the Committee in 2016 are set out on page 40.

The Chairs of the Audit and Safety, Assurance and Business Ethics Committees report regularly to the Board on their discussions.

### ▶ Information and communication

The Group has a comprehensive system for reporting performance to the Board. This includes monthly and quarterly reports. The quarterly reports include a detailed financial review against budgets and latest forecasts. The Group ELT also receives detailed monthly financial reports and meets on a monthly basis to discuss financial performance and other operational matters. In addition, each BU holds Quarterly Review Meetings (QRMs) involving the Chief Executive and the Group CFO.

## Statutory disclosures

Disclosures in relation to listing rule LR 9.8.4R where applicable are included in note 20 to the financial statements in relation to Long Term Incentive Plans.

## Footnotes

1. Subsidiaries include those entities which are under Group management and control.

# Board of Directors

## Chair

### Ian Marchant
**Chair**

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

**Appointed:** 2006
Chair since 2014. Ian is currently a director of Nova, the tidal energy company, non-executive director of Aggreko plc and Maggie's Cancer Charity and Honorary President of the Royal Zoological Society of Scotland. Until December 2015 he was chair of Infinis Energy plc and is the immediate past president of the Energy Institute. He was chief executive of SSE plc, a leading UK energy utility company, for over 10 years until stepping down in mid-2013.

## Executive directors

### Robin Watson
**Chief Executive**

**Appointed:** 2013
Chief Executive since January 2016. Formerly chief operating officer from April 2015, CEO of Wood Group PSN and managing director of Wood Group PSN in the UK, having joined Wood Group in 2010. Prior to joining Wood Group, Robin served in a variety of leadership and management positions with Petrofac and Mobil. He served as non-executive director of Oil & Gas UK, the Oil & Gas UK Contractors Council and the Scottish Business Board. He was previously co-chair on the Step Change in Safety Leadership Team.

### David Kemp
**Group Chief Financial Officer**

**Appointed:** 2015
Group CFO since May 2015, previously CFO of Wood Group PSN, having joined Wood Group in 2013. Prior to joining Wood Group, David served in executive roles at Trap Oil Group, Technip, Simmons and Company International, and Hess Corporation, working across Finance, M&A and Operations. He is a member of the Institute of Chartered Accountants of Scotland.

### Key to committee membership

- S Safety, Assurance & Business Ethics
- N Nomination
- A Audit
- R Remuneration
- Chair

Find out more about our leaders at:
**www.woodgroup.com/ourleaders**

## Executive Leadership Team

Dave Stewart
**CEO Asset Life Cycle Solutions Eastern Region**
19 years with Wood Group

Michele McNichol
**CEO Asset Life Cycle Solutions Western Region**
15 years with Wood Group

Bob MacDonald
**CEO Specialist Technical Solutions**
13 years with Wood Group

Sue MacDonald
**Executive President People & Organisation**
6 years with Wood Group

Nina Schofield
**Executive President HSSEA**
2 years with Wood Group

Steve Wayman
**Executive President Strategy & Development**
27 years with Wood Group

## Previous directors

David Woodward
**Appointed:** 2007, retired May 2016
Senior Independent Director, Chair of the Remuneration Committee and member of the Audit and Nomination Committees

## Non-executive directors


### Jann Brown

**Non-executive Director and Senior Independent Director**

**Key experience:** International oil & gas, public company boards, finance and public capital markets

**Appointed:** 2014
Jann became Senior Independent Director in May 2016. She is a past-president of the Institute of Chartered Accountants of Scotland (ICAS) and currently Audit Committee chair of Troy Income and Growth Trust and of the Scottish Ballet, and a trustee of Edinburgh University Development Trust. She spent her career in the accounting profession before moving into the oil industry, latterly as managing director and CFO of Cairn Energy PLC.


### Jeremy Wilson

**Non-executive Director**

**Key experience:** Public company boards, finance and public capital markets

**Appointed:** 2011
Jeremy is a non-executive director of Tullow Oil plc and chair of The Lakeland Climbing Centre. He spent his career at J.P.Morgan, which he joined in 1987, until retiring in October 2013. He held a series of senior level positions there, including head of the European Mergers and Acquisitions Group, global co-head of the Natural Resources and Diversified Industrials Group, and latterly vice chair of the Energy Group, and was involved in a number of major oil & gas mergers over the years.


### Thomas Botts

**Non-executive Director**

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

**Appointed:** 2013
Thomas is a non-executive director of EnPro Industries. He is also co-chair of the Governor's Task Force at the University of Wyoming, a director of the University of Wyoming Foundation and is a long-standing member of the Society of Petroleum Engineers. He was formerly with Shell for 35 years, latterly as global head of Shell's manufacturing business.


### Mary Shafer-Malicki

**Non-executive Director**

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

**Appointed:** 2012
Mary is currently a non-executive director of McDermott International, Inc. and is a member of industry councils at Oklahoma State University and the University of Wyoming. She worked for Amoco and BP for 26 years, latterly as senior vice president and CEO for BP Angola, with previous appointments in Vietnam, Aberdeen, Holland and the US, principally in upstream activities.


### Richard Howson

**Non-executive Director**

**Key experience:** Middle East, North Africa and UK construction businesses; health & safety and sustainability programmes

**Appointed:** 2016
Richard has been chief executive of Carillion plc since January 2012. He served as the chief operating officer from September 2010 to 31 December 2011, having been appointed to the board in December 2009 as executive director. He is a Fellow of the Institution of Civil Engineers.


### Jacqui Ferguson

**Non-executive Director**

**Key experience:** Technology sector specialising in cloud security, telecommunications, financial services, travel and transportation, energy and government

**Appointed:** 2016
Jacqui has been SVP & General Manager of Hewlett Packard UKI & MEMA since October 2014 and previously served as the VP & Chief of Staff to the CEO of Hewlett Packard from March 2012 to 2014. Prior to this she held a number of senior roles within the technology sector in Europe, the Middle East, Africa, Asia and North America. Currently she is Public Services Chair at the CBI and a board member of the Tech Partnership.

# Corporate governance

## Role of the Board and Committees

### Board
The Board focuses its time and energy on Group strategy, the annual budget and performance against it, significant acquisitions, monitoring the performance of the management team and risk management, specifically focusing on principal risks and the overall system of internal control. The Board has delegated some of its responsibilities to the Executive Leadership Team (ELT) and the Board Committees – the Safety, Assurance & Business Ethics Committee, the Nomination Committee, the Audit Committee and the Remuneration Committee.

### Safety, Assurance & Business Ethics Committee
Responsible for the Group's safety strategy and performance and for ensuring compliance with laws and regulations including business ethics.

Read more on page **37**

### Nomination Committee
Monitors and reviews the structure, size and composition of the Board, makes recommendations with regard to any changes and ensures board succession plans are in place.

Read more on page **38**

### Audit Committee
Responsible for compliance with financial reporting standards, consideration of the internal financial control environment and the relationship with the external auditor.

Read more on page **39**

### Remuneration Committee
Advises the Board on executive remuneration and sets the packages of each of the executive directors within the approved Remuneration Policy.

Read more on page **45**

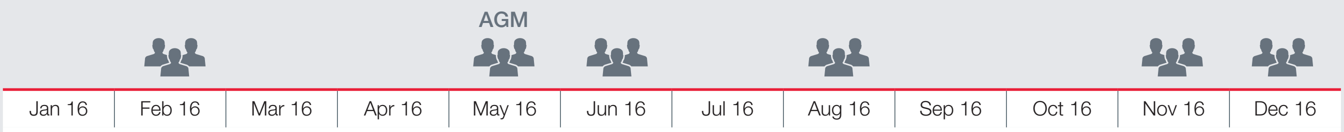
### Executive Leadership Team
The ELT operates under the authority of the Chief Executive and comprises the Group CFO plus the CEOs of our three BUs and the leaders of our other key functional areas: HSSEA; People & Organisation; Strategy & Development. They are responsible for delivering against the strategy approved by the Board.

Read more on page **32**

## Board and Committee attendance 2016

The Charters of the Board's Committees are available on the Group's website. Attendance by directors at the meetings of the Board and its Committees is summarised in the table below. The dates of future Board meetings have now been agreed until the end of 2019.

Read the Charters of the Board's Committees at:
**www.woodgroup.com/charters**




| | Board | Safety, Assurance & Business Ethics Committee | Nomination Committee | Audit Committee | Remuneration Committee |
|---|---|---|---|---|---|
| Ian Marchant | 6/6 | | 3/3 | | |
| Robin Watson | 6/6 | 4/4 | | | |
| David Kemp | 6/6 | | | | |
| Thomas Botts | 5/6 | 3/4 | 3/3 | 1/2 | |
| Jann Brown | 6/6 | | 3/3 | 4/4 | 2/2 |
| Jacqui Ferguson* | 1/1 | | | 0/0 | |
| Richard Howson** | 4/4 | 2/2 | 1/1 | | |
| Mary Shafer-Malicki | 6/6 | 4/4 | 3/3 | | 4/4 |
| Jeremy Wilson | 6/6 | | 3/3 | 4/4 | 4/4 |
| David Woodward*** | 2/2 | | 1/2 | 2/2 | 2/2 |

Attendance reflects the meetings attended as a proportion of those held while in office or a member of the relevant committee

* appointed 1 December 2016 | ** appointed 12 May 2016 | *** resigned 12 May 2016

## Board programme & agenda

The Board schedules four face to face meetings and two calls on an annual basis. In 2016, following feedback received from the Board two of the face to face meetings were extended to three days. Within the face to face meetings, the following are covered as standing agenda items:

- **Review of Governance and reports from Board Committees**
  Safety, Assurance & Business Ethics, Audit, Remuneration and the Chief Executive report
- **Operations updates and functional updates**
  HSSEA, P&O, IT&S and Finance (including Acquisitions, Tax & Treasury and Investor Relations)

The Board also receives presentations from management and discusses other matters arising which are set out in the table below.

## Board composition

The Board comprised eight directors for the majority of the year increasing to nine from 1 December 2016, following the appointment of Jacqui Ferguson. In May 2016 Richard Howson joined the Board and David Woodward retired. Following David Woodward's retirement, Jann Brown became Senior Independent Director. At all times the non-executive directors comprised a majority of the Board (excluding the Chair) as recommended by the Governance Code.

A clear separation of the roles of the Chair and the Chief Executive has been agreed by the Board, in compliance with the Governance Code. The Chair is responsible for the leadership and effectiveness of the Board. He chairs the Board meetings, ensures the agendas are appropriate and is responsible for facilitating that all directors actively contribute to the determination of the Group's strategy. The Chief Executive is responsible for the day to day management of the Group and implementation of the Group's strategy. He develops proposals for Board approval, and ensures that a regular dialogue with shareholders is maintained. Members of the Executive Leadership Team report directly to the Chief Executive.

| Topic | Activity | Outcome/Progress |
|---|---|---|
| **Strategy** | • Received regular updates on the Group reorganisation throughout the year<br>• Refreshed Group vision and strategy discussed at the August meeting<br>• Full day strategy session held prior to the November board meetings | • The reorganisation and repositioning of the Group was completed during the year. This met the objective of moving to One Wood Group defined by service provision which increases the Group's effectiveness by enabling easier customer engagement and improving efficiency. Thomas Botts acted as a board sponsor to the project team<br>• Strategy approved by the Board<br>• The Board received presentations on all 11 service lines including 'deep dives' on three and the board provided input into the direction and strategy of these businesses |
| **Safety, Assurance and Business Ethics** | • Updates on the activities of the Safety, Assurance & Business Ethics Committee received at each meeting<br>• Reports received directly from the Chief Executive and senior management at each meeting on specific compliance related matters<br>• Significant focus on two regulatory investigations involving operations in the Gulf of Mexico | • Good progress made on extending the scope of the Committee in 2016 to include Business Ethics<br>• Monitoring of the Gulf of Mexico regulatory compliance plan and actions to ensure compliance with the administrative agreement and prevent recurrence |
| **Review of Financial Results** | • Review of preliminary results statement, annual report and half year report | • Reports reviewed, challenged and approved for release |
| **Risk management and internal control** | • Review of Group risk register, principal risks and associated controls and assurance provision reviewed in February and August.<br>• Review and challenge of management's conclusions on the effectiveness of internal control | • Updated principal risks included in annual and half year reports<br>• Internal controls agreed to have operated effectively during the year |
| **Governance** | • Received update on the new Market Abuse Regulations (MAR)<br>• Reviewed the Audit Committee's recommendation to change external auditors following the audit tender process<br>• The Board participated in a Board evaluation process, externally facilitated by Lintstock, and reviewed the output from that process at the November meeting | • Internal policies and procedures updated including new share dealing code. Directors and ELT reminded of their obligations and informed of the additional MAR requirements<br>• Approved appointment of KPMG as external auditors from 2018, subject to shareholder approval at the May 2018 AGM. The Group is compliant with EU audit regulations and best practice on external audit rotation<br>• The Board noted a general improvement in the results of the evaluations and good progress had been made on addressing the points raised last year. The observations noted in this year's review would be taken into account when planning the 2017 board sessions |

| Topic | Activity | Outcome/Progress |
|---|---|---|
| **People and Succession planning** | • Reviewed succession plans in place for the ELT and other key positions in the Group<br>• Following the scheduled retirement of David Woodward the nomination committee considered the need to add to the Board and the skill sets that would increase its overall effectiveness | • The Board noted improvement in the succession planning process for senior executives, and key areas where succession plans require to be strengthened<br>• Richard Howson and Jacqui Ferguson were added to the Board who brought specialist insight into the contracting and IT sectors respectively |
| **Board engagement with shareholders** | • Regular reports received from the Group CFO on IR activities, supplemented by analysis provided by our brokers<br>• The Board seeks to understand the views of shareholders and take these into account where appropriate<br>• The Chair, Senior Independent Director and the Chair of the Remuneration Committee make themselves available to meet with key shareholders | • We provide the opportunity for significant shareholders to meet with the Chief Executive and Group CFO at least twice a year around the interim and final results announcements<br>• During the year the opportunity to meet with the Chair was offered to significant shareholders. The Chair of the Remuneration Committee also consulted with significant shareholders on proposals for the updated Remuneration Policy |

## Board independence

After careful consideration, the Board considers all of its non-executive directors to be independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

For brief biographies of the directors:
**See pages 32-33**

## Board re-election

All directors are expected to seek re-election at the 2017 AGM.

## Conflicts of interest

The Board requires directors to declare any appointments or other situations which would amount to a possible conflict of interest. The Board has procedures in place to deal with and, if necessary, approve any such conflicts.

## Board development

The training needs of directors are periodically discussed at Board meetings and briefings provided on issues relating to corporate governance. Arrangements are in place for newly appointed directors to undertake an induction process designed to develop their knowledge and understanding of the Group's business. This includes briefing sessions during regular Board meetings, visits to Group operating sites and discussion of relevant business issues.

Upon their appointment, directors are advised of their legal and other duties and their obligations as directors of a listed company and under the Companies Act 2006.

All directors are encouraged to attend relevant external seminars. There is a procedure for any director to take independent professional advice at the Group's expense and all directors have access to the services of the Company Secretary, who is responsible for ensuring that the Board's procedures are followed.

## Engagement with shareholders

Our investor relations activities are led by the Chief Executive and Group CFO, supported by the investor relations team and other members of senior management as appropriate. We provide the opportunity for significant shareholders to meet with the Chief Executive and Group CFO at least twice a year around the interim and final results announcements.

## Major shareholdings

The Company has been notified, in accordance with DTR 5, of the following major shareholdings in the Company as of 24 February 2017:

| Name of shareholder | Number of voting rights held | % of issue shares |
|---|---|---|
| Aberdeen Asset Management | **38,048,880** | **9.99%** |
| BlackRock, Inc. | **33,260,176** | **8.72%** |
| Ameriprise Financial | **19,812,908** | **5.20%** |
| FIL Limited | **19,179,837** | **5.03%** |
| APG Asset Management N.V. | **18,914,688** | **4.96%** |
| Schroder Investments | **17,629,286** | **4.63%** |

# Safety, Assurance & Business Ethics Committee

**Thomas Botts** Chair, Safety, Assurance & Business Ethics Committee

"The key area of focus in 2016 was understanding and managing risk and establishing a robust assurance programme."

## Membership & Responsibilities

The Committee comprises Thomas Botts, Chair, Mary Shafer-Malicki and Richard Howson. The Chief Executive and Executive Director of HSSEA are also in attendance.

The Committee meets at least twice a year, and has written terms of reference setting out its responsibilities.

Read the Safety, Assurance & Business Ethics Committee charter at: **www.woodgroup.com/ethicscommittee**

| Main responsibilities: |
|---|
| Safety & assurance strategy and performance |
| Effectiveness of the Group's policies and systems |
| Safety leadership development throughout the Group |
| Quality and integrity of the Group's internal and external reporting of Safety & Assurance performance and issues |
| Preparedness for response to a major HSSE incident or ethics non-compliance |

## Committee meetings in 2016


**The Safety, Assurance and Business Ethics Committee is responsible for overseeing the Group's management of Health, Safety, Security, Environmental and Business ethics issues, in line with the Group's shared values commitment.**

The primary focus of the committee is to ensure that risks associated with matters relating to HSSE and Business Ethics are understood and managed and oversight is provided to systems and assurance activities that are in place to minimise the occurrence of major events.

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

- The Group's HSSE and Business Ethics strategy and performance
- The effectiveness of the Group's policies and systems, and evidence of a prevalent safety and ethical culture
- HSSE and Business Ethics leadership development throughout the Group, particularly in frontline operations
- The quality and integrity of the Group's internal and external reporting of HSSE and Business Ethics performance and issues
- The Group's preparedness for response to a major HSSE incident or ethics non-compliance
- The process for, and outcomes of, investigations into major HSSE and Business Ethics incidents and the effectiveness with which recommendations are assimilated throughout the Group
- The expertise and appropriateness of the structure of the HSSEA and Business Ethics function throughout the Group

It was decided to include Business Ethics as part of the Committee's remit in 2016 as part of the Group's drive to extend the understanding of business ethics through wider engagement with the workforce. The extension of the Board Committee introduced a higher level of governance for any matters concerning major regulatory investigations or significant breaches of a compliance nature.

The key area of focus in 2016 was understanding and managing risk and establishing a robust assurance programme. In addition, the Committee provided significant focus on two regulatory investigations involving operations in the Gulf of Mexico on which plea agreements were reached in February 2017. This included input on the associated compliance plan and actions to prevent recurrence. The Committee introduced two performance dashboards in 2016 to provide oversight on performance against the established key performance indicators.

# Nomination Committee

**Ian Marchant** Chair, Nomination Committee

"The Nomination Committee continues to make good progress in adding complementary new skill sets to the Board."

## Membership and responsibilities

The Nomination Committee comprises the Chair and all of the independent non-executive directors.

The Committee meets at least once a year, and met three times in 2016. It operates within a written charter setting out its roles and responsibilities.

Read the Nomination Committee charter at:
**www.woodgroup.com/nominationcommittee**

| Main responsibilities: |
| --- |
| Reviewing Board structure, size and composition |
| Making recommendations to the Board with regard to any changes |
| Identifying and nominating candidates for the approval of the Board |
| Filling Board vacancies |
| Ensuring succession plans are in place. |

## Committee meetings in 2016


**The Nomination Committee monitors and reviews the structure, size and composition of the Board, makes recommendations with regard to any changes and ensuring board succession plans are in place.**

The Committee met in February 2016 to consider the retirement of David Woodward and the arrangements for his succession. It was agreed that Jann Brown would become the Senior Independent Director and would join the Remuneration Committee and that Jeremy Wilson would take over as Chair of the Remuneration Committee. It was also agreed that Thomas Botts would join the Audit Committee.

In March 2016 the Committee met to consider and recommend the appointment of Richard Howson as a non-executive director. Richard is currently Chief Executive of Carillion Plc and his extensive experience of leading an international contracting business will further strengthen the board. The knowledge that Richard brings from the construction and civil engineering sectors will give valuable insight to the Safety, Assurance & Business Ethics Committee, which he joined after his appointment.

In October 2016 the Committee met to consider and recommend the appointment of Jacqui Ferguson as a non-executive director. Jacqui is currently SVP & General Manager of Hewlett Packard UKI & MEMA. Her experience as a leader in the technology sector will further strengthen the Board as we seek to harness the use of technology to drive efficiency, finding innovative ways to provide greater value to our customers and ensuring that Wood Group continues to succeed in the digital economy.

For both of the above appointments the Group used the services of Korn Ferry, an executive search agency. Both new directors were provided with an induction on joining the Board which covered their duties and responsibilities, as well as a general introduction to the Group and its extended leadership team.

## Committee evaluation

In the final quarter of the year the Committee assessed its own performance as part of the wider board review. This review was externally facilitated by Lintstock. Overall it was felt that good progress had been made in broadening the skill set of the board as a whole.

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

# Audit Committee

**Jann Brown** Chair, Audit Committee

"It is important that the Audit Committee continues to foster an open and transparent culture between it and management, its auditors, the investment community and broader stakeholders."

## Membership and responsibilities

The Audit Committee comprises Jann Brown (Chair, recent and relevant financial expertise), Jeremy Wilson, Thomas Botts and from 1 December 2016 Jacqui Ferguson. The Chair of the Committee reports to each Board meeting on the activity of the Committee.

The Committee has a written charter of responsibilities which is reviewed on an annual basis, setting out its roles and responsibilities.

Read the Audit Committee charter at: **www.woodgroup.com/auditcommittee**

| Main responsibilities: |
|---|
| Compliance with financial reporting standards and relevant financial reporting requirements |
| Consideration of the internal financial and IT control environment |
| Consideration of the internal audit programme and results |
| Review of the external audit relationship and provision of non-audit services |

## Committee meetings in 2016

| Jan 16 | Feb 16 | Mar 16 | Apr 16 | May 16 | Jun 16 | Jul 16 | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 |
|---|---|---|---|---|---|---|---|---|---|---|---|

**The Committee met four times in 2016. In addition to the members of the committee, the Group CFO, Group Financial Controller, Group Head of Internal Audit and the external auditors, PricewaterhouseCoopers LLP (PwC), attended all Audit Committee meetings.**

During the year other relevant people from the business presented to the Committee on the topics as noted below. The Group Head of Internal Audit and PwC have the right of direct access to the Chair of the Committee at all times, and to meet the Committee without management present.

During the year the following areas were discussed at the Committee meetings.

**Q1**

- Review of the 2015 Group financial statements including Going Concern review
- Review of 2015 external audit status, discussion of the findings of the external audit and the key judgemental areas and assessment of external audit effectiveness
- Review of the 2015 Audit Committee Corporate Governance Report
- Review of alternative profit measures
- Update on the external audit tendering process
- Review of internal audit reports and status

**Q2**

- Update on the group restructure and impact on segmental reporting
- Accounts receivable update including presentation from the ALCS East CFO
- Effectiveness reviews of internal and external audit
- Review of external audit tender submissions and presentation to the Audit Committee
- Outline external audit plan for 2016
- Update on US controls internal audit work
- Review of internal audit reports and status

**Q3**

- Review of the 2016 Group interim financial statements including Going Concern review
- Update on 2016 interim financial statements external review and discussion of key judgemental areas and findings of external auditor
- Update from Group Head of Internal Audit on the way forward for risk management, assurance and internal audit
- Presentation from the Group Head of Tax and Treasury on current tax issues
- Review of internal audit reports and status

**Q4**

- Review of upcoming year end issues
- Review of final 2016 external audit plan and approval of fees
- Review and approval of 2017 Internal Audit Plan
- Presentation from the ALCS West CFO on the close out of the US controls internal audit actions
- Review of appropriate cash generating units (CGUs) for goodwill impairment testing
- Review of internal audit reports and status

# During the year the Committee focused on the following areas:

## Financial reporting and significant accounting issues

There were no new accounting standards which had a material impact on the Group during the year, and the Committee focused on the application of our accounting policies and on the areas of judgement and estimation. The Group is currently assessing the impact of the adoption of IFRS 15 'Revenue from contracts with customers' and the output from that review will be considered by the Committee in 2017, before the standard becomes effective in 2018. Although the Group is not yet in a position to quantify the impact of any changes, its current assessment is that the adoption of the standard will not have a significant impact on its reported results.

The primary areas of judgement and estimation considered by the Committee in relation to the 2016 financial statements and how they were addressed are outlined below.

### ▶ Impairment reviews

At both the half year and the year end the Committee considered where indicators of impairment existed and the results of any related impairment reviews. Annual reviews are carried out in relation to goodwill and indefinite life intangible assets, with the committee's role being primarily to challenge the significant assumptions and estimates made to ensure that they are fit for purpose. During 2016 the restructuring of the Group meant that the CGUs used to test goodwill required to be adjusted. The Committee reviewed the revised CGUs, the key assumptions used and other than as set out below, no impairments were noted.

The Committee reviewed management's assessment of the carrying value of EthosEnergy in the year, which concluded that a further write down of $56.7m was required at 31 December 2016. Following the write down in 2015, the joint venture's performance for 2016 was significantly behind expectations as the joint venture, which was only formed in May 2014, has not delivered the level of growth anticipated at this point last year. Areas of the business which had been expected to contribute strongly to performance as the JV became more established made losses and the disposal of a location for which a sale was close to being agreed did not complete. The Committee reviewed the assumptions used by management to value the Group's investment in the JV at the end of 2016 on both a value in use basis, which has been used in the accounts, and by considering the available third party evidence. The Committee was satisfied that the projections are based on reasonable but cautious projections for future cash flow and, after the impairment, give an appropriate carrying valuation for the investment in EthosEnergy. The external auditors assessed this as an area of particular focus and the Committee received updates on related work undertaken by PwC.

### ▶ Current and deferred tax balances

The Group operates in a number of different tax regimes and a range of judgements underpin the calculations for both current and deferred tax. In the Income Statement, these can have an impact on both the tax charge and the operating profit. The Committee receives a detailed written report on taxation matters at each meeting and the Group Head of Tax & Treasury presented to the August meeting. Where necessary, the Committee considers advice received from professional advisory firms. This was recognised by PwC as an area of higher audit risk and the Committee received updates on related work undertaken by them during the year. The PwC Tax partner assigned to the Audit engagement attended the August meeting.

### ▶ Review of provisions

The Committee considers the appropriateness, adequacy and consistency of approach to provisioning at each meeting. All material provisions, including those made against uninsured legal claims and doubtful debts, are discussed and challenged. Given the continued uncertain economic climate for the oil and gas companies which form the core customer base of the Group, there was a focus in the year on the recoverability of receivables and on the processes in place to assess and monitor credit risk.

### ▶ External reporting of non GAAP measures

In line with other companies in the sector and historical practice the Group has, in addition to statutory measures, reported profit using EBITA, a non GAAP measure. Although the Group believes that EBITA remains a relevant metric and was the principle measure of profit used internally during 2016, it was agreed during that year that from 2017 the Group will drop EBITA from external reporting and provide only measures included within statutory accounts. This will bring a greater level of simplicity to reporting and remove the need for additional reconciliations.

## Internal financial control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The Audit Committee has been given the responsibility to review the effectiveness of the internal financial and IT control systems implemented by management. This work is informed by regular updates from the Group Head of Internal Audit and the results of various self-assessment processes undertaken across the Group. External audit also provide feedback on areas of financial or IT control which they wish to bring to the Committee's attention.

### ▶ Internal audit

Monitoring the activity of the Group Internal Audit function is an agenda item at each Committee meeting. The Group Head of Internal Audit, who joined the Group in January 2016, attended all meetings. Each year, the Committee agrees the plan to be carried out and receives regular updates on progress against this plan, including a summary of the key findings from each of its reviews, an update on the status of actions agreed with management and a note of any themes or emerging risk areas to be considered by the Committee.

During 2016 the Committee received regular updates on the audits carried out in the legacy WG PSN US businesses that were undertaken following a small number of control failures in late 2015. The audits were completed in the first half of 2016 and the control recommendations arising were addressed by management by the end of the year.

The Chair of the Committee holds private discussions with the Group Head of Internal Audit as necessary during the year outside the formal Committee process.

## External audit

As part of the external audit process, PwC prepare an audit plan identifying their assessment of key audit risks. These risks are discussed during the year with input from management and the Group Head of Internal Audit as necessary, providing the Committee with an opportunity to understand, challenge and ultimately agree with the auditors which areas should be covered. The Committee assessed the effectiveness of the audit process through consideration of the reporting received from PwC at the half year and the year end, the robustness of the external auditors' handling of key judgemental areas and the quality of the external auditors' interaction with, and reporting to, the Committee.

The Committee also reviews the standing, experience and tenure of the external audit lead partner, the arrangements for ensuring the independence and objectivity of the external auditors and the nature and level of non-audit services provided. In addition, an annual exercise to seek feedback from around the Group on the effectiveness of the external audit process is performed.

### ▶ Appointment and independence

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

The Committee considers the reappointment of the external auditor each year and also assesses their independence on an ongoing basis. During the year the Committee received confirmation from the external auditors regarding their independence. In accordance with UK regulations and to help ensure independence, the auditors adhere to a rotation policy based on Auditing Practices Board standards that require the Group audit partner to rotate every five years. This is the fourth year that Lindsay Gardiner, the current lead audit partner, has been involved in the audit of the Group.

At the end of 2015 and in compliance with the provisions of the UK Competition & Markets Authority (CMA) Order we decided to conduct a tender for the audit during 2016. To allow a transition of non-audit services currently performed by firms tendering for the audit (see next section below), it was agreed that the appointment would take effect for the audit of the year ending 31 December 2018. Although the Committee remained satisfied with the effectiveness of the current external auditors, PwC, they have been in place since the Group became a publicly listed company in 2002. This means that they would be subject to mandatory rotation within four years of the new appointment, and for that reason they were not asked to submit a tender. We consulted our major shareholders on the process and on the firms we intended to invite to tender and the Committee took the feedback received into account.

During April written submissions were received from the three firms invited to tender and following evaluation all were asked to present to the Audit Committee in May.

After due consideration the Committee decided that on balance KPMG's proposal demonstrated the greatest understanding of the Group's culture and strategy, industry knowledge and proposed an innovative and effective audit approach which would provide a high level of challenge to management. The Board approved the Committee's recommendation that KPMG be appointed for the 2018 audit, which would be put to the May 2018 AGM.

The Committee also provided the Board with its recommendation to shareholders on the reappointment of PwC as external auditor for the year ending 31 December 2017. Accordingly, a resolution proposing the reappointment of PwC as the Group's external auditor will be put to shareholders at the 2017 AGM. There are no contractual obligations that restrict the Group's choice of external auditors.

### ▶ Non-audit services

One of the key risks to external auditor independence is the provision of non-audit services by the external auditor. The Group's policy in this area, which is set out in the Audit Committee's terms of reference, is clear. The Committee considers and approves fees in respect of non-audit services provided by the external auditors in accordance with policy and the cost of non-audit services provided in 2016 is reported in note 3 to the financial statements. In the opinion of the Committee, the provision of these non-audit services did not impair PwC's independence.

The provision of tax services by PwC in 2017 will be further restricted by the revised Ethical Standard for auditors issued by the Financial Reporting Council (FRC) during 2016.

## Committee evaluation

The Committee's activities formed part of the external review of Board and Committee effectiveness performed in the year. Overall the Committee was considered to be operating effectively, however some additional areas to consider in 2017 and beyond are:

- Provision of more 'in role' training to Committee members, based around upcoming changes to accounting standards
- Maintain focus on performance drivers, including culture
- Use the May meeting to carry out a deeper dive into one specific control


## Governance in action

During the year the Board received presentations from management on all of the Group's service lines to broaden their understanding of the business and meet a broader cross section of Group management. As well as these presentations board members visited the offices of our automation business in Houston and a client's fabrication yard in the Gulf of Mexico where several of the facilities designed by Wood Group were under construction.

# Directors' Remuneration Report

The Directors' Remuneration Report (DRR) is the Board's report to shareholders on directors' remuneration for year ending December 2016 and is in three main sections:

## The Board's Report

Includes the Letter from the Chair of the Remuneration Committee reflecting on the activities of the Remuneration Committee for the year ending December 2016, and future application of the Directors' Remuneration Policy. This section also provides details of the Remuneration Committee and the statement of shareholder voting.

Read more on page **43**

## Part 1: Policy Report

Contains the Directors' Remuneration Policy.

Read more on page **47**

## Part 2: Annual Statement on Remuneration

Sets out the remuneration details of the executive and non-executive directors and includes a summary of the key considerations and decisions taken by the Committee on directors' remuneration during the year ending December 2016.

Read more on page **56**

## Contents of Directors' Remuneration Report



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

# Board's Report

**Jeremy Wilson** Chair, Remuneration Committee

## Letter from the Chair

**Dear Shareholder**
I am pleased to present the Directors' Remuneration Report for the year ending 31 December 2016, including our proposed Directors' Remuneration Policy which is subject to shareholder approval at the 2017 Annual General Meeting.

The purpose of this report is to set out the remuneration of executive directors and demonstrate how the Committee has ensured it is aligned to delivery of the Group's short and long term strategic objectives and our shareholders' interests, whilst adhering to corporate governance and associated regulations.

I was appointed Chair of the Committee in May 2016, succeeding David Woodward, who provided great leadership of the Committee since 2007. A key focus for me in undertaking this role has been to ensure the Committee is thoughtfully and prudently overseeing all aspects of executive remuneration in a time of great economic and political change and uncertainty. I have also engaged proactively with shareholders to ensure we take into account their views and expectations when determining the remuneration policy and application for the executive directors.

### Remuneration and performance outcomes for 2016

In setting targets for the 2016 annual bonus and Long Term Incentive Plan (LTIP) 2016-2018 performance period, we considered the continuing challenging market conditions in the oil and gas sector and the uncertainty that these conditions bring. We were also mindful to support the long term success of the Group by ensuring the retention and incentivisation of a team of high calibre executive directors and other senior leaders, focused on delivering long term value to shareholders, strengthening the organisation, providing excellent service to our customers and keeping our people safe.

The financial performance of the Group in 2016 reflected lower volumes and pricing pressure. The impact on EBITA was offset by our continued focus on managing costs, together with the significant impact of one off benefits and the contribution from bolt on acquisitions completed in 2015. The Group delivered EBITA of $363m in line with expectations, down 22.8% on 2015. Adjusted EPS of 64.1c was down 23.7%. EBITA margins fell 0.6%. DSO targets were not achieved. As a Committee, we focused on establishing stretching non-financial objectives, with tangible performance outcomes focused on the delivery of the Group's short term strategic plans.

We have been mindful to ensure the retrospective disclosure of achievement of these objectives is detailed, measured and transparent. Annual bonuses of 42.6% are being awarded to executive directors. Details are contained in section 2 of this report.

The 2016 Group performance also contributed to a low LTIP pay-out for the performance period 2014-2016. AEPS did not meet threshold performance resulting in zero award for this measure. EBITA for the heritage businesses of WGPSN, WGM and WGK did not meet threshold performance, also resulting in zero award for this performance measure. However, I am delighted to report that we were top of our Total Shareholder Return (TSR) peer group, achieving 100$^{th}$ percentile, reflecting the decisive and robust actions taken on cost and the resilience and flexibility of our business model. This resulted in a maximum 25% of total award on this performance measure for all participants.

### Policy review

During the course of 2016, in preparation for our second shareholder vote on policy at the 2017 AGM, the Committee has undertaken a full review of remuneration arrangements for executive directors. In addition to considering the wider political environment regarding executive pay, we actively engaged with our shareholders, seeking views on the proposed policy changes and application. We wrote to key shareholders on two occasions and welcomed the opportunity to have additional detailed dialogue with a number of them. We have also engaged with voting institutions to better understand the views and expectations of their members. In direct response to the feedback we propose to defer 100% of LTIP awards for a full two years following the end of the three year performance period for executive directors and increase shareholding requirements for the Chief Executive. We had considered increasing employer pension contributions as current arrangements, (15% of salary), were identified as being below what is typical in the wider market for executives and our peer group. However, having listened to shareholder feedback, the Committee determined that this change was not appropriate. I believe this truly demonstrates our commitment to meaningful shareholder engagement. More details of the policy changes and subsequent application for 2017 are detailed on page 44.

We were also pleased to note that Wood Group is already applying many of the recommendations in the Executive Remuneration Working Group's final report and we have continued to focus on disclosure, particularly around non-financial measures for the annual bonus plan. When carrying out the policy review, the Committee applied the following principles:

**Alignment with strategy and delivery of shareholder value** - ensuring the remuneration policy and principles support the needs of our business over the next few years and our strategy to focus on growth (both organic and acquisitive) and cost savings in order to create long term value for our shareholders in the context of an oil and gas market that remains challenging. We aim to link pay to performance by ensuring there is a strong alignment with Group objectives.

**Simplicity and balance** - in order to be effective in supporting motivation and retention, arrangements must be understandable for participants as well as clear and transparent to our shareholders. We aim to provide an appropriate balance between fixed and variable pay in the context of risk considerations and long term sustainable value creation. Our executive directors' remuneration has four components made up of base salary, benefits and pension, annual bonus plan, and long term incentive plan. Over the last few years we have significantly simplified the operation of our incentive plans, applying consistency to all participants.

**Internally fair, externally competitive** - ensuring executive directors' base salary reflect wider employee increases; we use external data to inform our thinking and ensure remuneration decisions support attraction, retention and incentivisation of our executive directors.

**Shareholder engagement** - the Committee is mindful of shareholder expectations in respect of executive pay and actively takes this into account when developing remuneration arrangements.

### Proposed changes to the policy

We have proposed changes to the policy, which we believe continues to meet our remuneration principles whilst offering flexibility and discretion to adapt to changing business needs. We propose to:

- Defer 100% of awards achieved under the Long Term Incentive Plan for a period of at least two years following the end of the three year performance period i.e. a total of 5 years from the year of the award being granted. Previously 20% of any award was held in nil cost share options for an additional two years following the end of the three year performance period. We trust this demonstrates our commitment to increasing overall time horizons and the Group's focus on long term value creation
- Increase shareholding guidelines to 200% of salary for the Chief Executive (from 150% of salary); they will remain at 100% for the Chief Financial Officer and any other executive director. The increase to the Chief Executive's shareholding requirement further strengthens the alignment of remuneration with the creation of long term value for our shareholders
- For performance periods commencing in 2017, deferral of the Annual Bonus Plan will be at least 25% (reduced from 50%); deferral will continue to be for a two year period. We believe this brings our policy and operation of the plan in line with the wider market and other companies in our sector. Whilst this will mean a reduction in the percentage deferred for awards made under our Annual Bonus Plan, this is accompanied by the increased deferral of awards made under our Long Term Plan described above; this is expected to result in a higher proportion of awards being deferred for a longer period of time
- Enable executive directors to participate in the Employee Share Plan (ESP), an all-employee share plan which was approved by shareholders in 2015. This is an update to the previous Policy which did not enable executive directors to enrol in the ESP as the plan was not in place when the Policy was approved by shareholders in 2013
- Increase the aggregate maximum for non-executive remuneration to £1,000,000 in the Articles of Association to allow for additional Board members

### Proposed policy application for 2017

The following section details the changes which we plan to make in implementing our policy in 2017; in summary these support our philosophy of maintaining lower fixed pay alongside opportunity on variable pay which we believe aligns better with our shareholders' interests and incentivises executive directors to drive performance and deliver greater value through execution of the business strategy.

**Base salary** - 2017 salaries will remain unchanged. When we initially determined salaries for the new Chief Executive and Chief Financial Officer, we took into account that they were new to their role, and set them below the previous incumbents and those of similar roles in companies of comparable size and complexity. This also reflected our desire to lower fixed pay and increase the variable opportunity. We specifically intended to review base salaries in 2017, but given the challenging macro environment, have determined that this is not appropriate. It is our intention in 2018 to review, and if appropriate, increase base salaries in recognition of the executive directors' development in their roles, taking into account their performance and contribution to delivering the Group's strategic objectives.

**Annual Bonus Plan** - we have revised the annual bonus plan design to encourage stretching performance. Payout at target will be reduced to 50% of maximum award; previously payout at target was 70% of maximum. Given our desire to maintain low fixed pay with greater opportunities to earn variable pay, maximum bonus opportunities for 2017 will be 175% of salary for the Chief Executive and 140% of salary for the Chief Financial Officer. The current maximum under the Policy of 200% of salary will remain unchanged.

**Long Term Plan** - in line with our philosophy on the balance between fixed and variable pay as described, we will increase the maximum opportunity for awards made under the LTIP to 200% of salary for the Chief Executive, from 150% in 2016, and to 160% for the Chief Financial Officer, from 125% in 2016. There is no proposed change to the maximum award as set out in the Remuneration Policy.
As described earlier in this letter, no portion of these awards may now be released until five years from grant. The proposed changes reinforce the Group's focus on creating value for shareholders over the long term by linking a substantial portion of executive directors' remuneration to long term performance. EPS and relative TSR will be the performance measures in our long term plans as the Committee considers these measures are well aligned to our strategy and shareholders interest. We will apply a balance of 50% EPS and 50% TSR as we believe this is most suited to the cyclical nature of Wood Group's business, as it puts some weighting on our performance relative to our peer group. We will, of course, continue to ensure that targets are stretching and focused on delivering value.

As always, the Committee seeks and welcomes shareholder feedback. Should you wish to get in touch please email the Secretary to the Committee, Claire Yule.

I trust that in the report for 2016 we have clearly explained our application and intentions regarding future implementation of the Group's Directors' Remuneration Policy and I look for your support on the relevant resolutions.

**Jeremy Wilson**
Chair, Remuneration Committee

## Remuneration Committee

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

Read the Remuneration Committee charter at:
**www.woodgroup.com/remunerationcommittee**

During 2016, the Remuneration Committee comprised the following independent non-executive directors: David Woodward, Jeremy Wilson, Mary Shafer-Malicki and Jann Brown. David Woodward was Chair of the Committee until retiring and stepping down from the Board at the AGM on 11 May 2016. Jeremy Wilson was appointed as Chair following David Woodward's retirement and Jann Brown joined the Committee in May 2016.

Where appropriate, the Committee receives input from the Group Chair, Chief Executive, Group CFO, Executive President of People & Organisation and the Group Head of Compensation & Benefits, who also acts as Secretary to the Committee.

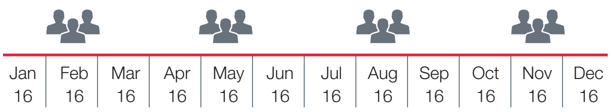
The aim of the Committee is to establish an overall remuneration structure which will:

- Promote the long term success of the Group and deliver the strategy
- Create a competitive total remuneration package that supports recruitment, retention and motivation of executive directors, through a balance of fixed and variable pay
- Reflect the size and complexity of the Group's business
- Take account of executives' individual responsibilities and geographical location
- Align executive remuneration with the Group's long term strategy, maximising the interests of shareholders
- Take into account the broader setting of pay conditions elsewhere within Wood Group

In setting remuneration policy the Committee gives full consideration to the relevant provisions of the UK Corporate Governance Code and relevant regulations enacted under the Companies Act 2006.

During the year, the Committee took advice from Deloitte LLP, who was retained as external advisor to the Committee. Deloitte adhere to the Remuneration Consultants Groups' Code of Conduct. Deloitte received £63,750 for the provision of services to the Committee during the year. These fees consisted of core services (where the cost was agreed in advance) and additional services (which were charged on a time and materials basis). As well as advising the Remuneration Committee, Deloitte provided other services in 2016, predominately related to tax compliance and advisory. The Committee has reviewed the remuneration advice provided by Deloitte during the year and is comfortable that it has been objective and independent. The Committee has reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

### Committee meetings in 2016




During 2016, the Committee met four times to discuss remuneration issues and the operation of the Directors' Remuneration Policy. There was full Committee attendance at each of these meetings. The Committee considered the following matters during 2016:

**Q1**

- Target setting for ABP 2016 and LTIP performance period 2016- 2018
- Agreed final outcomes for ABP 2015 and LTIP 2013-2015 performance period
- Agreed 2016-2018 LTIP participants
- Approved 2015 Directors' Remuneration Report
- Agreed Directors' Remuneration Policy review framework for annual report 2016 (AGM 2017)
- AGM preparation

**Q2**

- Annual bonus Q1 performance update
- 2016 annual bonus objectives agreed
- Policy review update, including update on Executive Remuneration Working Group

**Q3**

- Policy review: considered recommendations, potential application and proposed shareholder consultation process
- Agreed approach to DRR 2016 for AGM 2017
- LTIP review

**Q4**

- Directors' Remuneration policy review – shareholder consultation update, and consideration of policy and application proposals
- Reviewed annual bonus projected outcomes for 2016 and agreed process for determining achievement against 2016 objectives
- Considered annual bonus arrangements for 2017
- Reviewed estimated LTIP performance for 2014-2016 performance period
- Considered arrangements for 2017-2019 performance period
- Completed Committee performance evaluation against 2016 objectives and agreed proposed 2017 objectives
- Reviewed Committee charter for 2017

## Statement of shareholder voting

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

The following table sets out the 2015 AGM voting in respect of our remuneration matters:

| Item | For [a] | Against | Number of Abstentions [b] |
|---|---|---|---|
| Advisory vote on the 2015 annual report on Remuneration (2016 AGM) | 248,441,885 (90.66%) | 25,598,702 (9.34%) | 21,108,315 |

**Notes to the Statement of shareholding voting**

(a) Discretionary votes have been added to "For" votes.

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

# Part 1: Policy Report

This part of the Directors' Remuneration Report contains the directors' remuneration policy.

In accordance with section 439A of the Companies Act, a binding shareholder resolution to approve this policy report will be proposed at the 2017 AGM. It is intended that this policy takes effect from the date of the 2017 AGM, subject to shareholder approval. This policy will replace in full the policy set out in the 2013 Annual Report, which was approved by shareholders at the 2014 AGM. If approved, the Committee will then put a policy to shareholders again no later than the 2020 AGM.

## Introduction

The objective of the remuneration policy is to provide a compensation package that promotes the long term success of the Group and supports the Group's strategy. It does this through a balance of fixed and variable pay, with the intent of creating a competitive total remuneration package which attracts and retains executives while creating an appropriate alignment between incentivising executive performance and the interests of shareholders.

## Changes to policy

Whilst the existing policy supports the remuneration principles of the Group, the Chair of the Committee consulted with key shareholders during 2016 to gather feedback on the future policy proposals and subsequent application for 2017 and beyond. The Committee considered shareholder views and the wider political environment regarding executive pay when determining the final policy proposals, a summary of which is set out below:

- It is proposed to defer 100% of awards achieved under the Long Term Incentive Plan for a period of at least two years following the end of the three year performance period i.e. a total of 5 years from the year of the award being granted. Previously 20% of any award was held in nil cost share options for an additional two years following the end of the three year performance period. This reflects the Group's focus on long term value creation for shareholders
- Shareholding guidelines have been added to the policy, increasing to 200% of salary for the Chief Executive (from 150% of salary); they will remain at 100% for the Chief Financial Officer and any other executive director
- Deferral of the Annual Bonus Plan (ABP) is proposed to be at least 25% (reduced from 50%); the deferral period will continue to be for a two year period. The Committee considers this brings the operation of the plan in line with the wider market and peer group.
- An addition to the policy enabling executive directors to participate in the Employee Share Plan (ESP), the rules of which were approved by shareholders in 2015. This is an all-employee share plan aimed at encouraging share ownership across the Group. The previous policy did not enable executive directors to enrol in the ESP as it was not in place when the policy was approved by shareholders in 2013
- The aggregate maximum for non-executive directors' remuneration is proposed to increase from £500,000 to £1,000,000 in the Articles of Association to allow for additional Board members
- Reference to legacy LTP plans has been removed from the policy – namely LTIP performance periods ending December 2014 and LTRP 2003-2013. No further awards will be made under these plans and existing awards will vest prior to the date of the 2017 AGM

## Remuneration policy for executive directors

Our executive directors' remuneration is made up of fixed and variable reward with four components: base salary, benefits and pension, annual bonus plan (ABP) and long term incentive plan (LTIP). The following policy table summarises the Remuneration Policy in relation to these components. Full details of the application of this policy are contained in the Annual Statement on Remuneration in Part 2 of the Directors' Remuneration Report.

### Future policy table for executive directors

| Element | Purpose and link to strategic objectives of the Group | Remuneration Policy details |
|---|---|---|
| **Salary** | To provide an appropriate level of fixed salary to attract and retain individuals with the qualities, skills and experience required to deliver our strategic objectives and create value for our shareholders. | **Operation**<br>Typically reviewed annually by the Committee, with any changes approved and effective from 1 January (although the Committee may make changes effective from any other date if it considers it appropriate).<br>Consideration is given to:<br>• the scale, scope and responsibility of the individual executive's role, including any changes in responsibility;<br>• the skills, experience, development, contribution and performance of the individual in the role;<br>• the salary of individuals undertaking similar roles in companies of comparable size and complexity;<br>• business performance and the wider market and economic conditions; and<br>• the range of salary increases applying across the Group.<br>Having considered these items, the Committee determines appropriate levels of base salary.<br>Executive directors will typically be paid in the currency of their home location.<br>**Maximum opportunity**<br>Annual increases will normally be in line with comparable increases across the Group.<br>Higher increases may be awarded, at the Remuneration Committee's discretion, in certain circumstances. For example, this may include:<br>• A significant increase in scope and/or responsibility of the individual's role; or<br>• Development of the individual within the role.<br>In addition, where an executive director has been appointed to the Board at a low starting salary, larger increases may be awarded to move them closer to salaries paid to individuals undertaking similar roles in companies of comparable size and complexity, or other executive directors as their experience develops.<br>**Performance metrics**<br>None. |
| **Benefits** | To provide market competitive benefits to attract and retain individuals with the qualities, skills and experience required to deliver our strategic objectives. | **Operation**<br>Benefits include car allowance, private medical insurance, or equivalent, permanent health insurance and life assurance.<br>Life assurance cover is provided for the Chief Executive up to the greater of £2,500,000 or four times annual base salary; where cover of four times salary exceeds the maximum free cover limit, medical underwriting will be required and cover will be subject to insurer acceptance. Four times annual base salary is provided for all other executive directors, up to the maximum free cover limit as specified in the life assurance policy, which may be amended from time to time.<br>The types of benefits provided are reviewed from time to time and may be adjusted by the Committee if deemed appropriate to ensure on-going competitiveness.<br>Where executive directors are required to relocate or complete an international assignment due to business requirements, additional benefits such as relocation assistance or other expatriate benefits may be offered if considered appropriate. Benefits may also be varied according to local practice.<br>**Maximum opportunity**<br>Given the complexity of assessing the future monetary cost of some benefits, the Committee has not set an absolute limit on the value of benefits delivered, but aims to ensure that the level of benefits provided remains appropriate.<br>**Performance metrics**<br>None. |

| Element | Purpose and link to strategic objectives of the Group | Remuneration Policy details |
|---|---|---|
| **Pension related benefits** | To aid attraction and retention of individuals with the qualities, skills and experience required to deliver our strategic objectives, allowing such executives to provide for their retirement. | **Operation**<br>Executive directors can choose to participate in the relevant local defined contribution pension arrangement or receive a cash allowance in lieu of pension, or a combination thereof. Payment may be up to 15% of salary, with Company contributions to the relevant local defined contribution pension arrangement being restricted to the limit for tax relief in place at the time. Instead of paying a cash allowance in lieu of pension, the Committee may make alternative arrangements to deliver an equivalent value to the executive director, provided that there is no material increase in costs to the Company.<br>The level of pension provided is reviewed from time to time and may be adjusted by the Committee if deemed appropriate to ensure on-going competitiveness.<br>**Maximum opportunity**<br>15% of base salary.<br>**Performance metrics**<br>None. |
| **Annual Bonus Plan (ABP)** | To incentivise executives to deliver strategic business priorities for the financial year with compulsory deferred payment designed to provide additional alignment with shareholders and reinforce retention. | **Operation**<br>Bonuses are awarded annually based on performance in the relevant financial year. The performance measures which apply to the ABP are chosen by the Committee at the start of the year to ensure the Group is focused on its strategic objectives. The Committee sets threshold, target and maximum, and determines the appropriate weighting, for each of the financial measures.<br>Stretch objectives are also set in relation to the non-financial element of the plan and will typically be a combination of team and personal objectives with the aim of delivering value to shareholders and achieving the Group's business strategy; objectives will be disclosed in the Directors' Remuneration Report in the relevant reporting period.<br>At the end of the year, the Committee reviews actual performance against the relevant measures. Assessment of non-financial objectives is based on demonstrable evidence of achievement during the year. The Committee is able to adjust the outcome at its discretion to ensure it is fair and appropriate, taking into account the overall performance of the Group. Achievement of bonus, including the use of discretion, will be disclosed in the following year's Directors' Remuneration Report as appropriate.<br>At least 25% of the value of any bonus earned is subject to deferral for a further period of at least two years and, subject to legal restrictions or adverse tax consequences, will be awarded as nil cost share options. Dividend equivalent payments will be accrued on shares comprising the deferred bonus award prior to vesting and will be paid out proportionately with the award (also in shares). Deferred awards may also be settled in cash.<br>The vesting of any deferred bonus may be reduced or cancelled, in line with malus provisions, and is subject to clawback provisions at the absolute discretion of the Committee. Malus and clawback provisions can be operated in circumstances which include but are not limited to: material misstatement of the Group's financial results; a material failure of risk management by the Group; serious reputational damage to the Group; serious breach of health and safety standards; or serious misconduct or fraud by the executive.<br>**Maximum opportunity**<br>The maximum opportunity will not exceed 200% of base salary in respect of any financial year.<br>**Performance metrics**<br>At least 50% of the maximum potential bonus is based on financial measures with the remainder being based on non-financial measures. The balance between financial and non-financial measures is reviewed annually and may be adjusted by the Committee, if deemed appropriate, to ensure alignment with overall Group objectives. Non-financial objectives are measured annually against agreed team and/or personal objectives. Typically, these will include objectives linked to safety and assurance and the Group's strategic framework and priorities.<br>For financial measures, threshold performance must be met before any award is paid, with 100% payable for maximum performance. The Committee may determine that a target performance level will also be defined between threshold and maximum. 50% will vest for achievement of the target; a proportionate award is calculated for performance between threshold and target, and between target and maximum. |

| Element | Purpose and link to strategic objectives of the Group | Remuneration Policy details |
|---|---|---|
| **Long Term Plan (LTP)** | To reward and retain executives while aligning their interests with those of shareholders by incentivising performance over the longer term.<br>Performance measures are linked to longer term creation of shareholder value. | **Operation** |
| | | Within the John Wood Group PLC Long Term Plan, LTIP is the Group's current long term incentive plan for senior leaders, including executive directors, and is based on a rolling performance period of at least three years. Executive directors may be granted conditional share awards or nil cost options over shares in the Company at the start of the performance period (or in the case of a new appointment, at the earliest opportunity deemed appropriate by the Committee). Awards may also be settled in cash.<br>Performance is measured over a period of at least three financial years, at which point shares vest. 100% of any award is normally deferred for at least two years following the end of the performance period, unless the Committee determines otherwise, to aid retention.<br>Unless the Committee determines otherwise, the number of shares subject to award will be increased to reflect the value of dividends that would have been paid on the award between grant and vesting, assuming reinvestment of the dividends on shares on such basis as the Committee determines. For nil-cost options, no shares will be awarded in lieu of dividends post-vesting (i.e. between vesting and exercise).<br>The vesting of any award may be reduced or cancelled, in line with malus provisions, and is subject to clawback provisions at the absolute discretion of the Committee. Malus and clawback provisions can be operated in circumstances including, but not limited to: a material misstatement of the Group's financial results; a material failure of risk management by the Group; serious reputational damage to the Group; a serious breach of health and safety standards; or serious misconduct or fraud by the executive. |
| | | **Maximum opportunity** |
| | | The maximum opportunity does not normally exceed 200% of base salary in respect of any financial year of the Group (with the Committee having the discretion to award up to 250% of base salary in exceptional circumstances).<br>Where a salary is materially amended during the performance period, the Committee may adjust the number of shares under award to reflect the salary change. |
| | | **Performance metrics** |
| | | Awards made to the executive directors vest based on performance against a combination of performance measures. At least 25% of the award will be based on relative TSR and a portion of the remainder will be based on financial measures.<br>During the course of a performance period, the Committee has the discretion to adjust the performance targets when it considers an amended target would be more appropriate and not materially easier to satisfy.<br>For threshold levels of performance, a minimum of 25% of the award vests, increasing on a straight line basis to 100% of the award for maximum performance. |
| **Employee Share Plan (ESP)** | To encourage share ownership across the Group. | **Operation** |
| | | Executive Directors can participate in the Employee Share Plan (ESP) on the same terms as other employees, and in line with the rules of the Plan as applied.<br>The ESP is open to eligible employees across the Group. It gives participants the opportunity to purchase Wood Group shares and receive matching shares in the Company. The matching share ratio is determined annually up to a maximum of one matching share in the Company for every share purchased under the ESP. Matching shares are granted in the form of conditional share awards and will vest at the end of a two-year holding period provided the participant continues to hold the related purchased shares throughout this period. Matching share awards may also be settled in cash. Eligible employees may choose to enroll annually.<br>The Committee may at any time determine that a participant will receive an amount (in cash and/or additional shares) equal in value to any dividends that would have been paid on the matching shares between the date of grant and their vesting date. This assumes reinvestment of the dividends on shares on such basis as the Committee determines.<br>The Committee may determine the extent to which matching shares vest in the event of a change of control, a demerger, delisting, special dividend or other event that may materially affect the current or future value of shares. The Committee may adjust the number of matching shares in the event of any variation of share capital, demerger, delisting, special dividend, rights issue or other event which may affect the current or future value.<br>The rules of the plan were approved by shareholders at the 2015 AGM and may be amended in accordance with their terms. |
| | | **Maximum opportunity** |
| | | Employees may contribute up to 10% of gross salary, or such lower amount as the Remuneration Committee may determine, which is deducted in regular pay periods from the net salary. |
| | | **Performance metrics** |
| | | None. |

**Notes to the policy report for executive directors:**

**Selection of performance metrics and target setting**
The performance metrics for those elements of variable remuneration which are subject to performance measures are chosen in light of their appropriateness to supporting the business strategy of the Group. The Committee sets targets against these measures at the commencement of each performance period with consideration to business context, internal factors, external environment and market consensus. The Committee considers the combination of the performance measures to ensure appropriate balance and delivering value to shareholders, whilst supporting incentivisation and retention for executive directors.

Annual bonus plan (ABP) performance measures will be split between financial and non-financial measures as described in the policy table. Financial measures will typically be a measure of profit and/or revenue collection; non-financial measures will be stretching objectives, with tangible performance outcomes focused on the delivery of the Group's short term strategic plans.

Long Term Incentive Plan (LTIP) performance measures will include Total Shareholder Return (TSR) and a measure of profit as a minimum. The Committee consider the combination of the performance measures to ensure appropriate balance between relative performance against the peer group and delivering value to shareholders, whilst supporting incentivisation and retention for executive directors.

During the course of a performance period, the Committee has the discretion to adjust the achievement levels required to ensure the performance targets remain effective, whilst ensuring new levels remain demanding and achievable as those first set.

**Remuneration arrangements throughout the Group**
The policy for executive directors is designed in line with the remuneration philosophy and principles that underpin remuneration throughout the Group, with the policy for executive directors and senior leaders more heavily weighted towards variable pay than in the wider workforce. The Group aims to provide employees with remuneration packages that are market competitive within each employee's country of employment and ensure compliance with the Group's equal opportunities policy and national legislative requirements. Remuneration differs based on location, role and job level within the Group. Where appropriate, employees participate in the Group annual bonus and LTP arrangements, with maximum levels of participation being set by reference to their position in the organisation.

**Commitments entered into prior to policy effective date**
The Committee reserves the right to make any remuneration payments and payments for loss of office, including exercising any discretions available to it in connection with such payments, notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the date of the 2014 AGM (being the date the previous policy came into effect); (ii) before the policy contained in this report came into effect, provided that the terms of payment were consistent with the shareholder approved directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Group and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Group. For these purposes, "payments" include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are deemed to be agreed at the time the award is granted.

**Change of Control**
In the event of a change of control, vesting of awards (shares and/or cash) depends on the extent to which financial and/or non-financial performance measures have been met at that time. Time pro-rating may be disapplied of the Committee considers is appropriate. In the event the Group is wound up or if there is a demerger, delisting, special dividend or other event that may materially affect the current or future value of shares, the Committee may determine that awards may vest depending on the extent to which performance conditions have been met at that time in accordance with the associated plan rules. Alternatively the Committee may adjust the number of shares subject to an award.

## Shareholding guidelines

Executive Directors are required to hold shares in the Group, with the value of those shares expressed as a percentage of salary. The holding will be built up from after tax share awards which are not subject to any further performance or other conditions such as continued employment. The holding does not include shares held by connected persons. The shareholding guidelines are as follows:

- Chief Executive: 200% of base salary
- Other executive directors: 100% of base salary

## External appointments

The executive directors are permitted, with Board approval, to undertake external duties provided there is no conflict of interest and the Remuneration Committee determines they are still able to operate effectively in role. The executive director will keep any fees associated with external appointments.

## Remuneration policy for the Chair of the Board and non-executive directors

This table summarises the policy for fees and remuneration in relation to the Chair and non-executive directors.

| Element | Purpose and link to short - and long term strategic objectives of the Group | Remuneration Policy details |
|---|---|---|
| **Remuneration** | To attract and retain individuals with the qualities, skills and experience required to provide a positive contribution to the Board and to deliver our strategic objectives | **Operation** |
| | | Remuneration is in the form of fees, payable monthly for the position of Chair or quarterly, for all other positions.<br>The Chair receives an all-inclusive remuneration which is reviewed annually by the Committee, which makes a recommendation to the Board, with changes ordinarily effective from 1 January.<br>Non-executive directors receive a base fee in relation to their role. The remuneration of the non-executive directors is reviewed annually by the Chair, Chief Executive and Company Secretary, who make a recommendation to the Board, with changes ordinarily effective from 1 January. Additional fees may be paid for related duties including the senior independent directorship and for chairing, membership and attendance of certain Board Committees.<br>Fees are set by the Board at a level considered appropriate to attract and retain the calibre of individual required, but avoiding paying more than necessary for this purpose.<br>Fee levels are typically set taking into account:<br>• the expected commitment levels and the skills and experience of the individual; and<br>• the fee levels paid to individuals undertaking similar roles in companies of comparable size and complexity.<br>Non-executive directors can elect to be paid in any currency at the time of appointment; this will typically be in either pounds sterling or in US dollars at the applicable exchange rate at the time of payment. Payments may be made in the form of either cash or shares as elected by the non-executive director.<br>Non-executive directors are also reimbursed all necessary and reasonable expenses incurred in the performance of their duties and any tax thereon. |
| | | **Maximum opportunity** |
| | | No prescribed maximum for Chair or non-executive directors' remuneration, although an aggregate maximum for non-executive directors remuneration of £1,000,000 is included in the Articles of Association. |
| | | **Performance metrics** |
| | | None. |

**Notes to the policy table for Chair and non-executive directors**

The aggregate maximum for non-executive directors' remuneration is proposed to increase to £1,000,000 in the Articles of Association to allow for additional Board members.

## Recruitment & Promotion Policy

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

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

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

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

Shareholders will be provided with full details including the rationale for the arrangements in the relevant Directors' Remuneration Report. For the recruitment of Chair and non-executive directors, remuneration would be provided in line with the existing fee structure.

## Service contracts, notice and payment for loss of office

### Executive Directors

The current service contract effective dates are shown below. It is the Group's policy for all executive directors to have service contracts which can be terminated by the director or by the Group with 12 months' notice.

| Executive Director | Current contract date |
|---|---|
| Robin Watson | 1 January 2016 |
| David Kemp | 13 May 2015 |

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

On termination of service contracts by the Group, in certain circumstances executive directors are entitled to payment of their remuneration, subject to a general duty to mitigate their loss. There are no specific provisions under which executive directors are entitled to receive compensation upon early termination, other than in accordance with the notice period. Executive directors' contracts allow for termination with contractual notice from the Group or termination with a payment in lieu of notice, at the Group's discretion.

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

| Payment | "Good" leaver | Other leaver |
|---|---|---|
| **Base salary, pension and benefits** | Paid up to the date of leaving, including any untaken holidays and, subject to mitigation, payment in lieu of notice where the Group considers it inappropriate for a departing executive director to work the required notice period.<br>Disbursements such as legal costs and outplacement fees may be considered. | Paid for the proportion of the notice period worked. |
| **Annual bonus** | For reason of injury, disability, ill-health, retirement, sale of employing entity out of the Group and in such circumstances as the Committee may determine otherwise (including redundancy):<br>• Paid up to the date of leaving based on completed months worked in the year with payment made on normal payment date once plan outcomes are known<br>• Any deferred amounts from previous years which are not yet paid are paid at the normal payment date for such deferrals<br>On death, an immediate payment may be made to the estate and/or designated beneficiary at the discretion of the Committee, taking into account performance and the proportion of the relevant bonus year served. Deferred bonus amounts will vest in full at the time of death. | No entitlement to any award for the current year and the forfeit of any deferred awards from previous years not yet paid. |
| **Long term incentives** | For reason of injury, disability, ill-health, sale of employing company or business or, for any other reason determined by the Committee:<br>• Unless the Committee determines otherwise, where the executive director has completed the required period of service set by the Committee (normally 18 months from the start of the performance period) then awards will vest on a proportionate basis as if the participant had not ceased office or employment unless the Committee determines that awards should vest as soon as practicable following cessation<br>• The number of shares that vest in these circumstances shall be determined by the Committee taking into account the extent to which the performance conditions have been satisfied and, unless the Committee determines otherwise, the period of time elapsed since grant<br>• The Committee may determine different arrangements to take effect of any local tax or legal requirements.<br>On death, where the executive has completed the required qualifying period of service set by the Committee (normally 18 months from the start of the performance period), unvested awards vest to the extent determined by the Committee taking into account the extent to which the performance condition has been satisfied and, if the Committee considers it appropriate, the period that has elapsed since grant. | All existing awards lapse. |
| **Employee Share Plan** | For reason of injury, disability, ill-health, sale of employing company or business or, for any other reason determined by the Committee, the Committee will determine the number of matching shares that will vest.<br>On death, the holding period will be deemed to end on the date of death. Matching shares will vest over such number of shares as the Board may determine. A transfer will be made to the estate and/or designated beneficiary at the discretion of the Committee, as soon as reasonably practicable. | All matching shares will lapse. |

The Committee reserves the right to make any other payments in connection with an executive director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a settlement of any claim arising in connection with the cessation of a director's office or employment.

The executive director service contracts are available for inspection at the Group's registered office.

## Non-executive directors

Non-executive directors have each entered into letters of engagement addressing remuneration, services to be provided, conflicts of interest and confidentiality. The letters of engagement do not have fixed terms to be paid and are terminable with up to 90 days' written notice. None of the letters of engagement provide for predetermined amounts of compensation in the event of early termination and there are no further obligations contained within the letters of engagement which could give rise to any remuneration payment or loss of office payment which has not already been disclosed in this remuneration policy.

The non-executive director letters of engagement are available for inspection at the Group's registered office.

## Consideration of employment conditions elsewhere in the Group

The Committee is mindful of pay and conditions within the Group and is kept informed on the fixed and variable remuneration and benefits provided to employees below the level of executive director by the Executive President of People and Organisation, including any relevant information received via employee feedback.

Given the size of the Group and the way remuneration practice varies by jurisdiction, it is very difficult for the Committee to be able to consult meaningfully with employees across the Group on the remuneration policy for executive directors. The Committee does however review remuneration comparison measurements linked to the pay and employment conditions of employees based in the country where the executive director is based when determining the quantum and structure of the director's remuneration.

## Shareholder Engagement

The Committee's policy is that appropriate shareholder consultation will take place in advance of any material change being proposed to the Directors' Remuneration Policy. As a minimum, the Committee will engage annually with significant shareholders and voting agencies by way of letter/email and offer the opportunity to meet with the Chair of the Committee. The Committee views these meetings as an opportunity to ensure the Directors' Remuneration Policy and application continues to be aligned with shareholder views, with shareholder feedback used to inform the Committee decision making process.

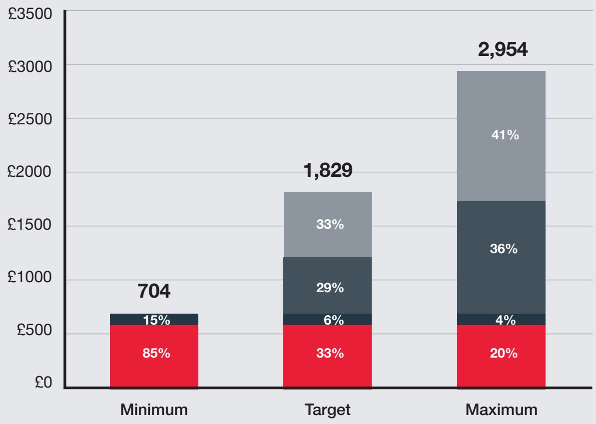
A summary of any such consultation and the Committee's response to substantive points raised will be included in the relevant section of the Directors' Remuneration Report. In addition, the Committee receives input on broader shareholder views through remuneration committee advisors.

## Illustrations of future application of remuneration policy

As detailed in the future policy table, a significant proportion of remuneration is linked to variable pay opportunity, particularly at maximum performance levels, through the short term Annual Bonus Plan (ABP) and the Long Term Incentive Plan (LTIP).

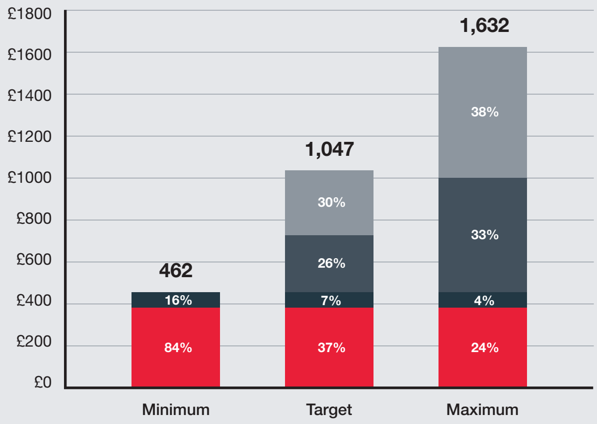
The bar charts below provide an indication of the level of remuneration, as a value (000's) and percentage, which could be received by each executive director under the Group's remuneration policy in three assumed performance scenarios – minimum, target and maximum performance. These charts are for illustrative purposes only and actual outcomes may differ from those shown. The notes that follow the charts lay out the basis of the calculation and assumptions used to compile them.

**Robin Watson** Chief Executive
GBP'000




| | Minimum | Target | Maximum |
|---|---|---|---|
| Fixed Pay - salary | £600 | £600 | £600 |
| Fixed Pay - benefits and pension | £104 | £104 | £104 |
| Annual Bonus | £0 | £525 | £1,050 |
| Long Term Plan | £0 | £600 | £1,200 |

**David Kemp** Group CFO
GBP'000




| | Minimum | Target | Maximum |
|---|---|---|---|
| Fixed Pay | £390 | £390 | £390 |
| Fixed Pay - benefits and pension | £72 | £72 | £72 |
| Annual Bonus | £0 | £273 | £546 |
| Long Term Plan | £0 | £312 | £624 |

**Notes to the illustrations of future application of remuneration policy**

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

**Target** - this scenario demonstrates performance in line with expectations. Under this scenario, it has been assumed that each executive director receives their base salary, benefits and pension. For the purposes of bonus, it has been assumed that annual bonus awards have been made at target levels, which results in payout at 50% and that LTIP performance is such that awards have vested at 50%.

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

In all scenarios, fixed remuneration comprises base salary, benefits and pension. The figures used in preparing the charts are as follows:

- Salary is the last confirmed salary as at 1 January 2017
- Benefits is the last known figure as set out in the single figure of remuneration table for 2016
- Pension related benefits - for defined contribution pension or cash allowance in lieu of pension, the figure is based on 15% of base salary, as laid out in the Policy table, and the last confirmed salary
- Bonus includes short term and long term incentives and is based on the proposed application of the policy for 2017 and the last confirmed salary. The illustrations above reflect maximum potential opportunity as a percentage of base salary as follows:
  - ABP: 175% for the Chief Executive and 140% for the Group CFO
  - LTIP: 200% for the Chief Executive and 160% for the Group CFO. For reasons of clarity, any dividend accrual has been excluded from the charts above. In line with the methodology outlined in the relevant legislation, no share price growth has been assumed for the purpose of these illustrations

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

# Part 2: Annual Statement on Remuneration

## 2.1 Single figure of remuneration for each executive director

The following table set out the single figure of remuneration for each of the executive directors.

**Executive directors - UK based (£'000)**

| | Year | Salary [a] | Benefits [b] | Bonus [c] | Long term incentives [d] | Pension related benefits [e] | Total [f] |
|---|---|---|---|---|---|---|---|
| Robin Watson [g] | **2016** | **£600** | **£14** | **£320** | **£156** | **£90** | **£1,179** |
| | 2015 | £468 | £14 | £225 | £57 | £70 | £834 |
| David Kemp [h] | **2016** | **£390** | **£14** | **£208** | **£80** | **£59** | **£751** |
| | 2015 | £222 | £8 | £107 | £32 | £35 | £404 |

**Notes to the single figure of remuneration (executive directors)**

(a) Salary received during the year.

(b) Taxable benefits received during the year. Taxable benefits include company car allowance, private medical, dental and contributory health and welfare cover as applicable.

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

(d) The value of long term incentives which vested in respect of performance periods ending during the year, inclusive of all amounts subject to further deferral; The figures have been calculated using the number of share options that vested multiplied by the closing mid-market share price on 30 December 2016 of £8.760. LTIP performance periods commencing 2013 onwards accrue dividends from the commencement of the performance period, which are paid as additional share options; 80% is paid following the end of the performance period and 20% deferred for two years. The deferred element may continue to attract dividends which will be reported in the period in which they are received. The figure in the table includes dividends accrued to 31 December 2016.

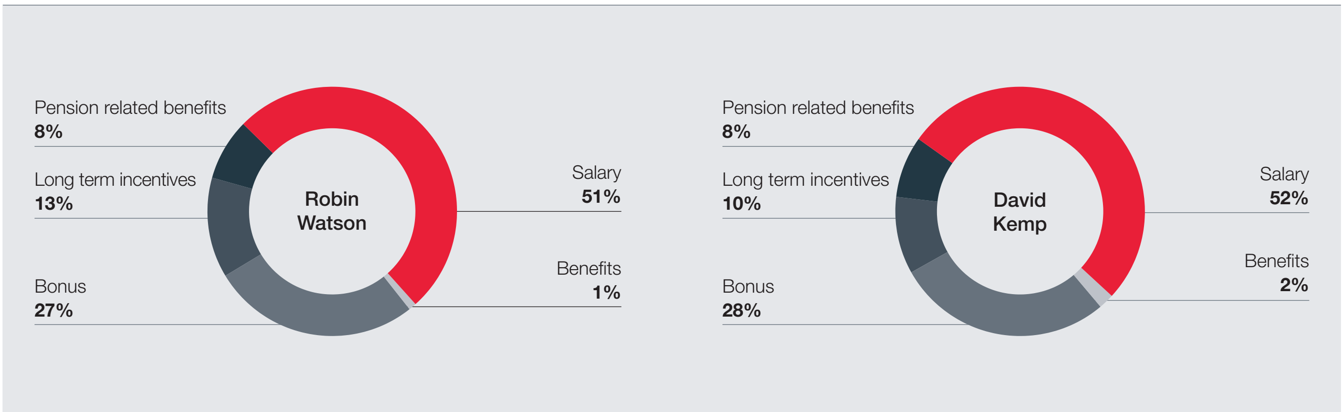
(e) Pension figure reflects cash value of Defined Contribution pension contribution or cash alternative. Further detail in relation to individual pension arrangements is provided in section 2.2 on page 61.

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

(g) Robin Watson was appointed as Chief Executive at 1 January 2016. Awards under the LTIP 2014-2016 performance period were awarded during his time as WGPSN CEO. Performance measures and achievement relate to divisional targets set at the commencement of the performance period. In 2015, Robin Watson's annual salary and bonus was calculated using a hybrid salary. This was calculated pro rata and comprises of his role as CEO for WGPSN from 1 January 2015 to 5 April 2015, where his salary was £378,500; and his salary of £500,000 from 6 April 2015 onwards following his promotion to Group Chief Operating Officer.

(h) David Kemp was appointed as Group CFO and executive director from 13 May 2015. Awards under the LTIP 2014-2016 performance period were awarded during his time as WGPSN CFO. Performance measures and achievement relate to divisional targets set at the commencement of the performance period. The information in the single figure table for 2015 reflects his remuneration arrangements from appointment date with the exception of long term incentives which is based on performance period 2013-2015 and reflects his salary at the commencement of the performance period. The pro-rata bonus is based on a hybrid annual salary comprising of £300,000 in his role as Deputy CFO from 1 January to 12 May 2015, and his salary of £350,000 as Group CFO from 13 May to 31 December 2015 .

### Single figure remuneration % of total 2016



## Single figure remuneration for Chair of the Board and non-executive directors

The following table sets out the single figure of remuneration for the Chair and each of the non-executive directors. Further details on the non-executive director fee structure are set out on page 66.

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

| | Year | Total Fees |
|---|---|---|
| Ian Marchant | **2016** | **£275** |
| | 2015 | £275 |
| Thomas Botts | **2016** | **£60.5** |
| | 2015 | £60.5 |
| Jann Brown | **2016** | **£63.7** |
| | 2015 | £60.5 |
| Jacqueline Ferguson [(a)] | **2016** | **£4.6** |
| | 2015 | n/a |
| Richard Howson [(b)] | **2016** | **£35.4** |
| | 2015 | n/a |
| Mary Shafer-Malicki | **2016** | **£55.5** |
| | 2015 | £55.5 |
| Jeremy Wilson | **2016** | **£58.7** |
| | 2015 | £55.5 |
| David Woodward [(c)] | **2016** | **£23.8** |
| | 2015 | £65.5 |

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

(a) Jacqueline Ferguson was appointed to the Board on 1 December 2016; fees shown are pro rata from this date.

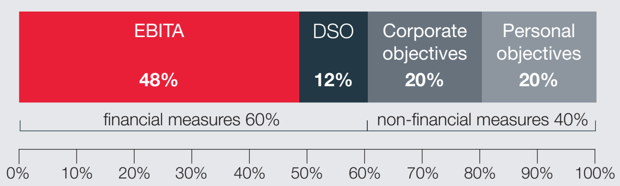
(b) Richard Howson was appointed to the Board on 12 May 2016. Fees shown are pro rata from this date.

(c) David Woodward retired from the Board at the AGM on 11 May 2016. His fee is pro rata to this date.

## Bonus

For 2016, the maximum bonus opportunity for the executives was 125% of base salary. Bonus measures were split between financial (60%) and non-financial (40%) measures as illustrated in the chart below; 10% of the non-financial corporate objectives related directly to HSSE performance measures.

**Relative weighting** (% of bonus opportunity)



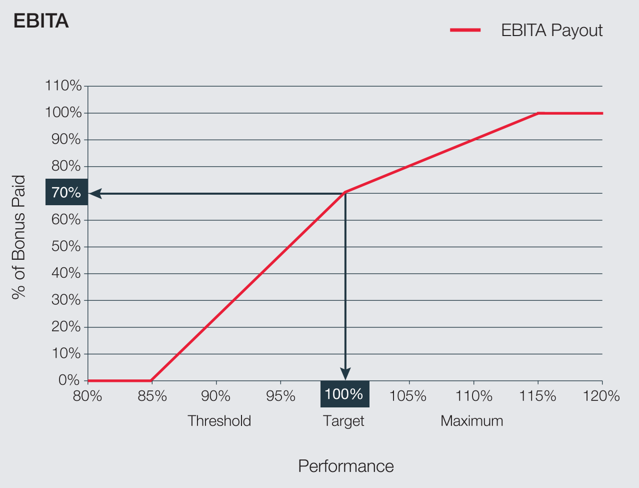

## Financial measures

The financial measures consisted of EBITA, (earnings before interest, tax and amortisation), as a measure of profit and DSO (days sales outstanding), relating to revenue collection as a key contributing factor to cash flow. These were split 48% and 12% respectively.

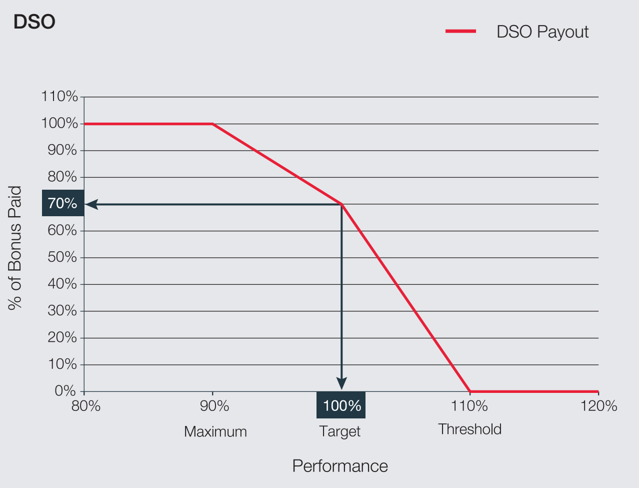
For both financial measures, threshold performance must be met before any award will be paid. If the financial targets set are achieved, 70% of the potential bonus opportunity was paid. Maximum bonus opportunity was achievable when results met or exceeded maximum performance. Performance between threshold and target and between target and maximum results in a proportionate award calculated on a straight-line basis.

The relationship between performance against financial targets and bonus achieved is set out and illustrated in the following graphs.

For EBITA, threshold performance was 85% and maximum bonus was achieved at 115% of the target set.




For DSO, threshold performance was 110% of the target set and maximum was 90%. The monthly average is taken over the year, and a lower DSO indicates better performance.



Overall achievement of financial objectives was 13.1% of the total maximum bonus opportunity. Group EBITA performance achieved 90.85% to target, resulting in partial payout for this measure for all participants. Group DSO did not meet threshold performance and therefore resulted in zero payment for this measure for all participants. The financial targets for the bonus year ended 31 December 2016, and the extent to which they were achieved, are set out in the table below.

| Measures | Threshold | Target | Maximum | Achieved |
|---|---|---|---|---|
| Group EBITA | $340m | $400m | $460m | $363.4m |
| Group DSO | 71.5 days | 65 days | 58.5 days | 75 days |

In line with previous practice, the details of the financial targets set for the annual bonus plan are disclosed retrospectively, as in the opinion of the Committee these are commercially sensitive.

### Non-financial measures

Non-financial measures total 40% and were split between corporate objectives (10% relates directly to HSSE performance measures and 10% to other corporate objectives); and personal objectives (20%) which are aimed at the achievement of the Group's business strategy.

Achievement of non-financial objectives is considered by the Chair of the Board and the Remuneration Committee as part of the annual review process. Measurement against each of the objectives is based on tangible performance outcomes and demonstrable evidence of achievement during the year. Overall achievement of corporate and personal objectives as agreed by the Committee for the bonus year ended 31 December 2016 was 73.75% with details set out in the tables below and over:

| Corporate Objectives (20% of bonus opportunity) | Achievement 62.5% (12.5% of bonus opportunity) |
|---|---|
| **HSSE & Assurance:**<br>Deliver against the 2016 HSSE Plan<br>Zero work related fatalities<br>TRCF improvement<br>Delivery of assurance schedule as directed by the Group's risk register | **HSSE & Assurance:**<br>No work related fatalities<br>TRCF: our commitment to continually improve HSSE requires us to set challenging targets. Our target was based on exceeding our best-ever performance (2015) Though many of our businesses did deliver this target, overall, we did not. Our response to this will be to reflect on why this was the case and refocus our efforts<br>The risk register is now a "living" process and embedded across the Group. The assurance schedule was delivered on time<br>Sector broadening has been successful (95% oil and gas in 2014; in 2016 this has decreased to 85%) |
| **Strategic framework and priorities:**<br>Position the business for growth, coming through the current down-cycle<br>Organic growth from established relationships and new contract wins<br>Strategic acquisitions<br>Cost savings | **Strategic framework and priorities:**<br>Organic positions and contractual extensions; excellent performance in 2016<br>Acquisition volume lower than anticipated, reflecting a combination of market and Wood Group discipline<br>Overall savings of greater than $90m delivered and all targets achieved in 2016 |

| Executive director | Personal Objectives (20% of bonus opportunity) | Achievement 85% (17% of bonus opportunity) |
|---|---|---|
| Robin Watson | Deliver organisational structure aligned for enhanced service delivery to our customers | Organisational change is aligned to strategy and has been well executed and governed Customer feedback has been universally positive and positions us well for the future |
| | Engage customers & stakeholders in dialogue about the potential of the Group | Customer and stakeholder engagement carried out, with positive endorsement received |
| | Embed the strength and continuing development of the Executive Leadership Team (ELT) | External coaching session for the ELT carried out and independent feedback obtained by the Chair of the Board and also through the Lintstock board review process.<br>New organisation and roles still being bedded-in, but significant improvements have already been made, with relationships remaining strong |
| | Measure and report progress against delivery of the Group Strategy | Strategy well defined and being delivered. Shared services continue to be implemented to improve efficiency and savings. ERP programmes are on plan and budget. HSSE delivery continues to be a focus for improvement |
| David Kemp | Deliver the 2016 shared services plan for finance, aligning to the ERP implementation programme | 2016 ERP and shared services plans delivered in line with budget and schedule, resulting in significant cost reduction |
| | Implement further enhancements to the risk management framework and the Group financial compliance programme | Extensive management improvement programme in place including:<br>• Rollout of risk management framework and standardised processes across Group, with risk champions appointed<br>• Internal audit remit broadened into non-financial areas |
| | Deliver Finance & Administration organisational change | Re-organisation completed with positive promotion of talent and consistent organisational model driven across Group. IT&S strategy delivered and execution ongoing. Legal organisation restructured to regional model, with centres of excellence. Global head of procurement recruited, together with heads of supply chain in East and West. Organisational design delivered and endorsed by ELT |

**Bonus award achievement summary:**

Payment of 50% of the total bonus was deferred in the form of nil cost share options for a further two years (based on an average share price computed using the 20 day trading average in the period running up to 31 December 2016), with continued employment a requirement to receive the deferred payment, other than for those classified as good leavers.

The table below shows overall bonus achievement for each of the executive directors.

| | Financial award | | Non-financial award | | | | |
|---|---|---|---|---|---|---|---|
| Executive Director | % salary achieved | Payment | % salary achieved | Payment | Total award as % of salary | Total bonus payment | Total award as % of max bonus opportunity |
| Robin Watson | 16.38% | £98,280 | 36.88% | £221,250 | 53.26% | £319,530 | 42.6% |
| David Kemp | 16.38% | £63,882 | 36.88% | £143,813 | 53.26% | £207,695 | 42.6% |

Details relating to 2015 bonus awards can be found in the 2015 Annual Report:
**www.woodgroup.com/ar15**

## Long term incentives – Long Term Incentive Plan (LTIP)

The figures set out in the single figure of remuneration table are related to awards under LTIP 2014-2016, which vested at 31 December 2016. As detailed in notes (g) and (h) to the single figure table, awards under the LTIP 2014-2016 performance period were awarded to Robin Watson during his time as WGPSN CEO and to David Kemp during his time as WGPSN CFO. Performance measures and achievement relate to divisional targets set at the commencement of the performance period. Maximum awards and LTIP measures under the performance period were as per the table below:

| | | Performance Measures split | | |
|---|---|---|---|---|
| **Name** | **Participation Level** | **TSR** | **AEPS** | **EBITA** |
| Robin Watson | 125% | 25% | 37.5% | 37.5% WGPSN division |
| David Kemp | 100% | 25% | 25% | 50% WGPSN division |

TSR is "Total Shareholder Return" and is a measure of the growth in Wood Group's share price plus dividends and other shareholder returns over the period; performance is measured relative to a peer group of comparative companies. Each company is ranked and Wood Group's position in this group is taken as a measure of success. The TSR peer group for 2016 comprised: Aker Solutions, AMEC Foster Wheeler, Cape, Chicago Bridge & Iron Company, Fluor, Hunting, Jacobs Engineering, KBR, McDermott, Petrofac, Saipem, SBM Offshore, Technip, Weir Group, Worley Parsons and WS Atkins.

AEPS and EBITA are determined using actual foreign exchange rates. No adjustments are made to reflect changes in currency from the date the targets are set.

The targets for LTIP 2014-2016, and the extent to which they were achieved, are set out in the table below. On reaching the threshold, 25% of the relevant measure becomes payable; and on reaching the maximum, 100% of the relevant measure becomes payable. For achievement between threshold and maximum, the allocation is on a straight line basis. For the performance period 2014-2016, AEPS and divisional EBITA did not meet threshold performance resulting in zero award for this measure. We were top of our TSR peer group, achieving 100th percentile which resulted in maximum 25% award on this performance measure for all participants.

For the 2014-2016 performance period all vestings were made as nil cost options. For all participants, 80% is paid following the end of the performance period and 20% of the share options awarded is deferred for a further two years. The LTIP award for performance period 2014-2016 accrues dividends from the commencement of the performance period, which are paid as additional share options. The deferred element may continue to attract dividends which will be reported in the relevant period.

| **Financial measures** | **Threshold** | **Maximum** | **Achieved** |
|---|---|---|---|
| TSR | 50th percentile | 75th percentile | 100th percentile |
| AEPS | 120.8 cents | 142.2 cents | 64.1 cents |
| Divisional EBITA | $393.6m | $429.6m | zero [(a)] |

(a) EBITA for the heritage businesses of WGPSN, WGM and WGK, were set prior to the Group reorganisation, which was effective 1 July 2016. It was agreed at the time of the reorganisation to maintain the existing targets for this performance period, and therefore participants would continue to be measured on the performance of their heritage business, where applicable. EBITA did not meet threshold performance, resulting in zero award for this performance measure.

Details relating to 2015 long term incentive awards can be found in the 2015 Annual Report:
**www.woodgroup.com/ar15**

## 2.2 Pension related benefits

The executive directors are provided with pension benefits via the Group Personal Pension Plan (GPP) which is a defined contribution scheme. A Company contribution of 15% of base salary was split between pension contribution up to the UK HMRC annual allowance and a cash payment in lieu of pension above this.

The Chief Executive was provided with life assurance cover of £2,500,000. The Group CFO was provided with life assurance cover of four times basic salary, up to a maximum free cover limit of £1,800,000, in line with the Directors' Remuneration Policy.

## 2.3 Long Term Incentive Plan interests awarded during the year

The following table sets out the awards made to each of the executive directors under the Group's share based long term incentive arrangements for the performance period 2016-2018. Performance measures were based on relative TSR and AEPS weighted equally at 50% each. Following shareholder consultation, the balance of performance measures were adjusted within the remuneration policy framework, for performance periods commencing 2016 onwards, in recognition of the cyclical nature of Wood Group's business and placing additional weighting on relative performance against our peer group.

**Share incentive plan interests awarded during the year**

| Executive Director | Type of award | Participation Level | Salary relevant to performance cycle | Face value of the award (000's) | Percentage vesting at threshold | Performance period | Holding period for 20% of award | Targets |
|---|---|---|---|---|---|---|---|---|
| Robin Watson | Conditional award of shares awarded under the LTP | 150% | £600,000 | £900,000 | 25% | 1 Jan 2016 – 31 Dec 2018 | Two years from vesting | Threshold is set at 50th percentile with maximum at 75th percentile; AEPS for the performance period 2016-2018 was set as 80 cents at threshold and 100 cents at maximum performance. |
| David Kemp | | 125% | £390,000 | £487,500 | | | | |

## 2.4 Payments to past directors

For the year ending December 2016, payments made to past directors relate to the LTIP performance period 2014-2016 where a pro rata entitlement applied for good leaver status in line with the plan rules. Details of payment (inclusive of dividends), participation levels and performance measures are contained in the table below. All vestings are made as nil cost share options with 80% paid following the end of the performance period and 20% deferred for a further two years. The LTIP award for the performance period 2014-2016 accrued dividends which are paid as additional share options.

The deferred element may continue to attract dividends which will be reported in the period in which they are received. The figures have been calculated using the number of share options that vested multiplied by the closing mid-market share price on 30 December 2016 of £8.760, and the exchange rate used for those paid in US dollars was $1.2357.

| Name | Salary (GBP 000's) | Participation Level | Performance Measures | | Pro rata entitlement | Award | |
|---|---|---|---|---|---|---|---|
| | | | TSR | AEPS | | Value | Equivalent share options |
| Bob Keiller [(a)] | £630.0 | 150% | 25% | 75% | 67% | £207,385 | 23,674 |
| Alan Semple [(b)] | $653.5 | 125% | 25% | 75% | 50% | $100,280 | 9,264 |

(a) Bob Keiller retired from his position of Group CEO and executive director on 31 December 2015

(b) Alan Semple was a US based executive director. He retired from the Board on 13 May 2015, and subsequently from his position as Group CFO on 30 June 2015.

There were no other payments made to past directors during 2016 which have not already been disclosed in previous Directors' Remuneration Reports.

## 2.5 Payments for loss of office

There were no payments made for loss of office to any director during 2016.

## 2.6 Statement of directors' shareholding and share interests

Shareholding guidelines were introduced at 1 July 2013 requiring the Chief Executive to hold shares valued at 150% of base salary and the other executive directors to hold shares valued at 100% of base salary. The holding will be built up from after tax share awards which are not subject to any further performance conditions, such as continued employment. The holding does not include shares held by connected persons.
There have been no changes in the interests of directors between 31 December 2016 and 2 March 2017.

The extent to which each director met the shareholding guidelines is shown in the table below:

| Executive director | Shareholding at 31 December 2016 (not including connected persons) | Value of shares held as a % of salary [(a)] | Shareholding guideline met at 31 December 2016 |
|---|---|---|---|
| Robin Watson | 141,758 | 207.0% | Achieved |
| David Kemp | 2,216 | 5.0% | Accumulating |

**Notes to shareholding guidelines achievement**

(a) Calculated using the closing mid-market share price on 30 December 2016 of £8.760 and base salary levels at the same date.

A summary of directors' share interests and incentive plan interests are provided in the following two tables. The first table details directors' interests in the ordinary shares of the Company at 31 December 2016 with and without performance conditions; declaration includes shares held by connected persons as defined for the purposes of section 96B (2) of the Financial Services and Markets Act 2000. The second table details directors' interests in long term incentive plans at 31 December 2016.

Directors' interests in the ordinary shares of the Company at 31 December 2016.

| Beneficial interest | Shares owned outright as at 1 January 2016 | Shares owned outright as at 31 December 2016 | Interests in share incentive plans, awarded without performance conditions at 31 December 2016 | Interests in share incentive plans, awarded subject to performance conditions at 31 December 2016 |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Robin Watson | 135,852 | 146,951 | 55,413 | 337,833 |
| David Kemp | - | 2,216 | 47,680 | 180,426 |
| **Non-executive Directors** | | | | |
| Ian Marchant | 22,777 | 22,777 | – | – |
| Thomas Botts | 8,500 | 8,500 | – | – |
| Jann Brown | 6,875 | 11,382 | – | – |
| Jacqueline Ferguson [(a)] | – | – | – | – |
| Richard Howson [(b)] | – | – | – | – |
| Mary Shafer-Malicki | 3,450 | 3,450 | – | – |
| Jeremy Wilson | 10,000 | 10,000 | – | – |
| David Woodward [(c)] | 25,000 | – | – | – |

**Notes to share interests**

(a) Jacqueline Ferguson was appointed to the Board on 1 December 2016.

(b) Richard Howson was appointed to the Board on 12 May 2016.

(c) David Woodward retired from the Board on 11 May 2016. His details relate to his shareholding interest at that date.

None of the executive directors had a material interest in any contract, other than a service contract, with the Company or any of its subsidiary undertakings. At the date of this report the interests of the directors in the shares of the Company remain as stated. Where applicable the December 2016 figures include interest in retained long term plan awards.

Details of directors' interests in long term incentive and bonus plans at 31 December 2016:

| | Date of award/ performance period | Shares or share options | Performance conditions Y/N | Earliest exercise date | Exercise price (per share) | Market value at date of exercise (per share) | Number as at 1 January 2016 | Granted in 2016 | Exercised in 2016 | Lapsed in 2016 | Dividends awarded as additional share options [a] | Number as at 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Robin Watson** | | | | | | | | | | | | |
| LTIP | 2011 - 2013 | Share options | N | March 2014 | 0 | £8.60 | 5,599 | – | 5,599 | – | – | 0 |
| LTIP | 2012 - 2014 | Share options | N | March 2015 | 0 | – | 8,717 | – | – | – | – | 8,717 |
| LTP | 2013 - 2015 | Share options | N | March 2016 | 0 | £8.60 | 9,350 | – | 7,480 | – | – | 1,870 |
| LTP | 2014 - 2016 | Share options | N | March 2017 | 0 | – | 65,192 | – | – | 48,894 | 1,480 | 17,778 |
| LTP | 2015 - 2017 | Share options | Y | March 2018 | 0 | – | 118,048 | – | – | – | – | 118,048 |
| LTP | 2016 - 2018 | Share options | Y | March 2019 | 0 | – | – | 154,593 | – | – | – | 154,593 |
| ABP 2014 | 01 March 2015 | Share options | N | March 2017 | 0 | – | 25,539 | – | – | – | 1,736 | 27,275 |
| ABP 2015 | 01 March 2016 | Share options | N | March 2018 | 0 | – | – | 19,287 | – | – | – | 19,287 |
| | | | | | | **Total** | **232,445** | **173,880** | **13,079** | **48,894** | **3,216** | **347,568** |
| **David Kemp** | | | | | | | | | | | | |
| LTRP | 13 April 2013 | Share options | N | 13 April 2017 | 0 | – | 20,000 | – | – | – | – | 20,000 |
| LTP | 2013 - 2015 | Share options | N | March 2016 | 0 | £6.75 | 5,276 | – | 4,220 | – | – | 1,056 |
| LTP | 2014 - 2016 | Share options | N | March 2017 | 0 | – | 33,679 | – | – | 25,260 | 764 | 9,183 |
| LTP | 2015 - 2017 | Share options | Y | March 2018 | 0 | – | 63,009 | – | – | – | – | 63,009 |
| LTP | 2016 - 2018 | Share options | Y | March 2019 | 0 | – | – | 83,738 | – | – | – | 83,738 |
| ABP 2014 | 01 March 2015 | Share options | N | March 2017 | 0 | – | 12,894 | – | – | – | 876 | 13,770 |
| ABP 2015 | 01 March 2016 | Share options | N | March 2018 | 0 | – | – | 13,730 | – | – | – | 13,730 |
| | | | | | | **Total** | **134,858** | **97,468** | **4,220** | **25,260** | **1,640** | **204,486** |
| **Total for all executive directors** | | | | | | | **367,303** | **271,348** | **17,299** | **74,154** | **4,856** | **552,054** |

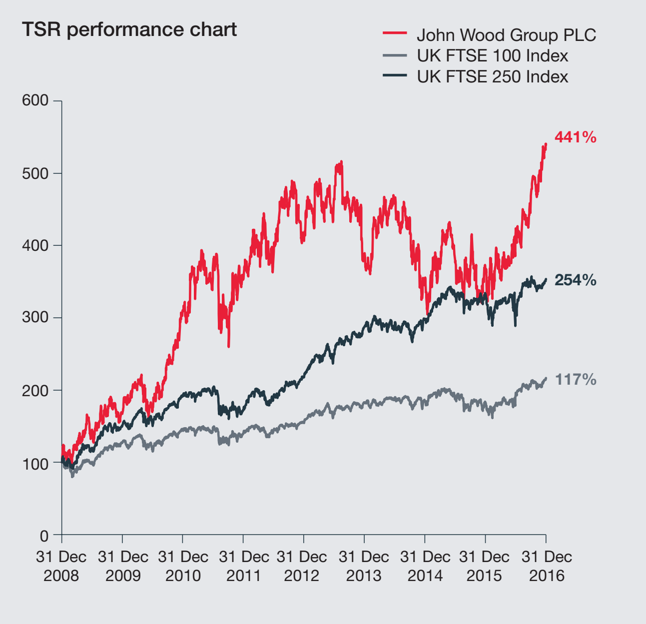
**Notes to incentive plan interests**

(a) The 20% deferred element for LTIP performance periods 2011-2013 and 2012-2014 attracts dividends which are paid as additional share options. For performance periods commencing 2013 onwards, dividend accrues on 100% of award; 80% is paid in March following the end of the performance period and 20% is deferred for two years. The deferred element may continue to attract dividends which will be reported in the relevant period.

## 2.7 TSR performance summary & Chief Executive remuneration

In accordance with the reporting regulations the TSR performance summary will be built up until a 10 year period is disclosed, and will be maintained at a 10 year disclosure period.

As the Company is included in the UK FTSE 250 index, but has been included in the FTSE 100 index for part of the period under review, both the UK FTSE 250 and UK FTSE 100 indices are shown, by way of providing a reasonable TSR comparison. The graph below compares the TSR on a holding of shares in John Wood Group PLC with the TSR on a holding of shares in the companies in the UK FTSE 250 and 100 indices for the last nine financial years.




### Chief Executive remuneration

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

**Chief Executive remuneration**

| Chief Executive | Year | Chief Executive single figure of total remuneration (£'000) | Annual bonus award as a % of maximum opportunity | Long term incentive vesting rates as a % of maximum opportunity |
|---|---|---|---|---|
| Robin Watson (a) | 2016 | £1,179 | 43% | 25% |
| Bob Keiller | 2015 | £1,147 | 37% | 16% |
| Bob Keiller | 2014 | £1,330 | 48% | 51% |
| Bob Keiller | 2013 | £1,624 | 60% | 79% |
| Bob Keiller (b) | 2012 | £199 | 75% | 25% |
| Allister Langlands (c) | 2012 | £2,276 | 76% | 100% |
| Allister Langlands | 2011 | £3,338 | 87% | 100% |
| Allister Langlands | 2010 | £1,314 | 84% | 23% |
| Allister Langlands | 2009 | £1,417 | 60% | 0% |

**Notes to Chief Executive remuneration table**

(a) Robin Watson was appointed as Chief Executive at 1 January 2016. Long term incentives vesting in 2016 were related to the performance period 2014-2016, and were awarded during his time as WGPSN CEO. Performance measures and achievement relate to divisional targets set at the commencement of the performance period as detailed on page 60.

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

(c) Allister Langlands was appointed Chair on 1 November 2012. His remuneration for 2012 related to his time as Group CEO only.

## 2.8 Percentage change in Chief Executive remuneration

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

| | % change between 2015 and 2016 | | |
|---|---|---|---|
| | Salary | Benefits | Bonus |
| Chief Executive (a) | -4.8% | 2.53% | 9% |
| Average increase of all other UK employees in the Group | 0% | 1.54% | 40%(d) |

**Notes to the percentage change in Chief Executive remuneration**

(a) Robin Watson was promoted to the position of Chief Executive 1 January 2016 with a lower salary than the previous incumbent.

(b) Given the wide variation in inflation rates across the various geographies in which the Group operates, the comparator group used is all other UK based employees to ensure a valid comparison is provided. UK based employees constituted approximately 25% of the overall workforce.

(c) Benefits increase is based on a sample employee with a UK average salary of £58,000 per annum, receiving taxable employee benefits including car allowance, private family medical and dental insurance. The average bonus increase is based on average bonus paid as a percentage of salary for 2015 for the noted comparator group against average bonus paid as a percentage of salary for 2016.

(d) The average UK bonus in 2016 was £13,400. This represented an increase of 40% from the 2015 average bonus of £9,600. The lower average bonus in 2015 was due to the majority of UK bonus participants having the financial element of their bonus attached to the financial performance of Wood Group PSN, which did not meet the threshold for EBITA in 2015. In 2016, all UK bonus participants had the financial element attached to the Group's financial performance, in line with the Chief Executive, and reflective of changes made to the organisation structure during the course of the year.

## 2.9 Relative importance of spend on pay

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

| Item | 2015 ($m) | 2016 ($m) | Difference ($m) | % change |
|---|---|---|---|---|
| Remuneration paid to or received by all employees of the Group | 2,669.7 | 2,210.1 | -459.6 | -17.2% |
| Distributions to shareholders by way of dividend and share buyback | 104.9 | 116.0 | 11.1 | 10.6% |

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

The Group Directors' Remuneration Policy is subject to a binding shareholder resolution at the 2017 Annual General Meeting. This section provides an overview of how the Committee will implement the remuneration policy in 2017.

### Base salary

There is no base salary increase planned as part of the annual review process for 2017; salaries will therefore remain the same as 2016 as shown in the table below.

| Executive | 2016 annual base salary | 2017 annual base salary | % increase |
|---|---|---|---|
| Robin Watson | £600,000 | £600,000 | 0.0% |
| David Kemp | £390,000 | £390,000 | 0.0% |

### Benefits

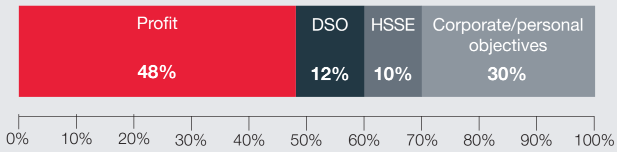
The current executive directors will continue to participate in existing benefit arrangements in line with the agreed remuneration policy.

### Bonus

As explained in the Chair's Letter at the start of this report, in 2017, annual bonus opportunities for the executive directors will be increased within the scope of the policy to 175% for the Chief Executive and 140% for the Group CFO. There will be no change to the maximum opportunity for the Annual Bonus Plan under the Directors' Remuneration Policy which remains at 200%.

Consistent with previous years, bonus measures will be split between financial, HSSE and non-financial measures with a balance of 60%, 10% and 30% respectively as shown in the chart below.

**Relative weighting** (% of bonus opportunity)




### Financial measures

Financial measures will typically be a measure of profit and/or revenue collection. During 2017, the Group's profit reporting measure will change to operating profit before exceptional items in order to make our performance measures more straight forward and to remove the need for additional reconciliations to statutory measures. The measure for revenue collection remains as days sales outstanding (DSO). The weighting of those measures are unchanged with profit at 48% and DSO at 12%. Profit threshold performance is 85% of the target set, and maximum bonus is achieved when results exceed maximum target of 115%. For DSO, threshold performance is 110% and maximum is 90% of the target set. The monthly average is taken over the year, and a lower DSO indicates better performance.

Threshold performance for financial measures must be met before any of that element of the award is paid; if target performance is met, 50% of the potential bonus opportunity is paid, reduced from 70% in 2016; 100% is payable for reaching maximum performance. Performance between threshold and target and between target and maximum will result in a proportionate award calculated on a straight-line basis.

For awards made in 2017, 75% of any award will be paid in cash in the March following the end of the performance year, with the remaining 25% deferred into nil cost share options for a further two years.

The Committee has set the financial targets for the annual bonus plan for the year ending 31 December 2017 at its meeting in February 2017. It is the opinion of the Committee that these are commercially sensitive and in line with previous practice, the details of annual bonus targets and the extent to which the targets are met will be disclosed retrospectively in next year's report.

### HSSE measures

HSSE measures total 10% of bonus opportunity and will relate directly to HSSE improvement targets, measured using Total Recordable Case Frequency (TRCF), and delivery against the HSSE 2017 plan. No award against these measures will be paid in the event of a work related fatality.

## Non-financial measures

Non-financial measures weighted 30% of bonus opportunity are summarised in the table below. These are considered stretching objectives, with tangible performance outcomes focused on the delivery of the Group's strategic plans. Detailed disclosure of performance against objectives will be contained in next year's Directors' Remuneration Report.

<table>
<tr><th>Executive director</th><th>Corporate Objectives</th><th>Personal Objectives</th></tr>
<tr><td>Robin Watson</td><td rowspan="2">ELT through-cycle growth target - Delivery against the strategic framework & priorities:<br>• Overall business positioning for 2018 budget earnings to be greater than 2017 earnings<br>• Strategic acquisitions; complete appropriate acquisitive opportunities<br>• Achieve organic growth from established relationships, with wins balanced across the BUs<br>• Continue to broadening the service and sector mix in line with the Group strategy<br>Stability and effectiveness of the ELT:<br>• Develop the ELT working relationships and inter-relationships within the new organisational structure<br>• Assess team health in a measured manner (independently/via the Lintstock process)<br>• Outcome will be assessed by reviewing team effectiveness and success of roles in new structure</td><td>Organisational transition - Fully embed the new organisation and complete the transition plan in 2017<br>Customers & stakeholders - Actively engage core stakeholder groups and key customers in dialogue about the Group's strategic direction and potential<br>Mature our tactical decisions and delivery, from our strategy - Provide mechanisms for delivering against the Group strategy and demonstrate continued tactical progress<br>Group positioning in Governmental and business community relationships - Provide a programme of engagement across key (but non-core) stakeholder groups<br>Active safety and ethics leadership - Provide a programme of active leadership and delivery in the safety and ethics arena</td></tr>
<tr><td>David Kemp</td><td>ERP & finance shared services - Deliver 2017 ERP and shared services plan for Finance<br>IT&S outsourcing - Deliver outsourcing of IT Services to IBM in line with agreed service levels<br>Entity simplification - Establish entity simplification project and deliver 2017 workscope<br>Establish Group supply chain and real estate function - Establish function, implement agreed organisation structure and deliver efficiencies and savings<br>Investor relations - Deliver 2017 investor engagement programme<br>Risk management - Deliver agreed risk management and assurance action plan</td></tr>
</table>

## Long Term Incentive Plan – LTIP

For 2017, awards made to the executive directors will be based on TSR and EPS weighted 50% and 50%. There will be no change to policy and LTIP maximum opportunity will remain as 200% of salary. However, as discussed in the Chair's Letter, in 2017, the award to the Chief Executive will be 200% of salary and the award to the Group CFO will be 160% of salary.

Awards achieved under the Long Term Incentive Plan will be deferred in full for a period of at least two years following the end of the three year performance period, resulting in a total holding period of 5 years from the year of the award being granted.

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

In setting the targets for the 2017–2019 performance period, the Committee took into consideration the current market conditions in the oil & gas sector and the continued uncertainty around our customer's spending patterns. The Committee believes that the uncertainty and challenging markets are likely to persist throughout 2017. During the course of 2017 the Group will change the principal profit measure it uses to report externally from EBITA to operating profit before exceptional items, and consistent with this basis, will also no longer adjust earnings per share (EPS) for amortisation charges. These changes will be reflected in the targets for the 2017-2019 performance period which will be based on EPS before exceptional items. The EPS targets for the 2017-2019 performance period were set at 44.8 cents at threshold and 74.8 cents at maximum.

This represents a broadly flat position at threshold to the 2016 actual EPS of 43.8 cents at threshold and 19.6% compound annual growth from 2016 actual EPS at maximum.

The TSR peer group was reviewed by the Committee and considered to remain appropriate. It will therefore be unchanged for 2017 as follows: Aker Solutions, AMEC Foster Wheeler, Cape, Chicago Bridge & Iron Company, Fluor, Hunting, Jacobs Engineering, KBR, McDermott, Petrofac, Saipem, SBM Offshore, Technip, Weir Group, Worley Parsons and WS Atkins.

## Pension and life assurance benefits

The executive directors will continue to participate in existing pension and life assurance arrangements in line with the Policy.

## Shareholding requirements

The shareholding requirements will be increased to 200% for the Chief Executive and will remain at 100% for all other executives.

## Chair of the Board and non-executive director (NED) remuneration

The Chair and NED fee structure for 2017 will be unchanged from 2016 as set out below:

| | 2017 fees per annum |
|---|---|
| Chair of the Board remuneration | £275,000 |
| Annual non-executive director fee inclusive of all Committee attendance | £55,500 |
| Additional fee for senior independent director | £5,000 |
| Additional fee for Audit / Remuneration / Safety, Assurance & Ethics Chairs | £5,000 |

# Financial statements

## Group financial statements



## Company financial statements

# Independent auditors' report
## to the members of John Wood Group PLC

### Report on the Group financial statements

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

#### Separate opinion in relation to IFRSs as issued by the IASB
As explained in the accounting policies note to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements comply with IFRSs as issued by the IASB.

#### What we have audited
The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

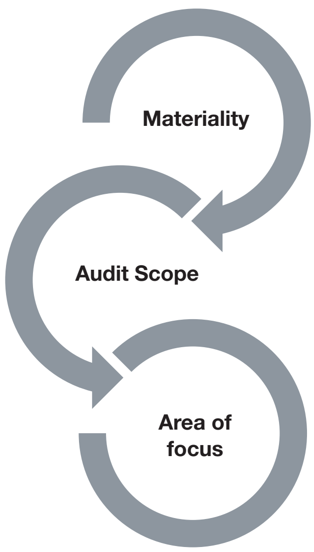
Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

#### Our audit approach

**Context**
John Wood Group PLC provides services primarily to the oil and gas and power generation industries worldwide. Its activities and results continue to be impacted by low oil and gas prices which resulted in lower levels of activity and margin pressures. During the year the Group revised its operating structure and now operates through three BUs: Asset Life Cycle Solutions ("ALCS") – East & West and Specialist Technical Solutions ("STS") with additional centralised Group functions. Our audit was planned to take into account the impact of market conditions on the results and activities of the Group.

**Overview**




Overall Group materiality: $14.6m which represents 5% of average profit before tax from continuing operations before exceptional items over a 3 year period.

We conducted full scope audits on 10 components and the audit of specified balances and classes of transactions on a further 17 components. The scope of work at each component was determined by its contribution to the Group's overall financial performance and its risk profile.

The Group engagement audit team performed the majority of the audit procedures, including in the US. We engaged our network firms in Australia and Guernsey to perform the audit procedures in the respective locations.

The 27 components where we performed audit work accounted for approximately 70% of Group revenue.

The key areas of focus for our audit, to which we allocated the greatest amount of our resources, were:

Carrying value of investment in the EthosEnergy joint venture.

Carrying value of goodwill.

Uncertain tax positions.

Recoverability of accounts receivable and unbilled revenue.

**The scope of our audit and our areas of focus**

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

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

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

We discussed all of the areas of focus with the Group Audit Committee. Their report on those matters that they considered to be significant financial statement reporting issues is set out on page 40.

| Area of focus | How our audit addressed the area of focus |
|---|---|
| ***Carrying value of investment in the EthosEnergy joint venture***<br>Refer to page 40 of the Audit Committee Report and note 4 and note 10 the financial statements.<br>In 2016 EthosEnergy has continued to significantly underperform against expectations.<br>Group management monitors the results of EthosEnergy and prepares their own financial forecasting model on their expectations of the performance of EthosEnergy in support of the carrying value of the Group investment. Due to EthosEnergy’s results being below the Group expectations, management performed an impairment assessment using EthosEnergy’s 2016 results as a basis. They adjusted these for closure of loss making operations and known management actions which will result in cost savings. They applied their market assessment to arrive at future revenue levels and applied their expected working capital and capital expenditure profiles. They then applied discount rates to arrive at a fair ‘value in use’ valuation. This resulted in an impairment charge of \$56.7m. Note 10 to the financial statements gives details of the impact of sensitivities which were considered by the Group.<br>Whilst the Group have made no decision to realise their investment in EthosEnergy they have obtained market evidence of fair value, less costs to sell, which supports the ‘value in use’ valuation.<br>Management’s assessment of the ‘value in use’ of the investment is inherently judgemental as it involves exercising judgement over future trading levels, profitability, working capital assumptions and discount rates applied to future cash flow forecasts. | We understood Group management’s basis of their forecasts and valuation of the investment. Taking into account our assessment of historical forecasting accuracy, we considered the appropriateness of management’s assumptions to support the level of activity in the continuing business; testing a sample of actioned cost savings to supporting evidence; and assessing the working capital assumptions against our knowledge of historical results.<br>We discussed these assumptions with both EthosEnergy and Group management and obtained their explanations which we considered for reasonableness.<br>We applied sensitivity testing to the model prepared by Group management, focusing particularly on revenue growth and discount rate. We used our knowledge on historical results of EthosEnergy and independent market data to support our sensitivity testing.<br>Based on the procedures we performed, we found those assumptions considered by the Group (in light of the impairment recognised) to be within a reasonable range.<br>We re-performed the sensitivity analyses disclosed in Note 10 to check they were in line with IAS 36.<br>In the event that EthosEnergy cannot attain these financial forecasts, then further impairment may be possible. |
| ***Carrying value of goodwill***<br>Refer to note 8 to the financial statements.<br>The carrying value of goodwill as at 31 December 2016 is \$1,705.2m. The goodwill balance relates to a number of acquisitions, the most significant of which (\$658.2m) being the Group’s acquisition of PSN in 2011, as well as a number of smaller acquisitions in recent years.<br>Following the Group reorganisation management reassessed the underlying Cash Generating Units (‘CGU’s’).<br>Management undertook an impairment assessment in accordance with their accounting policy. The continuing low oil price environment and the impact this has had on the results of the Group may have indicated that goodwill is impaired.<br>Management’s assessment of the ‘value in use’ of the Group’s CGU’s involves judgements about the future results of the business and the discount rates applied to future cash flow forecasts. Management concluded that no impairment arose during 2016. | We tested the reorganisation of CGU’s from the prior year, ensuring that these accurately reflect the business structure and the way in which the business is managed and meets the requirement of IAS 36.<br>We obtained management’s impairment model and performed detailed testing, which included:<br>• Assessing the integrity and mathematical accuracy of the model;<br>• Assessing the history of forecasting accuracy through looking back to prior years to confirm our ability to rely on management’s forecasts;<br>• Utilising PwC Valuation specialists to assess the key assumptions of growth rate and discount rate. We applied sensitivities to these assumptions; and<br>• Verifying the underlying cashflow forecasts to internally approved budgets, considering whether future assumptions are reasonable based on historical results and market knowledge.<br>We re-performed the sensitivity analyses disclosed in Note 8 to check they were in line with IAS 36.<br>Based on the procedures we performed above, we found no material differences from management’s assessment. |

| | |
|---|---|
| ***Uncertain tax positions***<br>The Group operates in multiple tax jurisdictions where uncertain tax positions and treatments may be challenged at a later date. Further details of the provision held in respect of these uncertain tax positions are set out in note 5 of the financial statements.<br>There is judgement required in assessing the level of provisions to cover the risk of successful challenge of certain of the Group's tax positions. Provisions are held principally in respect of current tax deductions previously taken, ongoing tax audits, and uncertainties on the utilisation of deferred tax assets.<br>This is an area which requires management to exercise significant judgement. Given the uncertainties inherent in establishing the Group tax provisions there is a risk that these may be materially misstated. | We obtained the Group's documentation of uncertain tax provisions. As appropriate, we tested the completeness and valuation of the provisions as follows:<br>• Understood and tested the underlying calculations;<br>• Read and considered the impact, on our audit, of the relevant correspondence with tax authorities; and<br>• Used PwC tax specialists and our knowledge and experience of developments in the relevant tax jurisdictions to consider the completeness and appropriateness of provisions held.<br>In addition, we assessed the adequacy and appropriateness of the disclosure made within note 5 to the financial statements.<br>From the evidence we have obtained from the detailed procedures performed, we have not identified any material differences in the position taken by management with respect to these provisions. |
| ***Recoverability of accounts receivable and unbilled revenue***<br>At 31 December 2016 the overall Group trade receivables and unbilled revenue amounted to $786m.<br>The level of risk associated with the recoverability of these balances has heightened due to market pressures and strain in the industry supply chain in light of the general decline in oil and gas prices affecting their operations.<br>Management have increased the level of scrutiny within the business over the recoverability of accounts receivable and unbilled revenue. On a monthly basis, an analysis of the largest receivable balances, by customer and by BU, is prepared for review and challenge by the executive leadership team. Further to this, the audit committee have also focussed on the recoverability of receivables and on the processes in place to assess and monitor credit risk.<br>Whilst there has been no significant bad debt write offs incurred during the year, the increased pressure within the sector coupled with the magnitude of the increased receivable balance was a trigger for us to treat this as an area of focus in our audit. | In order to consider the heightened risk of recoverability, we:<br>• Increased our testing samples to cover more trade receivable balances for recoverability testing. Our recoverability testing includes testing the accuracy of management's categorisation of aging of receivable balances and testing open unpaid balances to subsequent receipts.<br>• For outstanding receivable balances aged greater than 90 days, we obtained management's assessment as to whether they should be provided for through an allowance for doubtful debts. We used our knowledge of historical collection patterns and reviewed corroborating customer correspondence to assess the reasonableness of management's assessment; and<br>• Increased our testing samples to cover more unbilled balances for recoverability testing. Our recoverability testing includes testing the internally generated supporting documentation and testing open unbilled balances to subsequent invoices.<br>From the evidence we have obtained from the detailed procedures performed, we have not identified any material unprovided irrecoverable balances. |

**How we tailored the audit scope**

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

The Group financial statements are a consolidation of a large number of components which make up the Group's operating businesses within the three Business Units and Group functions. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the components either by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction.

The Group's components vary significantly in size and we identified 10 components that, in our view, required a full audit due to their relative size or risk characteristics. Of these full scope component audits, four were UK based, four were US based and all eight were performed by members of the UK Group engagement team. These covered trading components and Group managed balances including treasury, uncertain tax positions, post-retirement benefits, goodwill and intangibles. The remaining two full scope component audits were performed by our PwC network firm in Australia.

Where component audits were performed by teams other than the Group engagement team, members of the Group engagement team were involved in their work throughout the audit. We maintained regular communication and conducted formal interim and year-end conference calls with all full and specified procedure component teams.

Additionally, senior members of the Group engagement team, including the Group engagement leader, performed site visits to various locations in the US. These visits covered both full scope financially significant components and non-financially significant components.

Together these full and specific scope components audits gave appropriate coverage of all material balances at a Group level. On a consolidated basis, these provided coverage of 70% of revenue.

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Overall Group materiality** | $14.6 million (2015: $15.6 million). |
| **How we determined it** | 5% of average profit before tax from continuing operations before exceptional items. |
| **Rationale for benchmark applied** | We applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be more appropriate. In 2016, we have utilised an average profit over a three year period to reflect the current trading and economic conditions (2015: we used actual profit before tax from continuing operations before exceptional items). It is considered that the current period reduction in activity (and profit generation) is temporary and reflective of the cyclical nature of the oil and gas industry. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $0.7 million (2015: $0.8 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**Going concern**

Under the Listing Rules we are required to review the directors' statement, set out on page 26, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

## Other required reporting

Consistency of other information and compliance with applicable requirements

**Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

**ISAs (UK & Ireland) reporting**

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

| | |
|---|---|
| ▶ Information in the Annual Report is:<br>- Materially inconsistent with the information in the audited financial statements; or<br>- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or<br>- Otherwise misleading. | We have no exceptions to report. |
| ▶ The statement given by the directors on page 30, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit. | We have no exceptions to report. |
| ▶ The section of the Annual Report on page 39, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

**The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group**

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

| | |
|---|---|
| ▶ The directors' confirmation on page 26 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| ▶ The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| ▶ The directors' explanation on page 27 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

### Adequacy of information and explanations received

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

### Directors' remuneration

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

### Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

## Other matter

We have reported separately on the company financial statements of John Wood Group PLC for the year ended 31 December 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

Lindsay Gardiner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
20 February 2017

- The maintenance and integrity of the John Wood Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated income statement

## for the year to 31 December 2016

| | | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|---|
| | | Pre-Exceptional Items | Exceptional Items (note 4) | Total | Pre-Exceptional Items | Exceptional Items (note 4) | Total |
| | Note | $m | $m | $m | $m | $m | $m |
| **Revenue from continuing operations** | 1 | 4,120.6 | - | 4,120.6 | 5,000.6 | - | 5,000.6 |
| Cost of sales | | (3,498.2) | - | (3,498.2) | (4,183.4) | - | (4,183.4) |
| **Gross profit** | | 622.4 | - | 622.4 | 817.2 | - | 817.2 |
| Administrative expenses | 4 | (411.4) | (68.3) | (479.7) | (501.3) | (45.9) | (547.2) |
| Impairment of investment in joint ventures | 4,10 | - | (56.7) | (56.7) | - | (137.2) | (137.2) |
| Share of post-tax profit from joint ventures | 4,10 | 32.7 | (29.3) | 3.4 | 25.1 | 1.5 | 26.6 |
| **Operating profit** | 1 | 243.7 | (154.3) | 89.4 | 341.0 | (181.6) | 159.4 |
| Finance income | 2 | 2.2 | - | 2.2 | 3.1 | - | 3.1 |
| Finance expense | 2 | (25.6) | - | (25.6) | (23.9) | - | (23.9) |
| **Profit before taxation from continuing operations** | 3,4 | 220.3 | (154.3) | 66.0 | 320.2 | (181.6) | 138.6 |
| Taxation | 4,5 | (46.1) | 14.5 | (31.6) | (71.0) | 9.0 | (62.0) |
| **Profit for the year from continuing operations** | | 174.2 | (139.8) | 34.4 | 249.2 | (172.6) | 76.6 |
| Profit from discontinued operations, net of tax | 4 | - | - | - | - | 13.5 | 13.5 |
| **Profit for the year** | | 174.2 | (139.8) | 34.4 | 249.2 | (159.1) | 90.1 |
| **Profit attributable to:** | | | | | | | |
| Owners of the parent | | 167.6 | (139.8) | 27.8 | 238.1 | (159.1) | 79.0 |
| Non-controlling interests | 25 | 6.6 | - | 6.6 | 11.1 | - | 11.1 |
| | | 174.2 | (139.8) | 34.4 | 249.2 | (159.1) | 90.1 |
| **Earnings per share (expressed in cents per share)** | | | | | | | |
| Basic | 7 | 45.2 | (37.7) | 7.5 | 64.5 | (43.1) | 21.4 |
| Diluted | 7 | 43.8 | (36.5) | 7.3 | 62.8 | (42.0) | 20.8 |

The notes on pages 79 to 124 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income/expense

## for the year to 31 December 2016

| | Note | 2016 $m | 2015 $m |
|---|---|---|---|
| **Profit for the year** | | 34.4 | 90.1 |
| **Other comprehensive income/(expense)** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement (losses)/gains on retirement benefit scheme | 29 | (14.2) | 24.9 |
| Movement in deferred tax relating to retirement benefit scheme | 5 | 2.8 | (4.9) |
| ***Total items that will not be reclassified to profit or loss*** | | (11.4) | 20.0 |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Cash flow hedges | 24 | - | (0.1) |
| Exchange movements on retranslation of foreign currency net assets | 24 | (138.8) | (175.4) |
| Exchange movements on retranslation of non-controlling interests | 25 | (0.3) | (0.5) |
| **Total items that may be reclassified subsequently to profit or loss** | | (139.1) | (176.0) |
| **Other comprehensive expense for the year, net of tax** | | (150.5) | (156.0) |
| **Total comprehensive expense for the year** | | (116.1) | (65.9) |
| **Total comprehensive expense for the year is attributable to:** | | | |
| Owners of the parent | | (122.4) | (76.5) |
| Non-controlling interests | | 6.3 | 10.6 |
| | | (116.1) | (65.9) |
| **Total comprehensive expense for the year is attributable to:** | | | |
| Continuing operations | | (116.1) | (79.4) |
| Discontinued operations | 4 | - | 13.5 |
| | | (116.1) | (65.9) |

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

The notes on pages 79 to 124 are an integral part of these consolidated financial statements.

# Consolidated balance sheet
## as at 31 December 2016

| | Note | 2016 $m | Restated 2015 $m |
|---|---|---|---|
| ***Assets*** | | | |
| **Non-current assets** | | | |
| Goodwill and other intangible assets | **8** | **1,894.5** | 2,004.5 |
| Property plant and equipment | **9** | **171.1** | 204.2 |
| Investment in joint ventures | **10** | **205.9** | 300.4 |
| Long term receivables | **12** | **87.2** | 80.7 |
| Retirement benefit scheme surplus | **29** | **-** | 4.5 |
| Deferred tax assets | **19** | **91.3** | 62.5 |
| | | **2,450.0** | 2,656.8 |
| **Current assets** | | | |
| Inventories | **11** | **7.0** | 8.1 |
| Trade and other receivables | **12** | **978.3** | 1,176.0 |
| Income tax receivable | | **14.7** | 21.7 |
| Cash and cash equivalents | **13** | **579.5** | 851.3 |
| | | **1,579.5** | 2,057.1 |
| ***Liabilities*** | | | |
| **Current liabilities** | | | |
| Borrowings | **15** | **433.6** | 676.7 |
| Trade and other payables | **14** | **589.0** | 753.9 |
| Income tax liabilities | | **48.1** | 65.7 |
| | | **1,070.7** | 1,496.3 |
| **Net current assets** | | **508.8** | 560.8 |
| **Non-current liabilities** | | | |
| Borrowings | **15** | **495.0** | 495.0 |
| Deferred tax liabilities | **19** | **4.7** | 6.0 |
| Retirement benefit scheme deficit | **29** | **7.0** | - |
| Other non-current liabilities | **16** | **173.3** | 200.8 |
| Provisions | **18** | **70.6** | 94.8 |
| | | **750.6** | 796.6 |
| **Net assets** | | **2,208.2** | 2,421.0 |
| **Equity attributable to owners of the parent** | | | |
| Share capital | **21** | **23.9** | 23.8 |
| Share premium | **22** | **63.9** | 63.9 |
| Retained earnings | **23** | **2,098.0** | 2,162.4 |
| Other reserves | **24** | **9.4** | 148.2 |
| | | **2,195.2** | 2,398.3 |
| Non-controlling interests | **25** | **13.0** | 22.7 |
| **Total equity** | | **2,208.2** | 2,421.0 |

Following the issue of a decision by the IFRS Interpretations Committee regarding offsetting and cash pooling arrangements, the Group has restated its comparative figures for cash and cash equivalents and short term borrowings at 31 December 2015. The restatement increases both cash and borrowings at 31 December 2015 by $646.8m.

The financial statements on pages 74 to 124 were approved by the board of directors on 20 February 2017 and signed on its behalf by:

Robin Watson, Director David Kemp, Director

The notes on pages 79 to 124 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity
## as at 31 December 2016

| | 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 2015** | | **23.7** | **56.0** | **2,142.8** | **323.7** | **2,546.2** | **13.1** | **2,559.3** |
| Profit for the year | | - | - | 79.0 | - | **79.0** | 11.1 | **90.1** |
| **Other comprehensive income/(expense):** | | | | | | | | |
| Re-measurement gains on retirement benefit scheme | **29** | - | - | 24.9 | - | **24.9** | - | **24.9** |
| Movement in deferred tax relating to retirement benefit scheme | **5** | - | - | (4.9) | - | **(4.9)** | - | **(4.9)** |
| Cash flow hedges | **24** | - | - | - | (0.1) | **(0.1)** | - | **(0.1)** |
| Net exchange movements on retranslation of foreign currency net assets | **24/25** | - | - | - | (175.4) | **(175.4)** | (0.5) | **(175.9)** |
| **Total comprehensive income/(expense) for the year** | | - | - | 99.0 | (175.5) | **(76.5)** | 10.6 | **(65.9)** |
| **Transactions with owners:** | | | | | | | | |
| Dividends paid | **6/25** | - | - | (104.9) | - | **(104.9)** | (1.0) | **(105.9)** |
| Credit relating to share based charges | **20** | - | - | 12.7 | - | **12.7** | - | **12.7** |
| Tax credit relating to share option schemes | **5** | - | - | 7.5 | - | **7.5** | - | **7.5** |
| Shares allocated to employee share trusts | **23** | 0.1 | 7.9 | (8.0) | - | **-** | - | **-** |
| Shares disposed of by employee share trusts | **23** | - | - | 5.6 | - | **5.6** | - | **5.6** |
| Exchange movements in respect of shares held by employee share trusts | **23** | - | - | 7.7 | - | **7.7** | - | **7.7** |
| **At 31 December 2015** | | **23.8** | **63.9** | **2,162.4** | **148.2** | **2,398.3** | **22.7** | **2,421.0** |
| Profit for the year | | **-** | **-** | **27.8** | **-** | **27.8** | **6.6** | **34.4** |
| **Other comprehensive income/(expense):** | | | | | | | | |
| Re-measurement losses on retirement benefit scheme | **29** | **-** | **-** | **(14.2)** | **-** | **(14.2)** | **-** | **(14.2)** |
| Movement in deferred tax relating to retirement benefit scheme | **5** | **-** | **-** | **2.8** | **-** | **2.8** | **-** | **2.8** |
| Net exchange movements on retranslation of foreign currency net assets | **24/25** | **-** | **-** | **-** | **(138.8)** | **(138.8)** | **(0.3)** | **(139.1)** |
| **Total comprehensive income/(expense) for the year** | | **-** | **-** | **16.4** | **(138.8)** | **(122.4)** | **6.3** | **(116.1)** |
| **Transactions with owners:** | | | | | | | | |
| Dividends paid | **6/25** | **-** | **-** | **(116.0)** | **-** | **(116.0)** | **(6.7)** | **(122.7)** |
| Credit relating to share based charges | **20** | **-** | **-** | **10.7** | **-** | **10.7** | **-** | **10.7** |
| Tax credit relating to share option schemes | **5** | **-** | **-** | **6.4** | **-** | **6.4** | **-** | **6.4** |
| Shares allocated to employee share trusts | **23** | **0.1** | **-** | **(0.1)** | **-** | **-** | **-** | **-** |
| Shares disposed of by employee share trusts | **23** | **-** | **-** | **7.5** | **-** | **7.5** | **-** | **7.5** |
| Exchange movements in respect of shares held by employee share trusts | **23** | **-** | **-** | **20.9** | **-** | **20.9** | **-** | **20.9** |
| Transactions with non-controlling interests | **23/25** | **-** | **-** | **(10.2)** | **-** | **(10.2)** | **(9.3)** | **(19.5)** |
| **At 31 December 2016** | | **23.9** | **63.9** | **2,098.0** | **9.4** | **2,195.2** | **13.0** | **2,208.2** |

The notes on pages 79 to 124 are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

## for the year to 31 December 2016

| | Note | 2016 $m | Restated 2015 $m |
|---|---|---|---|
| **Cash generated from operations** | **26** | **245.1** | 562.9 |
| Tax paid | | **(55.6)** | (96.6) |
| **Net cash generated from operating activities** | | **189.5** | 466.3 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries (net of cash acquired) | **27** | **(17.4)** | (238.0) |
| Acquisition of non-controlling interests | **25** | **(18.8)** | - |
| Purchase of property plant and equipment | **9** | **(29.0)** | (36.1) |
| Proceeds from sale of property plant and equipment | | **24.4** | 1.8 |
| Purchase of intangible assets | **8** | **(57.8)** | (46.5) |
| Interest received | | **2.4** | 2.4 |
| Repayment of loans from joint ventures | | **24.0** | 20.7 |
| **Net cash used in investing activities** | | **(72.2)** | (295.7) |
| **Cash flows from financing activities** | | | |
| (Repayment of)/proceeds from bank loans and overdrafts | **26** | **(241.6)** | 85.2 |
| Proceeds from disposal of shares by employee share trusts | **23** | **7.5** | 5.6 |
| Interest paid | | **(23.4)** | (23.6) |
| Dividends paid to shareholders | **6** | **(116.0)** | (104.9) |
| Dividends paid to non-controlling interests | **25** | **(6.7)** | (1.0) |
| **Net cash used in financing activities** | | **(380.2)** | (38.7) |
| **Net (decrease)/increase in cash and cash equivalents** | **26** | **(262.9)** | 131.9 |
| Effect of exchange rate changes on cash and cash equivalents | **26** | **(8.9)** | (14.5) |
| Opening cash and cash equivalents | | **851.3** | 733.9 |
| **Closing cash and cash equivalents** | **13** | **579.5** | 851.3 |

Following the issue of a decision by the IFRS Interpretations Committee regarding offsetting and cash pooling arrangements, the Group has restated its comparative figures for cash and cash equivalents and short term borrowings at 31 December 2015 by $646.8m (31 December 2014: $577.3m).

The notes on pages 79 to 124 are an integral part of these consolidated financial statements.

# Notes to the financial statements

## for the year to 31 December 2016

## General information

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

## Accounting Policies

### Basis of preparation

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations adopted by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board. 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.

### 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. All Group companies apply the Group's accounting policies and prepare financial statements to 31 December.

### Joint ventures

A joint venture is a type of joint arrangement where the parties to the arrangement share rights to its net assets. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's interests in joint ventures are accounted for using equity accounting. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture from the acquisition date. The results of the joint ventures are included in the consolidated financial statements from the date the joint control commences until the date that it ceases. The Group includes its share of joint venture profit on the line 'Share of post-tax profit from joint ventures' in the Group income statement and its share of joint venture net assets in the 'investment in joint ventures' line in the Group balance sheet.

### Critical accounting judgments and estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. These estimates are based on management's best knowledge of the amount, event or actions and actual results ultimately may differ from those estimates. The estimates and assumptions that could result in a material adjustment to the carrying amounts of assets and liabilities are addressed below.

***(a) Impairment of goodwill***

The Group carries out impairment reviews whenever events or changes in circumstance indicate that the carrying value of goodwill may not be recoverable. In addition, the Group carries out an annual impairment review. An impairment loss is recognised when the recoverable amount of goodwill is less than the carrying amount. The impairment tests are carried out by CGU ('Cash Generating Unit') and reflect the latest Group budgets as approved by the Board. The budgets are based on various assumptions relating to the Group's businesses including assumptions relating to market outlook, resource utilisation, contract awards and contract margins. The outlook for the Group is discussed in the Chief Executive Review. Pre-tax discount rates of between 12.0% and 12.8% have been used to discount the CGU cash flows and a terminal value is applied using long term growth rates of between 2% and 3%. A sensitivity analysis has been performed allowing for possible changes to both the discount rate and long term growth rate. See note 8 for further details.

***(b) Impairment of investment in EthosEnergy joint venture***

The Group's investment in the EthosEnergy joint venture is accounted for using equity accounting. An impairment review was carried out in December 2016 based on the latest forecasts for EthosEnergy. The recoverable amount of the investment per the review was lower than the book value and an impairment of $56.7m was recorded in the income statement. A sensitivity analysis has also been performed to allow for possible changes to the key assumptions. See note 10 for further details.

***(c) Income taxes***

The Group is subject to income taxes in numerous jurisdictions and judgement is required in determining the provision for income taxes. The Group provides for uncertain tax positions based on the best estimate of the most likely outcome in respect of the relevant issue. Where the final outcome on uncertain tax positions is different from the amounts initially recorded, the difference will have an impact on the Group's tax charge. See note 5 for further details.

***(d) Retirement benefit scheme surplus/deficit***

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

*(e) Provisions*

The Group records provisions where it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the outcome is less than probable, but more than remote, no provision is recorded but a contingent liability is disclosed in the financial statements, if material. The recording of provisions is an area which requires the exercise of management judgement relating to the nature, timing and probability of the liability and typically the Group's balance sheet includes provisions for doubtful debts, warranty provisions, contract provisions (including onerous contracts) and pending legal issues. See note 18 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 financial statements:

| | **2016** | 2015 |
|---|---|---|
| Average rate £1 = $ | **1.3538** | 1.5289 |
| Closing rate £1 = $ | **1.2357** | 1.4739 |

### 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. 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 financial statements 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 provision of 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 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 is stated net of sales taxes (such as VAT) and discounts.

Revenue on fixed price or lump sum contracts for services, construction contracts and fixed price long term service agreements is recognised according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed to total estimated costs. An estimate of the profit attributable to work completed is recognised, on a basis that the directors consider to be appropriate, once the outcome of the contract can be estimated reliably, which is when a contract is not less than 20% complete. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. The net amount of costs incurred to date plus recognised profits less progress billings is disclosed within trade and other receivables. Revenue from fixed price and lump sum contracts is not material in the current period.

Details of the services provided by the Group are provided on page 83 under the 'Segmental Reporting' heading.

### 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. Material transactions which may give rise to exceptional items include gains and losses on divestment of businesses, write downs or impairments of assets including goodwill, restructuring costs or provisions, litigation settlements, provisions for onerous contracts and acquisition and divestment costs. See note 4 for full details of exceptional items.

### Finance expense/income

Interest income and expense is recorded in the income statement in the period to which it relates. Arrangement fees and expenses in respect of the Group's debt facilities are amortised over the period which the Group expects the facility to be in place. Interest relating to the unwinding of the discount on deferred and contingent consideration liabilities is included in finance expense. Interest relating to the Group's retirement benefit scheme is also included in finance income/expense. See note 2 for further details.

### 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. See note 6 for further details.

### 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 and included in administrative expenses 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 | 3-5 years |
| Development costs and licenses | 3-5 years |
| Intangible assets on acquisition (customer contracts and relationships) | 5 years |

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

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

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

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

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

For the purposes of impairment testing, goodwill is allocated to the appropriate cash generating unit ('CGU'). The CGUs are aligned to the structure the Group uses to manage its business and they were updated during the year to reflect the change to the new service defined structure. Cash flows are discounted in determining the value in use.

See note 8 for further details of goodwill impairment testing and note 10 for details of impairment of investment in joint ventures.

### 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.

Following the issue of a decision by the IFRS Interpretations Committee in 2016 regarding offsetting and cash pooling arrangements, the Group now shows balances that are part of a pooling arrangement on a gross basis in both cash and short term borrowings. Previously these balances were netted. The balance sheets at 31 December 2016 and 2015 are presented on this basis.

### Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The provision is determined by reference to previous experience of recoverability for receivables in each market in which the Group operates.

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

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

### Deferred and contingent consideration
Where 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. Where deferred consideration is payable after more than one year the estimated liability is discounted using an appropriate rate of interest. Deferred and contingent consideration is recognised at fair value.

### 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 re-measured at fair value.

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 the 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.

## 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.

## Finance leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the present value of the minimum lease payments. Lease payments are apportioned between finance expense and a reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance. Leased assets are depreciated over their estimated useful life.

## Retirement benefit scheme surplus/deficit

The Group operates a defined benefit scheme and a number of defined contribution schemes. The surplus or deficit recognised in respect of the defined benefit scheme represents the difference between the present value of the defined benefit obligations and the fair value of the scheme assets. The assets of this scheme are held in separate trustee administered funds. The scheme is closed to future accrual.

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

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

The Group operates a pension arrangement in the US for certain employees. Contributions are paid into a separate investment vehicle and invested in a portfolio of US funds that are recognised by the Group as a long term receivable with a corresponding liability in other non-current liabilities. Investments are carried at fair value. The fair value of listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement can be categorised in Level 1 of the fair value hierarchy.

## Provisions

Provision is made for the estimated liability on all services 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. See note 18 for further details.

## Share based charges relating to employee share schemes

The Group has recorded share based charges in relation to a number of employee share schemes.

Charges are booked to the income statement as an employee benefit expense for the fair value of share options expected to be exercised under the Executive Share Option Schemes ('ESOS') and the Long Term Retention Plan ('LTRP'). Amounts are accrued over the vesting period with the corresponding credit taken to retained earnings.

Options are also awarded under the Group's Long Term Plan ('LTP') which is the incentive scheme in place for executive directors and certain senior executives. The charge for options awarded under the LTP is based on the fair value of those options at the grant date, spread over the vesting period. The corresponding credit is taken to retained earnings. For awards that have a market related performance measure, the fair value of the market related element is calculated using a Monte Carlo simulation model.

The Group introduced an Employee Share Plan during 2016. Under the plan employees contribute regular monthly amounts which are used to purchase shares over a one year period. At the end of the year the participating employees are awarded one free share for every three shares purchased providing they remain in employment for a further year. A charge is calculated for the award of free shares and accrued over the vesting period with the corresponding credit taken to retained earnings.

For further details of these schemes, please see note 20 and the Directors Remuneration Report.

## 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 were updated during 2016 to reflect the Group's new service defined structure and the segments are now Asset Life Cycle Solutions (ALCS) and Specialist Technical Solutions (STS). ALCS is split into East and West regions for management purposes and is reported and managed as two separate segments. ALCS provides projects & modifications and operations & maintenance services mainly in the oil and gas sector. STS engages in automation and subsea & technology activities.

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

## Disclosure of impact of new and future accounting standards

***(a) Amended standards and interpretations***

Amendments have also been made to the following standards effective 1 January 2016. These amendments have not had a material impact on the Group's financial statements.

- IFRS 11 'Joint arrangements'
- IAS 16 'Property, plant and equipment'
- IAS 38 'Intangible assets'
- IAS 27 'Separate financial statements'
- IFRS 10 'Consolidated financial statements'
- IAS 1 'Presentation of financial statements'

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

The following standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018, but the Group has not early adopted them:

- IFRS 15 'Revenue from contracts with customers' is effective for accounting periods beginning on or after 1 January 2018. The Group is in the process of assessing the likely impact of IFRS 15. At this stage of the process we have identified some specific areas such as revenue recognition on lump sum contracts and the recognition of variable consideration as areas where our existing accounting policies will require to be amended. We are not yet in a position to quantify the impact of any changes, however our current assessment is that the adoption of the standard will not have a significant impact on our reported results.
- IFRS 9 'Financial instruments' is effective for accounting periods on or after 1 January 2018. The Group does not expect the adoption of this standard to have a material impact on the financial statements.
- IFRS 16 'Leases' is effective for accounting periods beginning on or after 1 January 2019. The Group is in the process of assessing the likely impact of this standard on the financial statements.

All other amendments not yet effective and not included above are not material or applicable to the Group.

## 1 Segmental reporting

Following the changes in structure during 2016, the Group now operates through three segments, Asset Life Cycle Solutions East (ALCS East), Asset Life Cycle Solutions West (ALCS West), and Specialist Technical Solutions (STS). The 2015 figures in the table below have been restated to reflect the change in structure. Under IFRS 11 'Joint arrangements', the Group is required to account for joint ventures using equity accounting, however for management reporting the Group continues to use proportional consolidation, hence the inclusion of the proportional presentation in this note.

The segment information provided to the Group's Chief Executive for the reportable operating segments for the year ended 31 December 2016 includes the following:

| **Reportable operating segments** | **Revenue Year ended 31 Dec** | | **EBITDA(1) Year ended 31 Dec** | | **EBITA(1) Year ended 31 Dec** | | **Operating profit Year ended 31 Dec** | |
|---|---|---|---|---|---|---|---|---|
| | **2016 $m** | 2015 $m | **2016 $m** | 2015 $m | **2016 $m** | 2015 $m | **2016 $m** | 2015 $m |
| Asset Life Cycle Solutions East | **2,331.3** | 3,145.2 | **166.7** | 245.1 | **143.4** | 216.6 | **(9.5)** | 16.8 |
| Asset Life Cycle Solutions West | **2,115.2** | 2,121.1 | **203.1** | 234.4 | **176.3** | 208.5 | **100.8** | 133.6 |
| Specialist Technical Solutions | **487.5** | 586.1 | **82.1** | 95.5 | **79.2** | 91.8 | **58.1** | 82.8 |
| Central costs [2] | **-** | - | **(32.2)** | (43.3) | **(35.5)** | (47.2) | **(45.2)** | (54.1) |
| **Total** | **4,934.0** | 5,852.4 | **419.7** | 531.7 | **363.4** | 469.7 | **104.2** | 179.1 |
| Remove share of joint ventures | **(813.4)** | (851.8) | **(60.3)** | (59.9) | **(50.1)** | (46.7) | **(18.2)** | (46.3) |
| **Total continuing operations excluding joint ventures** | **4,120.6** | 5,000.6 | **359.4** | 471.8 | **313.3** | 423.0 | **86.0** | 132.8 |
| Share of post-tax profit from joint ventures | | | | | | | **3.4** | 26.6 |
| **Operating profit** | | | | | | | **89.4** | 159.4 |
| Finance income | | | | | | | **2.2** | 3.1 |
| Finance expense | | | | | | | **(25.6)** | (23.9) |
| **Profit before taxation from continuing operations** | | | | | | | **66.0** | 138.6 |
| Taxation | | | | | | | **(31.6)** | (62.0) |
| **Profit for the year from continuing operations** | | | | | | | **34.4** | 76.6 |
| Profit from discontinued operations, net of tax [3] | | | | | | | **-** | 13.5 |
| **Profit for the year** | | | | | | | **34.4** | 90.1 |

Notes

1. A reconciliation from operating profit to EBITA is provided in the table below. EBITDA represents EBITA before depreciation of property plant and equipment of $56.3m (2015 : $62.0m). EBITA and EBITDA are provided as they are units of measurement used by the Group in the management of its business.
2. Central costs include the costs of certain management personnel in both the UK and the US, along with an element of Group infrastructure costs.
3. Profit from discontinued operations, net of tax, for 2015 relates to the reassessment of amounts provided on the disposal of the Well Support business in 2011.
4. Revenue arising from sales between segments is not material.

### Reconciliation of operating profit to EBITA

| | **2016 $m** | 2015 $m |
|---|---|---|
| **Operating profit** | **89.4** | 159.4 |
| Share of joint venture interest | **2.4** | 2.3 |
| Share of joint venture tax | **12.4** | 17.4 |
| **Operating profit (including share of joint ventures)** | **104.2** | 179.1 |
| Exceptional items | **154.9** | 181.6 |
| **EBIT** | **259.1** | 360.7 |
| Amortisation (including joint ventures) | **104.3** | 109.0 |
| **EBITA** | **363.4** | 469.7 |

## 1 Segmental Reporting (continued)

### Segment assets and liabilities

| *At 31 December 2016* | ALCS East $m | ALCS West $m | STS $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|
| **Segment assets** | **1,008.7** | **1,878.8** | **281.7** | **860.3** | **4,029.5** |
| **Segment liabilities** | **386.4** | **323.1** | **96.5** | **1,015.3** | **1,821.3** |
| *At 31 December 2015* | | | | | |
| Segment assets | 1,300.3 | 2,011.2 | 352.1 | 1,050.3 | 4,713.9 |
| Segment liabilities | 547.3 | 334.3 | 153.9 | 1,257.4 | 2,292.9 |

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

### Other segment items

| 2016 | ALCS East $m | ALCS West $m | STS $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|
| **Capital expenditure** | | | | | |
| **- Property plant and equipment** | **20.4** | **6.2** | **0.8** | **1.6** | **29.0** |
| **- Intangible assets** | **26.8** | **18.5** | **5.0** | **7.5** | **57.8** |
| **Non-cash expense** | | | | | |
| **- Depreciation of property plant and equipment** | **13.5** | **26.4** | **2.9** | **3.3** | **46.1** |
| **- Amortisation of intangible assets** | **20.0** | **64.8** | **10.0** | **7.5** | **102.3** |
| **- Exceptional items (non-cash element)** | **86.9** | **6.7** | **5.2** | **1.1** | **99.9** |

| 2015 | $m | $m | $m | $m | $m |
|---|---|---|---|---|---|
| Capital expenditure | | | | | |
| - Property plant and equipment | 19.1 | 14.8 | 0.6 | 1.6 | 36.1 |
| - Intangible assets | 19.4 | 14.8 | 2.9 | 9.4 | 46.5 |
| Non-cash expense | | | | | |
| - Depreciation of property plant and equipment | 15.8 | 25.4 | 3.7 | 3.9 | 48.8 |
| - Amortisation of intangible assets | 30.1 | 64.4 | 5.7 | 6.9 | 107.1 |
| - Exceptional items (non-cash element) | 155.7 | 6.5 | (2.0) | (10.4) | 149.8 |

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

Depreciation in respect of joint ventures totals $10.2m (2015: $13.2m) and joint venture amortisation amounts to $2.0m (2015: $1.9m).

### Geographical segments

| | Segment assets | | Continuing revenue | |
|---|---|---|---|---|
| | **2016 $m** | 2015 $m | **2016 $m** | 2015 $m |
| UK | **842.3** | 1,279.6 | **866.7** | 1,441.2 |
| US | **1,852.8** | 2,012.1 | **1,848.0** | 1,940.0 |
| Rest of the world | **1,334.4** | 1,422.2 | **1,405.9** | 1,619.4 |
| | **4,029.5** | 4,713.9 | **4,120.6** | 5,000.6 |

Revenue by geographical segment is based on the location of the ultimate project. Revenue is entirely attributable to the provision of services.

## 2 Finance expense/(income)

| | 2016 $m | 2015 $m |
|---|---|---|
| Interest payable on senior loan notes | **14.1** | 14.1 |
| Interest payable on borrowings | **8.2** | 6.8 |
| Amortisation of bank facility fees | **0.7** | 0.6 |
| Interest relating to discounting of deferred and contingent consideration | **2.6** | 1.5 |
| Interest expense – retirement benefit obligations (note 29) | **-** | 0.9 |
| **Finance expense – continuing operations** | **25.6** | 23.9 |
| Interest receivable | **(2.0)** | (3.1) |
| Interest income – retirement benefit obligations (note 29) | **(0.2)** | - |
| **Finance income** | **(2.2)** | (3.1) |
| **Finance expense – continuing operations - net** | **23.4** | 20.8 |

Net interest expense of $2.4m (2015: $2.3m) has been deducted in arriving at the share of post-tax profit from joint ventures.

## 3 Profit before taxation

| | 2016 $m | 2015 $m |
|---|---|---|
| The following items have been charged in arriving at profit before taxation: | | |
| Employee benefits expense (note 28) | **2,210.1** | 2,669.7 |
| Depreciation of property plant and equipment (note 9) | **46.1** | 48.8 |
| Amortisation of intangible assets (note 8) | **102.3** | 107.1 |
| (Gain)/loss on disposal of property plant and equipment | **(4.7)** | 4.0 |
| Other operating lease rentals payable: | | |
| - Plant and machinery | **26.3** | 33.7 |
| - Property | **77.0** | 90.3 |
| Foreign exchange (gains)/losses | **(3.0)** | 0.6 |

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

**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:

| | 2016 $m | 2015 $m |
|---|---|---|
| Fees payable to the Group's auditors and its associate firms for - | | |
| Audit of parent company and consolidated financial statements | **1.0** | 1.0 |
| Audit of Group companies pursuant to legislation | **1.9** | 2.0 |
| Tax and other services | **0.1** | 0.1 |
| | **3.0** | 3.1 |

## 4 Exceptional items

| | 2016 $m | 2015 $m |
|---|---|---|
| **Exceptional items included in continuing operations** | | |
| Restructuring charges | **65.9** | 36.6 |
| Impairment of investment in EthosEnergy | **56.7** | 137.2 |
| Impairments recorded by EthosEnergy | **29.9** | 12.6 |
| Impairment of Group receivables in relation to EthosEnergy | **2.4** | 9.3 |
| Oman onerous contract | **-** | (14.1) |
| | **154.9** | 181.6 |
| Tax credit | **(15.1)** | (9.0) |
| **Continuing operations exceptional items, net of tax** | **139.8** | 172.6 |
| **Exceptional items included in discontinued operations** | | |
| Gain on divestment – Well Support | **-** | (10.4) |
| | **-** | (10.4) |
| Tax relating to Well Support divestment | **-** | (3.1) |
| **Discontinued operations exceptional items, net of tax** | **-** | (13.5) |
| **Total exceptional charge, net of tax** | **139.8** | 159.1 |

As a result of reorganisation, delayering and back office rationalisation, an exceptional charge of $65.9m has been recorded in the period. $27.5m relates to redundancy costs incurred as people have left the business and $38.4m relates to onerous lease provisions in relation to property.

At 31 December 2016, the Group carried out an impairment review of its investment in the EthosEnergy joint venture. The recoverable amount of the investment, based on management's estimate of value in use, of $100.0m, is lower than the book value and an impairment charge of $56.7m has been booked in the income statement. EthosEnergy has recorded impairment losses of $29.9m relating to the restructuring of its major maintenance business, closure of its power solutions business and the write down of engines and turbine parts. The Group has also impaired its receivables by $2.4m in relation to a balance due by EthosEnergy. The EthosEnergy related exceptional items are recorded in the ALCS East segment. See note 10 for further information.

$130.9m of the exceptional charge is recorded in ALCS East, $10.7m in ALCS West, $11.1m in STS and $2.2m in central costs.

A tax credit of $15.1m has been recorded in relation to the exceptional items. $0.6m of the credit relates to the impairments recorded by EthosEnergy and is shown on the share of post-tax profit from joint ventures line in the income statement.

For further details of the 2015 exceptional items please refer to the 2015 Annual Report and Accounts.

## 5 Taxation

| | 2016 $m | 2015 $m |
|---|---|---|
| **Current tax** | | |
| - Current year | **49.6** | 74.1 |
| - Adjustment in respect of prior years | **(9.5)** | (2.3) |
| | **40.1** | 71.8 |
| **Deferred tax** | | |
| - Current year | **(11.8)** | (1.7) |
| - Adjustment in respect of prior years | **3.3** | (11.2) |
| | **(8.5)** | (12.9) |
| **Total tax charge** | **31.6** | 58.9 |
| *Comprising -* | | |
| Tax on continuing operations before exceptional items | **46.7** | 71.0 |
| Tax on exceptional items in continuing operations | **(15.1)** | (9.0) |
| **Total tax on continuing operations** | **31.6** | 62.0 |
| Tax on discontinued operations | **-** | (3.1) |
| **Total tax on discontinued operations** | **-** | (3.1) |
| **Total tax charge** | **31.6** | 58.9 |

$0.6m of the tax credit on exceptional items relates to joint ventures and is therefore included in the share of post-tax profit from joint ventures line in the income statement.

| **Tax (credited)/charged to equity** | 2016 $m | 2015 $m |
|---|---|---|
| Deferred tax movement on retirement benefit liabilities | **(2.8)** | 4.9 |
| Deferred tax relating to share option schemes | **(4.9)** | (5.5) |
| Current tax relating to share option schemes | **(1.5)** | (2.0) |
| **Total credited to equity** | **(9.2)** | (2.6) |

## 5 Taxation (continued)

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates. The expected rate is the weighted average rate taking into account the Group's profits in these jurisdictions. The expected rate has decreased in 2016 due to the change in mix of the tax jurisdictions in which the Group operates. The tax charge for the year is higher (2015: lower) than the expected tax charge due to the following factors:

| | **2016 $m** | 2015 $m |
|---|---|---|
| Profit before taxation from continuing operations (excluding profits from and impairment of joint ventures) | **119.3** | 249.2 |
| Profit before taxation from discontinued operations | **-** | 10.4 |
| **Total profit before taxation** | **119.3** | 259.6 |
| Profit before tax at expected rate of 24.7% (2015: 25.4%) | **29.5** | 65.9 |
| Effects of: | | |
| Adjustments in respect of prior years | **(6.2)** | (13.5) |
| Non-recognition of losses and other attributes | **10.0** | 12.6 |
| Effect of foreign taxes | **8.0** | 9.1 |
| Other permanent differences | **(9.7)** | (15.2) |
| **Total tax charge** | **31.6** | 58.9 |

Other permanent differences include adjustments for share based charges, research and development allowances, changes in unrecognised tax attributes and expenditure which is not tax deductible. Tax losses are recognised where there is reasonable certainty that they can be utilised in future years.

Net income tax liabilities in the Group balance sheet include $101.0m relating to uncertain tax positions where management has had to exercise judgement in determining the most likely outcome in respect of the relevant issue. The larger amounts relate to tax payable in relation to divestments ($27.9m), recoverability of withholding taxes ($25.3m), and utilisation of tax losses ($11.8m). Where the final outcome on these issues differs to the amounts provided, the Group's tax charge will be impacted.

Where corporate tax assets and liabilities are in the same jurisdictions, amounts are netted in the Group balance sheet.

## 6 Dividends

| | **2016 $m** | 2015 $m |
|---|---|---|
| **Dividends on ordinary shares** | | |
| Final 2015 dividend paid: 20.5 cents per share (Final 2014: 18.6 cents) | **75.9** | 68.6 |
| Interim 2016 dividend paid: 10.8 cents per share (Interim 2015: 9.8 cents) | **40.1** | 36.3 |
| | **116.0** | 104.9 |

The directors are proposing a final dividend in respect of the financial year ended 31 December 2016 of 22.5 cents per share. The final dividend will be paid on 16 May 2017 to shareholders who are on the register of members on 7 April 2017. The financial statements do not reflect the final dividend, the payment of which will result in an estimated $83.8m reduction in equity attributable to owners of the parent.

## 7 Earnings per share

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Earnings attributable to owners of the parent $m** | **Number of shares (millions)** | **Earnings per share (cents)** | Earnings attributable to owners of the parent $m | Number of shares (millions) | Earnings per share (cents) |
| **Basic pre-exceptional** | **167.6** | **370.9** | **45.2** | 238.1 | 369.0 | 64.5 |
| Exceptional items, net of tax | **(139.8)** | **-** | **(37.7)** | (159.1) | - | (43.1) |
| **Basic** | **27.8** | **370.9** | **7.5** | 79.0 | 369.0 | 21.4 |
| Effect of dilutive ordinary shares | **-** | **12.0** | **(0.2)** | - | 10.3 | (0.6) |
| **Diluted** | **27.8** | **382.9** | **7.3** | 79.0 | 379.3 | 20.8 |
| Exceptional items, net of tax | **139.8** | **-** | **36.5** | 159.1 | - | 42.0 |
| **Diluted pre-exceptional items** | **167.6** | **382.9** | **43.8** | 238.1 | 379.3 | 62.8 |
| Amortisation, net of tax | **77.9** | **-** | **20.3** | 80.4 | - | 21.2 |
| **Adjusted diluted** | **245.5** | **382.9** | **64.1** | 318.5 | 379.3 | 84.0 |
| **Adjusted basic** | **245.5** | **370.9** | **66.2** | 318.5 | 369.0 | 86.3 |

Basic discontinued earnings per share for the year is nil (2015: 3.7 cents) and diluted discontinued earnings per share is nil (2015: 3.6 cents).

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

## 8 Goodwill and other intangible assets

| | Goodwill $m | Software and development costs $m | Intangible assets arising on acquisition $m | Total $m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2016 | 1,766.1 | 233.5 | 433.5 | 2,433.1 |
| Exchange movements | (78.4) | (14.2) | (7.3) | (99.9) |
| Additions | - | 57.8 | - | 57.8 |
| Acquisitions (note 27) | 18.3 | 0.1 | 6.4 | 24.8 |
| Disposals | - | (20.4) | - | (20.4) |
| **At 31 December 2016** | **1,706.0** | **256.8** | **432.6** | **2,395.4** |
| | | | | |
| **Aggregate amortisation and impairment** | | | | |
| At 1 January 2016 | 0.8 | 155.4 | 272.4 | 428.6 |
| Exchange movements | - | (6.7) | (4.3) | (11.0) |
| Amortisation charge for the year | - | 52.4 | 49.9 | 102.3 |
| Disposals | - | (19.0) | - | (19.0) |
| **At 31 December 2016** | **0.8** | **182.1** | **318.0** | **500.9** |
| **Net book value at 31 December 2016** | **1,705.2** | **74.7** | **114.6** | **1,894.5** |
| | | | | |
| **Cost** | | | | |
| At 1 January 2015 | 1,727.9 | 184.5 | 380.4 | 2,292.8 |
| Exchange movements | (97.7) | (8.4) | (24.3) | (130.4) |
| Additions | - | 46.5 | - | 46.5 |
| Acquisitions | 135.9 | 0.5 | 77.4 | 213.8 |
| Disposals | - | (1.7) | - | (1.7) |
| Reclassifications | - | 12.1 | - | 12.1 |
| **At 31 December 2015** | **1,766.1** | **233.5** | **433.5** | **2,433.1** |
| | | | | |
| **Aggregate amortisation and impairment** | | | | |
| At 1 January 2015 | 1.2 | 109.3 | 238.8 | 349.3 |
| Exchange movements | (0.4) | (5.1) | (20.6) | (26.1) |
| Amortisation charge for the year | - | 52.9 | 54.2 | 107.1 |
| Disposals | - | (1.7) | - | (1.7) |
| **At 31 December 2015** | **0.8** | **155.4** | **272.4** | **428.6** |
| **Net book value at 31 December 2015** | **1,765.3** | **78.1** | **161.1** | **2,004.5** |

In accordance with IAS 36 'Impairment of assets', goodwill was tested for impairment during the year. The impairment tests were carried out by Cash Generating Unit ('CGU'). Following the change to a service defined structure during the year, the Group has updated its CGU's accordingly and now has three CGU's, Asset Life Cycle Solutions East ('ALCS East'), Asset Life Cycle Solutions West ('ALCS West') and Specialist Technical Solutions ('STS'). These replace the seven CGU's that existed previously, comprising WG Mustang, WG Kenny and WG PSN (which was split into five regional CGU's).

## 8 Goodwill and other intangible assets (continued)

Value-in-use calculations have been prepared for each CGU using the cash flow projections included in the financial budgets prepared by management and approved by the Board for 2017 and 2018. The budgets are based on various assumptions including market outlook, resource utilisation, contract backlog, contract margins and assumed contract awards. Cash flows beyond the budget period are extrapolated using a growth rate of 3% per annum for ALCS East and STS and 2% for ALCS West 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 growth rates. The growth rates used do 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, 12.1% for ALCS East, 12.0% for ALCS West and 12.8% for STS (the equivalent post-tax rates are 10.5%, 10.25% and 11.0% respectively).

The carrying value of the goodwill for each CGU is shown in the table below. No goodwill has been written off during the current or prior year.

| Cash Generating Unit | Goodwill carrying value ($m) |
|---|---|
| ALCS East | **782.0** |
| ALCS West | **773.7** |
| STS | **149.5** |

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

Intangibles arising on acquisition include the valuation of customer contracts and customer relationships recognised on business combinations. As part of the impairment review, the Group has reviewed these contracts and relationships and no impairment was identified.

## 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 2016 | 52.3 | 20.7 | 242.8 | 315.8 |
| Exchange movements | (2.7) | (1.9) | (11.8) | (16.4) |
| Additions | 0.4 | 9.4 | 19.2 | 29.0 |
| Acquisitions (note 27) | - | 0.4 | 0.7 | 1.1 |
| Disposals | (3.5) | (1.5) | (47.6) | (52.6) |
| Reclassifications | - | 7.1 | 5.0 | 12.1 |
| **At 31 December 2016** | **46.5** | **34.2** | **208.3** | **289.0** |
| | | | | |
| **Accumulated depreciation and impairment** | | | | |
| At 1 January 2016 | 21.5 | 9.2 | 80.9 | 111.6 |
| Exchange movements | (2.0) | (0.4) | (7.5) | (9.9) |
| Charge for the year | 4.0 | 2.9 | 39.2 | 46.1 |
| Disposals | (1.8) | (0.2) | (30.8) | (32.8) |
| Impairment | - | - | 2.9 | 2.9 |
| **At 31 December 2016** | **21.7** | **11.5** | **84.7** | **117.9** |
| **Net book value at 31 December 2016** | **24.8** | **22.7** | **123.6** | **171.1** |
| | | | | |
| **Cost** | | | | |
| At 1 January 2015 | 57.8 | 20.9 | 245.8 | 324.5 |
| Exchange movements | (6.6) | (0.7) | (13.8) | (21.1) |
| Additions | 2.7 | 5.6 | 27.8 | 36.1 |
| Acquisitions | - | 1.3 | 17.8 | 19.1 |
| Disposals | (1.6) | (6.4) | (51.0) | (59.0) |
| Reclassifications | - | - | 16.2 | 16.2 |
| **At 31 December 2015** | **52.3** | **20.7** | **242.8** | **315.8** |
| | | | | |
| **Accumulated depreciation and impairment** | | | | |
| At 1 January 2015 | 20.1 | 11.8 | 98.0 | 129.9 |
| Exchange movements | (1.8) | (0.4) | (11.7) | (13.9) |
| Charge for the year | 3.5 | 3.2 | 42.1 | 48.8 |
| Disposals | (0.3) | (5.4) | (47.5) | (53.2) |
| **At 31 December 2015** | **21.5** | **9.2** | **80.9** | **111.6** |
| **Net book value at 31 December 2015** | **30.8** | **11.5** | **161.9** | **204.2** |

Included in the table above is $4.4m of assets under construction at 31 December 2016 (2015: $4.2m). Amounts reclassified to PP&E in the period relate to expenditure initially recorded in current assets and subsequently capitalised when the assets were available for use.

## 10 Investment in joint ventures

The Group operates a number of joint ventures companies, the most significant of which are its turbine JV's, EthosEnergy Group Limited and RWG Limited. A full list of subsidiary and joint venture entities is included in note 34. The Group's share of its joint venture assets, liabilities, income and expenses is shown below.

| | 2016 $m | 2015 $m |
|---|---|---|
| Non-current assets | **33.2** | 101.7 |
| Current assets | **529.9** | 551.4 |
| Current liabilities | **(321.3)** | (320.4) |
| Non-current liabilities | **(35.9)** | (32.3) |
| **Net assets** | **205.9** | 300.4 |
| Revenue | **813.4** | 851.8 |
| Cost of sales | **(687.5)** | (719.3) |
| Administrative expenses | **(77.8)** | (87.7) |
| Exceptional (expense)/income | **(29.9)** | 1.5 |
| **Operating profit** | **18.2** | 46.3 |
| Net finance expense | **(2.4)** | (2.3) |
| **Profit before tax** | **15.8** | 44.0 |
| Tax | **(12.4)** | (17.4) |
| **Share of post-tax profit from joint ventures** | **3.4** | 26.6 |

The assets, liabilities, income and expenses of the Group's two most significant joint ventures, EthosEnergy and RWG are shown below.

| | Ethos Energy (100%) | | RWG (100%) | |
|---|---|---|---|---|
| | **2016 $m** | 2015 $m | **2016 $m** | 2015 $m |
| Non-current assets | **-** | 112.0 | **34.6** | 42.6 |
| Current assets | **668.6** | 706.5 | **121.6** | 150.2 |
| Current liabilities | **(454.7)** | (425.5) | **(36.6)** | (49.0) |
| Non-current liabilities | **(17.8)** | (16.1) | **(0.8)** | (0.2) |
| **Net assets** | **196.1** | 376.9 | **118.8** | 143.6 |
| **Wood Group investment** | **100.0** | 192.2 | **59.4** | 71.8 |
| Revenue | **815.1** | 916.9 | **231.8** | 246.6 |
| Cost of sales | **(703.1)** | (783.9) | **(165.0)** | (179.8) |
| Administrative expenses | **(101.9)** | (117.8) | **(33.4)** | (34.0) |
| Exceptional expense | **(58.7)** | (24.7) | **-** | - |
| **Operating (loss)/profit** | **(48.6)** | (9.5) | **33.4** | 32.8 |
| Net finance expense | **(4.4)** | (4.1) | **0.1** | - |
| **(Loss)/profit before tax** | **(53.0)** | (13.6) | **33.5** | 32.8 |
| Tax | **(4.8)** | (17.6) | **(7.6)** | (7.2) |
| **Post-tax (loss)/profit from joint ventures** | **(57.8)** | (31.2) | **25.9** | 25.6 |
| **Wood Group share** | **(29.5)** | (16.0) | **13.0** | 12.8 |

## 10 Investment in joint ventures (continued)

The EthosEnergy impairment is allocated initially to non-current assets and then to current assets in the table above.

The movement in investments in joint ventures is shown below.

| | $m |
|---|---|
| At 1 January 2016 | **300.4** |
| Exchange movements on retranslation of net assets | **(15.8)** |
| Share of profit after tax | **3.4** |
| Impairment of investments | **(56.7)** |
| Dividends | **(25.4)** |
| **At 31 December 2016** | **205.9** |

The Group recorded an impairment charge against its investment in the EthosEnergy joint venture at 31 December 2015. Trading for the joint venture continued to be challenging in 2016 and management have carried out an impairment review at 31 December 2016. The recoverable amount of the investment, based on management's estimate of value in use, of $100.0m, is lower than the book value and an impairment charge of $56.7m has been booked in the income statement. The recoverable amount is supported by third party market data.

EthosEnergy has also recorded impairment losses of $29.9m (Wood Group share) relating to the restructuring of its major maintenance business, closure of its power solutions business and the write down of engines and turbine parts. The charge is reflected in the exceptional expense line in the table above.

In arriving at the post impairment carrying value of EthosEnergy, the directors have calculated a value in use based on the Group's share of the joint venture's future expected cash flows. These have been discounted at a pre-tax discount rate of 14.7%, which is higher than the Group's weighted average cost of capital to reflect the risks inherent in this business, and the discounted value has been compared to the carrying value of the investment. In calculating the value in use, management has assumed modest future revenue growth of 2.5%, margins remaining below those achieved by the continuing business in 2016, overheads remaining flat and some modest working capital outflows. If the assumptions used in the value in use calculation are not met then a further impairment may require to be recorded in future periods.

A sensitivity analysis was performed on the basis that the expected long term growth rate falls by 1% and the discount rate is increased by 1% in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. The sensitivity analysis showed that a 1% reduction in the terminal growth rate would have resulted in an additional impairment of $7.4m and a 1% increase in the discount rate would have resulted in an additional impairment of $10.4m.

A further sensitivity calculation was performed assuming a 10% reduction in revenue each year from 2017-2021, slightly reduced gross profit margins (due to the impact of a partial fixed cost base), overheads at a fixed percentage of revenue and working capital inflows as a result of declining activity. This calculation resulted in an additional impairment of $16.0m.

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.

## 11 Inventories

| | **2016 $m** | 2015 $m |
|---|---|---|
| Materials | **2.7** | 2.9 |
| Work in progress | **0.5** | 1.6 |
| Finished goods and goods for resale | **3.8** | 3.6 |
| | **7.0** | 8.1 |

## 12 Trade and other receivables

| | 2016 $m | 2015 $m |
|---|---|---|
| Trade receivables | **785.8** | 955.0 |
| Less: provision for impairment of trade receivables | **(24.7)** | (39.6) |
| Trade receivables – net | **761.1** | 915.4 |
| Amounts recoverable on contracts | **3.9** | 26.1 |
| Prepayments and accrued income | **33.4** | 44.1 |
| Loans due from joint ventures | **80.7** | 104.7 |
| Restricted cash | **26.5** | 26.5 |
| Other receivables | **72.7** | 59.2 |
| **Trade and other receivables – current** | **978.3** | 1,176.0 |
| Long term receivables | **87.2** | 80.7 |
| **Total receivables** | **1,065.5** | 1,256.7 |

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

| **31 December 2016** | **Trade receivables - Gross $m** | **Provision for impairment $m** | **Trade receivables – Net $m** | **Receivable days** |
|---|---|---|---|---|
| ALCS East | **334.9** | **(12.1)** | **322.8** | **80** |
| ALCS West | **387.0** | **(11.9)** | **375.1** | **69** |
| STS | **63.9** | **(0.7)** | **63.2** | **77** |
| **Total Group** | **785.8** | **(24.7)** | **761.1** | **74** |
| **31 December 2015** | | | | |
| ALCS East | 422.3 | (8.7) | 413.6 | 63 |
| ALCS West | 426.2 | (27.0) | 399.2 | 56 |
| STS | 106.5 | (3.9) | 102.6 | 64 |
| **Total Group** | 955.0 | (39.6) | 915.4 | 63 |

Receivable days are calculated by allocating the closing trade receivables balance to current and prior year revenue including sales taxes. A receivable days calculation of 74 indicates that closing trade receivables represent the most recent 74 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.

## 12 Trade and other receivables (continued)

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

| | 2016 $m | 2015 $m |
|---|---|---|
| Up to 3 months | **1.9** | 15.0 |
| Over 3 months | **22.8** | 24.6 |
| | **24.7** | 39.6 |

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

| | ALCS East $m | ALCS West $m | STS $m | Total $m |
|---|---|---|---|---|
| **2016** | | | | |
| At 1 January | 8.7 | 27.0 | 3.9 | 39.6 |
| Exchange movements | (1.5) | - | (0.1) | (1.6) |
| Provided during the year | 5.3 | 0.4 | - | 5.7 |
| Released during the year | (0.4) | (15.5) | (3.1) | (19.0) |
| **At 31 December** | **12.1** | **11.9** | **0.7** | **24.7** |
| 2015 | | | | |
| At 1 January | 3.8 | 39.2 | 4.5 | 47.5 |
| Exchange movements | (0.4) | (0.2) | (0.2) | (0.8) |
| Provided during the year | 5.7 | 2.6 | 1.3 | 9.6 |
| Released during the year | (0.4) | (14.6) | (1.7) | (16.7) |
| **At 31 December** | 8.7 | 27.0 | 3.9 | 39.6 |

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

Included within gross trade receivables of $785.8m above (2015: $955.0m) are receivables of $137.6m (2015: $172.0m) which were past due but not impaired. These relate to customers for whom there is no recent history or expectation of default. The ageing analysis of these trade receivables, net of provisions, is as follows:

| | 2016 $m | 2015 $m |
|---|---|---|
| Up to 3 months overdue | **82.8** | 125.8 |
| Over 3 months overdue | **54.8** | 46.2 |
| | **137.6** | 172.0 |

The restricted cash of $26.5m (2015: $26.5m) is cash that is subject to an attachment order. The Group cannot access this cash until it receives a release letter from the Courts and as a result the cash balance is presented in receivables. Management believe it is appropriate to include the restricted cash balance in the Group's net debt figure (see note 26).

Long term receivables include amounts relating to the US pension arrangement referred to in note 29.

## 13 Cash and cash equivalents

| | 2016 $m | Restated 2015 $m |
|---|---|---|
| Cash at bank and in hand | **579.5** | 789.7 |
| Short term bank deposits | **-** | 61.6 |
| | **579.5** | 851.3 |

Cash at bank and in hand at 31 December 2016 includes $420.3m that is part of the Group's cash pooling arrangements. In previous years, this amount would have been netted with short term overdrafts and presented as a net figure on the Group's balance sheet. However, further to the issue of a decision by the IFRS Interpretations Committee regarding offsetting and cash pooling arrangements, the Group has grossed up both its cash and borrowings figures by this amount. The 31 December 2015 cash figure has also been restated with cash and overdrafts increasing by $646.8m.

The effective interest rate on short term deposits at 31 December 2015 was 0.4% and those deposits had an average maturity of 13 days.

At 31 December 2015, the Group held $10.0m of cash in its insurance captive subsidiary to comply with local regulatory requirements. The requirement to hold this balance locally was removed during 2016 and the cash was loaned to the parent company.

## 14 Trade and other payables

| | 2016 $m | 2015 $m |
|---|---|---|
| Trade payables | **187.3** | 224.2 |
| Other tax and social security payable | **21.7** | 51.1 |
| Accruals and deferred income | **341.8** | 438.2 |
| Deferred and contingent consideration | **26.4** | 9.2 |
| Other payables | **11.8** | 31.2 |
| | **589.0** | 753.9 |

Accruals and deferred income includes amounts due to suppliers and sub-contractors that have not yet been invoiced, unpaid wages, salaries and bonuses and amounts invoiced to customers for future periods.

## 15 Borrowings

| | 2016 $m | Restated 2015 $m |
|---|---|---|
| **Bank loans and overdrafts due within one year or on demand** | | |
| Unsecured | **433.6** | 676.7 |
| **Non-current bank loans** | | |
| Unsecured | **120.0** | 120.0 |
| **Senior loan notes** | | |
| Unsecured | **375.0** | 375.0 |
| **Total non-current borrowings** | **495.0** | 495.0 |

As mentioned in note 13, borrowings that are part of the Group's cash pooling arrangements that were previously presented net are now grossed up in the short term borrowings figure above. 2016 cash and borrowings have been grossed up by $420.3m and 2015 restated by $646.8m.

Bank overdrafts are denominated in a number of currencies and bear interest based on LIBOR or the relevant foreign currency equivalent.

The Group has $375.0m of unsecured senior loan notes issued in the US private placement market. The notes have 7, 10 and 12 year maturities are interest is payable at an average fixed rate of 3.74%. The non-current bank loans and senior loan notes are all US$ denominated.

The effective interest rates on the Group's bank loans and overdrafts at the balance sheet date were as follows:

| | 2016 % | 2015 % |
|---|---|---|
| US dollar | **1.55** | 1.38 |
| Sterling | **0.85** | 1.10 |
| Euro | **0.60** | 0.60 |
| Canadian dollar | **2.70** | 2.70 |
| Australian dollar | **2.45** | 2.95 |
| Norwegian kroner | **1.53** | - |
| Other | **4.83** | 4.37 |

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

| | 2016 $m | 2015 $m |
|---|---|---|
| US Dollar | **649.1** | 675.4 |
| Sterling | **162.8** | 346.6 |
| Euro | **4.1** | 32.8 |
| Canadian dollar | **20.0** | 25.5 |
| Australian dollar | **69.0** | 69.9 |
| Norwegian kroner | **19.3** | - |
| Other | **4.3** | 21.5 |
| | **928.6** | 1,171.7 |

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 2016, the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to $546.7m (2015: $645.0m). At 31 December 2016, these facilities were 33% utilised (2015: 35%).

## 15 Borrowings (continued)

**Borrowing facilities**

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

| | 2016 $m | 2015 $m |
|---|---|---|
| Expiring within one year | **100.0** | 82.0 |
| Expiring between two and five years | **830.0** | 830.0 |
| | **930.0** | 912.0 |

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review at various dates during 2017. The Group was in compliance with its bank covenants throughout the year. During 2016, the Group's extended its $950m bilateral bank facilities for a further year to February 2021.

## 16 Other non-current liabilities

| | 2016 $m | 2015 $m |
|---|---|---|
| Deferred and contingent consideration | **66.3** | 90.4 |
| Other payables | **107.0** | 110.4 |
| | **173.3** | 200.8 |

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

Other payables include amounts relating to the US pension arrangement referred to in note 29.

## 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 BUs identify, evaluate and where appropriate, hedge financial risks. The Group's Treasury policies cover specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and investment of excess cash.

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

### (a) Market risk

*(i) Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currencies. The Group has subsidiary companies whose revenue and expenses are denominated in currencies other than the US dollar. Where possible, the Group's policy is to eliminate all significant currency exposures at the time of the transaction by using financial instruments such as forward currency contracts. Changes in the forward contract fair values are booked through the income statement, except where hedge accounting is used in which case the change in fair value is recorded in equity.

The Group does not have any financial instruments in place to hedge foreign currency movements in its balance sheet. However, strategies such as payment of intercompany dividends are used to minimise the amount of net assets exposed to foreign currency revaluation.

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

## 17 Financial instruments (continued)

The Group's largest foreign exchange risk relates to movements in the sterling/US dollar exchange rate. Movements in the sterling/US dollar rate impact the translation of sterling profit earned in the UK and the translation of sterling denominated net assets. The potential impact of changes in the sterling/US dollar exchange rate is summarised in the table below. As the Group reports in US dollars a weakening of the pound has a negative impact on translation of its sterling companies' profits and net assets.

| | **2016** **$m** | 2015 $m |
|---|---|---|
| Impact of 10% change to average £/$ exchange rate on profit after tax | **2.4** | 6.0 |
| Impact of 10% change to closing £/$ exchange rate on equity | **67.1** | 75.2 |

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

*(ii) Interest rate risk*

The Group finances its operations through a mixture of retained profits and debt. The Group borrows in the desired currencies at a mixture of fixed and floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. At 31 December 2016, 53% (2015: 42%) 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 and where possible, deposit cash with a financial institution with a credit rating of 'A' or better.

If average interest rates had been 1% higher or lower during 2016 (2015: 1%), post-tax profit for the year would have been $0.7m lower or higher respectively (2015: $0.2m). 1% has been used in this calculation as it represents a reasonable possible change in interest rates.

*(iii) Price risk*

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

### (b) Credit risk

The Group's credit risk primarily relates to its trade receivables. Responsibility for managing credit risk lies within the businesses with support being provided by Group and divisional management where appropriate. A new Group credit risk policy was introduced during 2016 in order to enhance and improve existing controls. There remains significant management focus on customers that are classified as high risk in the current challenging market although in 2016 the Group had only minimal write offs.

Where required, a customer evaluation is obtained from an appropriate credit rating agency and an assessment of credit risk is carried out for all material customers. Appropriate trade finance instruments such as letters of credit, bonds, guarantees and credit insurance are used to manage credit risk where appropriate.

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. A table showing trade receivables and receivable days is provided in note 12. Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is a relevant metric.

### (c) Liquidity risk

With regard to liquidity, the Group's main priority is to ensure continuity of funding. At 31 December 2016, 100% (2015: 100%) of the Group's long term borrowings (including senior loan notes) 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.

The Group has $375m of unsecured senior loan notes issued in the US private placement market. The notes have a mix of 7, 10 and 12 year maturities. During 2016, the Group's extended its $950m bilateral bank facilities for a further year to February 2021.

## 17 Financial instruments (continued)

### (d) Capital risk

The Group seeks to maintain an optimal capital structure. The Group monitors its capital structure on the basis of its gearing ratio, interest cover and when applicable, the ratio of net debt to EBITDA. These ratios are calculated using the proportionally consolidated figures used for management reporting.

Gearing is calculated by dividing net debt by equity attributable to owners of the parent. Gearing at 31 December 2016 was 15.1% (2015: 12.1%).

Interest cover is calculated by dividing total EBITA by net finance expense. Interest cover for the year to 31 December 2016 was 14.1 times (2015: 20.3 times).

The ratio of net debt to total EBITDA at 31 December 2016 was 0.79 (2015: 0.55).

**Financial liabilities**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Drawdowns under the bilateral bank facilities are for periods of three months or less and therefore loan interest payable is excluded from the amounts below.

| At 31 December 2016 | Less than 1 year $m | Between 1 and 2 years $m | Between 2 and 5 years $m | Over 5 years $m |
|---|---|---|---|---|
| Borrowings | **447.6** | **14.0** | **238.6** | **339.1** |
| Trade and other payables | **567.3** | **-** | **-** | **-** |
| Other non-current liabilities | **-** | **76.6** | **100.4** | **-** |
| At 31 December 2015 | | | | |
| Borrowings | 690.7 | 14.0 | 162.1 | 429.7 |
| Trade and other payables | 702.8 | - | - | - |
| Other non-current liabilities | - | 55.0 | 151.2 | - |

**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.

There are three valuation methods used to fair value financial instruments as follows –

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

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

## 17 Financial instruments (continued)

**Deferred and contingent consideration**
Deferred and contingent consideration is payable on the acquisition of businesses based on earn out arrangements and is initially recognised at fair value. The amount payable is dependent on the post-acquisition profits of the acquired entities and the provision made is based on the Group's estimate of the likely profits of those entities based on the relevant Acquisition Approval Paper submitted to the Group Board. Where actual profits are higher or lower than the Group's estimate and the amount of contingent consideration payable is consequently different to the amount estimated then the variance is charged or credited to the income statement. Where deferred and contingent consideration is payable after more than one year the estimated liability is discounted using an appropriate rate of interest. The fair value of contingent consideration is not based on observable market data and as such the valuation method is classified as level 3 as per above. The process for valuation is consistently applied to all acquisitions.

The table below presents the changes in level 3 financial instruments during the year:

| Contingent consideration arising from business combinations | $m |
|---|---|
| At 1 January | 99.6 |
| Exchange movements | (3.8) |
| Amounts provided in relation to new acquisitions | 8.2 |
| Interest relating to discounting of contingent consideration | 2.6 |
| Payments during the year | (1.0) |
| Amounts released to the income statement | (12.9) |
| **At 31 December** | **92.7** |

## 18 Provisions

| | Warranty provisions $m | Other provisions $m | Total $m |
|---|---|---|---|
| At 1 January 2016 | 28.0 | 66.8 | 94.8 |
| Exchange movements | (1.3) | (5.8) | (7.1) |
| Charge to income statement | - | 16.6 | 16.6 |
| Released to income statement | (14.0) | (19.7) | (33.7) |
| **At 31 December 2016** | **12.7** | **57.9** | **70.6** |

**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 2016, other provisions of $57.9m (2015: $66.8m) have been recognised. This amount includes provisions for onerous leases, provisions for legal claims, including claims in relation to inspection and maintenance services in the US 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. The UK rate of corporation tax, currently 20%, will reduce to 19% in April 2017 and 18% in April 2020. The Group has provided deferred tax in relation to UK companies at 19.5% (2015: 19.5%). The movement on the deferred tax account is shown below:

| | **2016 $m** | 2015 $m |
|---|---|---|
| At 1 January | **(56.5)** | (58.4) |
| Exchange movements | **(2.7)** | 1.8 |
| Credit to income statement (note 5) | **(8.5)** | (12.9) |
| Acquisitions (note 27) | **-** | 7.5 |
| Reclassification from current tax | **-** | 6.1 |
| Deferred tax relating to R&D credits | **(11.2)** | - |
| Deferred tax relating to retirement benefit liabilities | **(2.8)** | 4.9 |
| Deferred tax relating to share option schemes | **(4.9)** | (5.5) |
| **At 31 December** | **(86.6)** | (56.5) |
| Deferred tax is presented in the financial statements as follows: | | |
| Deferred tax assets | **(91.3)** | (62.5) |
| Deferred tax liabilities | **4.7** | 6.0 |
| | **(86.6)** | (56.5) |

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 $164.3m (2015: $140.6m) to carry forward against future taxable income. Tax losses are recognised where there is reasonable certainty that they can be utilised in future years.

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:-

| **2016** | **Accelerated tax depreciation $m** | **Pension $m** | **Share based charges $m** | **Temporary differences $m** | **Losses $m** | **Total $m** |
|---|---|---|---|---|---|---|
| Deferred tax assets | **42.3** | **(1.4)** | **(19.7)** | **(76.6)** | **(35.9)** | **(91.3)** |
| Deferred tax liabilities | **-** | **-** | **-** | **4.7** | **-** | **4.7** |
| **Net deferred tax asset** | **42.3** | **(1.4)** | **(19.7)** | **(71.9)** | **(35.9)** | **(86.6)** |
| 2015 | | | | | | |
| Deferred tax assets | 49.7 | - | (14.3) | (71.8) | (26.1) | (62.5) |
| Deferred tax liabilities | - | 0.9 | - | 5.1 | - | 6.0 |
| Net deferred tax asset | 49.7 | 0.9 | (14.3) | (66.7) | (26.1) | (56.5) |

## 20 Share based charges

The Group currently has a number of share schemes that give rise to share based charges. These are the Executive Share Option Scheme ('ESOS'), the Long Term Retention Plan ('LTRP'), the Long Term Plan ('LTP') and the Employee Share Plan. The charge to operating profit for these schemes amounted to $10.7m (2015: $12.3m).

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

**ESOS and LTRP**
For the purposes of calculating the fair value of the share options, a Black-Scholes option pricing model has been used. Based on past experience, it has been assumed that options will be exercised, on average, six months after the earliest exercise date, which is four years after grant date, and there will be a lapse rate of 20% for ESOS and 25% for LTRP. The share price volatility used in the calculation of 40% is based on the actual volatility of the Group's shares since IPO as well as that of comparable companies. The risk free rate of return is based on the implied yield available on zero coupon gilts with a term remaining equal to the expected lifetime of the options at the date of grant.

**Long Term Plan**
The Group's Long Term Plan ('LTP') was introduced during 2013. There are two distinct awards made under the LTP. Nil value share options will be awarded on the same basis as awards under the LTRP (see above). In addition, awards to senior management are made based on achievement of performance measures, these being total shareholder return and adjusted diluted earnings per share. Participants may be granted conditional share awards or nil cost options at the start of the cycle. Performance is measured over a three year period and up to 80% of an award may vest based on the performance over that period. The vesting of at least 20% of any award is normally deferred for a further period of at least two years.

**Performance based awards**
Details of the LTP awards are set out in the table below. The charge for market related performance targets has been calculated using a Monte Carlo simulation model taking account of share price volatility against peer group companies, risk free rate of return, dividend yield and the expected lifetime of the award. Further details of the LTP are provided in the Directors' Remuneration Report.

| **Cycle** | **4** | **5** | **6** | **7** | **8** | **9** |
|---|---|---|---|---|---|---|
| Performance period | 2011-13 | 2012-14 | 2013-15 | 2014-16 | 2015-17 | 2016-18 |
| Fair value of awards | £5.10 | £6.18 | £7.53 | £7.26 | £5.95 | £5.82 |
| Type of award | Shares/options | Shares/options | Options | Options | Options | Options |
| Outstanding at 31/12/16 | 30,911 | 94,086 | 97,773 | 2,091,395 | 2,808,245 | 2,965,298 |

The awards outstanding under cycles 4, 5 and 6 represent 20% of the award at vesting which is deferred for two years.

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

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

| | **ESOS** | | **LTRP** | | **LTP** | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| Number of participants | **605** | 735 | **135** | 215 | **262** | 291 |
| Lapse rate | **25%** | 25% | **20%** | 20% | **10-20%** | 10-20% |
| Risk free rate of return on grants during year | **N/A** | N/A | **N/A** | N/A | **0.15%-0.58%** | 1.09%-1.14% |
| Share price volatility | **40%** | 40% | **40%** | 40% | **40%** | 40% |
| Dividend yield on grants during year | **N/A** | N/A | **N/A** | N/A | **3.50%** | 2.69% |
| Fair value of options granted during year | **N/A** | N/A | **N/A** | N/A | **£5.79-£5.96** | £5.25-£5.91 |
| Weighted average remaining contractual life | **5.5 years** | 6.3 years | **1.2 years** | 1.7 years | **2.3 years** | 3.3 years |
| Options outstanding 1 January | **5,308,594** | 6,868,494 | **1,106,986** | 1,845,558 | **1,421,864** | 962,396 |
| Options granted during the year | **-** | - | **-** | - | **530,228** | 565,769 |
| Options exercised during the year | **(1,013,892)** | (858,478) | **(548,278)** | (564,319) | **(42,575)** | (9,405) |
| Options lapsed during the year | **(444,548)** | (701,422) | **(76,646)** | (174,253) | **(109,153)** | (96,896) |
| Options outstanding 31 December | **3,850,154** | 5,308,594 | **482,062** | 1,106,986 | **1,800,364** | 1,421,864 |
| No. of options exercisable at 31 December | 1,835,482 | 1,976,732 | 48,875 | 111,000 | - | - |
| Weighted average share price of options exercised during year | £7.21 | £6.69 | £6.52 | £6.26 | £6.92 | £6.16 |

## 20 Share based charges (continued)

### Executive Share Option Schemes

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

| Year of Grant | Number of ordinary shares under option 2016 | 2015 | Exercise price (per share) | Exercise period |
|---|---|---|---|---|
| 2006 | **-** | 25,000 | 265¼p | 2010-2016 |
| 2007 | **15,000** | 27,000 | 268½p | 2011-2017 |
| 2008 | **37,000** | 42,000 | 381¾p | 2012-2018 |
| 2008 | **-** | 5,000 | 354⅓p | 2012-2018 |
| 2009 | **239,200** | 325,113 | 222p | 2013-2019 |
| 2009 | **-** | 5,000 | 283⅔p | 2013-2019 |
| 2010 | **352,114** | 571,152 | 377½p | 2014-2020 |
| 2011 | **484,340** | 926,467 | 529½p | 2015-2021 |
| 2012 | **707,828** | 1,093,308 | 680½p | 2016-2022 |
| 2012 | **-** | 2,500 | 802p | 2016-2022 |
| 2013 | **1,077,481** | 1,239,243 | 845⅓p | 2017-2023 |
| 2013 | **4,000** | 4,000 | 812p | 2017-2023 |
| 2014 | **933,191** | 1,042,811 | 767⅔p | 2018-2024 |
| | **3,850,154** | 5,308,594 | | |

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.

### Long Term Retention Plan

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

| Year of Grant | Number of ordinary shares under option 2016 | 2015 | Exercise price (per share) | Exercise period |
|---|---|---|---|---|
| 2011 | **-** | 111,000 | $4\frac{2}{7}$p | 2015-2016 |
| 2012 | **48,875** | 459,469 | $4\frac{2}{7}$p | 2016-2017 |
| 2013 | **433,187** | 536,517 | $4\frac{2}{7}$p | 2017-2018 |
| | **482,062** | 1,106,986 | | |

Options are granted under the Group's LTRP at par value. There are no performance criteria attached to the exercise of options under the LTRP.

### Employee share plan

The Group introduced an Employee Share Plan during 2016. Under the plan employees contribute regular monthly amounts which are used to purchase shares over a one year period. At the end of the year, the participating employees are awarded one free share for every three shares purchased, providing they remain in employment for a further year. At 31 December 2016, it is estimated that 195,414 shares will be awarded under the scheme.

### Nil value share options

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

| Year of Grant | Number of ordinary shares under option 2016 | 2015 | Exercise price (per share) | Exercise period |
|---|---|---|---|---|
| 2013 | 11,500 | 11,500 | 0.00p | 2017-2018 |
| 2014 | 705,575 | 844,595 | 0.00p | 2018-2019 |
| 2015 | 330,769 | 330,769 | 0.00p | 2017-2018 |
| 2015 | 222,292 | 235,000 | 0.00p | 2019-2020 |
| 2016 | 235,228 | - | 0.00p | 2018-2019 |
| 2016 | 295,000 | - | 0.00p | 2020-2021 |
| | 1,800,364 | 1,421,864 | | |

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

## 21 Share capital

| Ordinary shares of 4²⁄₇ pence each (2015: 4²⁄₇ pence) Issued and fully paid | 2016 shares | 2016 $m | 2015 shares | 2015 $m |
|---|---|---|---|---|
| At 1 January | **378,875,384** | **23.8** | 376,975,384 | 23.7 |
| Allocation of new shares to employee share trusts | **2,150,000** | **0.1** | 1,900,000 | 0.1 |
| **At 31 December** | **381,025,384** | **23.9** | 378,875,384 | 23.8 |

## 22 Share premium

| | 2016 $m | 2015 $m |
|---|---|---|
| At 1 January | **63.9** | 56.0 |
| Allocation of new shares to employee share trusts | **-** | 7.9 |
| **At 31 December** | **63.9** | 63.9 |

The shares allocated to the trust during the year were issued at 4²⁄₇ pence (2015: 4²⁄₇ pence and 529½ pence).

## 23 Retained earnings

| | 2016 $m | 2015 $m |
|---|---|---|
| At 1 January | **2,162.4** | 2,142.8 |
| Profit for the year attributable to owners of the parent | **27.8** | 79.0 |
| Dividends paid (note 6) | **(116.0)** | (104.9) |
| Credit relating to share based charges (note 20) | **10.7** | 12.7 |
| Re-measurement (loss)/gain on retirement benefit liabilities (note 29) | **(14.2)** | 24.9 |
| Movement in deferred tax relating to retirement benefit liabilities | **2.8** | (4.9) |
| Shares allocated to employee share trusts | **(0.1)** | (8.0) |
| Shares disposed of by employee share trusts | **7.5** | 5.6 |
| Tax credit relating to share option schemes | **6.4** | 7.5 |
| Exchange movements in respect of shares held by employee share trusts | **20.9** | 7.7 |
| Transactions with non-controlling interests | **(10.2)** | - |
| **At 31 December** | **2,098.0** | 2,162.4 |

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. No options have been granted over shares held by the employee share trusts (2015: nil).

## 23 Retained earnings (continued)

**Shares held by employee share trusts**

| | 2016 Shares | 2016 $m | 2015 Shares | 2015 $m |
|---|---|---|---|---|
| Balance 1 January | **8,985,323** | **133.8** | 9,489,797 | 139.1 |
| New shares allocated | **2,150,000** | **0.1** | 1,900,000 | 8.0 |
| Shares issued to satisfy option exercises | **(1,604,745)** | **(7.5)** | (1,432,202) | (5.6) |
| Shares issued to satisfy awards under Long Term Incentive Plan | **(430,818)** | **-** | (972,272) | - |
| Shares issued to satisfy awards under Employee Share Plan | **(2,408)** | **-** | - | - |
| Exchange movement | **-** | **(20.9)** | - | (7.7) |
| **Balance 31 December** | **9,097,352** | **105.5** | 8,985,323 | 133.8 |

Shares acquired by the employee share trusts are purchased in the open market using funds provided by John Wood Group PLC to meet obligations under the Employee Share Option Schemes, LTRP and LTP. Shares are allocated to the employee share trusts in order to satisfy future option exercises at various prices.

The costs of funding and administering the trusts are charged to the income statement in the period to which they relate. The market value of the shares at 31 December 2016 was $98.5m (2015: $81.1m) based on the closing share price of £8.76 (2015: £6.13). The employee share trusts have waived their rights to receipt of dividends on ordinary shares.

Transactions with non-controlling interests include $9.5m relating to the acquisition of minority shareholdings (see note 25).

The amount of John Wood Group PLC's reserves that are considered distributable is disclosed in note 13 to the Company Financial Statements.

## 24 Other reserves

| | Capital reduction reserve $m | Capital redemption reserve $m | Currency translation reserve $m | Hedging reserve $m | Total $m |
|---|---|---|---|---|---|
| At 1 January 2015 | 88.1 | 439.7 | (203.2) | (0.9) | 323.7 |
| Exchange movements on retranslation of foreign currency net assets | - | - | (175.4) | - | (175.4) |
| Cash flow hedges | - | - | - | (0.1) | (0.1) |
| At 31 December 2015 | 88.1 | 439.7 | (378.6) | (1.0) | 148.2 |
| Exchange movements on retranslation of foreign currency net assets | - | - | (138.8) | - | (138.8) |
| **At 31 December 2016** | **88.1** | **439.7** | **(517.4)** | **(1.0)** | **9.4** |

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

## 25 Non-controlling interests

| | 2016 $m | 2015 $m |
|---|---|---|
| At 1 January | **22.7** | 13.1 |
| Exchange movements | **(0.3)** | (0.5) |
| Share of profit for the year | **6.6** | 11.1 |
| Dividends paid to non-controlling interests | **(6.7)** | (1.0) |
| Transactions with non-controlling interests | **(9.3)** | - |
| **At 31 December** | **13.0** | 22.7 |

During the year the Group made payments totalling $18.8m to acquire non-controlling interests. $9.3m represents the share of net assets acquired and the excess has been recorded against retained earnings.

## 26 Cash generated from operations

| | Note | 2016 $m | 2015 $m |
|---|---|---|---|
| **Reconciliation of operating profit to cash generated from operations:** | | | |
| Operating profit from continuing operations | | **89.4** | 159.4 |
| Less share of post-tax profit from joint ventures | | **(3.4)** | (26.6) |
| | | **86.0** | 132.8 |
| Operating profit from discontinued operations | | **-** | 10.4 |
| | | **86.0** | 143.2 |
| Adjustments for: | | | |
| Depreciation | **9** | **46.1** | 48.8 |
| (Gain)/loss on disposal of property plant and equipment | **3** | **(4.7)** | 4.0 |
| Amortisation of intangible assets | **8** | **102.3** | 107.1 |
| Share based charges | **20** | **10.7** | 12.3 |
| (Decrease)/increase in provisions | **18** | **(43.8)** | 27.0 |
| Dividends from joint ventures | **10** | **25.4** | 23.6 |
| Exceptional items - non cash impact | **1,4** | **99.9** | 149.8 |
| **Changes in working capital** (excluding effect of acquisition and divestment of subsidiaries) | | | |
| Decrease/(increase) in inventories | | **0.9** | (0.6) |
| Decrease in receivables | | **98.3** | 333.8 |
| Decrease in payables | | **(179.6)** | (274.0) |
| Exchange movements | | **3.6** | (12.1) |
| **Cash generated from operations** | | **245.1** | 562.9 |

## 26 Cash generated from operations (continued)

**Analysis of net debt**

| | At 1 January 2016 $m | Cash flow $m | Exchange movements $m | At 31 December 2016 $m |
|---|---|---|---|---|
| Cash and cash equivalents | 851.3 | (262.9) | (8.9) | **579.5** |
| Restricted cash | 26.5 | - | - | **26.5** |
| Short term borrowings | (676.7) | 241.6 | 1.5 | **(433.6)** |
| Long term borrowings | (495.0) | - | - | **(495.0)** |
| **Net debt** | (293.9) | (21.3) | (7.4) | **(322.6)** |

Net debt of $8.8m (2015: net cash $3.6m) was held by joint ventures at 31 December.

The restricted cash of $26.5m (2015: $26.5m) is cash that is subject to an attachment order. The Group cannot access this cash until it receives a release letter from the Courts and as a result the cash balance is presented in receivables. Management believe it is appropriate to include the restricted cash balance in the Group's net debt figure.

## 27 Acquisitions

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

| | $m |
|---|---|
| Property plant and equipment | 1.1 |
| Intangible assets recognised on acquisition | 6.4 |
| Other intangible assets | 0.1 |
| Trade and other receivables | 3.6 |
| Cash and cash equivalents | 1.0 |
| Trade and other payables | (4.9) |
| **Total identifiable net assets acquired** | **7.3** |
| Goodwill | 18.3 |
| **Consideration** | **25.6** |
| **Consideration satisfied by:** | |
| Cash | 18.4 |
| Deferred and contingent consideration | 7.2 |
| | **25.6** |

The Group has used acquisition accounting for the purchases and, in accordance with the Group's accounting policies, the goodwill arising on consolidation of $18.3m has been capitalised. The table reflects payments in respect of deferred and contingent consideration made in relation to acquisitions in prior periods.

In April 2016, the Group acquired 100% of the share capital of SVT Holdings Pty Ltd for an initial consideration of $9.1m, net of $1.0m cash acquired. SVT provides piping and rotating equipment vibration, noise, integrity engineering and asset integrity services to the oil and gas, power, mining and utilities sectors. SVT, which is based in Perth, Australia is reported in the STS segment.

Also in April, the Group acquired 100% of the share capital of Ingenious Inc for an initial consideration of $3.1m with a further $8.2m of estimated contingent consideration provided. Ingenious provides proprietary software and consulting services to the global chemical, oil and gas, and energy industries. Ingenious, which is based in Houston, Texas is reported in the STS segment.

## 27 Acquisitions (continued)

Contingent consideration has been provided in relation to the Ingenious acquisition and is payable over the next three years. The amount payable is dependent on post-acquisition profits and the provision made is based on the Group's estimate of the likely profits of the entity. Where deferred consideration is payable after more than one year the estimated liability is discounted using an appropriate rate of interest.

Neither acquisition is considered material in its own right and amounts have therefore been aggregated in the table above.

The acquired companies will be in a position to access the Group's wider client base and use the Group's resources to further grow and develop their businesses. The acquisitions expand the Group's existing service lines and provide increased diversification and entry into new markets. These factors contribute to the goodwill recognised on the acquisitions.

Intangible assets of $6.4m, representing the fair value of customer contracts and relationships, have been recorded in relation to the acquisitions made in the year. Trade and other receivables acquired of $3.6m are expected to be recovered in full. The accounting for these acquisitions will be finalised in the next accounting period.

Acquisition costs incurred in relation to the companies acquired during the year are included in administrative expenses in the income statement.

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

| | $m |
|---|---|
| Cash consideration | **18.4** |
| Cash acquired | **(1.0)** |
| **Cash outflow** | **17.4** |

Included in the cash outflow above are contingent consideration payments of $5.2m made during the year in respect of acquisitions made in prior periods. Deferred and contingent consideration payments were reassessed during the year resulting in the release of $12.9m to the income statement. Total deferred and contingent consideration outstanding at 31 December amounted to $92.7m (2015: $99.6m).

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

| | $m |
|---|---|
| Total Revenue | **4,938.2** |
| Total EBITA | **363.6** |

From the date of acquisition to 31 December 2016, the acquisitions contributed $12.4m to revenue and $1.6m to EBITA.

## 28 Employees and directors

| Employee benefits expense | 2016 $m | 2015 $m |
|---|---|---|
| Wages and salaries | **1,964.6** | 2,367.9 |
| Social security costs | **166.5** | 210.7 |
| Pension costs – defined contribution schemes (note 29) | **68.3** | 78.8 |
| Share based charges | **10.7** | 12.3 |
| | **2,210.1** | 2,669.7 |

| Average monthly number of employees (including executive directors) | 2016 No. | 2015 No. |
|---|---|---|
| By geographical area: | | |
| UK | **7,169** | 8,907 |
| US | **10,736** | 10,082 |
| Rest of the World | **7,626** | 9,186 |
| | **25,531** | 28,175 |

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

| Key management compensation | 2016 $m | 2015 $m |
|---|---|---|
| Salaries and short term employee benefits | **5.6** | 8.5 |
| Amounts receivable under long term incentive schemes | **0.8** | 1.3 |
| Social security costs | **0.8** | 0.8 |
| Post-employment benefits | **0.3** | 0.6 |
| Share based charges | **1.3** | 1.3 |
| | **8.8** | 12.5 |

Key management compensation represents the charge to the income statement in respect of the remuneration of the Group board and Group Executive Leadership Team members.

| Directors | 2016 $m | 2015 $m |
|---|---|---|
| Aggregate emoluments | **2.6** | 4.3 |
| Aggregate amounts receivable under long term incentive schemes | **0.4** | 0.6 |
| Aggregate gains made on the exercise of share options | **0.2** | 0.7 |
| Share based charges | **0.6** | 0.6 |
| | **3.8** | 6.2 |

At 31 December, two directors (2015: two) had retirement benefits accruing under a defined contribution pension plan and no directors (2015: none) had benefits accruing under the Group's defined benefit pension scheme. Further details of directors' emoluments are provided in the Directors' Remuneration Report.

## 29 Retirement benefit scheme surplus/deficit

The Group operates a defined benefit pension scheme in the UK, the John Wood Group PLC Retirement Benefits Scheme, and a number of defined contribution plans. The assets of the defined benefits scheme are held separately from those of the Group, being invested with independent investment companies in trustee administered funds. On 30 June 2014, the scheme was closed to future accrual.

The most recent actuarial valuation of the scheme was carried out at 5 April 2016 by a professionally qualified actuary. The Group has agreed to pay deficit reduction contributions of £1.7m per annum until 2021, although this is currently under review following the recent actuarial valuation.

At 31 December 2016, there were no active members (2015: nil), 397 pensioners (2015: 370) and 724 deferred members (2015: 774) of the scheme.

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

| | **2016 %** | 2015 % |
|---|---|---|
| Discount rate | **2.60** | 3.90 |
| Rate of increase in pensions in payment and deferred pensions | **3.55** | 3.20 |
| Rate of retail price index inflation | **3.55** | 3.20 |
| Rate of consumer price index inflation | **2.55** | 2.20 |

At 31 December 2016, the mortality assumption used to determine pension liabilities is based on the most recent mortality tables which consider UK wide mortality data relevant to the Group's pension scheme. The mortality rates are then adjusted to allow for expected future improvements in mortality using up to date projections. The mortality assumption used a base table of S2NA with CMI 2015 projections with a long term rate of improvement of 1.25% pa.

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

| | **2016 $m** | 2015 $m |
|---|---|---|
| Present value of funded obligations | **(246.3)** | (249.7) |
| Fair value of scheme assets | **239.3** | 254.2 |
| **Net (deficit)/surplus** | **(7.0)** | 4.5 |

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

| | **2016 $m** | **2016 %** | 2015 $m | 2015 % |
|---|---|---|---|---|
| Equity securities | **188.8** | **78.9** | 206.9 | 81.4 |
| Corporate bonds | **25.6** | **10.7** | 24.9 | 9.8 |
| Gilts | **14.1** | **5.9** | 13.2 | 5.2 |
| Annuity policies | **6.0** | **2.5** | 6.4 | 2.5 |
| Cash | **4.8** | **2.0** | 2.8 | 1.1 |
| | **239.3** | **100.0** | 254.2 | 100.0 |

The amounts recognised in the income statement are as follows:

| | **2016 $m** | 2015 $m |
|---|---|---|
| Interest cost | **8.8** | 10.1 |
| Interest income on scheme assets | **(9.0)** | (9.2) |
| **Total included within finance (income)/expense** | **(0.2)** | 0.9 |

There is no current service cost included in employee benefit expense following the closure of the scheme to future accrual 30 June 2014.

## 29 Retirement benefit scheme surplus/deficit (continued)

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

| | **2016 $m** | 2015 $m |
|---|---|---|
| Present value of funded obligations at 1 January | **249.7** | 293.1 |
| Interest cost | **8.8** | 10.1 |
| Re-measurements: | | |
| - actuarial losses/(gains) arising from changes in financial assumptions | **72.7** | (15.1) |
| - actuarial gains arising from changes in demographic assumptions | **(10.9)** | - |
| - actuarial gains arising from changes in experience | **(15.3)** | (3.1) |
| Benefits paid | **(14.8)** | (15.6) |
| Settlement of unfunded liability | **-** | (4.7) |
| Exchange movements | **(43.9)** | (15.0) |
| **Present value of funded obligations at 31 December** | **246.3** | 249.7 |

At 31 December 2016, the present value of funded obligations comprised $177.8m relating to deferred members and $68.5m relating to pensioners.

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

| | **2016 $m** | 2015 $m |
|---|---|---|
| Fair value of scheme assets at 1 January | **254.2** | 266.1 |
| Interest income on scheme assets | **9.0** | 9.2 |
| Contributions | **2.3** | 2.5 |
| Benefits paid | **(14.8)** | (15.6) |
| Expenses paid | **-** | (0.1) |
| Re-measurement gain on scheme assets | **32.3** | 6.7 |
| Exchange movements | **(43.7)** | (14.6) |
| **Fair value of scheme assets at 31 December** | **239.3** | 254.2 |

Analysis of the movement in the balance sheet (surplus)/deficit:

| | **2016 $m** | 2015 $m |
|---|---|---|
| (Surplus)/deficit at 1 January | **(4.5)** | 27.0 |
| Finance (income)/ expense | **(0.2)** | 0.9 |
| Contributions | **(2.3)** | (2.5) |
| Expenses paid | **-** | 0.1 |
| Re-measurement losses/(gains) recognised in the year | **14.2** | (24.9) |
| Settlement of unfunded liability | **-** | (4.7) |
| Exchange movements | **(0.2)** | (0.4) |
| **Deficit/(surplus) at 31 December** | **7.0** | (4.5) |

The contributions expected to be paid during the financial year ending 31 December 2017 amount to $2.1m (£1.7m).

## 29 Retirement benefit scheme surplus/deficit (continued)

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

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

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

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

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

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

| Assumption | Approximate effect on liabilities |
|---|---|
| Discount rate | |
| - Minus 0.5% | $26.9m |
| - Plus 0.5% | $(23.4)m |
| Inflation | |
| - Plus 0.25% | $6.4m |
| - Minus 0.25% | $(6.2)m |
| Life expectancy | |
| - Plus 1 year | $6.4m |
| - Minus 1 Year | $(6.2)m |

**Defined contribution plans**
Pension costs for defined contribution plans were as follows:

| | **2016 $m** | 2015 $m |
|---|---|---|
| Defined contribution plans | **68.3** | 78.8 |

There were no material contributions outstanding at 31 December 2016 in respect of defined contribution plans.

The Group operates a pension arrangement in the US for certain employees. During the year, the Group made contributions of $0.6m (2015: $0.8m) to the arrangement. Contributions are invested in a portfolio of US funds and the fair value of the funds at the balance sheet date are recognised by the Group as a long term receivable. Investments held by the Group at 31 December amounted to $77.4m (2015: $75.5m) and will be used to pay benefits when employees retire. The corresponding liability is recorded in other non-current liabilities.

## 30 Operating lease commitments – minimum lease payments

| | 2016 Property $m | 2016 Vehicles, plant and equipment $m | 2015 Property $m | 2015 Vehicles, plant and equipment $m |
|---|---|---|---|---|
| Amounts payable under non-cancellable operating leases due: | | | | |
| Within one year | **79.0** | **9.2** | 78.4 | 9.3 |
| Later than one year and less than five years | **225.2** | **5.5** | 251.7 | 11.4 |
| After five years | **208.0** | **-** | 232.2 | - |
| | **512.2** | **14.7** | 562.3 | 20.7 |

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

## 31 Contingent liabilities

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

From time to time, the Group is notified of claims in respect of work carried out. Where management believes we are in a strong position to defend these claims no provision is made.

The Group is aware of challenges to historic employment practices which may have an impact on the Group, including the application of National Insurance Contributions to workers in the UK Continental Shelf. In addition, recent court cases have challenged the UK's historic interpretation of EU legislation relating to holiday pay and this may have an impact on all companies who have employees in the UK, including Wood Group. At this point, we do not believe that it is probable that a liability, if any, will arise from any of these claims and therefore no provision has been made.

## 32 Capital and other financial commitments

| | 2016 $m | 2015 $m |
|---|---|---|
| Contracts placed for future capital expenditure not provided in the financial statements | **8.1** | 5.0 |

The capital expenditure above relates to property plant and equipment. In addition, joint venture companies have commitments amounting to $2.2m.

## 33 Related party transactions

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

| | 2016 $m | 2015 $m |
|---|---|---|
| Sale of goods and services to joint ventures | **29.6** | 47.6 |
| Purchase of goods and services from joint ventures | **8.5** | 11.6 |
| Receivables from joint ventures | **119.5** | 147.0 |
| Payables to joint ventures | **13.3** | 18.6 |

Key management compensation is disclosed in note 28.

The Group currently pays an annual fee of £15,000 (2015: £10,000) to Dunelm Energy, a company in which Ian Marchant, the Group Chairman, has an interest, for secretarial and administration services and the provision of office space.

## 34 Subsidiaries and joint ventures

The Group's subsidiary and joint venture undertakings at 31 December 2016 are listed below. All subsidiaries are fully consolidated in the financial statements. Ownership interests noted in the table reflect holdings of ordinary shares.

| Company name | Country of incorporation or registration | Registered address | Ownership interest % |
|---|---|---|---|
| AG Offshore Engineering (China) Ltd | China | Room A25, 3rd Floor, No 473 West Fute 1st Road, Shanghai | 100% |
| Altablue Australia Pty Ltd | Australia | Wood Group House, Level 1, 432 Murray Street, Perth WA 6000 | 100% |
| Altablue Inc. | United States | 2215-B Renaissance Dr. Las Vegas, NV 89119 | 100% |
| AltaBlue Limited | Jersey | La Motte Chambers, La Motte Street, St Helier | 100% |
| Australian Skills Training Pte. Ltd. | Singapore | Shaw Tower #28-09, 100 Beach Road, Singapore, 189702 | 100% |
| Automated Technology Group Holdings Limited<br>Autotech Controls Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| Baker Energy International Equatorial Guinea S.A. | Equatorial Guinea | Bioko, Island Region, Malabo | 65% |
| BMA Engineering Sdn. Bhd. | Malaysia | Unit C-12-4, Level 12, Block C, Megan Avenue II, 50450 Kuala Lumpur, Wilayah Persekutuan | 100% |
| BMA Solutions Inc | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Brazos M & E (Nevada), Inc. | United States | 2215-B Renaissance Dr., Las Vegas, NV 89119 | 100% |
| Brazos M & E Management, L.L.C.<br>Brazos M & E, Ltd. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Caliber Holding, Inc. | United States | 2215-B Renaissance Dr., Las Vegas, NV 89119 | 100% |
| Caliber Services, L.P.<br>Cape Software, Inc.<br>CSGP, LLC | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| East Mediterranean Energy Services Limited | United Kingdom | 3rd Floor, 68-70 George Street, Edinburgh | 100% |
| Elkhorn Construction, Inc.<br>Elkhorn Holdings, Inc. | United States | 1821 Logan Avenue, Cheyenne, WY 82001 | 100% |
| Enterprise Engineering Services Limited<br>Enterprise Fabrication Services Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Erbus AS | Norway | Fokserodveien 12, Sandefjord, 3241 | 100% |
| Feng Neng Sgurr (Beijing) Renewable Energy Technology Co. Ltd | China | 1217, No 5 Dongzhimen South Avenue, Dongcheng | 100% |
| Garlan Insurance Limited | Guernsey | St Martins House, Le Bordage, St Peter Port, GY1 4AU | 100% |
| Ghabet El Iraq for General Contracting and Engineering Services, Engineering Consultancy (LLC) | Iraq | Suite 24, Building 106, St 19, Sec 213, Al-Kindi St, Al-Haritheeya Qts, Baghdad | 100% |
| Global Performance, LLC | United States | 1703 Laurel Street, Columbia, SC 57501 | 100% |
| Greenwell Services (UK) Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| Grenland Group (China) Limited | China | Room D2, 6th Floor, No 2446, Jin Qiao Road, Pudong, Shanghai | 100% |
| GTS Power Solutions Limited | Jersey | La Motte Chambers, La Motte Street, St Helier | 100% |
| Harwat International Finance Corporation N.V. | Curaçao | Penstraat 35, P.O. Box 4888, Curacao | 100% |
| Harwood Production Services Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Hexagon Sociedad Anonima con Consejo de Administracion | Equatorial Guinea | Solege, Calle Kenia S/N, Malabo | 65% |
| HFA Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| ICGP, LLC | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Igranic Control Systems Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| IMGP, LLC | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Infinity Construction Holding, LLC | United States | 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | 100% |
| Infinity Construction Services, LP | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Infinity Maintenance Holding, LLC | United States | 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | 100% |
| Infinity Maintenance Services, L.P.<br>Ingenious Inc. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |

## 34 Subsidiaries and joint ventures (continued)

| Company name | Country of incorporation or registration | Registered address | Ownership interest % |
|---|---|---|---|
| Ingenious Process Solutions Private Limited | India | 307, Atlanta Estate, 3rd Floor, Hanuman Tekdil Road Vitbhatti, Off. W. E. Highway, Goregaon (East) Mumbai MH 400063 | 100% |
| Innofield Services Pty Ltd | Australia | Level 6, 54-58 Mounts Bay Road, Perth WA 6000 | 100% |
| Integrated Maintenance Services Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| ISI Group, L.L.C. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 90% |
| ISI Mustang (Argentina) S.A. | Argentina | Pedro Molina 714, Ciudad de Mendoza, Province de Mendoza | 91% |
| ISI Mustang Bolivia S.R.L. | Bolivia | Avenida San Martin Calle 6 Este, Equipetrol No. 5, Barrio, Santa Cruz | 100% |
| ISI Mustang Chile SpA | Chile | Calle Providencia 337, off. 7, Comuna de Providencia, Santiago | 90% |
| ISI Mustang Peru S.A.C. | Peru | Calle Martir Olaya 201, off. 801 Miraflores, Lima | 90% |
| ISI Mustang Servicios de Ingenieria de Mexico, S de R.L. De C.V. | Mexico | Homero 1804 Piso 11, Col. Los Morales - Delegacion Miguel Hidalgo, Mexico City, Distrito Federal, C.P. 11540 | 89% |
| ISI Solutions Colombia Limitada | Colombia | Carrera 12 No.90 19, Floor 3, Bogota D.C. | 90% |
| ISI Solutions, Inc. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 90% |
| J P Kenny Overseas Limited | Cyprus | Themistokli Dervi 5, Elenion Building, 2nd Floor, P.C. 1005, Nicosia | 100% |
| J P Kenny Technology Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| J W G Trustees Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| John Brown E & C Ltd | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| John Wood Group B.V. | Netherlands | Atrium Building, 8th Floor, Strawinskylaan 3127, Amsterdam, 1077 ZX | 100% |
| John Wood Group Holdings B.V. | Netherlands | Atrium Building, 8th Floor, Strawinskylaan 3127, Amsterdam, 1077 ZX | 100% |
| John Wood Group US Company | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| JWG 16 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| JWG Cooperatief B.A. | Netherlands | Herikerbergweg 214, 1101 CM, Amsterdam Zuidoost | 100% |
| JWG Ireland CAD Unlimited Company | Ireland | Second Floor, Blocks 4 and 5, Galway Technology Park, Parkmore, Galway | 100% |
| JWG Ireland NOK Unlimited Company | Ireland | Second Floor, Blocks 4 and 5, Galway Technology Park, Parkmore, Galway | 100% |
| JWG Ireland USD Unlimited Company | Ireland | Second Floor, Blocks 4 and 5, Galway Technology Park, Parkmore, Galway | 100% |
| JWG Ireland USD 2 Unlimited Company | Ireland | Second Floor, Blocks 4 and 5, Galway Technology Park, Parkmore, Galway | 100% |
| JWG Ireland USD 3 Unlimited Company | Ireland | Second Floor, Blocks 4 and 5, Galway Technology Park, Parkmore, Galway | 100% |
| JWG Netherlands 1 B.V. | Netherlands | Herikerbergweg 214, 1101 CM, Amsterdam Zuidoost | 100% |
| JWG Netherlands 2 B.V. | Netherlands | Herikerbergweg 214, 1101 CM, Amsterdam Zuidoost | 100% |
| JWG Netherlands 3 B.V. | Netherlands | Herikerbergweg 214, 1101 CM, Amsterdam Zuidoost | 100% |
| JWG Netherlands 4 B.V. | Netherlands | Herikerbergweg 214, 1101 CM, Amsterdam Zuidoost | 100% |
| JWG Nigeria Limited | Nigeria | 13 Sumbo Jibowu Street, Ikoyi, Lagos | 49%* |
| JWG Norway Investments Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| JWGUS Company Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| JWGUSA Holdings Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| JWGUSA Holdings, Inc. | United States | 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | 100% |
| Kelchner, Inc. | United States | 1300 East 9th Street, Cleveland, OH 44114 | 100% |
| Kelwat Investments Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| M & O Global Pty Ltd | Australia | 432 Murray Street, Perth WA 6000 | 100% |
| M&O Pacific Limited | New Zealand | 28 Manadon Street, New Plymouth | 100% |
| Marine & Offshore Group Pty Limited | Australia | Wood Group House, Level 6, 432 Murray Street, Perth WA 6000 | 100% |
| Marine Computation Services Kenny Group Limited | Ireland | 70 Sir John Rogerson's Quay, Dublin 2 | 100% |
| MCS Kenny International (UK) Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Melwat Finance Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Mitchell's Oil Field Services, Inc. | United States | 26 West Sixth Avenue, Helena, MT 59624 | 100% |

## 34 Subsidiaries and joint ventures (continued)

| Company name | Country of incorporation or registration | Registered address | Ownership interest % |
|---|---|---|---|
| Mustang and Faisal Jamil Al-Hejailan Consulting Engineering Company | Saudi Arabia | PO Box 9175, Riyadh | 75% |
| Mustang Engineering (North Carolina) PC | United States | 327 Hillsborough Street, Raleigh, NC 27603 | 100% |
| Mustang Engineering Florida, Inc. | United States | 1200 South Pine Island Road, Plantation, FL 33324 | 100% |
| Mustang Engineering India Private Limited | India | R9, F -3 RD W: B, P-214, B- Wing, Laxmikant Apartment, Sitaram Keer Marg, Mahim, Mumbai 400016 | 100% |
| Mustang Engineering Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Mustang Engineering Pty. Ltd. | Australia | Wood Group House, Level 6, 432 Murray Street, Perth WA 6000 | 100% |
| Mustang International, L.P. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Mustang Malaysia Sdn. Bhd. | Malaysia | Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan | 100% |
| Mustang of New Jersey, Inc. | United States | 830 Bear Tavern Road, West Trenton, NJ 08628 | 80% |
| Mustang Process and Industrial Inc. | United States | 2 Office Park Court, Columbia SC 29223 | 100% |
| Mustang Saudi Arabia Co. Ltd. | Saudi Arabia | P.O. Box 17411, Riyadh | 100% |
| Mustang Subs GP, Inc.<br>Mustang Subs LP, Inc. | United States | 2215-B Renaissance Dr., Las Vegas, NV 89119 | 100% |
| NDT Systems, Inc. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| O.T.S. Finance and Management Limited | Vanuatu | Law Partners House, Rue Pasteur, Port Vila | 100% |
| ODL pty Ltd | Australia | Wood Group House, Level 6, 432 Murray Street, Perth WA 6000 | 100% |
| Offshore Design Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Onshore Pipeline Engineering, D.P.C. | United States | 245 Park Avenue, New York, NY 10167 | 100% |
| Overseas Technical Service International Limited | Vanuatu | Law Partners House, Rue Pasteur, Port Vila | 100% |
| Overseas Technical Services Nigeria Limited | Nigeria | No 13 Sumbo Jibowu Street, Ikoyi, Lagos | 93% |
| Patrie Investments B.V. | Netherlands | Drenstestraat 24 BG, 1083 HK Amsterdam | 100% |
| Procesos y Disenos Energeticos SA | Colombia | Carrera 11 A No. 96-51 5th floor, Bogota D.C. | 100% |
| Production Services Network (UK) Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Production Services Network Angola Limitada | Angola | RuaKima Kienda, Edificio SGEP, 2nd Floor, Apartment 16, Boavista District, Ingombota, Luanda | 49%* |
| Production Services Network Bangladesh Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| Production Services Network Corporate Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Production Services Network Emirates LLC | United Arab Emirates | Floor 5, International Tower, Capital Centre, 24th (Karama) Street, P.O. Box 105828, Abu Dhabi | 49%* |
| Production Services Network Eurasia LLC | Russia | Tverskaya St. 16/3, Moscow | 50%* |
| Production Services Network Gabon Sole Limited | Gabon | Place of Independence, En face de la BVMAC, Libreville, Gabon BP 922 | 100% |
| Production Services Network Holdings Corp. | Philippines | 585 ME National Road HW, Barangay Alangilan, Batangas City, Batangas | 100% |
| Production Services Network International Limited | Bermuda | Canon's Court, 22 Victoria Street, Hamilton, Bermuda HM12 | 100% |
| Production Services Network Qatar LLC | Qatar | PO Box 2515, Doha | 24%* |
| Production Services Network Sakhalin LLC | Russia | 2-6 Floors, 88 Amurskaya, 693020, Yuzhno-Sakhalinsk | 50%* |
| PSJ Fabrications Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| PSN (Angola) Limited<br>PSN (Philippines) Limited<br>PSN Asia Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| PSN Overseas Holding Company Limited | United Arab Emirates | The Maze Tower, 15th Floor, Sheikh Zayed Road, PO Box 9275, Dubai | 100% |
| PSN Overseas Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| PSN Overseas Romania SRL | Romania | Ploiesti, 225 Gheorghe Doja Street, 2nd Floor, Prahova County | 100% |

## 34 Subsidiaries and joint ventures (continued)

| Company name | Country of incorporation or registration | Registered address | Ownership interest % |
|---|---|---|---|
| PSN Production Services Network Philippines Corp | Philippines | 12th Floor, Net One Center, 26th Street Corner, 3rd Avenue, Crescent Park West, Bonifacio Global City, Taguig, Metro Manilla 1634 | 40%* |
| PT Australian Skills Training | Indonesia | Green Town Warehouse No. 2, Bengkong-Batam-Indonesia | 95% |
| PT Wood Group Kenny Indonesia | Indonesia | Office 88 Tower, 20th - H Floor, Jl. Casablanca Kav 88, South Jakarta 12870 | 90% |
| Pyeroy (Ireland) Limited | Ireland | 70 Sir John Rogerson's Quay, Dublin 2 | 95% |
| Pyeroy Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 95% |
| Sakhalin Technical Services Network LLC | Russia | Suite 417, Kommunistichesy Prospekt 32, Yuzhno-Sakhalinsk, Sakhalin | 40%* |
| Santos Barbosa Tecnica Comercio e Servicios Ltda | Brazil | Estrada Sao Jose do Mutum, 301 - Imboassica, Cidade de Macae, Rio de Janeiro, CEP 27973-030 | 100% |
| SARL Wood Group Algeria | Algeria | Cite Zone Industrielle BP 504, Hassi Messaoud | 100% |
| SD FortyFive Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| Sigma 3 (North Sea) Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 63% |
| SgurrControl Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 51% |
| SgurrEnergy Hong Kong Limited | Hong Kong | 1301 Bank of America Tower, 12 Harcourt Rd., Central Hong Kong | 100% |
| SgurrEnergy Inc. | United States | 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | 100% |
| SgurrEnergy Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Simco | Venezuela | Avenida 5 de Julio, Ebtre avs. 3Ey3F, Edificio Geminis, Piso 5, Maracaibo | 90% |
| SVT Holdings Pty Ltd | Australia | Wood Group House, Level 6, 432 Murray Street, Perth WA 6000 | 100% |
| Swaggart Brothers, Inc. | United States | 1127 Broadway St. NE, Ste 310, Salem, OR 97301 | 100% |
| Swaggart Logging & Excavation LLC | | | |
| Talentworx Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| The Automated Technology Group (Slovakia) s.r.o. | Slovakia | Hviezdoslavovo namestie 13, Mestska cast Stare Mesto, Bratislava 811 02 | 100% |
| The Automated Technology Group Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| The Igranic Group Limited | | | |
| United Electrical & Instrumentation (Nevada), Inc. | United States | 2215-B Renaissance Dr., Las Vegas, NV 89119 | 100% |
| United Electrical & Instrumentation Management, L.L.C. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| United Electrical & Instrumentation, Ltd. | | | |
| W L S Holdings Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WG International Services Limited | Cyprus | Elenion Building, 2nd Floor, 5 Themistocles Street, CY-1066 Nicosia | 100% |
| WG Intetech Holdings Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 90% |
| WG Power US Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD003 Limited | | | |
| WGD004 Limited | | | |
| WGD005 Limited | | | |
| WGD006 Limited | | | |
| WGD007 Limited | | | |
| WGD008 Limited | | | |
| WGD010 Limited | | | |
| WGD013 Limited | | | |
| WGD014 Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |

## 34 Subsidiaries and joint ventures (continued)

| Company name | Country of incorporation or registration | Registered address | Ownership interest % |
|---|---|---|---|
| WGD016 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD017 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD018 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD021 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD023 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD024 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD025 Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| WGD026 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD028 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD030 Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| WGD034 Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGD035 Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| WGPF Contracting Limited | Cyprus | Elenion Building, 2nd Floor, 5 Themistocles Street, CY-1066 Nicosia | 100% |
| WGPS International Limited | Cyprus | Elenion Building, 2nd Floor, 5 Themistocles Street, CY-1066 Nicosia | 100% |
| WGPS Peru S.A.C. | Peru | Avenida De la Floresta 497, Edificio Parque Las Lomas, Fifth floor, San Borja, Lima | 100% |
| WGPSN (Holdings) Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| WGPSN Eurasia Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 50%* |
| WGPSN Queensland Pty Ltd | Australia | Santos Place, Level 9, 32 Turbot Street, Brisbane QLD 4000 | 100% |
| Wood Group (South Africa) Pty Ltd | South Africa | PO Box 2506, Houghton 2041 | 100% |
| Wood Group Algeria Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Algiers Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Angola Limited | Cyprus | Elenion Building, 2nd Floor, 5 Themistocles Street, CY-1066 Nicosia | 100% |
| Wood Group Annaba Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Arzew Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Asset Integrity Solutions, Inc. | Canada | Centennial Place, East Tower, 1900, 520 - 3rd Ave. S.W., Calgary, Alberta, T2P 0R3 | 100% |
| Wood Group Asset Management Solutions Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Australia Pty Ltd | Australia | Wood Group House, Level 6, 432 Murray Street, Perth WA 6000 | 100% |
| Wood Group Azerbaijan B.V. | Netherlands | Atrium Building, 8th Floor, Strawinskylaan 3127, Amsterdam, 1077 ZX | 100% |
| Wood Group Canada, Inc. | Canada | Centennial Place, East Tower, 1900, 520 - 3rd Ave. S.W., Calgary, Alberta, T2P 0R3 | 100% |
| Wood Group de Mexico S.A. de C.V. | Mexico | Blvd. Manuel Avila Camacho 40 - 1801, Lomas de Cahpultepec, Delgacion Miguel Hidalgo, D.F. 11000 | 100% |
| Wood Group E & PF Holdings, Inc. | United States | 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | 100% |
| Wood Group E&PF (Canada) Limited | Canada | Centennial Place, East Tower, 1900, 520 - 3rd Ave. S.W., Calgary, Alberta, T2P 0R3 | 100% |
| Wood Group Engineering & Operations Support Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Engineering (Colombia) Ltd. | British Virgin Islands | Geneva Place, 2nd Floor, 333 Waterfront Drive, PO Box 3339, Road Town, Tortola | 100% |
| Wood Group Engineering (North Sea) Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Engineering and Production Facilities Australia Pty Ltd | Australia | Wood Group House, Level 6, 432 Murray Street, Perth WA 6000 | 100% |
| Wood Group Engineering and Production Facilities Brasil Ltda | Brazil | Rua Ministro Salgado Filho, 119, Cavaleiros, Cidade de Macae, Estado do Rio de Janeiro, CEP 27920-210 | 100% |
| Wood Group Engineering and Production Facilities de Mexico S.A. de C.V. | Mexico | Blvd. Manuel Avila Camacho 40 - 1801, Lomas de Cahpultepec, Delgacion Miguel Hidalgo, D.F. 11000 | 100% |
| Wood Group Engineering Contractors Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Engineering International Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |

## 34 Subsidiaries and joint ventures (continued)

| Company name | Country of incorporation or registration | Registered address | Ownership interest % |
|---|---|---|---|
| Wood Group Engineering Pte. Limited | Singapore | Shaw Tower #28-09, 100 Beach Road, Singapore, 189702 | 100% |
| Wood Group Engineering Sdn. Bhd | Malaysia | Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan | 0%* |
| Wood Group Engineering Services (France) SAS | France | 6Pl de la Madeleine, Paris, 75008 | 100% |
| Wood Group Engineering Services (Middle East) Limited | Jersey | La Motte Chambers, La Motte Street, St Helier | 100% |
| Wood Group Engineering Services (North Africa) Limited | Cyprus | Elenion Building, 2nd Floor, 5 Themistocles Street, CY-1066 Nicosia | 100% |
| Wood Group Equatorial Guinea Limited | | | |
| Wood Group ESP Saudi Arabia Limited | Saudi Arabia | PO Box 1280, Al-Khobar | 51% |
| Wood Group Frontier Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Gas Turbine Services Holdings Limited | | | |
| Wood Group Gas Turbines De Venezuela, S.A. | Venezuela | Av. Ppal Las Delicas Edf. Exon, Oficina 13-D- Maracay, Aragua 2101 | 99% |
| Wood Group Gas Turbines Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Ghana Limited | Ghana | 20 Jones Nelson Road, Adabraka, Accra | 49%* |
| Wood Group Hassi Messaoud Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Holdings (International) Limited | | | |
| Wood Group HR Limited | | | |
| Wood Group Industrial Services Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 95% |
| Wood Group Integrity Management Pty Ltd | Australia | Wood Group House, Level 6, 432 Murray Street, Perth WA 6000 | 100% |
| Wood Group Integrity Management UK Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group International Limited | | | |
| Wood Group International Services Pte. Ltd. | Singapore | Shaw Tower #28-09, 100 Beach Road, Singapore, 189702 | 100% |
| Wood Group Intetech Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines, TW18 1DT | 90% |
| Wood Group Investments Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Kazakhstan LLP | Kazakhstan | 55 Ablai Khan Ave., Room #112/114, Almaty 050004 | 100% |
| Wood Group Kenny Australia Pty Ltd | Australia | Wood Group House, Level 6, 432 Murray Street, Perth WA 6000 | 100% |
| Wood Group Kenny Canada Ltd. | Canada | Centennial Place, East Tower, 1900, 520 - 3rd Ave. S.W., Calgary, Alberta, T2P 0R3 | 100% |
| Wood Group Kenny Corporate Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Kenny do Brasil Servicos de Engenharia Ltda | Brazil | Rua Sete de Setembro, 54 - 4 andares, Centro, Rio de Janeiro - RJ, CEP 20050-009 | 100% |
| Wood Group Kenny India Private Limited | India | Floor 15, Building No 5, DLF Cyber City, Phase III, Gurgaon - 122002, Haryana | 100% |
| Wood Group Kenny Ireland Limited | Ireland | 70 Sir John Rogerson's Quay, Dublin 2 | 100% |
| Wood Group Kenny Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| Wood Group Kenny Norge AS | Norway | Lkkeveien 99, Stavanger | 100% |
| Wood Group Kenny SAS | France | 15-19 rue des Mathurins, Paris 75009 | 100% |
| Wood Group Kenny Sdn Bhd | Malaysia | Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan | 0%* |
| Wood Group Kenny UK Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| Wood Group Kenny, Inc. | United States | 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | 100% |
| Wood Group Kianda Limitada | Angola | No 201, Rua Engenheiro Armindo de Andrade, Bairro Miramar, Simbizanga, Luanda | 41%* |
| Wood Group Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| Wood Group Management Services de Mexico S.A. de C.V. | Mexico | Blvd. Manuel Avila Camacho 40 - 1801, Lomas de Cahpultepec, Delgacion Miguel Hidalgo, D.F. 11000 | 100% |

## 34 Subsidiaries and joint ventures (continued)

| Company name | Country of incorporation or registration | Registered address | Ownership interest % |
|---|---|---|---|
| Wood Group Management Services Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Mocambique, Limitada | Mozambique | 73 Rua Jose Sidumo, Bairro da Polana, Maputo | 100% |
| Wood Group Mustang (Canada) Construction Management Inc. | Canada | Centennial Place, East Tower, 1900, 520 - 3rd Ave. S.W., Calgary, Alberta, T2P 0R3 | 100% |
| Wood Group Mustang (M) Sdn. Bhd. | Malaysia | Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan | 100% |
| Wood Group Mustang Holdings, Inc. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Wood Group Mustang, Inc. | | | |
| Wood Group Norway AS | Norway | Fokserodveien 12, Sandefjord | 100% |
| Wood Group Norway Holdings AS | | | |
| Wood Group Norway Operations AS | Norway | Kanalsletta 2, 4033 Stavanger | 100% |
| Wood Group O&M International, Ltd. | Cayman Islands | Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102 | 100% |
| Wood Group Offshore Services Limited | Guernsey | Ogier House, St Julian's Avenue, St Peter Port | 100% |
| Wood Group Oilfield Rentals Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 98% |
| Wood Group Operations Holdings Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group OTS International Inc. | Cayman Islands | Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102 | 100% |
| Wood Group PDE Limited | British Virgin Islands | Geneva Place, 2nd Floor, 333 Waterfront Drive, PO Box 3339, Road Town, Tortola | 100% |
| Wood Group Peru S.A.C. | Peru | Av. de la Floresta 407, 5th Floor, San Borja, Lima | 100% |
| Wood Group Power Investments Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Production Facilities Limited | Jersey | La Motte Chambers, La Motte Street, St Helier | 100% |
| Wood Group Production Facilities Pty Limited | Australia | Wood Group House, Level 1, 432 Murray Street, Perth WA 6000 | 100% |
| Wood Group Production Services UK Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group Properties Limited | | | |
| Wood Group PSN Australia Pty Ltd | Australia | Level 3, 171 Collins Sreet, Melbourne, VIC 3000 | 100% |
| Wood Group PSN Azerbaijan LLC | Azerbaijan | 96E Nizami Street, Sabail, Baku, AZ 1010 | 100% |
| Wood Group PSN India Private Limited | India | Floor 15, Building No 5, Tower B, Cyber Terraces, Gurgaon - 122002, Haryana | 100% |
| Wood Group PSN Lease Maintenance & Construction LLC | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Wood Group PSN Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Wood Group PSN Uganda Limited | Uganda | KAA House, Plot 41, Nakasero Road, PO Box 9566, Kampala | 100% |
| Wood Group PSN, Inc. | United States | 2215-B Renaissance Dr., Las Vegas, NV 89119 | 100% |
| Wood Group Somias SPA | Algeria | PO Box 67, Elmalaha Road (Route des Salines), Elbouni, Annaba | 55% |
| Wood Group Support Services, Inc. | United States | 2215-B Renaissance Dr., Las Vegas, NV 89119 | 100% |
| Wood Group Trinidad & Tobago Limited | Trinidad and Tobago | 18 Scott Bushe Street, Port of Spain | 100% |
| Wood Group US Holdings, Inc. | United States | 2215-B Renaissance Dr., Las Vegas, NV 89119 | 100% |
| Wood Group US International, Inc. | | | |
| Wood Group, LLC | Iraq | Shoresh, Hadid and Khashab St., Erbil | 100% |
| Wood Group/MO Services, Inc. | United States | 211 E. 7th Street, Suite 620, Austin TX 78701 | 100% |
| Wood Group/OTS Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 100% |
| Woodhill Frontier Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 100% |
| Yeskertkish Kyzmet Kazakhstan LLP | Kazakhstan | Atyrau City, Airport Area, Atyrau | 100% |

*Companies consolidated for accounting purposes as subsidiaries on the basis of control.

Details of the direct subsidiaries of John Wood Group PLC are provided in note 1 to the parent company financial statements.

## 34 Subsidiaries and joint ventures (continued)

| Joint venture name | Country of incorporation or registration | Registered address | Ownership interest % |
|---|---|---|---|
| Dockside Services (Devonport) Limited | United Kingdom | Compass Point, 79-87 Kingston Road, Staines | 47% |
| Energy Logistics, Inc. | United States | 160 Greentree Drive, Suite 101, Dover, DE 19904 | 33% |
| EthosEnergy Group Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 51% |
| Libyan-Australian Joint Venture Company for Safety Services | Libya | Injilla Complex, Injilla, Tripoli | 50% |
| Massy Wood Group Ltd. | Trinidad and Tobago | 3rd Floor, Tatil Building, 11A Maraval Road, Port of Spain | 50% |
| Mustang Diavaz, S.A.P.I. de C.V. | Mexico | Av. Revolucion 468, Col. San Pedro de los Pinos Mexico, D.F. | 50% |
| Northern Integrated Services Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 50% |
| ODL Canada Limited | Canada | 689 Water Street, St. John's, NF A1E 1B5 | 50% |
| PSN KazStroy JSC | Kazakhstan | Satpayev str. 46, Atyrau | 50% |
| RWG (Repair & Overhauls) Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 50% |
| Servicios EHC Training C.A. | Venezuela | Calle Paris y New York, Edif. Themis Mary, Piso 2, Oficina 202, Las Mercedes, Caracas | 50% |
| SgurrEnergy India Pvt. Ltd | India | 58/2 Kausar Baugh, Off NIBM Road, Kondhwa, Pune, Maharashtra 411048 | 50% |
| Ship Support Services Limited | United Kingdom | Drayton Hall, Church Road, West Drayton, UB7 7PS | 47% |
| SKS Wood Sdn Bhd | Brunei | Lot No 23, G-25 Area, Simpang 81-4, Seria KB2533, PO Box 105, Seria KB1133, Negara | 43% |
| Sulzer Wood Limited | United Kingdom | 15 Justice Mill Lane, Aberdeen | 49% |
| Transcanada Turbines Ltd. | Canada | TransCanada PipeLines Tower, 111 Fifth Avenue S.W., P.O. Box 1000, Station M, Calgary AB T2P 4KE | 50% |
| Vista-Mustang JV Corp. | Canada | Suite B12, 6020 2nd Street S. E., Calgary AB T2H 2L8 | 50% |
| Wood Group - CCC Limited | Cyprus | Elenion Building, 2nd Floor, 5 Themistocles Street, CY-1066 Nicosia | 50% |
| Wood Group Production Facilities (Malaysia) Sdn. Bhd. | Malaysia | Lot 1-3, Level 5, Block G (South), Pusat Bandar Damansara, 50490 Kuala Lumpur | 48% |

# Company financial statements

## Company financial statements

# Independent auditors' report

## to the members of John Wood Group PLC

### Report on the company financial statements

#### Our opinion

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

- Give a true and fair view of the state of the company's affairs as at 31 December 2016;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- The balance sheet as at 31 December 2016;
- The statement of changes in equity for the year then ended;
- The accounting policies; and
- The notes to the financial statements, which include other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

### Other required reporting

#### Consistency of other information and compliance with applicable requirements

**Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

**ISAs (UK & Ireland) reporting**

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

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- Otherwise misleading.

We have no exceptions to report arising from this responsibility.

#### Adequacy of accounting records and information and explanations received

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

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

**Directors' remuneration report - Companies Act 2006 opinion**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Other Companies Act 2006 reporting**

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

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

## Other matter

We have reported separately on the group financial statements of John Wood Group PLC for the year ended 31 December 2016.

Lindsay Gardiner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
20 February 2017

- The maintenance and integrity of the John Wood Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Company balance sheet
## as at 31 December 2016

| | Note | 2016 $m | 2015 $m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 1 | **3,235.1** | 3,351.9 |
| Retirement benefit scheme surplus | 2 | **-** | 4.5 |
| Deferred tax | 3 | **9.6** | 7.1 |
| | | **3,244.7** | 3,363.5 |
| **Current assets** | | | |
| Trade and other receivables | 4 | **735.5** | 750.3 |
| Income tax receivable | | **39.0** | 8.5 |
| Cash and cash equivalents | 5 | **16.5** | 25.3 |
| | | **791.0** | 784.1 |
| **Current liabilities** | | | |
| Borrowings | 7 | **236.7** | 432.7 |
| Trade and other payables | 6 | **459.1** | 348.9 |
| | | **695.8** | 781.6 |
| **Net current assets** | | **95.2** | 2.5 |
| **Non-current liabilities** | | | |
| Borrowings | 7 | **495.0** | 495.0 |
| Retirement benefit obligation | 8 | **7.0** | - |
| Other non-current liabilities | 9 | **1,393.3** | 1,290.4 |
| | | **1,895.3** | 1,785.4 |
| **Net assets** | | **1,444.6** | 1,580.6 |
| **Equity** | | | |
| Share capital | 11 | **23.9** | 23.8 |
| Share premium | 12 | **63.9** | 63.9 |
| Retained earnings | 13 | **819.2** | 955.3 |
| Other reserves | 14 | **537.6** | 537.6 |
| **Total equity** | | **1,444.6** | 1,580.6 |

The financial statements on pages 128 to 138 were approved by the board of directors on 20 February 2017, and signed on its behalf by:

Robin Watson, Director

David Kemp, Director

# Statement of changes in equity

## for the year ended 31 December 2016

| | Share capital $m | Share premium $m | Retained earnings $m | Other reserves $m | Total equity $m |
|---|---|---|---|---|---|
| **At 1 January 2015** | **23.7** | **56.0** | **857.4** | **537.7** | **1,474.8** |
| Profit for the year | - | - | 166.4 | - | 166.4 |
| Dividends paid | - | - | (104.9) | - | (104.9) |
| Credit relating to share based charges | - | - | 12.3 | - | 12.3 |
| Fair value losses | - | - | - | (0.1) | (0.1) |
| Re-measurement gain on retirement benefit scheme | - | - | 24.9 | - | 24.9 |
| Movement in deferred tax relating to retirement benefit scheme | - | - | (4.9) | - | (4.9) |
| Shares disposed of by employee share trusts | - | - | 5.6 | - | 5.6 |
| Shares allocated to employee share trusts | 0.1 | 7.9 | (8.0) | - | - |
| Exchange movement in relation to employee share trusts | - | - | 7.7 | - | 7.7 |
| Other exchange movements | - | - | (1.2) | - | (1.2) |
| **At 31 December 2015** | **23.8** | **63.9** | **955.3** | **537.6** | **1,580.6** |
| Loss for the year | - | - | (44.2) | - | (44.2) |
| Dividends paid | - | - | (116.0) | - | (116.0) |
| Credit relating to share based charges | - | - | 10.7 | - | 10.7 |
| Re-measurement loss on retirement benefit scheme | - | - | (14.2) | - | (14.2) |
| Movement in deferred tax relating to retirement benefit scheme | - | - | 2.8 | - | 2.8 |
| Shares disposed of by employee share trusts | - | - | 7.5 | - | 7.5 |
| Shares allocated to employee share trusts | 0.1 | - | (0.1) | - | - |
| Exchange movements in relation to employee share trusts | - | - | 20.9 | - | 20.9 |
| Other exchange movements | - | - | (3.5) | - | (3.5) |
| **At 31 December 2016** | **23.9** | **63.9** | **819.2** | **537.6** | **1,444.6** |

Other comprehensive income comprises the profit/loss for the year and the re-measurement gains and losses relating to the retirement benefit scheme together with the related deferred tax. The total other comprehensive expense for the year amounts to $55.6m (2015: income $186.4m).

# Notes to the Company financial statements
for the year to 31 December 2016

## Accounting Policies

### Summary of significant accounting policies
The principal accounting policies, which have been applied in the preparation of the Company financial statements, are set out below. These policies have been consistently applied to all the years presented.

### Basis of preparation
The financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards - in particular FRS 101 - and the Companies Act 2006 ("the Act"). This is the first year the Company has prepared its financial statements in accordance with FRS 101. The 2015 financial statements were prepared under IFRS. FRS 101 sets out a reduced disclosure framework for a "qualifying entity", as defined in the Standard, which addressed the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRSs").

The Company is a qualifying entity for the purposes of FRS 101.

The application of FRS 101 has enabled the Company to take advantage of certain disclosure exemptions that would have been required had the Company adopted International Financial Reporting Standards in full. The only such exemptions that the directors consider to be significant are:

- No detailed disclosures in relation to financial instruments;
- No cash flow statement;
- No disclosure of related party transactions with subsidiaries;
- No statement regarding the potential impact of forthcoming changes in financial reporting standards;
- No disclosure of "key management compensation" for key management other than the directors, and
- No disclosures relating to the Company's policy on capital management.

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

The financial statements are presented in US dollars and all values are rounded to the nearest $0.1m except where otherwise indicated.

The financial position of the Company is shown in the balance sheet on page 128. Note 10 includes the Company's objectives, policies and processes for managing its financial risks and details of its financial instruments and hedging activities, and its exposures to interest rate risk and liquidity risk. The Company adopts the going concern basis of accounting in preparing these financial statements.

### Reporting currency
The Company's transactions are primarily US dollar denominated and the functional currency is the US dollar.

The following sterling to US dollar exchange rates have been used in the preparation of these financial statements:-

| | Average rate | Closing rate |
|---|---|---|
| | £1 = $ | £1 = $ |
| Year ended 31 December 2015 | 1.5289 | 1.4739 |
| Year ended 31 December 2016 | 1.3538 | 1.2357 |

### Investments in subsidiaries
Investments are measured initially at cost, including transaction costs, less any provision for impairment.

### Impairment of assets
At each balance sheet date, the Company reviews the carrying amounts of its investments to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the income statement.

### Foreign currencies
Transactions in foreign currencies are translated at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet dates or at a contractual rate if applicable and any exchange differences are taken to the income statement.

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

### Financial instruments
The accounting policy for financial instruments is consistent with the Group accounting policy as presented in the notes to the Group financial statements. The Company's financial risk management policy is consistent with the Group's financial risk management policy outlined in note 17 to the Group financial statements.

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

### Share based charges
The Company has a number of share schemes as detailed in the Group accounting policies and note 20 to the Group financial statements. Details relating to the calculation of share based charges are provided in note 20 to the Group financial statements. In respect of the Company, the charge is shown as an increase in the Company's investments, as the employees to which the charge relates are employed by subsidiary companies.

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

### Trade receivables
Trade receivables are recognised initially at fair value less an allowance for any amounts estimated to be uncollectable. An estimate for doubtful debts is made when there is objective evidence that the collection of the debt is no longer probable.

### Interest-bearing loans and borrowings
All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Borrowing costs are expensed through the income statement.

### De-recognition of financial assets and liabilities
A financial asset is derecognised where the rights to receive cash flows from the asset have expired. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

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

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, tax is recognised in the income statement.

### Retirement benefit scheme surplus/deficit
The Company is the sponsoring entity for the Group's defined benefit pension scheme. The surplus or deficit recognised in respect of the defined benefit scheme represents the difference between the present value of the defined benefit obligations and the fair value of the scheme assets. The assets of this scheme are held in separate trustee administered funds. The scheme was closed to future accrual on 30 June 2014. See note 29 to the Group financial statements for full details.

### Judgments and key sources of estimation or uncertainty
The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

### Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Impairment of investments*
The Company assesses whether there are any indicators of impairment of investments at each reporting date. Investments are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Details of impairments recorded during the year and the carrying value of investments are contained in note 1.

#### *Retirement benefit scheme surplus/deficit*
The Company is the sponsoring entity for the Group's defined benefit pension scheme in the UK which was closed to future accrual on 30 June 2014. The value of the retirement benefit scheme surplus/deficit is determined on an actuarial basis using a number of assumptions. Changes in these assumptions will impact the carrying value of the surplus/deficit. The Company 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 of the Group financial statements for further details.

## 1 Investments

| | 2016 $m | 2015 $m |
|---|---|---|
| **Cost** | | |
| At 1 January | **3,506.4** | 3,287.9 |
| Additions | **10.7** | 218.5 |
| Disposals | **(5.0)** | - |
| **At 31 December** | **3,512.1** | 3,506.4 |
| | | |
| **Amounts provided** | | |
| At 1 January | **154.5** | 66.1 |
| Provided during year | **122.8** | 88.4 |
| Disposals | **(0.3)** | - |
| **At 31 December** | **277.0** | 154.5 |
| | | |
| **Net book value** | | |
| At 31 December | **3,235.1** | 3,351.9 |

An impairment charge of $92.2m was recorded in 2016 in relation to the Company's investment in Wood Group Power Investments Limited which holds an investment in EthosEnergy Limited. The impairment was recorded following the Group's decision to impair its investment in EthosEnergy and reflects the underlying carrying value of the business. See note 10 of the Group financial statements for additional information.

In addition, an impairment charge of $30.6m was recorded in relation to the Company's investment in Wood Group Management Services Limited.

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

## 1 Investments (continued)

The Company's direct subsidiaries at 31 December 2016 are listed below. Ownership interests reflect holdings of ordinary shares. Details of other related undertakings are provided in note 34 to the Group financial statements.

| Name of subsidiary | Country of incorporation or registration | Registered address |
|---|---|---|
| JWGUSA Holdings Limited | UK | 15 Justice Mill Lane, Aberdeen |
| Wood Group Investments Limited | | |
| Wood Group Power Investments Limited | | |
| Wood Group Holdings (International) Limited | | |
| Wood Group Management Services Limited | | |
| Wood Group Properties Limited | | |
| W L S Holdings Limited | | |
| Wood Group Gas Turbine Services Holdings Limited | | |
| Wood Group International Limited | | |
| Greenwell Services (UK) Limited | UK | Compass Point, 79-87 Kingston Road, Staines |
| JPK Technology Limited | | |
| JWG Trustees Limited | UK | 15 Justice Mill Lane, Aberdeen |
| Kelwat Investments Limited | | |
| WGD003 Limited | | |
| WGD004 Limited | | |
| WGD006 Limited | | |
| WGD007 Limited | | |
| WGD008 Limited | | |
| WGD010 Limited | | |
| WGD013 Limited | | |
| WGD014 Limited | UK | Compass Point, 79-87 Kingston Road, Staines |
| WGD017 Limited | UK | 15 Justice Mill Lane, Aberdeen |
| WGD018 Limited | | |
| WGD021 Limited | | |
| WGD023 Limited | | |
| Wood Group Engineering Contractors Limited | | |
| Wood Group Gas Turbine Services Limited | | |
| Wood Group Limited | UK | Compass Point, 79-87 Kingston Road, Staines |
| Wood Group Oilfield Rentals Limited | UK | 15 Justice Mill Lane, Aberdeen |
| Wood Group Operations Holdings Limited | | |
| Wood Group Engineering Services (Middle East) Limited | Jersey | La Motte Chambers, La Motte Street, St Helier |
| Alta Blue Limited | | |
| GTS Power Solutions Limited | | |
| Wood Group Production Facilities Limited | | |
| JWG Ireland USD | Ireland | Blocks 4&5, Galway Technology Park, Parkmore, Galway |
| JWG Ireland USD 2 | | |
| JWG Ireland USD 3 | | |
| John Wood Group Holdings BV | The Netherlands | Atrium Building, Strawinskylaan 3127, Amsterdam |
| JWGUSA Holdings Inc | USA | 2711 Centerville Road, Suite 4000 Washington DE 19808 |

All companies listed above are 100% owned by John Wood Group PLC.

## 2 Retirement benefit scheme surplus

| | **2016 $m** | 2015 $m |
|---|---|---|
| At 31 December | **-** | 4.5 |

Full details of the retirement benefit scheme are provided in note 29 to the Group financial statements.

## 3 Deferred tax

The deferred tax balance comprises:

| | **2016 $m** | 2015 $m |
|---|---|---|
| Deferred tax relating to retirement benefit scheme surplus | **1.4** | (0.9) |
| Short term timing differences | **8.2** | 8.0 |
| | **9.6** | 7.1 |

The movement in the deferred tax asset is shown below.

| | **2016 $m** | 2015 $m |
|---|---|---|
| At 1 January | **7.1** | 5.4 |
| Movement relating to retirement benefit scheme | **2.3** | (4.9) |
| Credit to income statement | **0.2** | 6.6 |
| At 31 December | **9.6** | 7.1 |

## 4 Trade and other receivables

| | **2016 $m** | 2015 $m |
|---|---|---|
| Loans to Group companies | **709.2** | 723.8 |
| Trade receivables – Group companies | **20.5** | 21.2 |
| Other receivables | **4.7** | 4.0 |
| Prepayments and accrued income | **1.1** | 1.3 |
| | **735.5** | 750.3 |

Interest on loans to Group companies is charged at market rates.

## 4 Trade and other receivables (continued)

At 31 December 2016, $48.6m (2015: $51.1m) of the amounts owed by Group companies were impaired. These amounts relate to balances due from Group companies from whom there is no expectation of payment.

The ageing of these amounts is as follows:

| | **2016 $m** | 2015 $m |
|---|---|---|
| Over 3 months | **48.6** | 51.1 |

The movement on the provision for impairment is as follows:

| | **2016 $m** | 2015 $m |
|---|---|---|
| At 1 January | **51.1** | 63.1 |
| Exchange movements | **(1.2)** | (1.0) |
| Released during the year | **(1.3)** | (11.0) |
| At 31 December | **48.6** | 51.1 |

The Company had no outstanding balances that were past due but not impaired at either 31 December 2016 or 31 December 2015. The other classes within receivables do not contain impaired assets.

## 5 Cash and cash equivalents

| | **2016 $m** | 2015 $m |
|---|---|---|
| Cash and cash equivalents | **16.5** | 25.3 |

## 6 Trade and other payables

| | **2016 $m** | 2015 $m |
|---|---|---|
| Loans from Group companies | **452.3** | 341.5 |
| Other creditors | **1.1** | 1.9 |
| Accruals and deferred income | **5.7** | 5.5 |
| | **459.1** | 348.9 |

Interest on loans from Group companies is payable at market rates.

## 7 Borrowings

| | **2016 $m** | 2015 $m |
|---|---|---|
| **Borrowings repayable on demand** | | |
| Bank overdrafts | **236.7** | 432.7 |
| | | |
| **Non-current borrowings** | | |
| Bank loans | **120.0** | 120.0 |
| Senior loan notes | **375.0** | 375.0 |
| | **495.0** | 495.0 |

The bank overdrafts relate to the Group's cash pooling arrangements and are largely denominated in US dollars and pounds sterling. At 31 December 2016 interest on US dollar overdrafts was payable at 1.23% and on sterling overdrafts at 0.85%.

Bank loans are unsecured and denominated in US dollars and bear interest based on US dollar LIBOR rates. Interest at 31 December 2016 was payable at 1.96%.

During 2014, the Group issued $375m of unsecured senior notes in the US private placement market. The notes were issued at a mix of 7, 10 and 12 year maturities at an average fixed rate of 3.74% and are all US dollar denominated.

## 8 Retirement benefit deficit

| | **2016 $m** | 2015 $m |
|---|---|---|
| At 31 December | **7.0** | - |

Full details of the retirement benefit scheme are provided in note 29 to the Group financial statements.

## 9 Other non-current liabilities

| | **2016 $m** | 2015 $m |
|---|---|---|
| Amounts due to Group undertakings | **1,393.3** | 1,290.4 |

The amounts due to Group undertakings are inter-company loans. Interest on these loans is charged at market rates.

## 10 Financial instruments

**Financial risk factors**

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

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

### (a) Market risk

*(i) Foreign exchange risk*

The Company is exposed to foreign exchange risk arising from various currencies. Where possible the Company's policy is to eliminate all significant currency exposures at the time of the transaction by using financial instruments such as forward currency contracts. Changes in the forward contract fair values are recorded in the income statement.

*(ii) Interest rate risk*

The Company finances its operations through a mixture of retained profits and debt. The Company borrows in the desired currencies at a mixture of fixed and floating rates of interest and then uses interest rate swaps as cash flow hedges to generate the desired interest profile and to manage the Company's exposure to interest rate fluctuations. At 31 December 2016, 68% (2015: 53%) of the Company's borrowings were at fixed rates after taking account of interest rate swaps.

The Company is also exposed to interest rate risk on cash held on deposit. The Company's policy is to maximise the return on cash deposits whilst ensuring that cash is deposited with a financial institution with a credit rating of 'A' or better, where possible.

*(iii) Price risk*

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

### (b) Credit risk

The Company's credit risk primarily relates to its inter-company loans and inter-company receivables. Management believe that no further risk provision is required in excess of the current provision for impairment.

The Company also has credit risk in relation to cash balances or cash held on deposit. The Company's policy is to deposit cash at institutions with an 'A' rating or better where possible. 100% of the cash balance at 31 December 2016 (2015: 100%) was held with such institutions.

### (c) Liquidity risk

With regard to liquidity, the Group's policy is to ensure continuity of funding. At 31 December 2016, 68% (2015: 53%) of the Company's borrowing facilities (including bank overdrafts) were due to mature in more than one year. Based on the current outlook the Company has sufficient funding in place to meet its future obligations.

### (d) Capital risk

The Company's capital risk is determined by that of the Group. See note 17 to the Group financial statements.

## 11 Share capital

| | **2016 $m** | 2015 $m |
|---|---|---|
| **Issued and fully paid** | | |
| 381,025,384 (2015: 378,875,384) ordinary shares of 4²⁄₇p each | **23.9** | 23.8 |

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

## 12 Share premium

| | **2016 $m** | 2015 $m |
|---|---|---|
| At 1 January | **63.9** | 56.0 |
| Allocation of new shares to employee share trusts | **-** | 7.9 |
| **At 31 December** | **63.9** | 63.9 |

## 13 Retained earnings

Retained earnings are stated after deducting the investment in own shares held by employee share trusts. Investments in own shares represents the cost of 9,097,352 (2015: 8,985,323) of the Company's ordinary shares totalling $105.5m (2015: $133.8m).

The loss for the financial year for the Company was $44.2m (2015: profit $166.4m). The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company.

The Company does not have any employees other than the directors of the Company. Details of the directors' remuneration is provided in the Directors' Remuneration Report in the Group accounts. The profit for the financial year is stated after charging audit fees of $63,000 (2015: $66,000). Details of dividends paid and proposed are provided in note 6 to the Group financial statements. Further details of share based charges are provided in note 20 to the Group financial statements.

At 31 December 2016, $738.5m of the retained earnings balance is considered distributable. In addition, the capital reduction reserve of $88.1m per note 14 is also a distributable reserve.

## 14 Other reserves

| | **Capital reduction reserve $m** | **Capital redemption reserve $m** | **Hedging reserve $m** | **Total $m** |
|---|---|---|---|---|
| At 1 January 2015 | 88.1 | 439.7 | 9.9 | 537.7 |
| Fair value losses | - | - | (0.1) | (0.1) |
| **At 31 December 2015 and 2016** | **88.1** | **439.7** | **9.8** | **537.6** |

# Five year summary

| | 2016 $m | 2015 $m | 2014 $m | 2013 $m | 2012 $m |
|---|---|---|---|---|---|
| **Total revenue** | **4,934.0** | **5,852.4** | **7,616.4** | **7,064.2** | **6,828.1** |
| **EBITA** | **363.4** | **469.7** | **549.6** | **533.0** | **459.1** |
| Amortisation | (104.3) | (109.0) | (101.2) | (102.1) | (85.5) |
| Non-recurring items | (154.9) | (171.2) | 37.6 | 0.5 | 0.7 |
| Net finance expense | (25.8) | (23.1) | (24.2) | (18.6) | (12.9) |
| **Profit before taxation** | **78.4** | **166.4** | **461.8** | **412.8** | **361.4** |
| Taxation | (44.0) | (76.3) | (125.5) | (112.3) | (103.2) |
| **Profit for the year** | **34.4** | **90.1** | **336.3** | **300.5** | **258.2** |
| | | | | | |
| **Attributable to:** | | | | | |
| Owners of the parent | 27.8 | 79.0 | 322.0 | 295.9 | 257.0 |
| Non-controlling interests | 6.6 | 11.1 | 14.3 | 4.6 | 1.2 |
| | **34.4** | **90.1** | **336.3** | **300.5** | **258.2** |
| | | | | | |
| **Equity attributable to owners of the parent** | **2,915.2** | **2,398.3** | **2,546.2** | **2,407.4** | **2,227.1** |
| **Net borrowings** | **331.4** | **290.3** | **295.7** | **309.5** | **154.5** |
| **Gearing ratio** | **15.1%** | **12.1%** | **11.6%** | **12.9%** | **6.9%** |
| **Interest cover** | **14.1** | **20.3** | **22.7** | **28.7** | **35.6** |
| **Diluted earnings per share (cents)** | **7.3** | **20.8** | **85.8** | **79.2** | **69.0** |
| **Adjusted diluted earnings per share (cents)** | **64.1** | **84.0** | **99.6** | **98.6** | **85.2** |
| **Dividend per share (cents)** | **33.3** | **30.3** | **27.5** | **22.0** | **17.0** |
| **Dividend cover** | **1.9** | **2.8** | **3.6** | **4.5** | **5.0** |

# Information for shareholders

## Payment of dividends

The Company declares its dividends in US dollars. As a result of the shareholders being mainly UK based, dividends will be paid in sterling, but if you would like to receive your dividend in US dollars please contact the Registrars at the address below. All shareholders will receive dividends in sterling unless requested. If you are a UK based shareholder, the Company encourages you to have your dividends paid through the BACS (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 7 April 2017 as published in the Financial Times on 8 April 2017.

## Officers and advisers

**Secretary and Registered Office**
W G Setter
John Wood Group PLC
15 Justice Mill Lane
Aberdeen
AB11 6EQ

Tel: 01224 851000

**Registrars**
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Tel: 0871 384 2649

**Stockbrokers**
JPMorgan Cazenove Limited
Credit Suisse

**Company Solicitors**
Slaughter and May

**Independent Auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Capitol
431 Union Street
Aberdeen
AB11 6DA

**Financial calendar**

| | |
|---|---|
| Results announced | 21 February 2017 |
| Ex-dividend date | 6 April 2017 |
| Dividend record date | 7 April 2017 |
| Annual General Meeting | 10 May 2017 |
| Dividend payment date | 16 May 2017 |

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

Printed by Pureprint Group who are certified to the ISO 14001 Environmental Management standard and FSC® Chain of Custody standard. This report is printed on stocks which are manufactured under strict environmental management systems. Each stock is certified in accordance with the FSC® (Forest Stewardship Council).

FSC www.fsc.org MIX Paper from responsible sources FSC® C022913

Designed and produced by **Wood Group Creative Services team.**

**John Wood Group PLC**

15 Justice Mill Lane
Aberdeen
AB11 6EQ
UK

Tel +44 1224 851000

Visit our website at:
**www.woodgroup.com**