# The Automated Technology Group Limited

## Annual Report and Financial Statements

### For the year ended 31 December 2017

### Registered Number - 03109235

**Directors**
D Ashford
I Farmer
L Hinder
N Brookes
S Litchfield
A Robinson

**Company Secretary**
I Jones

**Registered office**
Compass Point, Kingston Road
Staines Upon Thames
Middlesex
TW18 1DT

**Bankers**
HSBC PLC
2 Queens Road
Aberdeen
AB15 4ZT

**Independent auditors**
PricewaterhouseCoopers LLP
The Capitol, 431 Union Street
Aberdeen
AB11 6DA

**The Automated Technology Group Limited**

**Annual report and financial statements**
**for the year ended 31 December 2017**

## Contents

The directors present their strategic report on the Company for the year ended 31 December 2017.

## Principal activities

The Automated Technology Group Limited is a limited liability company incorporated and domiciled in England. The principal place of business is at Wrest Parkl, Silsoe, Bedfordshire, MK45 4HS.

The company has two activities;

- Controls - the concept, simulation, design, manufacture and installation of complex, high value automation and control systems, with main markets being automotive, material handling, aerospace and food and beverage.

- Power - the development, design, manufacture and installation of low and medium voltage electrical control systems for process, utility and heavy industry sectors.

## Results

The profit for the year amounted to £1,468k (2016: profit of £2,691k).

## Review of business

The Automated Technology Group Limited turnover for the year was £46,329k (2016: £32,562k). The increased level of sales on prior year is largely due to growth in North America.

The company, being a project based business, is wholly reliant on the skills and capability of its employees. The company has been able to continue to grow through its continued investment in staff development, training and recruitment and thanks to the dedication and commitment of all its employees.

It is expected that the coming year will see the company continuing to capitalise on a strong market for its broad service offering that is in demand across many areas of the automation market.

The financial position of the Company is shown on the balance sheet on page 12.

## Key performance indicators ("KPIs")

The directors of John Wood Group PLC, the ultimate holding company, manage operations on a Group basis. For this reason the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development or position of this business.

The development and position of the Specialist Technical Solutions Business Unit, which includes the Company, is discussed in the Group's annual report and financial statements (of which page 15 includes the Business Unit KPIs).

## Principal risks and uncertainties

The company has continued to work to improve its systems of internal control with weekly management meetings and monthly Business Review meetings. This gives the opportunity for risks and uncertainties to be discussed and addressed on a regular basis. The board of directors reviews and documents the principal risks as a part of the budget setting process.

**Principal risks and uncertainties (continued)**

The principal risks and uncertainties facing the group are as follows:

| Risk Profile | Mitigation, monitoring and assurance |
|---|---|
| **People**<br>**Availability of competent resources**: The ability of the company to retain and attract appropriately qualified and experienced staff is key to the continued success of the business. | • Continuing expansion development of the internal apprentice training programme<br>• Development and nurture of relationship with off-shore organisations to source engineering resources to complement lack of available resources in the UK |
| **Financial**<br>**Credit risk:** The customer fails to settle significant debt.<br><br>**Exchange rate risk**: The company is exposed to translation and transaction foreign exchange risk. | • The company looks to deal mainly with established or financially sound customers<br>• Credit checks are carried out on new customers and from time to time are undated for continuing customers<br>• Aged debt is monitored and escalated where payments are behind terms<br>• The company matches the revenue and costs of all foreign currency transactions to eliminate, so far as possible, currency exposures<br>• Net foreign currency exposures are monitored regularly |
| **Operational**<br>**Revenue recognition**: The company recognises revenue on projects based on the percentage complete of the individual project. A key element of this calculation is the estimation of the costs to complete on contracts, which is an inherent risk of project accounting. | • The company has a strong project management system with monthly project reviews. These reviews are attended by key management to assess the performance of individual projects. |
| **Technology**<br>**Information Technology**: The company is heavily reliant on its IT infrastructure. Any loss of data or system availability would have a serious impact on the company's ability to meet customer commitments. | • We have:<br>o a tried and tested business continuity plan<br>o physical access controls, and<br>o multiple backups off site |

**On behalf of the Board**

L Hinder
Director
26 September 2018

The directors present their report and the audited financial statements for the year ended 31 December 2017.

**Future developments**

The directors anticipate that there will not be any significant changes to the activities of the Company in the medium-term.

**Dividends**

During the year the directors did not declare a dividend (2016: £nil).

**Financial instruments**

The Company enters into forward currency contracts to manage the currency risks arising from its operations. See note 20 for further information.

**Directors**

The current directors of the Company are listed on page 1.

The directors who served during the year and at the date of this report, unless otherwise stated, were as follows:

D Ashford
I Farmer
L Hinder
N Brookes
S Litchfield
A Robinson
G Wilkes    Resigned 14 September 2017

**Employees**

Wood is 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 remuneration. Our success depends entirely on the strength of our people, their skillset and values. Our ability to identify, promote and mobilise our people is important to the long-term health of the organisation.

Wood aims to achieve a 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 by ensuring our global and regional resourcing strategies deliver an efficient and cost effective service to our stakeholders.

We provide meaningful performance-based recognition programmes to drive organisational results, recognise high performance among employees and value employee contributions.

The Group endorses and supports the principles of equal employment opportunity. To ensure these are adhered to, the People and Organisation department has set down a number of policies, including:

- equal employment opportunities to all appropriately qualified individuals;
- disabled persons receive full and fair consideration for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities, and
- all employment decisions are made on a non-discriminatory basis.

**Corporate social responsibility (CSR)**

The Company is committed to being a socially responsible organisation. To achieve this, the Company adheres to core Wood shared values that take account of the economic, social and environmental impact of all aspects of the business. People are the Company's business and their health and safety is its greatest responsibility. Taking that responsibility seriously means extending it to the communities where the Company works and where employees live.

Everyone who works for the Company is required to work within the Wood core values and comply with specific personal commitments to health and safety, ethical behaviour, teamwork and protecting the Company's reputation.

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

**Health, Safety, Security and Environment ("HSSE")**

Wood is committed to the highest standards of health, safety, environmental and security management. Our aim is to comply with all applicable legislation and relevant industry standards. In the absence of regulatory controls we set our own internal standards.

Our HSSE policy defines our commitment to:

- protecting the health and safety of our employees and others who may be affected by our business activities;
- reducing the environmental impact of operations under our control or direct influence, and
- continually improving our health, safety and environmental performance.

Our goal is to sustain an incident free work environment, as we believe that all incidents are preventable.

Every person working for the Company is responsible and accountable for working in a manner consistent with this goal. To achieve this we:

- create a positive HSSE culture;
- encourage and support positive intervention;
- understand and manage HSSE risks;
- implement an effective HSSE Management System;
- manage HSSE performance, and
- integrate HSSE into business planning

Our aim is to comply with all applicable legislation and relevant industry standards. In the absence of such regulatory controls we set standards consistent with this policy.

We are a socially responsible employer. We work with our customers, contractors, partners and suppliers to improve the efficiency of our operations by conserving resources, reducing waste and emissions, and preventing environmental pollution.

We seek sustainable solutions to business needs, balancing environmental, social and economic considerations by engaging with employees, customers, partners, contractors, suppliers and communities where we work.

We have a Safety, Assurance and Business Ethics (SABE) committee that is responsible for providing governance in relation to Group-wide and business specific HSSE performance, risk management, assurance and business ethics. The primary focus of the committee is to ensure that HSSE and Business Ethics risks are understood, managed and that our supporting systems and assurance activities are suitable, adequate and effective.

Refer to the John Wood Group PLC 2017 Annual Report and Accounts for further details, including activities in 2017.

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement as to disclosure of information to auditors**

The directors who were members of the Board at the time of approving this report are listed on page 1. Having made enquiries of fellow directors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no relevant information of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**

The term as auditor for PricewaterhouseCoopers LLP ceased with effect from the end of the 2017 financial year. Following a tender process, the firm of KPMG LLP has been appointed as auditor for 2018.

**On behalf of the Board**

L Hinder
Director
26 September 2018

## Report on the audit of the financial statements

### Opinion

In our opinion, The Automated Technology Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise the balance sheet as at 31 December 2017; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<u>Independence</u>
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Other required reporting

### Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

L Gardiner

Lindsay Gardiner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
26 September 2018

**The Automated Technology Group Limited**
**Profit and loss account**
**for the year ended 31 December 2017**

| | Note | 2017<br>£000 | 2016<br>£000 |
|---|---|---|---|
| Turnover | 3 | 46,329 | 32,562 |
| Cost of sales | | (36,860) | (22,945) |
| **Gross profit** | | **9,469** | **9,617** |
| Administrative expenses | | (7,621) | (6,513) |
| **Operating profit** | 6 | **1,848** | **3,104** |
| Gain on disposal of tangible fixed assets | 7 | 4 | 42 |
| Interest receivable and similar income | 8 | 8 | 25 |
| Interest payable and similar charges | 9 | (14) | (12) |
| **Profit before tax** | | **1,846** | **3,159** |
| Tax on profit | 10 | (378) | (468) |
| **Profit and total comprehensive income for the year** | | **1,468** | **2,691** |
| | | | |
| **Attributable to:** | | | |
| Equity owners of the Company | | **1,468** | **2,691** |

The results have been derived wholly from continuing operations.

**The Automated Technology Group Limited**
**Balance sheet**
**As at 31 December 2017**

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | £000 | £000 |
| **Fixed assets** | | | |
| Tangible assets | 11 | 1,040 | 1,087 |
| | | **1,040** | **1,087** |
| **Current assets** | | | |
| Stocks | 12 | 152 | 185 |
| Debtors | 13 | 16,946 | 10,184 |
| Cash at bank and in hand | | 4,744 | 4,644 |
| | | **21,842** | **15,013** |
| **Creditors: amounts falling due within one year** | 14 | **(11,775)** | **(6,461)** |
| **Net current assets** | | **10,067** | **8,552** |
| **Total assets less current liabilities** | | **11,107** | **9,639** |
| Provisions for liabilities | 15 | (241) | (241) |
| **Net assets** | | **10,866** | **9,398** |
| | | | |
| **Capital and reserves** | | | |
| Called up share capital | 16 | - | - |
| Profit and loss account | | 10,866 | 9,398 |
| **Total equity** | | **10,866** | **9,398** |

The financial statements on pages 11 to 24 were approved by the Board of Directors on 26 September 2018 and were signed on its behalf by:

L Hinder
Director

Registered number: 03109235

**The Automated Technology Group Limited**
**Statement of changes in equity**
**for the year ended 31 December 2017**

| | Called-up share capital | Profit and loss account | | Total equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | |
| **As at 1 January 2016** | **-** | **6,707** | **6,707** | |
| Profit and total comprehensive income for the year | - | 2,691 | 2,691 | |
| | - | - | - | |
| **At 31 December 2016** | **-** | **9,398** | **9,398** | |
| Profit and total comprehensive income for the year | - | 1,468 | 1,468 | |
| | - | - | - | |
| **At 31 December 2017** | **-** | **10,866** | **10,866** | |

## 1 General information

The Automated Technology Group Limited is a limited liability company incorporated and domiciled in England. The principal activities of the Company are as follows:

Controls - the concept, simulation, design, manufacture and installation of complex, high value automation control systems, with main markets being automotive, material handling, aerospace and food and beverage.

Power - the development, design, manufacture and installation of low and medium voltage electrical control systems for process, utility and heavy industry sectors.

## 2 Summary of significant accounting policies

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

### 2.1 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"). 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. Note 21 gives details of the Company's ultimate parent and from where consolidated financial statements prepared in accordance with IFRS may be obtained.

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 fellow 100% subsidiaries of John Wood Group PLC;
- 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 Pounds Sterling (GBP) and all values are rounded to the nearest thousand Pounds Sterling (£000) except where otherwise indicated.

The Company's business activities, together with the factors likely to affect its future, are set out in the Strategic and Directors reports. The financial position of the Company is shown in the balance sheet on page 12. Its borrowing facilities are described in note 14 to the financial statements. In addition, note 20 includes the Company's financial risk management objectives; details of its financial instruments and hedging activities, and its exposures to interest rate risk and liquidity risk. Thus the directors believe that it is appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 2.2 Functional and reporting currency

The financial statements are presented in Pounds Sterling which is the functional currency of the Company and constitutes the principal income stream of the Company.

## 2 Summary of significant accounting policies (continued)

### 2.3 Cash flows

The Company is a wholly-owned subsidiary of John Wood Group PLC and its cash flows are included in the consolidated group cash flow statements of that company (see note 21). Consequently the Company has taken advantage of the exemption available with FRS 101 from publishing a cash flow statement.

### 2.4 Foreign currency translation

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Non-monetary items are translated using the exchange rates as at the date of the original transactions.

### 2.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Land is not depreciated and depreciation on other assets is calculated using the straight-line method to allocate their cost less estimated residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Office equipment | 2-10 years |
| Leasehold improvements | Shorter of the estimated life or period of lease |
| Plant & Machinery | 2-10 years |
| Vehicles | 1-4 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

### 2.6 Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets 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. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 profit and loss account.

### 2.7 Trade debtors

Trade debtors are recognised initially at fair value less an allowance for any amounts estimated to be uncollectible. An estimate for doubtful debts is made when there is objective evidence that the collection of the debt is no longer probable.

### 2.8 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 profit and loss account.

## 2 Summary of significant accounting policies (continued)

### 2.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

If the effect of the time value of money is material provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.10 Dilapidation provision

Under the terms of agreements for certain leasehold land and buildings, the Company is obliged to return the premises to the lessor on cessation or termination of the lease, maintained to a certain standard. Provision is made, on a straight line basis, for the directors' estimate of such costs over the lease period.

### 2.11 De-recognition of financial assets and liabilities

Financial assets:

A financial asset (or where appropriate a part of a financial asset) is de-recognised where the rights to receive cash flows from the asset have expired.

Financial liabilities:

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

### 2.12 Turnover and revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company. The following specific recognition criteria also apply:

For the supply of services, revenue is recognised when the services are rendered, based on the agreed contract schedule of rates. Revenue from product sales is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is normally upon delivery or customer acceptance. Where revenue relates to a multi element contract then each element of the contract is accounted for separately as above. Revenue on fixed price contracts is recognised on the measurement of contractual milestones completed.

Incentive payments are included in revenue when it is probable that the specified performance standards will be met and the amount of the incentive payments can be measured reliably.

### 2.13 Long-term contracts

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. Expected losses are recognised in full as soon as losses are probable. The net amount of costs incurred to date plus recognised profits less the sum of recognised losses and progress billings is disclosed within Debtors/Creditors.

## 2 Summary of significant accounting policies (continued)

### 2.14 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date, or whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

The Company has entered into various operating leases, the payments for which are recognised as an expense in the profit and loss account on a straight-line basis over the lease terms.

### 2.15 Employee benefits

The Company operates a defined contribution pension scheme, and the expense incurred is taken to the profit and loss account. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable to the fund.

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there has been a past practice that has created a constructive obligation.

The Company recognises amounts due to employees for holiday/vacation pay, which have been earned but not yet taken at the end of the financial year, and accrues for these costs in the balance sheet and expenses them to the profit and loss account.

### 2.16 Taxation

The tax expense in the profit and loss account represents the sum of current and deferred taxes. Current tax 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 profit and loss account 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 profit and loss account.

### 2.17 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 Company's financial performance.

## 2 Summary of significant accounting policies - (continued)

### 2.18 Judgements and key sources of estimation or uncertainty

The preparation of financial statements requires management to make judgements, 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.

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

**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.

Revenue on Lump sum projects is recognised according to the stage of completion reached in the project by measuring the proportion of costs incurred for work performed to total estimated costs. Estimating the costs to completion and therefore the total contract costs is a key judgement in respect of revenue recognition and to this end very detailed project analysis is carried out and reviewed on a monthly basis on all large projects.

## 3 Turnover

Analysis of turnover by geographical destination is as follows:

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| United Kingdom | 30,529 | 31,746 |
| Europe | 6,800 | 816 |
| USA | 9,000 | - |
| **Total** | **46,329** | **32,562** |

## 4 Staff costs and employee information

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | 10,663 | 10,267 |
| Social security costs | 1,145 | 1,115 |
| Other pension costs | 707 | 614 |
| **Total** | **12,515** | **11,996** |

The monthly average "full time equivalent" number of employees for 2017 was 261 (2016: 254).

## 5 Directors' remuneration

Staff costs include amounts payable to directors as follows:

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Aggregate emoluments | 153 | 112 |
| Money purchase pension plan contributions | 15 | 13 |
| Aggregate emoluments including benefits | 168 | 125 |

Only one Director was remunerated by the company. The other directors are employed through separate subsidiaries of John Wood Group PLC.

## 6 Operating profit

Operating profit is stated after charging/(crediting):

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Depreciation of tangible assets (note 11) | 380 | 390 |
| Net foreign exchange loss | 194 | 62 |
| Operating lease expenditure: | | |
| - Land and buildings | 356 | 246 |
| - Other | 585 | 578 |
| Services provided by the Company's UK statutory auditors: | | |
| - Fees payable for the UK statutory audit | 36 | 21 |
| - Fees payable for other services | - | 12 |

## 7 Gain on disposal of tangible fixed assets

Motor vehicles were disposed of in the year at a gain of £4k (2016: £42k).

## 8 Interest receivable and similar income

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Bank interest receivable | 8 | 25 |
| | **8** | **25** |

## 9 Interest payable and similar charges

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Bank interest payable | 14 | 12 |
| | **14** | **12** |

## 10 Taxation

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | 371 | 645 |
| Adjustments in respect of prior years | (2) | (108) |
| **Total current income tax** | **369** | **537** |
| | | |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 7 | (69) |
| Adjustments in respect of prior years | 2 | - |
| **Total deferred tax** | **9** | **(69)** |
| | | |
| **Tax on profit** | **378** | **468** |

The tax in the profit and loss account for the year varied from the average standard rate of corporation tax in the UK due to the following factors:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Profit before tax of £1,846k (2016: profit of £3,159k) at average UK standard rate of corporation tax of 19.25% (2016: 20%) | 356 | 631 |
| Permanent differences | - | 23 |
| Non-deductible or non-taxable items | 15 | - |
| Effect of deferred tax | 7 | 2 |
| Other adjustments | - | (76) |
| Adjustments in respect of prior years | - | (112) |
| **Tax charge for the year** | **378** | **468** |

**Deferred tax**

The deferred tax included in the balance sheet is as follows:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Fixed asset timing differences | (48) | (37) |
| Short term timing differences and losses | (2) | 96 |
| **Deferred tax (provision)/(asset)/provision** | **(50)** | **59** |

**Movement on deferred tax balance**

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Asset/(provision) at 1 January | 59 | (10) |
| Credit to the profit and loss account | (9) | 69 |
| Other movement | - | - |
| **(Provision)/(Provision)/asset at 31 December** | **50** | 59 |

## 10 Taxation (continued)

The standard Corporation Tax rate in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for 2017 are taxed at 19.25% (2016: 20.00%).

In addition, a further reduction to 18% in April 2020 was enacted in the Finance Act 2015. This change has no significant impact on these financial statements.

## 11 Tangible fixed assets

| | Leasehold land and buildings | Plant and machinery | Fixtures, fittings & equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Cost** | | | | | |
| At 1 January 2017 | 1,317 | 1,186 | 163 | 213 | 2,879 |
| Additions | - | 260 | 5 | 68 | 333 |
| Disposals | - | - | - | (42) | (42) |
| **At 31 December 2017** | **1,317** | **1,446** | **168** | **239** | **3,170** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2017 | 608 | 880 | 146 | 158 | 1,792 |
| Charge for the year | 142 | 196 | 10 | 32 | 380 |
| Disposals | - | - | - | (42) | (42) |
| **At 31 December 2017** | **750** | **1,076** | **156** | **148** | **2,130** |
| **Net book value** | | | | | |
| **At 31 December 2017** | **567** | **370** | **12** | **91** | **1,040** |
| At 31 December 2016 | 709 | 306 | 17 | 55 | 1,087 |

## 12 Stocks

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Raw materials | 152 | 185 |
| | **152** | **185** |

## 13 Debtors

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Trade debtors – third parties | 8,044 | 6,228 |
| Trade debtors – Group companies | 1,093 | - |
| Prepayments and accrued revenue | 160 | 167 |
| Amounts recoverable on long-term contracts | 6,525 | 3,022 |

| | | |
|---|---|---|
| Corporation tax | 824 | 708 |
| Deferred tax | 50 | 59 |
| Other debtors | 250 | - |
| | **16,946** | **10,184** |

Trade debtors are non-interest bearing and are generally on 30-60 days payment terms.

The loans to Wood Group companies do not contain formal repayment terms and are repayable on demand. Interest at normal market rates applies.

## 14 Creditors: amounts falling due within one year

| | **2017** | **2016** |
|---|---|---|
| | £000 | £000 |
| Trade creditors – third party | 7,009 | 3,016 |
| Trade creditors – Group companies | 2,370 | 1,914 |
| Accrued expenses and deferred income | 1,371 | 286 |
| Payments received on account on long-term contracts | 943 | 990 |
| Social security and other taxes | 82 | 255 |
| | **11,775** | **6,461** |

Trade creditors are non-interest bearing and are normally settled on 15 - 60 days terms.

The loans from Group companies do not contain formal repayment terms and are repayable on demand. Interest at normal market rates applies.

## 15 Provision for liabilities

| | **2017** | **2016** |
|---|---|---|
| | £000 | £000 |
| Dilapidations / warranties | 241 | 241 |
| | **241** | **241** |

See note 10 for details of deferred tax.

## 16 Called up share capital

| | **2017** | **2016** |
|---|---|---|
| | £000 | £000 |
| Allotted and fully paid: | | |
| 100 (2016: 100) Ordinary shares of £1 each | - | - |
| **Total** | - | - |

## 17 Lease commitments

The Company has financial commitments under non-cancellable operating leases. The future aggregate minimum rental commitments under these leases are as follows:

| | 2017 Land & buildings | 2017 Other | 2016 Land & buildings | 2016 Other |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Within one year | 338 | 464 | 14 | 439 |
| Between one year and five years | 1,084 | 242 | 1,073 | 456 |
| After more than five years | 1,006 | - | 850 | - |
| | **2,428** | **706** | **1,937** | **895** |

## 18 Contingent liabilities

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

## 20 Related party transactions

The Company has taken advantage of the exemptions within Financial Reporting Standard 101 not to disclose transactions and balances with John Wood Group PLC and its wholly-owned subsidiaries, on the grounds that the Company itself is a wholly-owned subsidiary of John Wood Group PLC, for which the consolidated financial statements are publicly available.

## 20 Financial risk management objectives and policies

### 20.1 General

The Company's principal financial liabilities comprise intercompany loans and trade creditors. The main purpose of these financial liabilities is to finance the Company's operations. The Company has various other financial assets such as trade debtors and cash at bank, which arise directly from its operations.

The main risks arising from the Company's financial instruments are (a) cash flow interest rate risk, (b) foreign currency risk, and (c) credit risk. The policies for managing each of these risks are summarised below, together with comments on liquidity risk.

(a) Cash flow interest rate risk:

The Company's exposure to the risk of changes in market interest rates relates primarily to intercompany borrowings.

In light of the fact that virtually all of the Company's interest income and charges are inter-Group, the directors have decided currently not to hedge any of its interest rate exposures. This decision will be regularly reviewed.

(b) Foreign currency risk:

The Company is exposed to foreign currency risk on transactions where sales, purchases and borrowings which are in currencies other than the Company's functional currency. The Company strives to bill its customers in the currency in which the costs have been incurred, and maintain intercompany loans in the functional currency of the Company, to eliminate the currency exposure wherever possible.

(c) Credit risk:

The Company trades only with recognised, creditworthy third parties which are typically large companies. It is the Company's policy that credit terms for all new major customers are approved by the Wood Group Mustang division's executive management committee, who also monitor receivable balances on an ongoing basis, with the result that the Company's exposure to bad debts is not considered significant.

With respect to credit risk from other financial assets, these primarily relate to cash and cash equivalents and the Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

(d) Liquidity risk:

The Company monitors its risk to a shortage of funds by regular projected cash flow forecasts from operations which also consider the maturity of its financial assets and liabilities. Any additional funding required is supplied by fellow Wood companies.

## 21 Ultimate parent undertaking

The Company is a wholly owned subsidiary of John Wood Group plc.

The directors regard John Wood Group PLC, a company registered in Scotland, as the ultimate parent undertaking and controlling party.

John Wood Group PLC is the only undertaking for which consolidated financial statements that include the financial statements of the Company, are prepared. Copies of John Wood Group PLC financial statements can be obtained from the Company Secretary at 15 Justice Mill Lane, Aberdeen, AB11 6EQ, Scotland.