

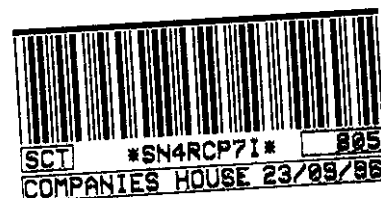
Wood Group Engineering Contractors Limited

Annual report and financial statements

for the year ended 31 December 1995

Registered no: 56559

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Wood Group Engineering Contractors Limited

Annual report for the year ended 31 December 1995

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Directors' report for the year ended 31 December 1995

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The profit and loss account for the year is set out on page 6.

The company's principal activity during the year was the provision of a range of management, engineering, maintenance and operations support services to the offshore and onshore oil and gas industry.

Review of business and future developments

The company's continued consolidation of its performance within existing contracts, and particularly within the major partnering/alliance relationships, has generated significant levels of repeat business and organic growth from within the existing customer base.

On 31 December 1995 the contracts and net assets of the company were transferred to Wood Group Engineering Limited, its immediate parent company. The transfer is the first step in a process which will result in Wood Group Engineering Limited providing a complete range of engineering and contracting services from within one integrated company in line with current market demands.

Dividends and transfers to reserves

The profit for the financial year amounted to £3,229,794. An interim dividend of £2,000,000 was paid during the year. The directors recommend that £1,229,794 be transferred to the profit and loss reserve as set out in note 16.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 10 to the financial statements.

Directors' report for the year ended 31 December 1995 (continued)

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors of the company at 31 December 1995, all of whom have been directors for the whole year, except where noted, are listed below:

W. Edgar	(appointed 1 September 1995)
G. W. Smith	
W. H. Carr	(resigned 1 September 1995)
I. F. McSkimming	
A. A. Rodgers	
J. A. Lee	
R. S. Drummond	
T. J. Butler	
N. Harvie	

Directors' interests

No director had an interest in the shares of the company.

The interests in the shares of John Wood Group PLC, the ultimate holding company, of those directors who are also directors of that company are disclosed in the holding company directors' report.

**Directors' report
for the year ended 31 December 1995 (continued)**

The interests of the remaining directors in the shares of John Wood Group PLC are set out below:

Ordinary shares of £1 each	At 31 December 1995		At 31 December 1994	
	Shares	Options	Shares	Options
G. W. Smith	27,500	2,500	25,000	5,000
I. F. McSkimming	10,000	2,500	10,000	2,500
A. A. Rodgers	-	20,000	-	20,000
J. A. Lee	4,000	7,000	2,000	9,000
R. S. Drummond	-	25,000	-	20,000
T. J. Butler	-	5,000	-	-
N. Harvie	-	5,000	-	-

Employment policy and employee communications

The Group recognises the importance of employee communication and involvement. In this respect, a quarterly in-house newspaper entitled "Wood News" is published to disseminate news about the Group's business to all employees. In addition, some of the larger Group companies produce individual newsletters to inform employees on events specific to their own companies. On an annual basis the Group produces an employee report, being a distilled version of the main Group accounts, which is distributed to all personnel at their place of work or (in the case of offshore staff) to their homes. Staff meetings are held at the work place on a regular basis in order to update employees on the progress of the Group and their respective companies.

It is the policy of the Group to afford disabled persons full and fair consideration for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where the disability occurs during the period of employment every effort is made to continue to provide suitable employment with the provision of appropriate training.

The Group recognises that good health, safety and environmental management can contribute significantly to its long term business success. Conducting safe and efficient operations, while maintaining high standards of performance and protection of the environment, is an integral part of management's duties and has equal standing with the Group's other major business objectives.

Wood Group Engineering Contractors Limited

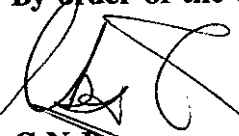
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Directors' report for the year ended 31 December 1995 (continued)

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



C N Brown
Company Secretary



**Report of the auditors to the members of
Wood Group Engineering Contractors Limited**

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

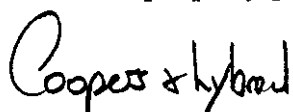
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand

Chartered Accountants and Registered Auditors
Aberdeen,

29th March 1996.

Profit and loss account for the year ended 31 December 1995

	Notes	1995 £	1994 £
Turnover	2	81,593,326	55,573,247
Cost of sales		(72,812,200)	(48,512,942)
Gross profit		8,781,126	7,060,305
Net operating expenses	3	(3,781,251)	(3,489,137)
Operating profit		4,999,875	3,571,168
Net interest payable	6	(112,787)	(93,860)
Profit on ordinary activities before taxation	7	4,887,088	3,477,308
Taxation on profit on ordinary activities	8	(1,657,294)	(1,129,500)
Profit on ordinary activities after taxation		3,229,794	2,347,808
Dividends	9	(2,000,000)	(2,000,000)
Retained profit for the financial year	16	1,229,794	347,808

All items dealt with in arriving at the profit for 1995 and 1994 relate to discontinued operations.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profits and losses

	1995	1994
	£	£
Reported profit on ordinary activities before taxation	4,887,088	3,477,308
Difference between historical cost depreciation charge and the actual charge for the year on the revalued amount	1,139	1,517
Realisation of revaluation surpluses of previous years	55,676	-
Historical cost profit on ordinary activities before taxation	4,943,903	3,478,825
Historical cost profit for the year retained after taxation and dividends	1,286,609	349,325

Wood Group Engineering Contractors Limited

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Balance sheet at 31 December 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	10	-	2,299,678
Current assets			
Stocks	11	-	462,941
Debtors	12	2,818,730	9,971,785
Cash at bank and in hand		-	1,466
		<u>2,818,730</u>	<u>10,436,192</u>
Creditors: amounts falling due within one year	13	-	(11,121,568)
Net current assets/(liabilities)		<u>2,818,730</u>	<u>(685,376)</u>
Total assets less current liabilities		<u>2,818,730</u>	<u>1,614,302</u>
Provisions for liabilities and charges	14	-	(25,366)
Net assets		<u><u>2,818,730</u></u>	<u><u>1,588,936</u></u>
Capital and reserves			
Called up share capital	15	2	2
Revaluation reserve	16	-	56,815
Profit and loss account	16	2,818,728	1,532,119
Equity shareholders' funds	17	<u><u>2,818,730</u></u>	<u><u>1,588,936</u></u>

The financial statements on pages 5 to 16 were approved by the board of directors on 29th March 1996 and were signed on its behalf by:

Director :

W Edgar

Director :

[Signature]

**Notes to the financial statements
for the year ended 31 December 1995****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain assets.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less aggregate depreciation. Depreciation is calculated at rates estimated to write off by equal annual instalments the relevant assets over their expected useful lives, which are:

Leasehold buildings	50 years
Plant and equipment	3 - 10 years
Vehicles	4 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and direct labour plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs of disposals. Due allowance is made for obsolete and slow-moving items.

Deferred taxation

Provision is made on the liability method to recognise the deferment of taxation due to timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes to the extent that it is probable that a liability or asset will crystallise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

**Notes to the financial statements
for the year ended 31 December 1995 (continued)****Operating leases**

Rentals under operating leases are charged to the profit and loss account in the period to which they relate.

Pension costs

The company participates in a group defined benefit pension scheme which is contracted out of the state scheme. The funds are valued every three years by a professionally qualified independent actuary and the rates of contribution payable are determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employee's services. The effects of variation from regular cost are spread over the expected average remaining service lives of members of the scheme. Further details relating to the scheme are set out in the financial statements of John Wood Group PLC for the year ended 31 December 1995.

Cash flows

The company is a wholly owned subsidiary of John Wood Group PLC and the cash flows of the company are included in the consolidated group cash flow statement of John Wood Group PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2 Turnover

	1995 £	1994 £
United Kingdom	81,524,917	55,511,021
Rest of World	68,409	62,226
	<u>81,593,326</u>	<u>55,573,247</u>

3 Net operating expenses

	1995 £	1994 £
Distribution costs	69,653	149,669
Administrative expenses	3,711,598	3,339,468
	<u>3,781,251</u>	<u>3,489,137</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

4 Employee information

The average number of persons (including directors) employed by the company during the year was:

	1995 Number	1994 Number
By activity		
Direct production workers	1,042	833
Management and staff	186	143
	<u>1,228</u>	<u>976</u>
	1995 £	1994 £
Staff costs (for the above persons)		
Wages and salaries	37,752,292	28,884,192
Social security costs	3,723,173	2,891,284
Other pension costs	475,625	385,892
	<u>41,951,090</u>	<u>32,161,368</u>

5 Directors' emoluments

	1995 £	1994 £
Staff costs include amounts payable to directors as follows:		
Other emoluments (including pension contributions and benefits in kind)	<u>268,664</u>	<u>462,145</u>

Emoluments (excluding pension contributions) include amounts paid to:

	1995	1994
The chairman	<u>£Nil</u>	<u>£Nil</u>
The highest paid director	<u>£115,302</u>	<u>£112,089</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

The number of directors (including the chairman and the highest paid director) who received emoluments (excluding pension contributions) within the following ranges was:

	1995 Number	1994 Number
Nil to £5,000	6	1
£20,001 - £25,000	-	1
£55,001 - £60,000	-	1
£65,001 - £70,000	2	-
£70,001 - £75,000	-	2
£90,001 - £95,000	-	1
£110,001 - £115,000	-	1
£115,001 - £120,000	1	-
	<u> </u>	<u> </u>

6 Net interest payable

	1995 £	1994 £
Interest receivable	(513)	(381)
Bank overdraft interest payable	113,300	94,241
	<u> </u>	<u> </u>
	112,787	93,860
	<u> </u>	<u> </u>

7 Profit on ordinary activities before taxation

	1995 £	1994 £
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Loss on disposal of investment	-	14,316
Profit on disposal of tangible fixed assets	(10,100)	(7,181)
Transfer from capital grant deferred credit	(2,344)	(2,344)
Rent receivable (net of expenses)	(44,920)	(63,077)
Depreciation of tangible fixed assets	464,079	347,482
Auditors' remuneration	11,300	10,800
Hire and operating lease payments:		
Plant and equipment	1,018,580	591,940
Other	88,027	82,707
	<u> </u>	<u> </u>

Notes to the financial statements for the year ended 31 December 1995 (continued)

8 Tax on profit on ordinary activities

	1995 £	1994 £
United Kingdom corporation tax at 33% (1994 : 33%)		
Current	1,674,381	1,178,849
Deferred	(25,366)	(5,792)
Under/(over) provision in respect of prior years:		
Current	8,279	9,869
Deferred	-	(53,426)
	<u>1,657,294</u>	<u>1,129,500</u>

9 Dividends

	1995 £	1994 £
Ordinary interim paid of £1m per share	<u>2,000,000</u>	<u>2,000,000</u>

10 Tangible fixed assets

	Long Leasehold Buildings £	Plant & equipment £	Total £
Cost or valuation			
At 1 January 1995	1,844,750	1,475,403	3,320,153
Additions	272,614	655,747	928,361
Inter Group transfers	(2,117,364)	(1,874,644)	(3,992,008)
Disposals	-	(256,506)	(256,506)
At 31 December 1995	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
At 1 January 1995	272,306	748,169	1,020,475
Charge for year	52,550	411,529	464,079
Inter Group transfers	(324,856)	(944,742)	(1,269,598)
Disposals	-	(214,956)	(214,956)
At 31 December 1995	<u>-</u>	<u>-</u>	<u>-</u>
Net book value:			
At 31 December 1995	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1994	<u>1,572,444</u>	<u>727,234</u>	<u>2,299,678</u>

11 Stocks

	1995 £	1994 £
Raw materials and consumables	<u>-</u>	<u>462,941</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

12 Debtors

	1995 £	1994 £
Amounts falling due within one year		
Trade debtors	-	6,568,862
Amounts owed by Group undertakings	2,818,730	3,085,251
Other debtors	-	218,671
Prepayments and accrued income	-	99,001
	<u>2,818,730</u>	<u>9,971,785</u>

13 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdraft	-	1,172,695
Trade creditors	-	2,766,251
Amounts due to Group undertakings	-	2,311,446
Corporation tax	-	1,178,849
Other taxation and social security	-	1,736,637
Other creditors	-	456,929
Accruals and deferred income	-	1,498,761
	<u>-</u>	<u>11,121,568</u>

14 Provisions for liabilities and charges

Deferred taxation provided in these financial statements, which represents the full potential liability, comprises corporation tax deferred by:

	1995 £	1994 £
Fixed asset timing differences	<u>-</u>	<u>25,366</u>

The movement in the deferred tax provision comprises:

	£
Provision at 1 January 1995	25,366
Credit for year	(25,366)
At 31 December 1995	<u>-</u>

Notes to the financial statements for the year ended 31 December 1995 (continued)

15 Called up share capital

	1995 £	1994 £
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

16 Reserves

	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 1995	56,815	1,532,119	1,588,934
Amortisation of property revaluation surplus	(1,139)	1,139	-
Profit for the year	-	1,229,794	1,229,794
Transfer to profit and loss account - realised on sale	(55,676)	55,676	-
At 31 December 1995	<u>-</u>	<u>2,818,728</u>	<u>2,818,728</u>

17 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Opening shareholders' funds	1,588,936	1,241,128
Profit for the financial year	3,229,794	2,347,808
Dividends	(2,000,000)	(2,000,000)
Closing shareholders' funds	<u>2,818,730</u>	<u>1,588,936</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)****18 Capital commitments**

	1995 £	1994 £
At the balance sheet date the following capital commitments existed for tangible fixed assets:		
Contracted for but not provided	-	100,000
Authorised but not contracted	-	200,000

19 Contingent liabilities

The company has a contingent liability arising from a guarantee without limit extended to the Group's principal bankers in respect of sums advanced to the company and to certain other members of the Group.

20 Financial commitments

At 31 December 1995 the company had annual commitments under non-cancellable operating leases of other assets as follows:

	1995 £	1994 £
Payments falling due in 1996 in respect of operating leases which expire:		
Within one year	-	1,034
Between two and five years inclusive	-	87,343
Later than five years	-	28,203
	-	116,580

21 Ultimate holding company

The directors report that John Wood Group PLC, registered in Scotland, is the company's ultimate holding company.