

Calling all LSE listed company secretaries and directors – FCA fines John Wood Group plc £12.9 million for breaches of Listing Rule 1.3.3R and Listing Principle 1.

The FCA found that the John Wood Group plc (“Wood Group”) operated a poor financial culture, resulting in poor practices around accounting judgements. This resulted in inappropriate accounting judgements being made, as well as a lack of transparency with its auditors and its audit, risk and ethics committee.

This meant that when preparing its 2022 and 2023 year-end results and 2024 half year results Wood Group:

- Failed to account properly for certain costs leading to a cumulative overstatement of reporting profit of \$26 million.
- Recognised unrealistic costs savings estimates and under-estimated future costs resulting in an overstatement of reported operating profit of \$22.9 million and \$20 million respectively.
- Released provisions and contingencies held against specific risks within its projects business unit to offset losses elsewhere in the business, leading to a cumulative overstatement of adjusted EBITDA and operating profit of \$28 million.
- Failed to write off unsupportable debit amounts held on the balance sheet resulting in a cumulative overstatement of \$25 million to its adjusted EBITDA and operating profit, despite concerns raised by staff.
- Recognised a \$140 million exceptional charge in its 2024 half year results which were not characterised as prior year accounting errors and were not disclosed to its auditors and Board until shortly before the 2024 half year results were announced.

As a result of announcements indicating that there had been significant failings in Wood Group's financial culture and that material restatements would be required the company's share price fell by around 78%.

Breach of LR 1.3.3R

In its 2022 and 2023 year-end results Wood Group failed to take reasonable care to ensure its reported accounting information was not misleading, false or deceptive, or did not omit anything likely to affect the import of the information.

Also Wood Group did not take reasonable care to ensure that the 2024 half year results accurately or fully reflected the circumstances giving rise to a significant proportion of the \$140 million of write-offs.

Breach of Listing Principle 1

Wood Group failed to have in place procedures, systems and controls which provided clear, consistent and transparent reporting throughout the company

It also failed to have a strong robust financial culture, which the FCA deems critical to ensuring that such procedures, systems and controls operate effectively around financial reporting. Instead, pressure to maintain financial performance and the withholding of information from auditors until issues had been fully resolved and agreed internally created the circumstances in which inappropriate accounting decisions and reporting could happen.

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