

# JACOBS ENGINEERING GROUP INC /DE/

## FORM 10-K (Annual Report)

Filed 12/28/94 for the Period Ending 09/30/94

Address	155 NORTH LAKE AVENUE PASADENA, CA 91101
Telephone	6265783500
CIK	0000052988
Symbol	JEC
SIC Code	1600 - Heavy Construction Other Than Bldg Const - Contractors
Industry	Construction Services
Sector	Capital Goods
Fiscal Year	10/02

# JACOBS ENGINEERING GROUP INC /DE/

## FORM 10-K (Annual Report)

Filed 12/28/1994 For Period Ending 9/30/1994

Address	1111 S ARROYO PARKWAY PASADENA, California 91105-3063
Telephone	626-578-3500
CIK	0000052988
Industry	Construction Services
Sector	Capital Goods
Fiscal Year	09/30

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934 [FEE REQUIRED]

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1994**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File Number 1-7463*

**JACOBS ENGINEERING GROUP INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OF INCORPORATION)

95-4081636  
(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

251 SOUTH LAKE AVENUE, PASADENA, CALIFORNIA  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

91101  
(ZIP CODE)

Registrant's telephone number, including area code (818) 449-2171

**Securities registered pursuant to Section 12(b) of the Act:**

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, \$1 par value	New York Stock Exchange

INDICATE BY CHECK-MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. ( X ) YES ( ) NO

INDICATE BY CHECK-MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF THE REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. ( )

The aggregate market value of the Registrant's voting stock held by non- affiliates was approximately \$357,636,000 as of December 27, 1994, based upon the last reported sales price on the New York Stock Exchange. For this purpose, the Registrant considers Dr. Joseph J. Jacobs to be

its only affiliate.

As of December 27, 1994, the Registrant had outstanding 25,080,547 shares of its common stock.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Part II: Annual Report for the fiscal year ended September 30, 1994, only portions of which are incorporated by reference.

Part III: Proxy Statement for the Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the close of the Registrant's fiscal year, only portions of which are incorporated by reference.

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## PART I

### ITEM 1. BUSINESS

#### **GENERAL**

Jacobs Engineering Group Inc. (the "Company" ) is one of the largest professional service firms in the United States providing engineering, design and consulting services; construction and construction management services; and process plant maintenance services to a wide range of industrial, commercial and governmental clients throughout the United States, the United Kingdom and Ireland.

The Company has focused its services on selected industry groups and markets including the process industries (primarily for the refining, chemical, foods, pharmaceutical and biotechnology, and minerals and fertilizers industries); environmental applications and projects; and facilities (principally for high technology industries such as electronics and micro- electronics, as well as health care and food processing facilities, commercial and municipal buildings and other industrial projects). As discussed in the section "Recent acquisitions", below, the Company completed the acquisition of two businesses in 1994 which added the pulp and paper market to the collection of process industries to which the Company provides its services, as well as expanding the Company's customer base in the area of facilities construction, particularly in the micro-electronics, transportation, civic and health care markets.

The Company is a Delaware corporation and was originally incorporated in 1957 as a successor to a business organized by Dr. Joseph J. Jacobs in 1947. The Company's common stock has been publicly held since 1970 and currently is listed on the New York Stock Exchange.

#### **RECENT ACQUISITIONS**

During fiscal 1993 and 1994, the Company completed several significant business acquisitions. In January 1993, the Company acquired H&G Process Contracting Limited and H&G Contractors Limited (together, "Humphreys & Glasgow" ), based in England. Humphreys & Glasgow has broad-based process engineering and design skills in the areas of refining, petrochemicals, fine chemicals, pharmaceuticals and, until the fourth quarter of fiscal 1994, water treatment facilities. In June 1993, the Company acquired the Sigel Group of companies (the "Sigel Group"), based in Philadelphia, Pennsylvania. The Sigel Group provides engineering and design services to clients primarily in the biotechnology/pharmaceutical industry worldwide. In September 1993, the Company acquired Wolder Engineers and Constructors (the "Wolder Group" ), based in Long Beach, California. The Wolder Group provides engineering, design, construction and construction management services to clients primarily in the petroleum refining, gas transmission, chemical and mining businesses. And finally, in July 1994, the Company acquired the engineering and construction management services businesses from CRSS Inc. (the engineering business is referred to as "Sirrinc" and the construction management business is referred to as "CRSS Constructors" ). These businesses provide comprehensive design, engineering and construction management services to government and commercial customers in the pulp and paper, micro-electronics, transportation and facilities markets, among others, throughout the continental United States.

Management believes each of these acquisitions provides the Company with long-term strategic growth opportunities. As a result of these acquisitions, the Company now has established operations in new geographic markets and added to the range of services it can provide its clients. The Company has also added to its customer base, as well as to the industry groups and markets to which it can provide its services.

Following the acquisitions of Sitrine and CRSS Constructors, management implemented, in the fourth quarter of fiscal 1994, a plan to consolidate certain of its offices. Management also reviewed where certain projects were being executed, particularly those projects in the area of bulk chemical processing, and decided to transfer selected projects to other offices within the Company. Concurrent with these actions, management undertook to evaluate the Company's continuing business activities relating to a joint venture in the UK. Lastly, management reviewed the realizability of certain assets the Company acquired in recent years and wrote-down the carrying value of these assets to their estimated net realizable values. As a result of these actions, the Company recorded in the fourth quarter of 1994 a total after-tax charge of approximately \$10.2 million (\$0.40 per share). Of the total charge recorded, approximately \$8.6 million (\$0.34 per share) related to the consolidation and cost reduction activities discussed above, and approximately \$1.6 million (\$0.06 per share) related to certain third-party claims and litigation that were settled during the fourth quarter of 1994. For further discussion of this charge, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7., below.

**SERVICES PROVIDED**

The Company offers three broad categories of professional services: engineering (which includes design, consulting and other related services); construction and construction management; and plant maintenance. Often, Jacobs establishes a relationship with a client where it is awarded a contract for the initial phases of an engineering and/or construction project. These services may include feasibility studies, consulting or design work. Because of the range of technical expertise the Company possesses, it is often retained for additional work as the project develops. The scope of services provided by the Company, therefore, ranges from consulting to complete single-responsibility contracts.

The following table sets forth the total revenues of the Company from each of its three basic service categories for the five years ended September 30, 1994 (in thousands of dollars):

	1990	1991	1992	1993	1994
Engineering	\$241,187	\$313,849	\$355,483	\$453,247	\$476,491
Construction	414,980	499,081	503,406	424,259	456,750
Maintenance	225,590	223,359	247,538	265,420	232,513
	\$881,757	\$1,036,289	\$1,106,427	\$1,142,926	\$1,165,754

**Engineering**

The Company employs all of the engineering and related disciplines to engineer and design modern process plants (which include projects for clients in such industries as refining, chemical, foods, pharmaceutical and biotechnology, pulp and paper and minerals and fertilizers) and high technology facilities (such as micro-electronics plants, specialized plants for clients in the food industry, commercial and municipal buildings, research and development facilities that require technically complex structures such as "clean rooms" and other industrial projects).

With respect to the environmental area, the Company employs all of the requisite engineering, scientific, public health and related skills to consult, investigate, study, manage and provide remedial engineering for major environmental programs. The Company's capabilities in process engineering and construction combined with its environmental expertise allow it to offer its clients a wide range of services from a single-source provider. Accordingly, the Company has been awarded contracts requiring a combination of traditional process engineering and environmental services.

Additionally, the Company employs all of the professional and technical expertise necessary to provide a broad range of consulting services including: performing pricing studies, market analyses and financial projections necessary in determining the feasibility of a project; performing gasoline reformulation modeling; analyzing and evaluating layout and mechanical designs for complex processing plants; analyzing automation and control systems; analyzing, designing and executing biocontainment strategies; developing and performing process protocols in respect of Federal Drug Administration mandated qualification/validation requirements; and performing geological and metallurgical studies.

Also included in the category of "Engineering" are all of the related support services necessary for the proper and effective delivery of the Company's engineering and related services. Among these are cost engineering, planning, scheduling, procurement, estimating, project accounting, quality and safety.

### **Construction**

The Company provides traditional field construction as well as construction management services to private and public sector clients in many of the process and facilities industries serviced by the Company. The Company can also provide its clients with Advanced Construction Technology ( "ACT" )(R). ACT is an advanced form of modular engineering, design, off-site fabrication and assembly, and field erection. ACT provides clients with an alternative approach to traditional methods of engineering and construction which can significantly reduce new plant costs. In the environmental area recent contract awards from clients in the public sector require the Company to provide environmental remedial construction services. The Company believes the environmental remedial construction market will continue to grow in the future as more resources are committed to actual site clean-up.

The Company's field construction activities are focused primarily on process plant and facilities construction projects for which the Company has performed the engineering and design work. By focusing its construction efforts on such projects, the Company avoids the risk of constructing complex plants based on designs prepared by others. The financial risk to the Company of constructing complex plants based on designs prepared by third parties may be particularly significant on fixed-price contracts. On the other hand, the Company believes the integration of its services (i.e., providing design, engineering and construction services on the same project) provides the Company greater opportunity to price its services more competitively and can enhance its overall contract profitability. From the customers' perspective, the Company believes that the integration of its services provides them with a competitive advantage as they can look to the Company as a single-source provider of design/build services. However, the Company will continue to pursue construction-only projects where it can negotiate pricing and other contract terms acceptable to the Company.

In the area of construction management, the Company can provide a wide range of services to its customers. The Company may act as the program director, whereby it oversees, on behalf of the owner of the project, the complete planning, design and construction phases of the project. Or, its services may be limited to providing construction consulting, estimating, scheduling or value engineering services. The Company believes its capabilities in the area of construction management were greatly enhanced during 1994 when it completed the acquisition of CRSS Constructors. As a result of this acquisition, the Company has broadened its geographic presence and expanded both its client base and the industry groups to which it can provide and market its construction management services.

### **Maintenance**

Maintenance generally refers to all of the tasks required to keep a plant in day-to-day operations, including the repair and replacement of pumps, piping, heat exchangers and other equipment. It also includes "turnaround" work which involves major refurbishment which can only be performed when the plant is shut down. Since shutdowns are expensive to the owners of the plant, turnaround work will often require maximizing the number of craftsmen that can work efficiently on a project on a 24 hours per day, seven days per week basis. The Company employs sophisticated computer scheduling and programming to complete turnaround projects quickly and it maintains contact with a large pool of skilled craftsmen it can hire as needed on maintenance and turnaround projects.

Although the profit margins that can be realized from maintenance services are generally less than engineering and construction services, the costs to support maintenance activities are also generally lower than engineering and construction services. The Company remains active in this business because it sometimes leads to contracts to provide engineering and/or construction services. Furthermore since maintenance contracts are normally cost-reimbursable in nature, they present less risk to the Company. Additionally, although engineering and construction projects may be of a short- term nature, maintenance services often result in long-term relationships with clients. For example, the Company has been providing maintenance services at several major process plants for over 25 years. This aspect of maintenance services greatly reduces the selling costs in respect of such services.

### **INDUSTRY GROUPS AND MARKETS**

The Company has chosen to focus its efforts on the following industry groups and markets: environmental, refining, chemical and pharmaceutical, facilities, and minerals and fertilizers. With the acquisition of Sitrine in 1994, the Company now provides engineering and construction management services to the pulp and paper industry. The Company believes these industry groups and markets have sufficient common needs to permit cross-utilization of the Company's resources which help to mitigate the negative effects of a downturn in a single industry.

The following table sets forth the total revenues of the Company from each of these industry groups and markets for the five years ended September 30, 1994 (in thousands of dollars):

	1990	1991	1992	1993	1994
Environmental	\$39,407	\$67,940	\$105,608	\$161,964	\$175,846
Refining	172,705	216,865	362,005	404,462	372,769
Chemical and pharmaceutical	388,813	419,311	351,336	386,522	415,062
Facilities	250,136	308,805	224,822	158,217	177,193
Minerals and fertilizers	30,696	23,368	62,656	31,761	24,884
	\$881,757	\$1,036,289	\$1,106,427	\$1,142,926	\$1,165,754
	=====	=====	=====	=====	=====

The Company historically has provided primarily engineering services to the environmental group. However, certain of the more recent contracts awarded to the Company also include management services for the remediation of hazardous wastes. Maintenance services are provided primarily to the chemical and refining industries.

### **Environmental**

The Company believes it is one of the leading providers in the United States of environmental engineering and consulting services, including hazardous waste management and cleanup. The environmental business currently represents an important part of the Company's operations and, as a result of growing public concern over the nation's environment, combined with increased legislation regarding the environmental obligations of companies in the private sector, the Company believes demand for environmental services will continue to grow.

The Company is currently providing environmental services for a number of U.S. federal government agencies including the Department of Energy; the Department of Defense; and the Environmental Protection Agency. In the private sector, the Company provides consulting, environmental studies, remedial design and project management services, such as the design and construction of waste minimization programs relating to existing process plants, and the design and construction of waste and wastewater treatment facilities. Additionally, the Company provides engineering, design and related technical services for large, complex water purification systems.



Typical projects for the U.S. government include the preparation of feasibility studies and performing remedial investigation, engineering and design services on several national programs. Many of the Company's contracts relate to the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA" or "Superfund") and the related Superfund Amendments and Reauthorization Act of 1986 ("SARA"), as reauthorized in 1990. More recently, the Company has been awarded multi-year contracts from the U.S. Air Force to provide full-service remedial action services for the U.S. Air Force Center for Environmental Excellence ("AFCEE") at several bases located in the U.S., as well as a "nationwide" award to provide services under the U.S. Base Realignment and Closure ("BRAC") program. The Company also provides project management services over site cleanup activities at various government installations, as well as detailed scientific and support services, groundwater restoration management and action plans, and services relating to the decommissioning of nuclear production and armament facilities.

Many of the projects for the U.S. government span several years. For larger programs, the scope of services are such that the Company sometimes teams with other companies in order to execute the project.

Within the private sector, the Company provides consulting, design, engineering, procurement, construction and project management services to clients on projects involving waste minimization programs, waste treatment and other facilities.

The Company believes the acquisition of Humphreys & Glasgow greatly enhanced its capabilities in the area of environmental engineering and waste management. Its experience includes both government and private-sector projects in the areas of facility decommissioning, waste packaging, robotics, solidification and encapsulation. Recent awards to Humphreys & Glasgow require developing the process design of plants to vitrify certain types of contaminated wastes. Such applications of vitrification technology is currently planned for use by certain of the Company's clients in the United States.

### **Refining**

The Company provides its full line of services to its clients in the refining industry. Typical projects in the refining area include retrofits, revamps or expansion of existing plants, upgrading individual process units within refineries, new construction and maintenance services. The Company also provides a broad range of consulting services to its clients, including feasibility and multi-client studies.

Over the past several years, the Company has experienced a significant increase in contract awards for plants producing oxygenates and other high- octane fuel blending components for gasoline (such components are required by the Clean Air Act of 1990 in reformulated gasolines in order to reduce the emissions of unburned hydrocarbons and carbon monoxide from automobiles), as well as plants that hydrotreat various fuel fractions to reduce the sulfur content of blended products. The Company has completed several major projects to design, engineer, procure and construct methyl tertiary butyl ether ("MTBE") units and tertiary amyl butyl ether ("TAME") units for a number of major refiners at facilities located throughout the United States. The Company has also utilized its modular construction capabilities in the construction and installation of these units. The use of modular construction can help decongest the construction site and allow for parallel construction to proceed simultaneously with the modular activity.

A significant aspect of the Company's service to this industry is in the area of contract maintenance. The Company has contracts with several major oil refiners for on-site maintenance and turnaround activities. Many of these contracts are evergreen in nature and tend to be extended over many years.

The Company believes its capabilities in the refining area in the West Coast market were greatly enhanced during 1993 when it completed the acquisition of the Wolder Group. As a result of the acquisition, the Company has broadened its geographic presence with access to both new and existing clients.

#### Chemical and pharmaceutical

The Company furnishes its full line of services to its clients operating in the chemical, pharmaceutical and biotechnology industries. Typical projects in the chemical area include bulk chemical production facilities involving various petrochemicals, aromatics and derivatives, monomers and polymers. In the pharmaceutical and biotechnology area, typical projects include sterile fill, pharmaceutical manufacturing facilities and biotechnology laboratories and pilot plants. Also included in this category of business are process projects for clients in the food industry and, beginning August 1, 1994, the pulp and paper industry. The Company's capabilities in the pulp and paper industry result from the acquisition of SIRRINE. The Company believes SIRRINE to be one of the leading providers of engineering and design services to U.S. customers in the pulp and paper industry.

The Company also enhanced its capabilities in the pharmaceutical and biotechnology area as a result of the acquisition of the Sigel Group in June 1993. When combined with the Company's traditional process engineering and project management skills and the technical and other capabilities acquired as a result of the acquisition of Triad Technologies, Inc. in 1991, the Company believes it is now capable of executing multi-million dollar, single-responsibility projects in the areas of pharmaceuticals and biotechnology. Accordingly, the Company believes it is a national leader in providing not only engineering, design and construction services, but also conceptual design services with emphasis on production strategy, current good manufacturing practices ("cGMP") compliance, regulatory compliance and qualification/validation services for pharmaceutical and biotechnology research, development and production facilities.

#### **Facilities**

"Facilities" refers to those contracts requiring the Company to provide comprehensive architectural, engineering, design, construction and/or construction management services for projects such as high technology manufacturing operations in the electronics, micro-electronics and aerospace industries, specialized plants for clients in the food industry, research and development facilities that require technically complex structures such as "clean rooms", correctional facilities, health care facilities and transportation systems, as well as multi-purpose buildings for industrial, commercial and government clients.

The Company believes its capabilities in the facilities area were greatly enhanced during 1994 when it completed the acquisition of SIRRINE and CRSS Constructors. SIRRINE's experience in the domestic, U.S. micro-electronics industry complemented the Company's experience in foreign markets. CRSS Constructors greatly expanded the Company's capabilities to provide construction management services for customers in the health care, transportation, correctional and civic industries/markets.

#### Minerals and fertilizers

For over 25 years, the Company has been a leading provider of engineering, design and construction services on projects for phosphatic and potassium fertilizer plants, coal handling facilities, and facilities for the mining and processing of a wide range of minerals. Additionally, the Company provides a broad range of consulting services to the fertilizers industry world wide and believes it possesses the world's leading process technology in the area of phosphatic fertilizers. The Company believes that demand for services by companies in this industry will grow in the future.

#### **BACKLOG**

For information regarding the Company's backlog, reference should be made to Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations, incorporated by reference in this report.

## **CUSTOMERS**

For the years ended September 30, 1990, 1991, 1992, 1993 and 1994, revenues from federal government agencies accounted for 4.9%, 6.3%, 9.4%, 14.1% and 15.4%, respectively, of total revenues. Due to the amount of pass-through costs (see "Contracts" below) that may be incurred on construction projects, it is not unusual for a customer in the private sector to account for more than ten percent of revenues in any given year. For the years ended September 30, 1990, 1991 and 1992, one customer in the private sector accounted for 14.7%, 11.4% and 12.5%, respectively, of total revenues (a second customer accounted for 10.8% of total revenues in 1992). No single customer in the private sector accounted for ten percent or more of total revenues in 1993, and a different customer accounted for 11.6% of total revenues in 1994.

The Company's success in obtaining more than one contract from its clients significantly minimizes its selling and related management expenses. Over the past five years, a significant portion of the Company's revenues has represented work for clients for which the Company has performed at least one prior contract. The Company believes that the amount of repeat business demonstrates that a majority of the Company's clients have a high level of satisfaction with the Company's services.

## **FOREIGN OPERATIONS**

For the years ended September 30, 1990, 1991, 1992, 1993 and 1994, revenues from projects outside of North America were approximately 7.1%, 8.4%, 16.3%, 10.8% and 5.6%, respectively, of total revenues. For the years ended September 30, 1992 and prior, substantially all such revenues related to the Company's offices in Ireland. For the year ended September 30, 1993, such revenues related primarily to the Company's offices in the UK and Ireland.

The increase in revenues from projects outside North America from 1991 to 1992 was due primarily to a large construction project executed out of the Company's Dublin office and included a substantial portion of "pass-through" costs (see "Contracts" below). That project was completed early in fiscal 1993.

## **CONTRACTS**

While there is considerable variation in the pricing provisions of the contracts undertaken by the Company, they can generally be grouped into three broad categories: Cost-plus; guaranteed maximum price and fixed-price. The following table sets forth the percentages of total revenues represented by these types of contracts during the five years ended September 30, 1994:

	1990	1991	1992	1993	1994
	----	----	----	----	----
Cost-plus	69%	79%	87%	90%	83%
Guaranteed maximum price	11	2	4	3	8
Fixed-price	20	19	9	7	9

In accordance with industry practice, most of the Company's contracts are subject to termination at the discretion of the client. Contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of such termination.

When the Company is directly responsible for engineering, design, procurement and construction of a project or the maintenance of a process plant, the Company reflects the cost of materials and equipment, craft labor and subcontracts in both revenues and costs. On other projects, where the client elects to pay for such items directly, these amounts are not reflected in either revenues or costs. The approximate amounts of such pass-through costs included in revenues for the years ended September 30, 1990, 1991, 1992, 1993 and 1994 were \$560.3 million, \$641.9 million, \$659.2 million, \$610.7 million and \$629.0 million, respectively.

### Cost-plus contracts

Cost-plus contracts provide for reimbursement of costs incurred by the Company plus a predetermined fee, or a fee based on a percentage of the costs incurred. The Company prefers this type of contract since it believes that the primary basis for its selection should be its technical expertise and professional qualifications rather than price considerations.

### Guaranteed maximum price contracts

Guaranteed maximum price contracts are performed in the same manner as cost-plus contracts; however, the total actual cost plus the fee cannot exceed the guaranteed price negotiated with the customer. If the total actual cost of the contract exceeds the guaranteed maximum price, then the Company will bear all or a portion of the excess. In those cases where the total actual cost and fee are less than the guaranteed price, the Company will share the savings on a predetermined basis with the client.

### Fixed-price contracts

Fixed-price contracts include both "negotiated fixed-price" contracts and "lump sum bid" contracts. Under a negotiated fixed-price contract, the Company is first selected as the contractor, and then the contract price is negotiated. Negotiated fixed-price contracts frequently exist in single-responsibility arrangements where the Company has the opportunity to perform engineering and design work before negotiating the price.

Under lump sum bid contracts, the Company must bid against other contractors based upon specifications furnished by the customer. This type of pricing presents certain inherent risks, including the possibility of ambiguities in the specifications, problems with new technologies and economic and other changes that may occur over the contract period, that are reduced by the negotiation process. Thus, although both types of contracts involve a firm price for the customer, the lump sum bid contract provides the greater degree of risk to the Company. However, because of economies that may be realized during the contract term, both negotiated fixed-price and lump sum bid contracts may offer greater profit potential than the other types of contracts.

## **COMPETITION**

The Company is engaged in a highly competitive business. Some of its competitors are larger than the Company, or are subsidiaries of larger companies, and possess greater resources than the Company. Furthermore, because the engineering aspect of the business does not usually require large amounts of capital, there is relative ease of market entry for a new potential entrant possessing acceptable professional qualifications. Accordingly, the Company competes with both national and international firms in sizes ranging from very large to a wide variety of small, regional and specialty firms.

The extent of the Company's competition varies according to the industries and markets it serves, as well as the regions in which the Company is located. The Company's largest competitors for engineering, construction and maintenance services for process plants include such well-known companies as Bechtel Group, Inc., Fluor Corp., Foster-Wheeler Corp., M.W. Kellogg, Parsons Co., Brown & Root, Inc. and Morrison Knudsen Corp. The Company's principal competitors for facilities work include Turner Construction Co., The Austin Co., ADP/Marshall and IDC.

In the area of environmental engineering and hazardous waste cleanup, the Company's competitors include a number of the companies listed above and other specialized companies such as IT Corporation, ICF Kaiser, Metcalf & Eddy, CDM, OHM, Rust Engineering, Montgomery Engineers, Ogden Environmental and Roy F. Weston, Inc.

## **EMPLOYEES**

At September 30, 1994, the Company had approximately 6,940 full-time employees. Additionally, as of September 30, 1994, there were also approximately 6,200 persons employed in the field on a short-term or project basis by the Company. The number of such field employees varies in relation to the number and size of the maintenance and construction projects in progress at any particular time.

## EXECUTIVE OFFICERS OF THE COMPANY

Pursuant to the requirements of Item 401(b) and 401(e) of Regulation S-K, the following information is being furnished with respect to the Company's executive officers:

Name	Age	Position with the Company	Year Joined the Registrant or a Company Acquired by the Registrant
Joseph J. Jacobs	78	Director and Chairman of the Board	1947
Noel G. Watson	58	President, Chief Executive Officer and Director	1965
Robert M. Barton	72	Secretary and Director	1957
William R. Kerler	65	Executive Vice President, Operations	1980
James E. Berkley	61	Executive Vice President, Operations	1962
Donald J. Boutwell	57	Group Vice President, Field Services	1984
Andrew E. Carlson	61	Group Vice President, Field Services	1990
Socrates S. Christopher	59	President, Jacobs - Sirrine Engineers (a Division of Jacobs Engineering Group Inc.)	1994
Arlan C. Emmert	49	Group Vice President, Western Region	1985
Thomas R. Hammond	43	Group Vice President, Central Region	1975
John McLachlan	48	Group Vice President, Northern Region	1974
Richard J. Slater	48	Group Vice President, European Region	1980
Roger L. Williams	56	Group Vice President, Southern Region	1983
Gregory J. Landry	46	Senior Vice President, Quality and Safety	1984
Craig L. Martin	45	Senior Vice President, Operations	1994
Paul A. Miskimin	54	Senior Vice President, Federal Programs	1987
John W. Prosser, Jr.	49	Senior Vice President, Finance and Administration and Treasurer	1974
Gerald L. Stevenson	57	Senior Vice President, General Sales and Marketing	1984
Nazim G. Thawerbhoy	47	Senior Vice President and Controller	1979
William C. Markley, III	49	Vice President, Law	1981

All of the officers listed in the preceding table serve in their respective capacities at the pleasure of the Board of Directors and, with the exception of Messrs. Carlson, Christopher and Martin, have served in executive capacities with the Company or have been part of its senior management for more than five years. Prior to joining the Company, Mr. Carlson served as President of Continental Heller Corporation from November 1986 to May 1990. Prior to joining the Company, Messrs. Christopher and Martin had been part of the senior management of CRSS Inc. or one of its subsidiaries for at least five years.

## **ITEM 2. PROPERTIES**

The Company maintains offices for its professional, technical and administrative staff consisting of a total of approximately 1.4 million square feet, in Pasadena, Long Beach and Martinez, California; Cincinnati, Ohio; Lakeland, Florida; Somerset, New Jersey; Houston, Texas; Baton Rouge, Louisiana; Greenville and Orangeburg, South Carolina; Raleigh, North Carolina; Portland, Oregon; Phoenix, Arizona; New Castle, Delaware; Washington, D.C.; Albuquerque, New Mexico; Denver and Golden, Colorado; Philadelphia, Pennsylvania; Dublin and Cork, Ireland; London, Manchester, and Glasgow, United Kingdom; and project offices throughout the United States. The Company maintains sales offices at many of its principal locations. The Company's equipment yards are located in Houston, Texas and Baton Rouge, Louisiana.

The majority of the Company's offices are leased. The Company also rents its project offices and a portion of its construction equipment on a short-term basis.

## **ITEM 3. LEGAL PROCEEDINGS**

The Company is a defendant in numerous workers' compensation, personal injury and other lawsuits arising in the normal course of its business. These matters are covered by either insurance provided by third parties, the Company's self-insurance programs, or a combination thereof. The Company believes that the results of this litigation will not have a material adverse effect on its consolidated financial condition. However, there can be no assurance that this will be the case.

## **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Not applicable.

## **PART II**

## **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The information required by this Item is hereby incorporated by reference from the Financial Statements section of the Company's 1994 Annual Report to Shareholders, copies of which financial statements section is being delivered to the Commission (but not filed with, except to the extent incorporated herein) as an Exhibit to this report.

## **ITEM 6. SELECTED FINANCIAL DATA**

The information required by this Item is hereby incorporated by reference from the Financial Statements section of the Company's 1994 Annual Report to Shareholders, copies of which are being delivered to the Commission (but not filed with, except to the extent incorporated herein) as an Exhibit to this report.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information required by this Item is hereby incorporated by reference from the Financial Statements section of the Company's 1994 Annual Report to Shareholders, copies of which are being delivered to the Commission (but not filed with, except to the extent incorporated herein) as an Exhibit to this report.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by this Item is hereby incorporated by reference from the Financial Statements section of the Company's 1994 Annual Report to Shareholders, copies of which are being delivered to the Commission (but not filed with, except to the extent incorporated herein) as an Exhibit to this report.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON FINANCIAL AND DISCLOSURE MATTERS**

Not applicable.

## **PART III**

## **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required by Paragraph (a) and Paragraphs (c) through (g) of Item 401 and by Item 405 of Regulation S-K is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year.

See the information under the caption " Executive Officers of the Company " in Part I of this report for information required by Paragraph (b) of Item 401 of Regulation S-K.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The information required by this Item is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by this Item is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year.

## PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) See accompanying Index to Financial Statements and Supporting Schedules.

(b) Reports on Form 8-K: On August 5, 1994, the Registrant filed a Current Report on Form 8-K reporting the acquisition of the engineering and construction management services businesses of CRSS Inc. On October 6, 1994, the Registrant filed Report 8-K/A to file with the Commission certain audited financial statements and pro forma financial information relating to said acquisition.

(c) Exhibits and Index to Exhibits:

2.1 Purchase Agreement dated July 29, 1994 between Jacobs Engineering Group Inc. and CRSS Inc. including a schedule of annexes and exhibits. Filed as Exhibit 1. to the Registrant's Current Report on Form 8-K dated August 5, 1994 and incorporated herein by reference.

3.1 Certificate of Incorporation of the Registrant, as amended. Filed as Exhibit 3.1 to the Registrant's 1993 Annual Report on Form 10-K and incorporated herein by reference.

3.2 Bylaws of the Registrant, as amended. Filed as Exhibit 3.2 to the Registrant's 1992 Annual Report on Form 10-K and incorporated herein by reference.

4.1 See Sections 5 through 18 of Exhibit 3.1.

4.2 See Article II, Section 3.03 of Article III, Article VI and Section 8.04 of Article VIII of Exhibit 3.2.

4.3 Specimen Certificate for Common Stock. Filed as Exhibit 4.3 to the Registrant's 1991 Annual Report on Form 10-K and incorporated herein by reference.

4.4 Rights Agreement dated as of December 20, 1990 by and between Registrant and First Interstate Bank, Ltd. as Rights Agent. Filed as Exhibit (1) to Registrant's Report on Form 8-K dated December 20, 1990 and incorporated herein by reference.

10.1 The Jacobs Engineering Group Inc. 1981 Executive Incentive Plan (As Amended and Restated). Filed as Exhibit 10.1 to the Registrant's 1993 Annual Report on Form 10-K and incorporated herein by reference.

10.2 The Jacobs Engineering Group Inc. Incentive Bonus Plan for Officers and Key Managers. Filed as Exhibit 10.2 to the Registrant's 1993 Annual Report on Form 10-K and incorporated herein by reference.

10.3 Agreement dated as of November 30, 1993 between the Registrant and Dr. Joseph J. Jacobs. Filed as Exhibit 10.3 to the Registrant's 1993 Annual Report on Form 10-K and incorporated herein by reference.

10.4 The Executive Security Program of Jacobs Engineering Group Inc. Filed as Exhibit 10.4 to the Registrant's 1993 Annual Report on Form 10-K and incorporated herein by reference.



- 10.5 Jacobs Engineering Group Inc. and Subsidiaries 1991 Executive Deferral Plan, effective June 1, 1991. Filed as Exhibit 10.5 to the Registrant's 1993 Annual Report on Form 10-K and incorporated herein by reference.
- 10.6 Jacobs Engineering Group Inc. and Subsidiaries 1993 Executive Deferral Plan, effective December 1, 1993. Filed as Exhibit 10.6 to the Registrant's 1993 Annual Report on Form 10-K and incorporated herein by reference.
- 10.9 The Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan. Filed as Exhibit 4.1 to the Registrant's Form S-8 dated February 24, 1992 (File No. 33-45927) and incorporated herein by reference.
- 10.10 Form of Indemnification Agreement entered into between the Registrant and its officers and directors. Filed as Exhibit 10.10 to the Registrant's 1992 Annual Report on Form 10-K and incorporated herein by reference.
- (S) 11. Statement of computation of net income per outstanding share of common stock is hereby incorporated by reference from the Financial Statements section of the Company's 1994 Annual Report to Shareholders, copies of which are being delivered to (but not filed with, except to the extent incorporated herein) the Commission as an exhibit to this report.
- (S) 13. Financial Statements section of Jacobs Engineering Group Inc. Annual Report to Shareholders for the fiscal year ended September 30, 1994.
- (S) 21. List of Subsidiaries of Jacobs Engineering Group Inc.
- (S) 23. Consent of Independent Auditors.
- (S) 27.1 Financial Data Schedules.
- 

(S) Being filed herewith.

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**INDEX TO FINANCIAL STATEMENTS AND SUPPORTING SCHEDULES**  
**SEPTEMBER 30, 1994**

PAGE

-----  
Financial Statements:

The Company's consolidated financial statements at September 30, 1994 and 1993 and for each of the three years in the period ended September 30, 1994, together with the report of the independent auditors on those consolidated financial statements are hereby incorporated by reference from the Financial Statements section of the Company's 1994 Annual Report to Shareholders, copies of which are being delivered to (but not filed with, except to the extent incorporated herein) the Commission as an exhibit to this report.

Schedules Supporting the Financial Statements:

(All schedules except those listed below have been omitted since they are either not applicable, not required, or the required information is included in the consolidated financial statements or notes thereto.)

II	Amounts receivable from related parties and underwriters, promoters, and employees other than related parties for the years ended September 30, 1993 and 1994.....	15
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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,  
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

FOR THE YEARS ENDED SEPTEMBER 30, 1993 AND 1994

Name of Debtor	Balance at Beginning of Period	Additions	Deductions (amounts collected)	Balance at end of period	
				Current	Noncurrent
September 30, 1993:					
P.A. Miskimin	\$115,133	\$ --	\$3,488	\$111,645	\$ --
K.D. Wolder	--	344,978	--	18,178	326,800
Totals	\$115,133	\$344,978	\$ 3,488	\$129,823	\$326,800
September 30, 1994:					
P.A. Miskimin	\$111,645	\$ --	\$111,645	\$ --	\$ --
K.D. Wolder	344,978	--	18,178	19,633	307,166
S.S. Christopher	--	150,000	--	--	150,000
Totals	\$456,623	\$150,000	\$129,823	\$129,823	\$457,166

**Note - The loans to K.D. Wolder and S.S. Christopher were acquired by the Registrant as part of the assets of businesses it acquired in 1993 and 1994.**

## UNDERTAKINGS

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned Registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into the Registrant's Registration Statements on Form S-8 Nos. 33-45914 (filed February 21, 1992) and 33-45927 (filed February 24, 1992):

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### JACOBS ENGINEERING GROUP INC.

Dated: December 28, 1994

By: NOEL G. WATSON

-----  
 Noel G. Watson  
 President, Chief Executive  
 Officer and Director  
 (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
NOEL G. WATSON ----- Noel G. Watson	Director and Principal Executive Officer	December 28, 1994
JOSEPH J. JACOBS ----- Joseph J. Jacobs	Director	December 28, 1994
JOSEPH F. ALIBRANDI ----- Joseph F. Alibrandi	Director	December 28, 1994
ROBERT M. BARTON ----- Robert M. Barton	Director	December 28, 1994
PETER H. DAILEY ----- Peter H. Dailey	Director	December 28, 1994
LINDA K. JACOBS ----- Linda K. Jacobs	Director	December 28, 1994
J. CLAYBURN LAFORCE ----- J. Clayburn LaForce	Director	December 28, 1994
DALE R. LAURANCE ----- Dale R. Laurance	Director	December 28, 1994
----- David M. Petrone	Director	December 28, 1994
JAMES L. RAINEY, JR. ----- James L. Rainey, Jr.	Director	December 28, 1994
J.W. SIMMONS ----- J.W. Simmons	Director	December 28, 1994
JOHN W. PROSSER, JR. ----- John W. Prosser, Jr.	Senior Vice President Finance and Administration and Treasurer (Principal Financial Officer)	December 28, 1994
NAZIM G. THAWERBHOY ----- Nazim G. Thawerbhoy	Senior Vice President and Controller (Principal Accounting Officer)	December 28, 1994

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**WITH REPORT OF INDEPENDENT AUDITORS**

SEPTEMBER 30, 1994

**SELECTED HIGHLIGHTS**

For Fiscal Years Ended September 30

	1994	1993	1992
Revenues	\$1,165,754,100	\$1,142,926,100	\$1,106,427,400
Net income	18,767,000	28,670,000	26,605,000
-----			
Per share information:			
Net income	\$ 0.75	\$ 1.15	\$ 1.11
Net book value	7.96	6.96	5.81
Closing year-end stock price	24.375	23.250	29.125
-----			
Total assets	\$ 504,364,200	\$ 351,020,100	\$ 316,731,100
Stockholders' equity	200,433,300	173,796,600	139,812,800
Return on average equity	10.03%	18.28%	21.56%
Stockholders of record	2,635	2,616	2,468
-----			
Backlog:			
Engineering services	\$ 793,060,000	\$ 736,600,000	\$ 647,100,000
Total	2,500,000,000	1,858,600,000	1,760,000,000
-----			
Permanent staff	6,940	5,310	4,530
-----			

Net income for fiscal 1994 includes special charges totalling approximately \$10,200,000, or \$0.40 per share. Of the total amount recorded, approximately \$8,600,000, or \$0.34 per share, relates to the consolidation of offices, asset write-downs and certain other special charges, and approximately \$1,600,000, or \$0.06 per share, relates to the settlement of certain third-party claims and litigation.

Net income for fiscal 1992 included a net gain of \$2,118,000, or \$0.09 per share, from the sale of 40 percent of the Company's holdings of the common stock of Genetics Institute, Inc.

Jacobs Engineering Group Inc.  
and Subsidiaries  
Selected Financial Data  
For Fiscal Years Ended September 30

	1994	1993	1992	1991	1990	1989
<b>Results of Operations:</b>						
Revenues	\$1,165,754,100	\$1,142,926,100	\$1,106,427,400	\$1,036,288,600	\$881,756,600	\$793,576,800
Net income	18,767,000	28,670,000	26,605,000	20,385,000	14,390,000	10,220,000
<b>Financial Position:</b>						
Current ratio	1.41 to 1	1.61 to 1	1.56 to 1	1.41 to 1	1.24 to 1	1.24 to 1
Working capital	\$106,057,200	\$100,688,400	\$92,706,100	\$60,580,100	\$39,544,000	\$32,964,600
Current assets	367,484,600	264,948,800	258,206,400	206,576,400	202,403,900	172,489,100
Total assets	504,364,200	351,020,100	316,731,100	260,141,600	253,706,500	212,679,700
Long-term debt	25,000,000	-	-	-	-	6,332,100
Stockholders' equity	200,433,300	173,796,600	139,812,800	106,935,500	82,964,200	58,806,100
Return on average equity	10.03%	18.28%	21.56%	21.47%	20.30%	21.22%
<b>Backlog:</b>						
Engineering services	\$793,060,000	\$736,600,000	\$647,100,000	\$457,300,000	\$329,400,000	\$222,830,000
Total	2,500,000,000	1,858,600,000	1,760,000,000	1,605,000,000	1,343,300,000	970,010,000
<b>Per Share Information:</b>						
Net income	\$0.75	\$1.15	\$1.11	\$0.86	\$0.64	\$0.48
Stockholders' equity	7.96	6.96	5.81	4.50	3.70	2.74
<b>Common and Common Stock</b>						
Equivalents Outstanding	25,173,200	24,964,500	24,070,000	23,763,300	22,439,100	21,501,000

Net income for fiscal 1994 included special charges totaling approximately \$10,200,000, or \$0.40 per share. Of the total amount recorded, approximately \$8,600,000, or \$0.34 per share, related to the consolidation of offices, asset write-downs and certain other special charges, and approximately \$1,600,000, or \$0.06 per share, related to the settlement of certain third-party claims and litigation.

Net income for fiscal 1992 included a net gain of \$2,118,000, or \$0.09 per share, from the sale of 40 percent of the Company's holdings of the common stock of Genetics Institute, Inc.

The increases in revenues, current assets, total assets and backlog from 1987 to 1988 were due primarily to an acquisition.



Jacobs Engineering Group Inc.  
and Subsidiaries  
Selected Financial Data  
For Fiscal Years Ended September 30

	1988	1987	1986	1985
-----				
Results of Operations:				
Revenues	\$757,410,000	\$320,307,300	\$207,589,400	\$220,492,800
Net income	6,552,000	3,512,000	850,000	2,020,000
-----				
Financial Position:				
Current ratio	1.18 to 1	1.42 to 1	1.21 to 1	1.13 to 1
Working capital	\$22,020,900	\$26,657,100	\$7,889,600	\$7,479,100
Current assets	143,950,700	89,628,600	45,379,800	63,543,400
Total assets	179,642,100	116,848,700	75,786,300	95,833,300
Long-term debt	9,244,400	12,276,500	941,300	1,639,700
Stockholders' equity	37,502,800	30,966,500	26,960,400	26,768,700
Return on average equity	19.14%	12.13%	3.16%	7.90%
Backlog:				
Engineering services	\$154,950,000	\$87,736,000	\$69,017,000	\$65,378,000
Total	822,252,000	351,554,000	236,933,000	199,058,000
-----				
Per Share Information:				
Net income	\$0.34	\$0.18	\$0.04	\$0.10
Stockholders' equity	1.93	1.62	1.41	1.35
-----				
Common and Common Stock				
Equivalents Outstanding	19,390,400	19,150,400	19,066,200	19,849,300
-----				

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### SPECIAL 4TH QUARTER (FISCAL 1994) CHARGE

During fiscal 1993 and 1994, the Company completed several significant business acquisitions. In January 1993, the Company acquired H&G Process Contracting Limited and H&G Contractors Limited (together, "Humphreys & Glasgow"), based in England. Then in June 1993, the Company acquired the Sigel Group of companies ("Sigel"), based in Philadelphia, Pennsylvania. In September 1993, the Company acquired Wolder Engineers and Constructors ("Wolder"), based in Long Beach, California. And finally, in July 1994, the Company acquired substantially all of the assets, subject to certain assumed liabilities of CRS Sirrinc Engineers, Inc. ("Sirrinc") and all of the issued and outstanding capital stock of CRSS Constructors, Inc. and CRSS International, Inc. (together, "CRSS Constructors").

Management believes each of these acquisitions provides the Company with long-term strategic growth opportunities. As a result of these acquisitions, the Company now has established operations in new geographic markets and added to the range of services it can provide its clients. The Company has also added to its customer base, as well as to the industry groups and markets to which it can provide its services.

However, in addition to providing the Company entry to new geographic markets, the acquisitions added offices in geographic markets in which the Company already had a presence. Furthermore, each of the acquisitions had an overhead infrastructure that was in certain instances duplicative of resources already existing within the Company.

Although Humphreys & Glasgow, Sigel and Wolder presented some of the operating redundancies discussed above, the issue of cost control and office consolidations became particularly acute after the Company completed the acquisition of Sirrinc and CRSS Constructors in the fourth quarter of fiscal 1994. For example, the acquisition of Sirrinc and CRSS Constructors resulted in the Company having as many as three or more offices in some geographic markets.

After the acquisition of Sirrinc and CRSS Constructors, management implemented a plan to consolidate certain of its offices. Also as a result of the acquisition of Sirrinc and CRSS Constructors, management reviewed where certain projects were being executed, particularly those projects in the area of bulk chemical processing, and decided to transfer selected projects to other offices within the Company. Additionally, management undertook to evaluate the Company's continuing business activities relating to a joint venture in the U.K.. Lastly, management reviewed the realizability of assets the Company acquired in recent years and wrote-down the carrying value of those assets to their estimated net realizable values.

As a result of these actions, the Company recorded in the fourth quarter of 1994 a total after-tax charge of approximately \$10.2 million (\$0.40 per share). Of the total amount recorded, approximately \$8.6 million (\$0.34 per share) related to the consolidation and cost reduction activities discussed above, and approximately \$1.6 million (\$0.06 per share) related to certain third-party claims and litigation that were settled during the fourth quarter of 1994. A more complete description of the components of the \$8.6 million after-tax, special charge follows.

Included in the \$8.6 million after-tax, special charge is approximately \$3.3 million relating to the consolidation of offices located primarily in Southern California, New Jersey and Denver, Colorado. The Company has permanently vacated approximately 90,000 square feet of office space and is in the process of vacating approximately 75,000 additional square feet of office space. The charge is net of management's estimate of possible recoveries from subleasing the vacated space. The gross charge relating to the consolidation of offices has been included in selling, general and administrative expenses in the 1994 consolidated income statement.

Also included in the special charge is approximately \$1.8 million relating to the Company's investment in Anglian H&G. Anglian H&G was a joint venture between Anglian Water plc and Humphreys & Glasgow, an interest in which was acquired by the Company as part of its acquisition of Humphreys & Glasgow in 1993. Anglian H&G provided engineering and construction management services for granulated activated carbon ( " GAC " ) adsorption facilities. These regeneration facilities remove pesticides and other contaminants from drinking water. The highly specialized nature of Anglian H&G's market was inconsistent with the Company's overall objectives in Europe. Accordingly, during the fourth quarter of 1994, management decided to cease its long-term participation in the joint venture and recorded the \$1.8 million charge to reflect the loss on its investment. Effective in the fourth quarter of 1994, the Company is no longer bidding or pursuing work for GAC regeneration facilities through the joint venture. The gross charge relating to this loss has been included in direct costs of contracts and selling, general and administrative expenses in the 1994 consolidated income statement.

The Company did not initiate a significant reduction of its workforce as a result of these consolidation activities. However, certain terminations did occur during the fourth quarter. Included in the special charge is approximately \$1.9 million relating primarily to the Company's liability to terminated employees.

Also included in the special charge is approximately \$0.9 million relating to the write-down of assets to their estimated net realizable values. The larger items comprising this charge relate to real estate the Company has acquired over the past several years which is being held for sale, as well as to equipment, primarily the Company's jet aircraft, which likewise is being held for sale.

The balance of the special charge (approximately \$0.7 million) relates to various other costs resulting primarily from the Company's consolidation and cost-cutting strategies.

No part of the special charge relates to the assets and liabilities acquired in connection with the acquisition of Sitrine and CRSS Constructors. Adjustments to these assets and liabilities were incorporated in the purchase price allocation of those businesses.

## RESULTS OF OPERATIONS

The following table sets forth total revenues from each of the industry groups and markets serviced by the Company for each year in the three year period ended September 30, 1994 (in thousands):

	1994	1993	1992
	-----	-----	-----
Environmental	\$ 175,846	\$ 161,964	\$ 105,608
Refining	372,769	404,462	362,005
Chemical and pharmaceutical	415,062	386,522	351,336
Facilities	177,193	158,217	224,822
Minerals and fertilizers	24,884	31,761	62,656
	-----	-----	-----
	\$1,165,754	\$1,142,926	\$1,106,427
	=====	=====	=====

The following table sets forth total revenues from each of the types of services the Company provides its customers for each year in the three year period ended September 30, 1994 (in thousands):

	1994	1993	1992
	-----	-----	-----
Engineering	\$ 476,491	\$ 453,247	\$ 355,483
Construction	456,750	424,259	503,406
Maintenance	232,513	265,420	247,538
	-----	-----	-----
	\$1,165,754	\$1,142,926	\$1,106,427
	=====	=====	=====

The acquisition of Sirrinc and CRSS Constructors was accounted for as a purchase. Accordingly, the Company's consolidated results of operations include the results of these businesses since the date of acquisition. Consolidated revenues for 1994 include \$103.5 million relating to Sirrinc and CRSS Constructors. The acquisitions of Humphreys & Glasgow, Sigel and Wolder contributed \$81.7 million of revenues in 1993 (refer to Note 2 to the consolidated financial statements).

Excluding the effects of the acquisition of Sirrinc and CRSS Constructors, consolidated revenues decreased 7.1 percent from 1993 to 1994. Most of the decrease occurred in the facilities area, where the construction phase of certain large international projects were completed. Also posting a slight decline were revenues in the refining area of the Company's business, which was similarly attributable to lower levels of construction services (as discussed below, construction and maintenance services generally provide for lower margins than engineering services).

On a consolidated basis, engineering services revenues increased 5.1 percent from 1993 to 1994. Excluding the effects of the acquisition of Sirrinc and CRSS Constructors, in-house engineering services revenues increased 4.6 percent from 1993 to 1994. The increase in engineering services revenues was evidenced by the increase in the number of professional services hours billed to projects. Excluding the effects of the acquisition, the Company billed 8.9 million hours to projects in 1994; 0.4 million more hours than in 1993.

Excluding the effects of the acquisitions of Humphreys & Glasgow, Sigel and Wolder, consolidated revenues in 1993 were 4.1 percent lower than 1992. This decline was attributable primarily to reduced construction services and occurred primarily in the facilities area of the Company's business. On a consolidated basis, however, revenues for 1993 increased \$36.5 million, or 3.3 percent. Engineering services revenues in 1993 increased more than 27 percent from 1992. The increase in engineering services revenues was

evidenced by the increase in the number of professional services hours billed to projects. The Company billed 8.5 million hours to projects in 1993; 0.7 million more hours than in 1992. Also contributing to the growth in engineering services revenues was an increase in the use of professional engineering subcontracts. The increase in engineering services activities was experienced in the environmental, refining and the chemical and pharmaceutical industries, while the decline in construction services occurred primarily in the facilities and the minerals and fertilizers areas of the Company's business.

As a percent of revenues, direct costs of contracts were 87.9 percent in 1994, 87.1 percent in 1993 and 89.2 percent in 1992. The percentage relationship between direct costs of contracts and revenues will fluctuate from year to year depending on a variety of factors including the mix of business in the years being compared. Historically, engineering services revenues have higher margins than either construction or maintenance services. In general, the deterioration in this percentage relationship from 1993 to 1994 was due substantially to the effects of the special charge the Company recorded in the fourth quarter of 1994. The improvement in this percentage relationship from 1992 to 1993 was due to an increasing portion of the Company's total business volume coming from engineering services relative to construction and maintenance, combined with increasing margins on all of the Company's services.

Selling, general and administrative ("S,G & A") expenses were \$109.6 million in 1994, \$101.5 million in 1993 and \$80.9 million in 1992. Of the \$8.1 million increase in S,G & A expenses from 1993 to 1994, \$7.7 million relates to the special charge the Company recorded in the fourth quarter of 1994. Also included in S,G & A expenses in 1994 is \$8.6 million of S,G & A expenses generated by Serrine and CRSS Constructors. Of the \$20.6 million increase in S,G & A expenses from 1992 to 1993, approximately \$18.5 million were incurred by the companies acquired in 1993.

The Company's operating profit was \$31.8 million in 1994, \$46.1 million in 1993 and \$38.5 million in 1992. The decrease in operating profit from 1993 to 1994 relates primarily to the special charge the Company recorded in the fourth quarter of 1994. Excluding the effect of the special charge, the Company's operating profit would have been \$48.7 million for 1994. The increase in operating profit from 1992 to 1993 was due to an overall increase in business volume combined with better margin rates, but was adversely affected by an increased rate of S,G & A spending relative to revenues.

Interest income, net was \$0.3 million in 1994, versus \$1.3 million in 1993 and \$1.7 million in 1992. The decrease in net interest income from 1993 to 1994 was due primarily to a lower level of cash invested during 1994 as compared to 1993, combined with higher levels of borrowing activity in 1994 than in 1993.

Other expense, net totalled \$0.7 million in 1994. This compares to other income, net of \$2.0 million in 1993 and \$5.6 million in 1992. Included in the 1994 amount is approximately \$1.1 million relating to the special charge the Company recorded in the fourth quarter of 1994. The large amount of other income, net in 1992 was due primarily to the gain from the sale of 40 percent of the Company's holdings of the common stock of Genetics Institute, Inc.

## BACKLOG

The following table summarizes total backlog information at September 30 for the years indicated (in millions):

	1994	1993	1992
Engineering services	\$ 793.1	\$ 736.6	\$ 647.1
Total	2,500.0	1,858.6	1,760.0

At any given time, backlog represents the amount of revenues the Company expects to record in the future from performing work under contracts that have been awarded to it. With respect to maintenance projects, however, it is the Company's policy to include in backlog only the amount of revenues it expects to receive during the succeeding year, regardless of the remaining life of the contract, unless the Company does not expect the contract to be renewed. With respect to contracts relating to projects for agencies of the U.S. federal government, it is the Company's policy to include in backlog the full contract award.

Total backlog at September 30, 1994 included approximately \$1.1 billion of contracts for work to be performed either directly or indirectly for agencies of the federal government. This compares to approximately \$1.0 billion at both September 30, 1993 and 1992. Most of these contracts extend beyond one year. In general, these contracts must be funded annually (i.e., the amounts to be spent under the contract must be appropriated by Congress to the procuring agency, and then the agency must allot these sums to the specific contracts).

In accordance with industry practice, substantially all of the Company's contracts may be terminated by the customer. However, the Company has not experienced cancellations which have had a material effect on the reported backlog amounts. In the situation where a customer terminates a contract, the Company would ordinarily be entitled to receive payment for work performed up to the date of termination and, in certain instances, may be entitled to allowable termination and cancellation costs. Additionally, the Company's backlog at any given time is subject to changes in the scope of services to be provided as well as increases or decreases in costs relating to the contracts included therein.

Of total backlog at September 30, 1994, the Company estimates that approximately 40 percent will be realized as revenues within the next year.

Of the \$641.4 million increase in total backlog from 1993 to 1994, approximately \$326.8 million relates to the acquisition of Sitrine and CRSS Constructors. The balance of the increase relates primarily to new awards in the environmental area of the Company's business. Of the \$98.6 million increase in backlog from September 30, 1992 to September 30, 1993, most came from contract awards in the refining area of the Company's business.

## **EFFECTS OF INFLATION**

The effects of inflation on the Company's financial condition and results of operations have decreased in recent years due primarily to the Company receiving an increasing amount of its revenues under cost-plus type contracts.

To the extent permitted by competition, the Company continues to mitigate its exposure to the effects of inflation by, among other things, emphasizing contracts which are either cost-plus or negotiated fixed-price.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash and cash equivalents increased \$25.1 million during 1994. This compares to net decreases of \$3.4 million in 1993 and \$9.1 million in 1992. The current year increase was due to cash provided by operations (\$41.3 million), financing activities (\$34.4 million) and the effects of exchange rate fluctuations on cash (\$0.5 million), offset in part by cash used in investing activities (\$51.1 million).

Operations provided \$41.3 million of cash and cash equivalents in 1994. This compares to a net contribution of cash of \$21.7 million in 1993 and a net use of cash of \$2.1 million in 1992. Although net income decreased \$9.9 million from 1993 to 1994, the Company's 1994 results of operations included the special pre-tax charge of approximately \$21.1 million that did not require the immediate use of cash. Also contributing to the increase in cash provided by operations in 1994 is a \$3.2 million increase in depreciation and amortization. The balance of the net increase in cash provided by operations in the current year as compared to last year was due primarily to the timing of cash receipts and payments on receivables and accrued liabilities and payables, respectively.

The Company's investing activities used \$51.1 million of cash and cash equivalents in 1994. This compares to a net use of cash of \$24.5 million in 1993 and \$14.0 million in 1992. The increase in the use of cash in 1994 as compared to 1993 was due primarily to \$33.5 million used in 1994 to acquire Sirrine and CRSS Constructors; this compares to \$7.4 million used in 1993 to acquire Humphreys & Glasgow. Also contributing to the increase in cash used in investing activities from 1993 to 1994 was a \$14.3 million increase in property and equipment additions. This increase was due primarily to the purchase of an office building in Baton Rouge, Louisiana. The cash purchase price of the building was \$10.5 million; the Company was previously the principal lessee in the building. Lastly, the Company's purchases and sales of long-term investments yielded \$7.2 million less cash in 1994 than in 1993. A substantial part of this difference was attributable to a \$5.1 million investment the Company made in 1994 in a real estate investment trust. In addition to income and dividends it expects to receive from this investment, the Company believes the trust offers the potential to provide engineering, design, construction and construction management services to businesses in the pharmaceutical and biotechnology markets. Partially offsetting these uses of cash was \$24.6 million more cash provided in 1994 from marketable securities transactions than what was provided last year.

The Company's financing activities provided \$34.4 million of cash and cash equivalents in 1994. This compares to a net use of cash of \$0.2 million in 1993 and a net contribution of \$6.7 million in 1992. The variance from 1993 to 1994 was due primarily to bank borrowings that greatly exceeded the prior year activity. Substantially all of the borrowing

relates to long-term debt incurred in connection with the acquisition of SIRRINE and CRSS Constructors.

The Company believes it has adequate capital resources available to fund operations in 1995 and beyond. The Company's consolidated working capital position totalled \$106.1 million at September 30, 1994; \$5.4 million more than the comparable 1993 amount. In order to hedge against future fluctuations in the U.S. dollar/U.K. pound exchange rate, the Company established lines of credit with banks providing for short-term, sterling-denominated borrowing capacity. The Company utilizes such facilities to satisfy the working capital requirements of its U.K. operations. At September 30, 1994, the Company had a total of \$43.9 million available under all of its bank credit facilities, against which \$9.2 million was outstanding in the form of notes payable (relating entirely to borrowings by the Company's U.K. subsidiary) and \$1.7 million was utilized in support of outstanding letters of credit.



**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 1994 AND 1993**

	1994	1993
-----		
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 45,611,600	\$ 20,515,000
Marketable securities	2,896,900	20,061,900
Receivables	288,095,200	201,438,800
Deferred income taxes	27,546,100	19,391,900
Prepaid expenses and other	3,334,800	3,541,200
-----		
Total current assets	367,484,600	264,948,800
-----		
Property, Equipment and Improvements, Net	60,002,700	43,516,400
-----		
Other Noncurrent Assets:		
Goodwill, net	38,641,200	14,930,900
Other	38,235,700	27,624,000
-----		
Total other noncurrent assets	76,876,900	42,554,900
-----		
	\$504,364,200	\$351,020,100
=====		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes payable	\$ 9,238,100	\$ 6,206,800
Accounts payable	93,117,100	42,918,500
Accrued liabilities	102,205,600	81,908,000
Customers' advances in excess of related revenues	47,369,300	22,364,700
Income taxes payable	8,469,600	10,862,400
Deferred income taxes	1,027,700	--
-----		
Total current liabilities	261,427,400	164,260,400
-----		
Long-term Debt	25,000,000	--
-----		
Deferred Gains on Real Estate Transactions	2,665,000	3,631,100
-----		
Other Deferred Liabilities	14,838,500	9,332,000
-----		
Commitments and Contingencies		
-----		
Stockholders' Equity:		
Capital stock:		
Preferred stock, \$1 par value, authorized - 1,000,000 shares, issued and outstanding - none	--	--
Common stock, \$1 par value, authorized - 60,000,000 shares, issued and outstanding - 25,094,874 and 24,757,318 shares, respectively	25,094,900	24,757,300
Additional paid-in capital	37,251,400	30,436,000
Retained earnings	136,205,600	118,555,400
Other	1,881,400	47,900
-----		
Total stockholders' equity	200,433,300	173,796,600
-----		
	\$504,364,200	\$351,020,100
=====		

See the accompanying notes.

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992**

	1994	1993	1992
Revenues	\$1,165,754,100	\$1,142,926,100	\$1,106,427,400
Costs and Expenses:			
Direct costs of contracts	1,024,360,500	995,350,000	987,043,600
Selling, general and administrative expenses	109,573,700	101,519,400	80,870,400
Interest income, net	(275,600)	(1,304,300)	(1,749,000)
Other (income) expense, net	718,400	(1,977,400)	(5,609,000)
	1,134,377,000	1,093,587,700	1,060,556,000
Income before taxes	31,377,100	49,338,400	45,871,400
Provision for Income Taxes	12,610,100	20,668,400	19,266,400
Net Income	\$ 18,767,000	\$ 28,670,000	\$ 26,605,000
Net Income Per Share	\$0.75	\$1.15	\$1.11

See the accompanying notes.

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Other
<hr/>				
Balances, September 30, 1991	\$23,272,700	\$17,457,700	\$ 64,651,700	\$ 1,553,400
Net foreign currency translation adjustment	--	--	--	1,320,500
Exercise of stock options, including the related income tax benefits	419,200	6,726,500	--	--
Repurchase of common stock	(80,400)	(225,200)	(1,888,300)	--
Net income	--	--	26,605,000	--
<hr/>				
Balances, September 30, 1992	23,611,500	23,959,000	89,368,400	2,873,900
Adjustments for poolings-of-interests	820,700	--	1,506,400	--
Net foreign currency translation adjustment	--	--	--	(2,826,000)
Exercise of stock options, including the related income tax benefits	371,800	6,681,300	--	--
Repurchase of common stock	(46,700)	(204,300)	(989,400)	--
Net income	--	--	28,670,000	--
<hr/>				
Balances, September 30, 1993	24,757,300	30,436,000	118,555,400	47,900
Net foreign currency translation adjustment	--	--	--	1,302,500
Unrealized gains on marketable securities	--	--	--	531,000
Exercise of stock options, including the related income tax benefits	397,300	7,080,600	--	--
Repurchase of common stock	(59,700)	(265,200)	(1,116,800)	--
Net income	--	--	18,767,000	--
<hr/>				
Balances, September 30, 1994	\$25,094,900	\$37,251,400	\$136,205,600	\$ 1,881,400
<hr/>				

See the accompanying notes.

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992**

	1994	1993	1992
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 18,767,000	\$ 28,670,000	\$ 26,605,000
Adjustments to reconcile net income to net cash flows from operations:			
Special charge not requiring cash	21,140,500	--	--
Depreciation and amortization	11,973,500	8,812,100	7,728,600
Amortization of deferred gains	(966,200)	(966,200)	(966,200)
Gains on disposals of property, equipment and other assets	(1,057,900)	(2,148,200)	(7,856,100)
Changes in assets and liabilities, excluding the effects of businesses acquired:			
Receivables	(17,506,200)	7,940,900	(43,812,400)
Prepaid expenses and other	510,400	418,000	(933,000)
Accounts payable	941,200	(18,826,600)	6,721,400
Accrued liabilities	504,600	(4,571,600)	17,929,200
Customers' advances	14,861,700	3,291,000	(5,269,700)
Income taxes payable	(2,427,100)	2,688,600	1,513,800
Deferred income taxes	(5,474,000)	(3,638,500)	(3,755,700)
Net cash provided (used)	41,267,500	21,669,500	(2,095,100)
<b>Cash Flows from Investing Activities:</b>			
Acquisition of a business	(33,513,000)	(7,405,300)	--
Additions to property and equipment	(24,270,500)	(9,930,500)	(12,052,600)
Disposals of property and equipment	416,600	1,187,400	701,900
Increase in other assets, net	(6,399,700)	(3,664,700)	(2,525,100)
Proceeds from sales of marketable securities	18,039,600	--	2,893,300
Purchases of marketable securities	(872,900)	(7,452,900)	(12,002,700)
Proceeds from sales of investments	641,600	2,720,900	9,487,800
Purchases of investments	(5,150,000)	--	(463,700)
Net cash used	(51,108,300)	(24,545,100)	(13,961,100)
<b>Cash Flows from Financing Activities:</b>			
Exercise of stock options, including the related income tax benefits	6,823,600	6,544,100	6,681,500
Net borrowings (repayments) of bank debt	27,608,000	(6,762,200)	--
Net cash provided (used)	34,431,600	(218,100)	6,681,500
Effect of Exchange Rate Changes	505,800	(302,600)	292,500
Increase (Decrease) in Cash and Cash Equivalents	25,096,600	(3,396,300)	(9,082,200)
Cash and Cash Equivalents at Beginning of Period	20,515,000	22,753,700	31,835,900
Adjustment for Poolings-of-Interests	--	1,157,600	--
Cash and Cash Equivalents at End of Period	\$ 45,611,600	\$ 20,515,000	\$ 22,753,700

See the accompanying notes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### Principles of Consolidation

The consolidated financial statements include the accounts of Jacobs Engineering Group Inc. and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to the 1993 consolidated balance sheet to conform to the 1994 presentation.

#### Revenue Accounting for Contracts

The Company's principal business is that of providing professional engineering, construction and construction management and maintenance services under cost-plus, cost-plus with a guaranteed maximum and fixed-price contracts. The percentage of revenues realized from each of these types of contracts in each of the years ended September 30, 1994, 1993 and 1992 was as follows:

	1994	1993	1992
Cost-plus	83%	90%	87%
Guaranteed maximum	8	3	4
Fixed-price	9	7	9

Revenues are recorded based on the percentage-of-completion method of accounting by relating contract costs incurred to date to total estimated contract costs at completion (contract costs include both direct and indirect costs). Contract losses are provided for in their entirety in the period they become known, without regard to the percentage-of-completion. When the Company is responsible for the procurement of materials and equipment, craft labor or subcontracts, it includes such amounts in both revenues and costs. The approximate amount of such pass-through costs included in revenues for each of the years ended September 30, 1994, 1993 and 1992 was \$629,001,000, \$610,731,000 and \$659,238,000, respectively.

#### Foreign Operations

The Company conducts its business from offices located throughout the continental United States, as well as the United Kingdom and Ireland. Revenues from the Company's U.K. and Irish operations totalled \$64,790,400, \$120,410,200 and \$176,464,500 for the years ended September 30, 1994, 1993 and 1992, respectively, and were earned from unaffiliated customers located primarily in Europe. Included in revenues for the U.K. and Irish operations in 1994, 1993 and 1992 were approximately \$16,510,000, \$69,614,000 and \$126,768,000, respectively, of pass-through costs.

Operating profit (defined as total revenues, less direct costs of contracts, and selling, general and administrative expenses) for the U.K. and Irish operations was approximately \$618,000, \$2,164,000 and \$3,713,000 for 1994, 1993 and 1992, respectively. Identifiable assets of the U.K. and Irish operations totalled \$44,903,000 and \$41,376,000 at September 30, 1994 and 1993, respectively.

### **Customers**

For the years ended September 30, 1994, 1993 and 1992, agencies of the federal government accounted for 15.4 percent, 14.1 percent and 9.4 percent, respectively, of total revenues. Within the private sector, one customer accounted for 11.6 percent of total revenues in 1994. No one customer accounted for more than 10 percent of revenues in 1993. Two customers accounted for 12.5 percent and 10.8 percent, respectively, of total revenues in 1992.

### **Cash Equivalents**

The Company considers all highly liquid investments with a maturity of less than three months as cash equivalents. Cash equivalents at September 30, 1994 and 1993 consisted primarily of time certificates of deposit.

### **Marketable Securities and Investments**

The Company has adopted Statement of Financial Accounting Standards No.

115 - Accounting for Certain Investments in Debt and Equity Securities ("SFAS No. 115"). As permitted by SFAS No. 115, the Company adopted the new standard as of September 30, 1994 and prior year financial statements have not been restated to reflect the change in accounting principle. SFAS No. 115 applies to investments in equity securities that have readily determinable fair values and to all investments in debt securities. The Company's investment in equity and debt securities have been classified as either trading securities (shown as "Marketable securities" in the accompanying consolidated balance sheet), held-to-maturity securities or available-for-sale securities (both are included as long-term investments in "Other noncurrent assets" in the accompanying consolidated balance sheet). Management determines the appropriate classification of all its investments at the time of purchase and reevaluates such designation as of each balance sheet date.

The Company's investment in trading securities are stated at fair value with unrealized gains or losses included in "Other income, net" in the accompanying consolidated statement of income. Held-to-maturity securities are carried at cost, or amortized cost if a premium was paid or a discount received at the time of purchase. Marketable equity securities not held for trading and debt securities not classified as held-for-maturity are classified as available-for-sale. Available-for-sale securities are stated at fair value, with the unrealized gains or losses, net of taxes, reported in the "Other" component of stockholders' equity. The amount of unrealized gains recorded at September 30, 1994 totalled \$531,000, net of income taxes.

Included in "Other noncurrent assets" in the accompanying consolidated balance sheet at September 30, 1994 are investments consisting primarily of available-for-sale equity securities having a total cost of approximately \$380,000, gross unrealized gains of approximately \$890,000 and an estimated fair value of approximately \$1,270,000. The gross realized gains included in income in 1994 and the gross proceeds received from sales of such securities was approximately \$484,000 and \$621,000, respectively. Cost was determined using the specific identification method.

Also included in investments at September 30, 1994 is \$5,000,000 of 8.5 percent convertible notes issued by a private company. These notes are stated at cost and interest income earned under the notes is included in "Interest income, net" in the accompanying consolidated statement of income.

### Receivables and Customers' Advances

Included in receivables at September 30, 1994 and 1993 were unbilled amounts of \$70,252,200 and \$38,445,500, respectively. Unbilled receivables represent amounts earned under contracts in progress, but not yet billable under the terms of those contracts. These amounts become billable according to the contract terms which usually consider the passage of time, achievement of certain milestones or completion of the project. Included in unbilled receivables at September 30, 1994 and 1993 were contract retentions totalling \$22,064,800 and \$5,936,800, respectively. Substantially all unbilled receivables are billed and collected in the subsequent fiscal year.

Customers' advances in excess of related revenues represent cash collected from customers on contracts in advance of revenues earned thereon, as well as billings to customers in excess of costs and earnings on uncompleted contracts. Substantially all such amounts are earned in the subsequent fiscal year.

### Property, Equipment and Improvements

Property, equipment and improvements are stated at cost and consisted of the following at September 30, 1994 and 1993:

	1994	1993
Land	\$ 6,963,600	\$ 5,484,600
Buildings	24,549,500	15,520,000
Equipment	74,687,100	60,861,400
Leasehold improvements	11,948,800	11,462,300
	118,149,000	93,328,300
Less - accumulated depreciation and amortization	58,146,300	49,811,900
	\$ 60,002,700	\$43,516,400

Depreciation and amortization are provided using primarily the straight-line method over the estimated useful lives of the assets, or, in the case of leasehold improvements, over the remaining term of the lease, if shorter. Estimated useful lives range from 20 to 40 years for buildings, from 3 to 10 years for equipment and from 4 to 10 years for leasehold improvements.

### Other Noncurrent Assets

Goodwill represents the costs in excess of the fair values of the net assets of acquired companies and is amortized against earnings using the straight-line method primarily over 30 years. Goodwill is shown in the accompanying consolidated balance sheets net of accumulated amortization of \$2,850,400 and \$2,335,800 at September 30, 1994 and 1993, respectively.

Other noncurrent assets consisted of the following at September 30, 1994 and 1993:

	1994	1993
Prepaid pension costs	\$11,378,800	\$10,864,000
Cash surrender value of life insurance policies	11,676,700	8,846,000
Investments	8,202,100	3,304,100
Deferred income taxes	1,104,700	-
Miscellaneous	5,873,400	4,609,900
	\$38,235,700	\$27,624,000

## Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes ( " SFAS No. 109 " ). As permitted by SFAS No. 109, the Company adopted the new standard as of October 1, 1993 and prior year financial statements have not been restated to reflect the change in accounting principle. The cumulative effect as of October 1, 1993 of adopting SFAS No. 109 was not material.

SFAS 109 requires an asset and liability approach to accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, the Company recorded income tax expense using the deferral method. Under this method, deferred tax expense was based on items of income and expense that were reported in different years in the Company's financial statements and tax returns, and were measured at the tax rate in effect in the year the difference originated.

## Deferred Gains on Real Estate Transactions

In 1983, the Company entered into a real estate transaction which resulted in a gain totalling \$12,299,800. Since the transaction involved a long-term lease agreement, the gain was deferred and is being amortized ratably into income over the lease term (which ends December 31, 1997).

## Concentrations of Credit Risk

The Company's cash balances and short-term investments are maintained in accounts held by major banks and financial institutions in the U.S. and Europe.

As is customary in the industry, the Company grants uncollateralized credit to its customers, which include the federal government and large, multi-national corporations operating in the refining, chemical and pharmaceutical industries, among others. In order to mitigate its credit risk, the Company continually evaluates the credit worthiness of its major commercial customers.

## Net Income Per Share

Net income per share has been computed based on the weighted average number of shares of common stock and, if dilutive, common stock equivalents outstanding as follows:

	1994	1993	1992
Average number of shares of common stock outstanding	24,916,200	24,524,700	23,421,000
Average number of common stock equivalents outstanding	257,000	439,800	649,000
	25,173,200	24,964,500	24,070,000



## 2. BUSINESS COMBINATIONS

Effective July 31, 1994, the Company acquired the engineering and construction management services businesses of CRSS, Inc. In the transaction, the Company purchased substantially all of the assets of CRS Sirrinc Engineers, Inc. ("Sirrinc"), subject to certain assumed liabilities, and all of the issued and outstanding equity securities of CRSS Constructors, Inc. and CRSS International, Inc. (together, "CRSS Constructors") The cash purchase price was \$33,500,000 and is subject to adjustment. The funds used to acquire the businesses were provided by operations and long-term debt.

The acquisition has been accounted for as a purchase. Accordingly, the purchase price has been allocated to the assets and liabilities acquired based on their estimated fair values. The purchase price allocation, which may be adjusted further, resulted in goodwill of approximately \$23,256,000, and is being amortized over 30 years on a straight-line basis. The Company's consolidated results of operations include the results of operations of Sirrinc and CRSS Constructors since the date of acquisition.

The following table presents certain unaudited pro forma combined information of the Company, Sirrinc and CRSS Constructors assuming the acquisition of Sirrinc and CRSS Constructors occurred at the beginning of the periods presented. It does not purport to be indicative of the results that actually would have occurred had the acquisition been completed at the beginning of the periods presented, nor is it intended to be a projection of future results of operations (in thousands, except earnings per share):

	1994	1993
Revenues	\$1,505,713	\$1,416,376
Net income	\$17,112	\$25,993
Earnings per share	\$0.68	\$1.04

Effective September 1, 1993, the Company acquired all of the assets and liabilities of Wolder Engineers and Constructors, Inc. and certain of its affiliated companies ("Wolder"), in exchange for approximately 379,000 shares of the Company's common stock. Wolder provides engineering, design, construction and construction management services to clients primarily in the petroleum refining, gas transmission, chemical and mining businesses.

Effective June 1, 1993, the Company acquired all of the assets and liabilities of the Sigel Group of companies ("Sigel"), in exchange for approximately 442,000 shares of the Company's common stock. Sigel provides engineering and design services to clients primarily in the biotechnology/pharmaceutical industry worldwide.

The acquisitions of Sigel and Wolder have been accounted for as poolings- of-interests. Because of immateriality, the Company's consolidated results of operations for periods prior to 1993 were not restated. The acquisitions of Sigel and Wolder have been reflected in the accompanying consolidated financial statements as an adjustment to 1993 beginning balances, and the Company's consolidated results of operations include the results of Sigel and Wolder beginning October 1, 1992.

Effective January 1, 1993, the Company acquired all of the outstanding ordinary shares of H & G Process Contracting Limited and H & G Contractors Limited (together, "Humphreys & Glasgow"), an engineering and construction business with offices located in the United Kingdom. The cash purchase price was approximately \$7,405,000, net of cash acquired. The acquisition of Humphreys & Glasgow has been accounted for as a purchase. Accordingly, the purchase price has been allocated to the assets and liabilities acquired based on their estimated fair values. The purchase price allocation resulted in goodwill of approximately \$5,845,000. The Company's consolidated results of operations include Humphreys & Glasgow from the date of acquisition.

### 3. NOTES PAYABLE TO BANKS AND LONG-TERM DEBT

#### Short-term Borrowing Arrangements

At September 30, 1994, the Company had \$43,884,500 available through multiple bank lines of credit, under which the Company may borrow on an overdraft or short-term basis. Interest under these lines is determined at the time of borrowing based on the banks' prime or base rates, rates paid on certificates of deposit, the banks' actual costs of funds or other variable rates. The agreements require payment of a fee of 0.25 percent of the average unused portion of the facilities, as well as require the Company to maintain certain minimum levels of working capital and net worth. One of the agreements limits borrowings by the amount of letters of credit outstanding under the facility. Borrowings under the lines are unsecured and the lines generally extend through March 1995.

Other information regarding the lines of credit for the years ended September 30, 1994, 1993 and 1992 was as follows:

	1994	1993	1992
Amount outstanding at year end	\$ 9,152,200	\$ 6,206,800	\$ -
Weighted average interest rate at year end	6.18%	6.89%	-
Weighted average borrowings outstanding during the year	\$ 9,684,800	\$ 6,369,400	\$ 1,344,000
Weighted average interest rate during the year	5.45%	6.32%	4.30%
Maximum amount outstanding during the year	\$24,762,600	\$12,300,000	\$11,600,000

#### Long-term Debt

On July 15, 1994, the Company amended one of its short-term bank lines of credit increasing the borrowing capacity thereunder by \$55,000,000. On July 29, 1994, the Company borrowed \$25,000,000 against this amended credit line and completed the acquisition of Sirrine and CRSS Constructors (see Note 2, above). On December 22, 1994, the Company entered into a definitive, three year, \$45,000,000 revolving loan agreement with certain banks which effectively replaces the amended, short-term line of credit. Accordingly, the Company has classified as long-term debt at September 30, 1994 all of the outstanding borrowings under the amended, short-term credit facility.

Borrowings under the long-term credit agreement are unsecured and bear interest at either fixed rates offered by the banks at the time of borrowing, or at variable rates based on the agent bank's base rate, LIBOR or the latest federal funds rate. The agreement requires the Company to maintain a minimum tangible net worth of at least \$160,000,000, plus 50 percent of consolidated net income after October 1, 1994, a minimum coverage ratio of certain defined fixed charges and a minimum ratio of debt to tangible net worth. The agreement also restricts the payment of cash dividends and requires the Company to pay a facility fee of 0.15 percent of the total amount of the commitment. At September 30, 1994, the Company was not in compliance with certain covenants contained in the amended, short-term line of credit agreement discussed above, which has since been cured. Borrowings outstanding at September 30, 1994 bore interest at 5.6 percent. The Company believes the fair value of its long-term debt approximates its carrying value at September 30, 1994.

Interest expense for the years ended September 30, 1994, 1993 and 1992 was \$792,000, \$844,800 and \$341,800, respectively, and has been included with interest income in the accompanying consolidated statements of income. Interest payments made during each of these years totalled \$595,400, \$1,058,200 and \$642,700, respectively.

4. STOCK PLANS The Company's 1989 Employee Stock Purchase Plan (the " 1989 ESPP " ) provides for the granting of options to participating employees to purchase a maximum of 1,406,777 shares of the Company's common stock. The participants' purchase price is the lower of 90 percent of the common stock's closing market price on either the first or last day of the option period (as defined). Shares of stock to be delivered under the 1989 ESPP may be made available from the authorized but unissued common stock of the Company, or from shares that may be purchased by the Company from individual sellers. During 1994, a total of 222,337 shares of common stock were sold to participating employees at an average price of \$21.77 per share. Through September 30, 1994, a total of 981,571 shares have been sold to employees under the 1989 ESPP.

The Company has an incentive stock option plan (the " 1981 Plan " ) which provides for the issuance of shares of common stock to employees and outside directors. Under the 1981 Plan, the Company may grant four types of incentive awards: incentive stock options, nonqualified stock options, restricted stock and stock appreciation rights. At September 30, 1994, there were 2,553,759 shares of common stock reserved for issuance under the 1981 Plan, and all options outstanding at that date consisted of nonqualified stock options.

Stock option activity and other related information for the 1981 Plan for the years ended September 30, 1994, 1993 and 1992 follows:

	1994	1993	1992
Options outstanding at beginning of year	1,237,000	1,088,600	1,158,680
Options granted	438,000	350,300	226,000
Options exercised	(174,941)	(169,800)	(268,680)
Options expired or canceled	(87,100)	(32,100)	(27,400)
Options outstanding at end of year	1,412,959	1,237,000	1,088,600
Average price of options exercised	\$ 9.30	\$ 7.94	\$ 5.23
Range of prices of options outstanding	\$ 4.25 - \$ 28.20	\$ 4.25 - \$ 28.25	\$ 1.69 - \$ 26.99
Average price of options outstanding	\$ 19.63	\$ 17.82	\$ 13.57
Options exercisable	413,919	269,800	155,600
Options available for future grant	1,140,800	1,491,700	1,809,900

The 1981 Plan allows participants to satisfy the exercise price on exercises of stock options by tendering to the Company shares of the Company's common stock already owned by the participants. Shares so tendered are retired and canceled by the Company and are shown as repurchases of common stock in the accompanying consolidated statements of stockholders' equity.

## 5. SAVINGS, DEFERRED COMPENSATION AND PENSION PLANS

### Savings Plans

The Company maintains employee savings plans (qualified 401(k) retirement plans) covering substantially all of the Company's domestic, nonunion employees. Contributions to these plans totalled \$6,000,200, \$5,602,300 and \$4,790,900 for the years ended September 30, 1994, 1993 and 1992, respectively.

### Deferred Compensation Plans

The Company's Executive Security Plan ("ESP") and Executive Deferral Plans ("EDP") are nonqualified deferred compensation programs that provide benefits payable to directors, officers and certain key employees or their designated beneficiaries at specified future dates, or upon retirement or death. Admissions to the ESP were suspended in December 1983. The EDP was established in June 1991. Benefit payments under both plans are funded by a combination of contributions from participants and the Company and most of the participants are covered by life insurance policies with the Company designated as the beneficiary. Amounts charged to expense relating to these programs for the years ended September 30, 1994, 1993 and 1992 were \$5,567,800, \$1,970,500 and \$1,796,400, respectively. Included in other deferred liabilities in the accompanying consolidated balance sheets at September 30, 1994 and 1993 was \$12,460,000 and \$8,960,000, respectively, relating to the ESP and EDP plans.

### Pension Plans

In the United States, the Company contributes to various trustee pension plans covering hourly construction employees under industry-wide agreements. Contributions are based on the hours worked by employees covered under these agreements and are charged to direct costs of contracts on a current basis. Information from the plans' administrators is not available to permit the Company to determine its share of unfunded benefits, if any. Contributions to these plans totalled \$2,631,900, \$2,180,600 and \$2,065,400 for the years ended September 30, 1994, 1993 and 1992, respectively.

The Company's U.K. subsidiary sponsors a contributory defined benefit pension plan covering substantially all permanent, full-time employees at least 21 years of age. Benefits are based on length of service and the employee's highest average salary for any three consecutive years in the plan, or, if higher, the employee's salary in the final year in the plan. The Company's funding policy in respect of the plan is to fund the actuarially- determined accrued benefits, allowing for projected compensation increases using the projected unit method. The following table presents the funded status of the plan as of September 30, 1994 and 1993:

	1994	1993
Fair value of plan assets	\$75,578,700	\$85,402,000
Actuarial present value of benefit obligations (all vested)	61,210,400	72,900,000
Accumulated benefit obligation	61,210,400	72,900,000
Effect of projected compensation increases	1,785,900	1,638,000
Projected benefit obligation	62,996,300	74,538,000
Plan assets in excess of projected benefit obligation	12,582,400	10,864,000
Unrecognized gains	(1,203,600)	-
Prepaid pension asset	\$11,378,800	\$10,864,000

The decrease in plan assets and projected benefit obligation from 1993 to 1994 was due in part to the transfer to an unrelated plan of assets and obligations relating to employees excluded from the acquisition of Humphreys & Glasgow. The components of net periodic pension cost (benefit) for the year ended September 30, 1994 and the period ended September 30, 1993 were as follows:

	1994	1993
Service costs	\$ 1,205,900	\$ 665,000
Interest	4,877,700	2,918,000
Actual return on plan assets	(3,815,500)	(7,821,000)
Net amortization and deferral	(2,346,700)	4,384,000
Net periodic pension cost (benefit)	\$ (78,600)	\$ 146,000

The significant actuarial assumptions used in determining the funded status of the plan were as follows: weighted average discount rate - 8 percent; weighted average rate of increase in compensation - 6 percent; and, weighted average rate of return on pension assets - 8.5 percent. At September 30, 1994, the majority of the plan's assets were invested in equity securities of companies trading in the U.K. and other European stock markets.

6. PROVISION FOR INCOME TAXES As discussed in Note 1 to the consolidated financial statements, the Company adopted SFAS No. 109 effective October 1, 1993. Prior year financial statements have not been restated to reflect this change in accounting principle.

For the years ended September 30, 1994, 1993 and 1992, the provisions for income taxes consisted of the following:

	1994	1993	1992
-----			
Taxes currently payable:			
Federal	\$13,195,800	\$17,553,000	\$18,307,200
State	2,912,500	4,162,100	3,385,100
Foreign	245,600	687,200	1,294,700
	-----	-----	-----
	16,353,900	22,402,300	22,987,000
-----			
Taxes deferred:			
Federal	(3,057,400)	(1,544,100)	(3,025,000)
State	(686,400)	(189,800)	(695,600)
	-----	-----	-----
	(3,743,800)	(1,733,900)	(3,720,600)
-----			
	\$12,610,100	\$20,668,400	\$19,266,400
=====			

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their related amounts used for income tax purposes. The significant components of the Company's deferred tax assets (liabilities) at September 30, 1994 were as follows:

Assets:	
Liabilities relating to employee benefit plans	\$14,120,800
Self-insurance reserves	9,450,700
Accruals for office consolidations and other special charges	2,997,400
Deferred gains on real estate transactions	1,104,700
Contract revenues and costs	800,300
Other, net	176,900
Total deferred tax assets	28,650,800
-----	
Liabilities:	
Unremitted foreign earnings	(1,102,000)
State income and franchise taxes	(1,027,700)
Depreciation and amortization	(922,500)
Total deferred tax liabilities	(3,052,200)
-----	
Net deferred tax asset	\$25,598,600
=====	



The reconciliations of the tax provisions recorded for the years ended September 30, 1994, 1993 and 1992 to those based on the federal statutory rate were as follows:

	1994	1993	1992
-----			
Statutory amount	\$10,982,000	\$17,144,100	\$15,596,200
State taxes, net of the federal benefit	1,447,000	2,592,000	1,775,100
Other, net	181,100	932,300	1,895,100
-----			
	\$12,610,100	\$20,668,400	\$19,266,400
=====			
Rate used to compute statutory amount	35.00%	34.75%	34.00%
=====			

For the years ended September 30, 1993 and 1992, deferred income taxes were provided for timing differences as follows:

	1993	1992
-----		
Accrued liabilities	\$(1,362,800)	\$(5,103,200)
Contract revenues and costs	76,100	1,164,700
Deferred gains on real estate transactions	315,100	338,100
Other, net	(762,300)	(120,200)
-----		
	\$(1,733,900)	\$(3,720,600)
=====		

For the years ended September 30, 1994, 1993 and 1992, the Company paid approximately \$20,351,000, \$18,882,000 and \$19,038,000, respectively, in income taxes.

For the years ended September 30, 1994, 1993 and 1992, consolidated income before income taxes included \$3,017,500, \$2,729,200 and \$5,638,400, respectively, from foreign operations. Included in consolidated retained earnings at September 30, 1994 were undistributed earnings of foreign subsidiaries of approximately \$11,139,000 for which no provision has been made for federal income taxes as management has determined these earnings to be indefinitely reinvested to expand its foreign operations. Should these earnings be repatriated, approximately \$3,141,000 of taxes would be payable. Beginning October 1, 1986, the Company began providing for federal income taxes, net of available credits, on foreign earnings.

7. COMMITMENTS AND CONTINGENCIES The Company leases certain of its facilities and equipment under operating leases with net aggregate future lease payments of \$111,042,100 at September 30, 1994 payable as follows:

Year ending September 30,	
1995	\$ 24,307,900
1996	21,519,200
1997	20,046,100
1998	13,586,100
1999	10,805,300
Thereafter	28,703,100
	-----
	118,967,700
Less - amounts representing	
sublease income	7,925,600
	-----
	\$111,042,100
	=====

Rent expense for the years ended September 30, 1994, 1993 and 1992 was approximately \$22,235,000, \$19,338,000 and \$17,948,000, respectively, and was offset by sublease income of approximately \$1,085,000, \$1,547,000 and \$1,464,000, respectively.

Although the Company historically has carried liability insurance with broad scopes of coverage providing significant liability limits, it is presently difficult and costly to obtain insurance with such broad scopes of coverage and limits. This development, while not unique to the Company or its industry, may subject the Company to some future liability for which it is only partially insured, or completely uninsured. The Company intends to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of its contracts.

The Company has entered into an employment agreement expiring September 30, 1999 with the chairman of its board of directors. The agreement provides for base payments of \$425,000 per year to either the chairman or, in the event of his death, his beneficiary. The agreement also provides that the chairman may participate in any bonus plan sponsored by the Company, specifies certain promotional and other activities to be performed by the chairman in the event he leaves employment with the Company and contains other provisions, including some intended to prevent the chairman from entering into any form of competition with the Company.

In the normal course of business, the Company is subject to certain contractual guarantees and litigation. Generally, such guarantees relate to construction schedules and plant performance. Management believes, after consultation with counsel, that these guarantees and litigation should not have any material adverse effect on the Company's consolidated financial statements.

Letters of credit outstanding at September 30, 1994 totalled \$31,759,600.

8. COMMON AND PREFERRED STOCK Pursuant to the Company's 1990 Stockholder Rights Plan, each outstanding share of common stock has attached to it one stock purchase right (a "Right"). Each Right entitles the common stockholder to purchase, in certain circumstances generally relating to a change in control of the Company, one two-hundredth of a share of the Company's Series A Junior Participating Cumulative Preferred Stock, par value \$1.00 per share (the "Series A Preferred Stock") at the exercise price of \$90 per share, subject to adjustment. Alternatively, the Right holder may purchase common stock of the Company having a market value equal to two times the exercise price, or may purchase shares of common stock of the acquiring corporation having a market value equal to two times the exercise price.

The Series A Preferred Stock confers to its holders rights as to dividends, voting and liquidation which are in preference to common stockholders. The Rights are nonvoting, are not presently exercisable and currently trade in tandem with the common shares. The Rights may be redeemed at \$0.01 per Right by the Company in accordance with the Rights plan. The Rights will expire on December 20, 2000, unless earlier exchanged or redeemed.

9. OTHER FINANCIAL INFORMATION Accrued liabilities at September 30, 1994 and 1993 consisted of the following:

	1994	1993
-----		
Accrued payroll and related liabilities	\$ 43,931,400	\$43,872,800
Insurance reserves	25,107,200	30,549,200
Office consolidations and other special charges	16,670,600	-
Other	16,496,400	7,486,000
-----		
	\$102,205,600	\$81,908,000
=====		

10. QUARTERLY DATA - UNAUDITED Summarized quarterly financial information for the years ended September 30, 1994, 1993 and 1992 is presented below in thousands of dollars, except per share amounts:

1994	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Revenues	\$260,610	\$272,646	\$263,768	\$368,730	\$1,165,754
Income (loss) before taxes	12,339	12,172	12,045	(5,179)	31,377
Net income (loss)	7,280	7,300	7,275	(3,088)	18,767
Net income (loss) per share	.29	.29	.29	(.12)	.75
Stock price:					
High	26.625	26.875	24.500	24.750	26.875
Low	22.000	23.250	18.000	19.875	18.000
-----					
1993					
Revenues	\$298,612	\$286,296	\$273,890	\$284,128	\$1,142,926
Income before taxes	11,952	12,346	12,504	12,536	49,338
Net income	6,917	7,222	7,261	7,270	28,670
Net income per share	.28	.29	.29	.29	1.15
Stock price:					
High	31.000	29.875	28.375	25.250	31.000
Low	24.375	25.750	20.000	20.000	20.000
-----					
1992					
Revenues	\$253,673	\$270,053	\$283,421	\$299,280	\$1,106,427
Income before taxes	9,898	13,948	10,801	11,224	45,871
Net income	5,740	8,090	6,265	6,510	26,605
Net income per share	.24	.34	.26	.27	1.11
Stock price:					
High	28.000	36.500	30.750	29.125	36.500
Low	22.500	27.125	22.375	21.625	21.625
-----					

The Company's results of operations for fiscal 1994 include the results of operations of CRS Sirrinc Engineers, Inc., CRSS Constructors, Inc. and CRSS International, Inc. beginning August 1, 1994 - see Note 2 to the consolidated financial statements.

Net income for the fourth quarter of 1994 includes special charges totalling approximately \$10,200,000, or \$0.40 per share. Of the total amount recorded, approximately \$8,600,000, or \$0.34 per share, relates to the consolidation of offices, asset write-downs and certain other special charges, and approximately \$1,600,000, or \$0.06 per share, relates to the settlement of certain third-party claims and litigation.

Net income for the first three quarters of 1993 differ from amounts previously reported due to the acquisitions accounted for as poolings-of-interests - see Note 2 to the consolidated financial statements. Net income for the second quarter of 1992 included a gain of \$2,118,000 relating to the sale of certain marketable securities.

The Company's common stock is listed on the New York Stock Exchange. At September 30, 1994, there were 2,635 shareholders of record.

**REPORT OF ERNST & YOUNG LLP,  
INDEPENDENT AUDITORS**

The Board of Directors and Stockholders  
Jacobs Engineering Group Inc.

We have audited the accompanying consolidated balance sheets of Jacobs Engineering Group Inc. and subsidiaries as of September 30, 1994 and 1993, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jacobs Engineering Group Inc. and subsidiaries at September 30, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles.

**ERNST & YOUNG LLP**

Los Angeles, California  
November 2, 1994,  
except for Note 3 - Long-term Debt, as to which the date is December 22, 1994

## MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The consolidated financial statements and other information included in this annual report have been prepared by management, which is responsible for their fairness, integrity and objectivity. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with prior years and contain some amounts that are based upon management's best estimates and judgment. The financial information contained elsewhere in this report has been prepared in a manner consistent with the preparation of the financial statements.

In meeting its responsibility for the fair presentation of the Company's financial statements, management necessarily relies on the Company's system of internal accounting controls. This system is designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed in accordance with management's instructions and are properly recorded in the Company's books and records. The concept of reasonable assurance is based on the recognition that in any system of internal controls, there are certain inherent limitations and that the cost of such systems should not exceed the benefits to be derived. We believe the Company's system of internal accounting controls is cost effective and provides reasonable assurance that material errors and irregularities will be prevented, or detected and corrected on a timely basis.

The Company's consolidated financial statements have been audited by independent auditors, whose report thereon was based on examinations conducted in accordance with generally accepted auditing standards, and appears above this report. As part of their audit, the independent auditors perform a review of the Company's system of internal accounting controls for the purpose of determining the amount of reliance to place on those controls relative to the audit tests they perform.

The Company's Board of Directors, through its Audit Committee which is composed entirely of nonemployee directors, meets regularly with both management and the independent auditors to review the Company's financial results and to ensure that both management and the independent auditors are properly performing their

respective functions.

## EXHIBIT 21.

### JACOBS ENGINEERING GROUP INC.

#### PARENTS AND SUBSIDIARIES

The following table sets forth all subsidiaries of the Company other than inactive and insignificant subsidiaries that, considered in the aggregate, would not constitute a significant subsidiary, including the percentage of issued and outstanding voting securities beneficially owned by the Company.

Jacobs Engineering Company, a California corporation.....	100%
Jacobs Engineering Group of Ohio, Inc., an Ohio corporation.....	100%
Jacobs Services Company, a California corporation.....	100%
Jacobs Engineering, Inc., a Delaware corporation.....	100%
Jacobs Computing Services Limited, A Republic of Ireland company....	100%
Pegasus Engineering Holdings Limited, a Republic of Ireland company.	100%
Jacobs/Pegasus Engineering Limited, a Republic of Ireland company..	100%
Forgael Limited, a Republic of Ireland company.....	100%
Jacobs International Limited, Inc., a Panama corporation.....	100%
Jacobs International Limited, a Republic of Ireland company.....	100%
Jacobs Engineering Limited, an English company.....	100%
Jacobs/H&G Engineering Limited, an English company.....	100%
Jacobs/Humphreys & Glasgow Limited, an English company.....	100%
Jacobs Constructors, Inc., a Louisiana corporation.....	100%
Jacobs Constructors of California Inc., a California corporation....	100%
Jacobs Maintenance, Inc., a Louisiana corporation.....	100%
Jay Property Systems, Inc., a California corporation.....	100%
JE Merit Constructors, Inc., a Texas corporation.....	100%
JE Remediation Technologies, Inc., a Louisiana corporation.....	100%
JE Professional Resources, Inc., a California corporation.....	100%
The Pace Consultants, Inc., a Texas corporation.....	100%
Payne & Keller Company, Inc., a Louisiana corporation.....	100%
Robert E. McKee, Inc., a Nevada corporation.....	100%
Jacobs Applied Technology, Inc., a Delaware corporation.....	100%
Applied Engineering Company - Ohio, Inc., a South Carolina corporation.....	100%
Triad Technologies, Inc., a Delaware corporation.....	100%
Willow Street Properties, Inc., a California corporation.....	100%
KDW Engineering, Inc., a California corporation.....	100%
CRSS Constructors, Inc., a Delaware corporation.....	100%
CRSS International, Inc., a South Carolina corporation.....	100%
CRSS of New York, Inc., a New York corporation.....	100%
Jacobs Management Company, a Delaware corporation.....	100%

All subsidiaries are included in the Consolidated Financial Statements.

Dr. Joseph J. Jacobs may be deemed to be a "parent" of Jacobs Engineering Group Inc. under the federal securities laws. Refer to Item 12 of the accompanying report on Form 10-K for information about Dr. Jacobs' share

ownership and position with the Company.



**EXHIBIT 23.**

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Jacobs Engineering Group Inc. of our report dated November 2, 1994, except for Note 3 -- Long-term Debt, as to which the Date is December 22, 1994, included in the 1994 Annual Report to Shareholders of Jacobs Engineering Group Inc.

Our audits also included the financial statement schedules of Jacobs Engineering Group Inc. listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in both the Registration Statement (Form S-8 No. 33-45914) pertaining to the Jacobs Engineering Group Inc. 1981 Executive Incentive Plan and in the Registration Statement (Form S-8 No. 33-45927) pertaining to the Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan of our report dated November 2, 1994, except for Note 3 -- Long-term Debt, as to which the Date is December 22, 1994, with respect to the consolidated financial statements and schedules of Jacobs Engineering Group Inc. included and incorporated by reference in the Annual Report (Form 10-K) for the year ended September 30, 1994.

**ERNST & YOUNG LLP**

Los Angeles, California

December 28, 1994

**ARTICLE 5**

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	SEP 30 1994
PERIOD END	SEP 30 1994
CASH	45,612
SECURITIES	2,897
RECEIVABLES	288,095
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	367,485
PP&E	118,149
DEPRECIATION	58,146
TOTAL ASSETS	504,364
CURRENT LIABILITIES	261,427
BONDS	0
COMMON	25,095
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	175,338
TOTAL LIABILITY AND EQUITY	504,364
SALES	0
TOTAL REVENUES	1,165,754
CGS	0
TOTAL COSTS	1,024,361
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	(276)
INCOME PRETAX	31,377
INCOME TAX	12,610
INCOME CONTINUING	18,767
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	18,767
EPS PRIMARY	0.75
EPS DILUTED	0.75

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