Notes to the financial statements

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

Basis of accounting
The Financial Statements have been prepared under the historical cost convention, as modified by the valuation of current asset investments set out in Note 18.

The preparation of the Group's financial statements in conformity with UK Generally Accepted Accounting Principles requires the Board to make certain estimates and assumptions. These affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

Significant elements of those estimates in these financial statements include allowances for estimated contract revenue and related costs. These are explained in the policy note Contract accounting and stocks. The Board considers that the Group is prudent in its valuation of contracts, particularly for large contracts lasting several years, which may have a wide range of potential outcomes.

Other significant elements of those estimates include asset recognition of pre-contract bid costs on Private Finance Initiative bids, self-insured liabilities, pension costs on defined benefit schemes, taxation provisions and Transfer of Undertaking Protection of Employment ('TUPE') potential liabilities. The Board has continued to review judicial clarifications of the interpretation of the Transfer of Undertakings (Protection of Employment) Regulations 1981. It continues to monitor developments in this area and is actively managing the risks involved. The Board considers the current level of the Group's provisioning to be adequate.

Basis of consolidation
The consolidated profit and loss account and balance sheet include the accounts of the Company and its subsidiary undertakings. The results of the subsidiary undertakings acquired during the year are included in the profit and loss account from the date of acquisition.

UITF Abstract 13 seeks to clarify certain issues relating to ESOP trusts in the light of the principles established by FRS 5, which requires a reporting entity's financial statements to reflect the substance of the transactions into which it has entered. Accordingly, in compliance with UITF 13, the Employee Benefit Trusts have been incorporated in these financial statements as detailed in Note 25. The Directors have not disclosed details of the International Sharesave 25 Scheme, as permitted by UITF 17.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account is presented for the parent company.

Goodwill
Goodwill is stated at cost less a provision for amortisation. Amortisation is calculated to write off the cost in equal annual instalments over its expected useful life. The useful life is not normally expected to exceed 10 years. Provision is made for permanent impairment.

Joint Ventures
In accordance with FRS9 Associates and Joint Ventures, the Group accounts for Joint Ventures under the gross equity method of accounting. The results of holdings in Joint Ventures are included from the date on which the Group acquires joint control.

Where there is sufficient evidence that an event has irrevocably changed the relationship between the Group and the Joint Venture such that the Group's ability to exercise significant influence is removed, the carrying amount at the date of the event is reported as an investment and no account is taken of subsequent changes in the venture's assets and liabilities.

The results, assets and liabilities of Joint Ventures are stated in accordance with Group accounting policies. Where Joint Ventures do not adopt Group accounting policies, their reported results are restated to comply with Group accounting policies. Where Joint Ventures do not adopt accounting periods that are co-terminus with the Group's results, results and net assets are based upon accounts drawn up to the Group's accounting reference date.

Turnover
Group turnover from long term contracts comprises the value of work performed during the year by reference to total sales value and stage of completion of these contracts.

Turnover from other contract activities represents fee income receivable in respect of services provided during the year.

Under certain services contracts, the Group manages customer expenditure and is obliged to purchase goods and services from third party sub-contractors and recharge them on to the customer at cost. The amounts charged by sub-contractors and recharged to customers are excluded from turnover and cost of sales. Debtors, creditors and cash relating to these transactions are included in the Group balance sheet.

Notes to the financial statements continued

Contract accounting and stocks
The value of contract work in progress comprises the costs incurred on contracts plus an appropriate proportion of overheads and attributable profit. Profit is recognised on a percentage of completion basis when the outcome can be reasonably foreseen but not until the contract is at least 50% complete. Otherwise, profits are taken on completion. Provision is made in full for estimated losses to completion.

Fees invoiced on account are deducted from the value of work in progress and the balance is separately disclosed in debtors as amounts recoverable on contracts, unless such fees exceed the value of the work in progress on any contract when the excess is separately disclosed in current liabilities as fees invoiced in advance.

Income recognition on outsourcing contracts is determined based on the proportion of the annual service delivered to date. Where the costs of obligations in relation to the non-renewal or termination of a contract are higher in the final year of the contract a proportion of revenue is deferred each year to meet these anticipated costs.

Full provision is made for losses on outsourcing contracts if the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. In assessing the amount of the loss to provide on an outsourcing contract, account is taken of the Group's share of the forecast results from Joint Ventures which the contract is servicing.

Stocks are stated at the lower of cost and net realisable value.

Pre-contract costs relating to PFI/PPP investments which involve Special Purpose Companies
The Group accounts for all pre-contract costs in accordance with UITF 34. Costs incurred before it is virtually certain that a contract will be obtained are charged to expenses. Directly attributable costs incurred after that point (offset by any bid recovery fees received on award of the contract) are recognised in the balance sheet and charged to profit and loss over the same period as the Group's interest in any Special Purpose Company charges the equivalent capitalised cost to profit and loss.

Any other bid recovery fees are credited to profit and loss over the same period as the Group's interest in any Special Purpose Company charges the equivalent capitalised cost to profit and loss.

Depreciation and amortisation
Tangible and intangible fixed assets are depreciated on a straight line basis calculated at annual rates to write off each asset over the term of its useful life as follows:

Goodwill	10 years
Patents (over equipment)	3 years
Freehold buildings	10 to 50 years
Short leasehold	over the life of the lease
Plant and machinery	3 to 10 years
Special purpose industrial motor vehicles	3 to 12 years
Other motor vehicles	3 to 4 years
Information Technology	3 to 5 years
Corporate Information Systems	7 years

No depreciation is provided in respect of freehold land and assets in the course of construction.

The Directors annually review the estimated useful lives of the fixed assets.

Costs included in Corporate Information Systems are those directly attributable to design, construction and testing of new systems (including major enhancements) from the point of inception to the point of satisfactory completion. Costs include costs of own labour. Maintenance and minor modifications are expensed to profit and loss as incurred.

Fixed asset investments
Fixed asset investments include ordinary shares of the Company, some of which are held for options and other incentives. Where the option or incentive price is below book value, the difference is charged as an operating cost over the period of the option. Provision is made for permanent impairment.

Current asset investments
Current asset investments include UK government securities and short-term deposits and are shown at market value.

Lease obligations
On the inception of finance leases the asset is capitalised and a liability recognised for the present value of the minimum lease payments. Assets are depreciated over the remaining contract term. Rentals are apportioned between capital and interest expense to achieve a constant rate of charge on the outstanding obligation. The costs of operating leases are charged to profit and loss account as incurred.

Where the Group acts as a lessor in an arrangement which transfers substantially all the risks and rewards of ownership to a third party, that lease is treated as a finance lease. All other lease arrangements are treated as operating leases. Debtors under finance leases represent outstanding amounts due under these agreements less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments. Rental income from operating leases is accounted for on a straight line basis over the period of the lease.

Pension schemes
Contributions to funded defined benefit pension schemes are calculated as a percentage, agreed on independent actuarial advice, of the pensionable salaries of employees. The cost of providing pensions and any variations from the regular cost, arising from actuarial valuations, is charged or credited to the profit and loss account on a systematic basis over the expected average remaining service lives of the members of each scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

The difference between the charge for pensions and the total contributions actually paid is included within provisions for liabilities and charges.

The pension costs relating to the defined contribution schemes represent contributions payable by the Group.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where the transactions or events that give rise to an obligation to pay more or less tax in the future have occurred by the balance sheet date. A net deferred tax asset is recognised only when it can be regarded as more likely than not that it will be recovered. Deferred tax is measured on a non-discounted basis using tax rates that have been enacted by the balance sheet date.

Foreign currency transactions and financial instruments
Forward foreign exchange contracts entered into as hedges of future purchases and sales denominated in foreign currency are recorded at cost and are then revalued to market rates at each balance sheet date. Gains and losses are deferred and taken to profit and loss to match the maturity of the underlying transactions. Gains and losses on those contracts which are no longer designated as hedges are taken to the profit and loss account as they arise.

Foreign currency debtors covered by forward currency contracts are translated at the contract rates of exchange; other foreign currency denominated assets and liabilities are translated at closing rates of exchange. Gains and losses are taken to the profit and loss account, except that exchange differences on foreign currency borrowings to finance foreign currency net investments are taken to the statement of total recognised gains and losses.

Trading results of overseas subsidiaries are translated at average rates of exchange. Differences resulting from the retranslation of opening net assets and results for the year at closing rates are taken to the statement of total recognised gains and losses.

US borrowings are used to hedge against the Group investment in the US. The net exchange differences are taken to reserves. Forward foreign exchange contracts are carried on the balance sheet at fair value ('marked to market') with changes in the value recognised in earnings for the period.

Employee Benefit Trusts
The cost of shares is amortised on a straight line basis down to the exercise price of each incentive scheme over the period to initial exercise date. Cumulative amortisation relating to options which have lapsed in year is written back to profit and loss. Provision is made for impairment where the Group considers there has been a permanent diminution in value.

The shares held for the Geared Option Scheme are carried at cost except where the Group considers there has been a permanent diminution in value.

Notes to the financial statements continued

1 Segmental analysis

	Continuing Operations £m	Acquisitions £m	Total 2003 £m	Total 2002 £m
A. Turnover				
Geographic area by location of operations				
United Kingdom	**742.7**	**–**	**742.7**	628.9
Overseas	**165.4**	**27.2**	**192.6**	177.4
Other European countries	40.5	6.0	46.5	34.3
Middle East	16.4	–	16.4	13.6
Asia/Pacific	30.8	–	30.8	35.1
North America	77.7	21.2	98.9	94.4
Total before Joint Ventures	**908.1**	**27.2**	**935.3**	806.3
Joint Ventures	**76.9**	**–**	**76.9**	74.6
United Kingdom	24.6	–	24.6	22.3
Overseas	52.3	–	52.3	52.3
	985.0	**27.2**	**1,012.2**	880.9
By class of business				
Transport	**312.0**	**–**	**312.0**	237.8
Design and Government Services	**195.9**	**–**	**195.9**	177.9
Industry	**116.4**	**–**	**116.4**	93.7
Commercial Services	**118.4**	**–**	**118.4**	119.5
International	**165.4**	**27.2**	**192.6**	177.4
Total before Joint Ventures	**908.1**	**27.2**	**935.3**	806.3

There was no material difference between geographic turnover by location of operation and by location of customer. Turnover excludes recharges of £186.2m (2002: £129.5m) where under certain services contracts the Group manages customer expenditure and is obliged to purchase goods and services from third party sub-contractors and recharge them to the customer at cost.

1 Segmental analysis (continued)

	Operating (loss)/profit 2003 £m	2002 £m	Net assets/(liabilities) 2003 £m	2002[(1)] £m
B. Operating (loss)/profit and net assets				
Geographic area by location of operations				
United Kingdom	**(3.1)**	14.5	**(16.2)**	27.3
Continuing operations	(1.2)	18.1	(42.2)	(28.4)
Amortisation of goodwill/unamortised goodwill	(5.5)	(5.5)	25.0	40.0
Amortisation of pension surplus	3.7	3.4	–	–
Contribution to Employee Benefit Trusts	(2.5)	(1.9)	–	–
Employee Benefit Trusts after contribution	2.4	0.4	1.0	15.7
Overseas	**1.3**	5.5	**66.4**	70.7
Other European Countries				
– continuing operations	1.5	1.7	13.1	12.2
– amortisation of goodwill/unamortised goodwill	(0.7)	(0.6)	5.9	6.0
– acquisitions	0.1	–	(0.4)	–
– amortisation of goodwill on acquisitions/ unamortised goodwill on acquisitions	(0.1)	–	–	–
Middle East	1.4	1.4	6.3	5.2
Asia/Pacific	0.2	1.5	7.7	7.9
North America				
– continuing operations	1.4	4.8	11.5	12.7
– amortisation of goodwill/unamortised goodwill	(3.4)	(3.3)	–	26.7
– acquisitions	2.3	–	3.7	–
– amortisation of goodwill on acquisitions/ unamortised goodwill on acquisitions	(1.4)	–	18.6	–
Total before Joint Ventures and exceptional items	**(1.8)**	20.0	**50.2**	98.0
Joint Ventures	**14.2**	14.5	**19.5**	17.4
United Kingdom	10.6	10.5	15.1	14.2
Overseas	3.6	4.0	4.4	3.2
Total before exceptional items	**12.4**	34.5	**69.7**	115.4
Exceptional items	**(48.1)**	(6.1)	**–**	–
	(35.7)	28.4	**69.7**	115.4

[(1)] Comparatives have been restated to ensure comparability with the current year and primarily relate to the allocation of goodwill.

Notes to the financial statements continued

1 Segmental analysis (continued)

	Operating (loss)/profit 2003 £m	Operating (loss)/profit 2002 £m	Net assets/(liabilities) 2003 £m	Net assets/(liabilities) 2002[1] £m
B. Operating (loss)/profit and net assets (continued)				
By class of business				
Profit before items below/				
Net assets before unamortised goodwill	**18.8**	36.4	**48.7**	74.3
Transport	9.2	14.8	(17.6)	(12.5)
Design & Government Services	(1.5)	0.5	22.9	41.4
Industry	(0.3)	3.8	5.2	(5.5)
Commercial Services	4.5	7.9	(2.3)	11.6
International	6.9	9.4	40.5	39.3
Bid costs	**(13.1)**	(8.9)	**–**	–
Amortisation of goodwill/unamortised goodwill	**(11.1)**	(9.4)	**49.4**	72.7
Amortisation of pension surplus	**3.7**	3.4	**–**	–
Contribution to Employee Benefit Trusts	**(2.5)**	(1.9)	**–**	–
Employee Benefit Trusts	**2.4**	0.4	**1.0**	15.7
Corporate net liabilities	**–**	–	**(48.9)**	(64.7)
Total before Joint Ventures and exceptional items	**(1.8)**	20.0	**50.2**	98.0
Joint Ventures	**14.2**	14.5	**19.5**	17.4
Exceptional items	**(48.1)**	(6.1)	**–**	–
	(35.7)	28.4	**69.7**	115.4

	2003 £m	2002 £m
Corporate net liabilities comprise[2]:		
Fixed assets	**59.7**	58.4
Fixed asset investments	**–**	0.7
Net cash balances	**(71.9)**	(57.3)
Trade creditors	**(24.5)**	(39.2)
Deferred tax	**17.3**	9.2
Corporation tax	**(2.0)**	(4.4)
Proposed dividends	**(2.8)**	(7.0)
Provisions for liabilities and charges	**(22.7)**	(23.9)
Other	**(2.0)**	(1.2)
	(48.9)	(64.7)

(1) Comparatives have been restated to ensure comparability with the current year.
(2) Following the reorganisation in 2002, responsibility for the majority of the UK fixed assets and trade creditors has been centralised. As a result of this change in practise these assets and liabilities are no longer accounted for in business segments.

C. Operating margins

	Operating margins 2003	Operating margins 2002
By class of business		
Transport	**2.9%**	6.2%
Design and Government Services	**(0.8)%**	0.3%
Industry	**(0.3)%**	4.1%
Commercial Services	**3.8%**	6.6%
International	**3.6%**	5.3%
Total	**2.0%**	4.5%

Operating margins exclude amortisation of goodwill and pension surplus, bid costs, exceptional items, Employee Benefit Trusts and share of Joint Ventures.

2 Operating profit

	2003 £m	2002 £m
Turnover	**935.3**	806.3
Cost of sales	**(576.1)**	(546.1)
Project expenses[1]	(250.2)	(206.5)
Other direct costs (mainly labour)	(325.9)	(339.6)
Gross profit	**359.2**	260.2
Administrative costs	**(409.1)**	(246.3)
Selling costs	(34.1)	(34.2)
Administrative expenses excluding selling costs	(326.9)	(206.0)
Exceptional administrative expenses	(48.1)	(6.1)
Operating profit	**(49.9)**	13.9

Amounts relating to acquisitions in the above are £14.8m for cost of sales and £10.1m for administrative expenses.

Operating profit is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets:		
owned – exceptional write downs	**1.8**	2.9
owned	**20.6**	11.5
leased	**1.6**	2.7
Loss/(profit) on sale of tangible fixed assets	**0.4**	(0.3)
Profit on disposal of current asset liquid investments	**–**	(0.1)
Profit on disposal of current asset non-liquid investments	**(0.1)**	(0.7)
Loss on sale of fixed asset investments – own shares	**0.3**	–
Amortisation of goodwill	**11.1**	9.4
Impairment of goodwill	**30.7**	–
Amortisation of shares held by Employee Benefit Trusts	**0.1**	1.7
Payments under operating leases:		
land and buildings	**18.7**	18.5
plant, machinery and vehicles	**7.4**	7.3
Amounts payable to auditors: PricewaterhouseCoopers LLP		
audit services[2] – for current year	**1.03**	0.79
non-audit services – taxation services	**0.71**	0.55
– financial and other advisory services	**1.30**	0.10
Audit services from other auditors	**–**	0.01

[1] Project expenses represent project related costs including sub-contractor costs but excluding direct labour costs.
[2] Includes £50,000 audit fee for the holding company (2002: £50,000).

Notes to the financial statements continued

3 Exceptional items

	2003 £m	2002 £m
Operating		
Redundancy and other restructuring costs	**14.8**	3.2
Accelerated depreciation	**–**	2.9
	14.8	6.1
Impairment of tangible fixed assets (Note 12)	**1.8**	–
Impairment of current assets (Note 12)	**0.8**	–
Total before impairment of goodwill	**17.4**	6.1
Impairment of goodwill (Note 12)	**30.7**	–
Total after impairment of goodwill	**48.1**	6.1
Non-operating		
Amounts written off investments	**16.4**	–

At the time of the Interim Statement the Group announced a major restructuring programme in order to significantly reduce costs and protect future profitability. A charge of £14.8m (cash outflow £11.7m) has been made in the year ended 31 March 2003 which includes a provision for vacant property resulting from the restructuring programme.

The provision for impairment of goodwill and other assets is a result of an impairment review as detailed in Note 12.

Restructuring costs in 2002 of £6.1m (cash outflow £3.2m) consisted mainly of staff redundancy, accelerated depreciation of redundant fixed assets and the establishment of the Shared Service Facility.

The carrying value of the shares held in Employee Benefit Trusts was reviewed in the light of the issues affecting the Company and the consequent impact on the Company's share price. At 30 September 2002 a provision of £16.4m was made, which remained in place as at 31 March 2003.

4 Joint Ventures

	2003 £m	2002 £m
Income from interests in Joint Ventures		
Turnover	**76.9**	74.6
Operating profit before impairment	**14.6**	14.5
Impairment of investment	**(0.4)**	–
Share of operating profit in Joint Ventures	**14.2**	14.5
Interest receivable by Joint Ventures	**2.5**	0.6
Interest payable by Joint Ventures	**(10.0)**	(7.5)
Share of profit on ordinary activities before taxation	**6.7**	7.6
Taxation on profit on ordinary activities	**(1.8)**	(2.1)
Share of profit on ordinary activities after taxation	**4.9**	5.5
Share of net assets of Joint Ventures		
Intangible assets – Goodwill	0.5	0.6
Tangible fixed assets	126.5	104.0
Current assets	49.1	41.7
	176.1	146.3
Liabilities due within one year	(22.0)	(21.9)
Liabilities due after one year	(134.6)	(107.0)
	(156.6)	(128.9)
	19.5	17.4

4 Joint Ventures (continued)

	2003 £m	2002 £m
Group turnover with Joint Ventures	7.5	10.4
Included in liabilities due within one year are:		
– Trading balances with WS Atkins	0.2	–
Included in liabilities due after more than one year are:		
– Subordinated debt with WS Atkins	10.1	3.1

Loan balances

Joint Venture	Facility £m	Loan drawn as at 31 March 2003 £m	Repayment period years
Connect Roads Limited	155.6	155.6	11
South Manchester Healthcare (Holdings) Ltd	83.4	78.3	21
Mercia Healthcare (Holdings) Limited	67.8	64.3	25
New Schools (Penweddig) Holdings Limited	11.0	10.1	28
New Schools (Leyton) Holdings Limited	14.0	13.3	24
New Schools (Cornwall) Holdings Limited	38.2	30.7	23
New Schools (Swanscombe) Holdings Limited	13.2	12.4	23
New Schools (Merton) Holdings Limited	52.6	17.9	23
Total Solutions for Industry Limited	4.8	4.7	15
Total Solutions for Industry Limited	6.2	5.2	4
Total	446.8	392.5	

The Group has not guaranteed any of the above loans.

	2003 £m	2002 £m
Group share of capital commitments		
Capital commitments	3.8	18.8

5 Interest receivable and similar income

	2003 £m	2002 £m
Interest receivable – short-term	1.7	1.8
Income from fixed asset investment	0.1	0.1
Income from current asset liquid investments	0.6	0.9
Income from finance leases	0.7	–
Profit on sale of fixed asset investment	0.6	–
	3.7	2.8
Employee Benefit Trusts	0.1	0.2
	3.8	3.0
Joint Ventures	2.5	0.6
	6.3	3.6

Notes to the financial statements continued

6 Interest payable and similar charges

	2003 £m	2002 £m
Interest payable on loans and other borrowings wholly repayable within five years:		
Bank loans and overdrafts (secured)	**4.9**	3.0
Hire purchase and finance leases	**0.5**	0.4
Other	**0.4**	0.2
	5.8	3.6
Joint Ventures	**10.0**	7.5
	15.8	11.1

7 Staff numbers and costs

	2003 No.	2002 No.
Number of persons (including Executive Directors) employed by the Group as at 31 March 2003:		
By class of business:		
Transport	**4,155**	4,408
Design and Government Services	**4,416**	4,578
Commercial Services	**2,267**	2,286
Industry	**1,123**	1,042
International	**3,310**	2,629
Corporate	**121**	216
	15,392	15,159
Those persons were based as follows:		
UK	**12,082**	12,530
Non – UK	**3,310**	2,629
Other European countries	1,060	691
Middle East	516	498
Asia Pacific	616	556
North America	1,118	884
	15,392	15,159
Average number of persons (including Executive Directors) employed by the Group during the year:		
By class of business:		
Transport	**4,308**	3,880
Design and Government Services	**4,521**	4,367
Commercial Services	**2,300**	2,312
Industry	**1,102**	851
International	**3,032**	2,567
Corporate	**187**	228
	15,450	14,205
Those persons were based as follows:		
UK	**12,418**	11,638
Non – UK	**3,032**	2,567
	15,450	14,205

Aggregate payroll costs of those persons amounted to:	£m	£m
Salaries	**413.4**	342.0
Profit share and performance-related bonus	**12.1**	12.8
Social security costs	**32.9**	29.7
Other pension costs	**18.0**	16.6
	476.4	401.1

Details of Directors' remuneration (including pensions) and interests are detailed in the Remuneration report.

8 Taxation on profit/(loss) on ordinary activities

	2003 £m	2002 £m
UK corporation tax at 30%	**(1.1)**	4.4
Relief for overseas taxation	**(0.4)**	(0.4)
Adjustment in respect of prior years	**(1.5)**	(0.5)
	(3.0)	3.5
Overseas tax	**1.9**	1.3
	(1.1)	4.8
Joint Ventures	**1.8**	2.1
Total current tax	**0.7**	6.9
Deferred tax – current year losses	**(7.3)**	–
– other	**(0.7)**	2.2
Total tax (credit)/charge	**(7.3)**	9.1

The tax charge as adjusted profit on ordinary activities is £3.5m (2002: £9.7m), an effective tax rate of £18.5% (2002: 25.5%). Adjusted profit is profit before exceptional items, amortisation of pension surplus and goodwill, Metronet bid costs and Employee Benefit Trusts. The variation between this rate and the UK corporation tax rate is explained as follows:

	%	%
UK corporation tax rate	**30.0**	30.0
Effect of:		
Pension credit	**(3.6)**	(1.5)
Accelerated capital allowances	**4.9**	(4.2)
Overseas timing differences	**(1.0)**	(2.3)
Other timing differences	**(3.7)**	2.8
Permanent differences	**3.0**	2.4
Other differences	**(0.3)**	(1.5)
Non – UK activities	**2.5**	–
Sub total	**31.8**	25.7
Adjustment in respect of prior years	**(3.2)**	(3.4)
Total current tax based on adjusted profit	**28.6**	22.3
Movement in deferred tax	**(10.1)**	3.2
Total tax based on adjusted profit	**18.5**	25.5

Explanation of current tax based on profit on ordinary activities:		
UK corporation tax rate	**30.0**	30.0
Effect on current tax of goodwill amortisation and impairment	**(20.7)**	13.5
Effect on current tax of EBTs	**–**	(0.7)
Permanent differences	**(0.9)**	8.9
Timing differences	**(11.5)**	(14.3)
Adjustment in respect of prior years	**2.4**	(2.5)
Other differences	**0.8**	(2.0)
Total current tax based on profit on ordinary activities	**0.1**	32.9

Excess 2003 tax losses are carried forwards as a deferred tax asset.

To the extent that dividends remitted from overseas subsidiaries and associated undertakings are expected to result in additional taxes, appropriate amounts have been provided. No taxes have been provided for unremitted earnings of Group companies overseas, as these are, in the main, considered permanently employed in the business of these companies. Unremitted earnings may be liable to overseas taxes and/or UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends.

Notes to the financial statements continued

9 Dividends

	2003 £m	2002 £m
Interim paid – Nil per share (2002: 3.78p)	–	3.3
Final proposed – 3p per share payable 1 October 2003 (2002: 7.56p)	**2.8**	6.9
Dividends	**2.8**	10.2

Dividends amounting to £0.2m (2002:£0.6m) in respect of the Company's shares held by the EBTs have been deducted in arriving at the aggregate of dividends paid and proposed.

10 Retained profit

	2003 £m	2002 £m
Retained (loss)/profit for the year has been dealt with in the Financial Statements as follows:		
Parent Company	**(3.0)**	4.1
Subsidiary undertakings	**(45.1)**	(8.6)
Joint Ventures (Note 4)	**4.9**	5.5
Employee Benefit Trusts (Note 25)	**(13.9)**	0.6
Retained (loss)/profit for the year	**(57.1)**	1.6

11 (Loss)/earnings per share

Basic earnings per share are calculated in accordance with FRS 14 Earnings per share, by dividing loss after tax of £54.3m (2002: profit of £11.8m) by the weighted average number of shares in issue during the period of 92,486,187 (2002: 90,537,512), excluding 6,433,843 shares held by the Employee Benefit Trusts (EBTs) which have not unconditionally vested in the employees.

Fully diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the number of options outstanding during the period. The number of shares used for the Fully Diluted calculation is 93,048,051 (2002: 92,398,113). The options relate to the SAYE schemes which mature between April 2003 and March 2006, to the Equity Participation Plans and Long Term Incentive Plans, and to "incentive-to-sell" option schemes for employees of Atkins Americas Inc. In accordance with FRS14, there is deemed to be no diluting effect of potential ordinary shares where there is a basic loss per ordinary share.

The Adjusted earnings per share information has been calculated based on an adjusted profit after tax of £15.2m (2002: £28.4m). Adjusted profit is before Metronet bid costs, amortisation of pension surplus and goodwill, exceptional items and Employee Benefit Trusts. The Board believes that this additional measure provides a better indicator of the underlying trends in the business.

	2003	2002
(Loss)/profit after taxation	**£(54.3)m**	£11.8m
Average shares ('000)	**92,486**	90,537
Fully diluted earnings per share	**(58.7)p**	12.8p
Basic earnings per share	**(58.7)p**	13.1p
Adjustments after accounting for tax –		
Amortisation of goodwill	**12.0p**	10.4p
EBT – contributions	**2.7p**	1.3p
EBT – amounts written off investments	**12.4p**	nilp
EBT – amortisation/other	**(2.7)p**	(0.7)p
Amortisation of pension surplus	**(2.8)p**	(4.9)p
Metronet bid costs	**6.4p**	5.5p
Exceptional items	**47.2p**	6.7p
Adjusted earnings per share	**16.5p**	31.4p
Fully diluted adjusted earnings per share	**16.3p**	30.7p

12 Intangible fixed assets

	2003 £m	2002 £m
Goodwill		
Cost at 1 April	**96.4**	89.6
Acquisition of Hanscomb	**20.3**	–
Acquisition of ScanRail	**–**	5.3
Acquisition of Boward	**–**	1.4
Difference on exchange	**(2.2)**	0.1
Cost at 31 March	**114.5**	96.4
Amortisation at 1 April	**23.7**	14.3
Difference on exchange	**(0.5)**	–
Amortisation charge for the year	**11.1**	9.4
Impairment provision	**30.7**	–
Amortisation at 31 March	**65.0**	23.7
Net Book Value at 31 March	**49.5**	72.7

In accordance with FRS11 Impairment of fixed assets and goodwill, the carrying value of the Group's acquired subsidiaries has been compared to their recoverable amounts, represented by their value in use to the Group. The value in use has been derived from discounted cashflow projections using discount rates of 3% to 6%. The review has resulted in an impairment charge of £30.7m (2002: nil) to goodwill, largely relating to the North American business. In addition a further £1.8m charge was made to tangible fixed assets and £0.8m to net current assets.

13 Tangible fixed assets

	Freehold property £m	Short-term leasehold property £m	Plant, machinery & vehicles £m	Total £m
Cost at 1 April 2002	9.6	2.5	113.0	125.1
New subsidiary undertakings	–	0.4	0.2	0.6
Additions	–	6.7	13.3	20.0
Disposals	–	(0.4)	(9.6)	(10.0)
Differences on exchange	–	(0.2)	(1.6)	(1.8)
Cost at 31 March 2003	9.6	9.0	115.3	133.9
Depreciation at 1 April 2002	5.3	1.7	43.6	50.6
Disposals	–	(0.4)	(4.4)	(4.8)
Depreciation charge for the year	0.7	0.5	21.0	22.2
Impairment charge for the year (note 12)	–	0.3	1.5	1.8
Differences on exchange	–	(0.1)	(1.2)	(1.3)
Depreciation at 31 March 2003	6.0	2.0	60.5	68.5
Net Book Value at 31 March 2003	**3.6**	**7.0**	**54.8**	**65.4**
Net Book Value at 31 March 2002	4.3	0.8	69.4	74.5

No depreciation has been provided on freehold land.

13 Tangible fixed assets (continued)

Included in the above are equipment and vehicles held under finance leases and hire purchase contracts as follows:

	2003 £m	2002 £m
Cost	**9.9**	12.5
Depreciation	**(3.2)**	(6.4)
Net Book Value	**6.7**	6.1

Additions to fixed assets funded by finance leases were £3.5m.

Included in the above are equipment and vehicles leased to customers under operating leases as follows:

	2003 £m	2002 £m
Cost	**5.4**	8.6
Depreciation	**(1.5)**	(0.9)
Net Book Value	**3.9**	7.7

Rents receivable from operating leases of £0.5m (2002: £0.4m) are included in turnover.

14 Fixed assets – Investment in own shares

	2003 £m	2002 £m
Cost		
At 1 April	**35.8**	24.7
Additions	**2.6**	18.4
Disposals	**(2.2)**	(7.3)
At 31 March	**36.2**	35.8
Amortisation		
At 1 April	**6.8**	8.6
Charge for year	**0.1**	2.3
Impairment provision	**16.4**	–
Disposals	**(1.8)**	(4.1)
At 31 March	**21.5**	6.8
Net Book Value at 31 March	**14.7**	29.0

At 31 March 2003, the Employee Benefit Trusts (EBTs) owned 6,628,437 (2002: 6,765,542) ordinary shares of the Company being 6.6% (2002: 7.0%) of the Company’s entire issued share capital. These ordinary shares have been acquired by the EBTs for the subsequent transfer to employees and are substantially reserved to meet commitments under the employee incentive schemes. The EBTs have waived their rights to dividends on these shares.

The carrying value of the shares was reviewed in the light of the issues affecting the Company and the consequent impact on the Company’s share price. At 30 September 2002 a provision for permanent diminution in value of £16.4m was made.

15 Fixed assets – Unlisted investments

	Associates £m	Other participating interests £m	Total £m
Group			
Cost at 1 April 2002	0.3	0.6	0.9
Disposals	–	(0.6)	(0.6)
Cost at 31 March 2003	0.3	–	0.3
Provisions at 1 April 2002	(0.2)	–	(0.2)
Charge in year	(0.1)	–	(0.1)
Provisions at 31 March 2003	(0.3)	–	(0.3)
Net Book Value at 31 March 2003	**–**	**–**	**–**
Net Book Value at 31 March 2002	0.1	0.6	0.7

The disposal during the year relates to the Group's interest in Bridgend Custodial Services Ltd.

	Subsidiaries £m	Joint Ventures and associates £m	Total £m
Company			
Cost of shares at 1 April 2002	53.1	8.4	61.5
Additions	19.1	–	19.1
Cost of shares at 31 March 2003	72.2	8.4	80.6
Provisions at 1 April 2002	–	0.2	0.2
Charge in year	21.9	–	21.9
Provisions at 31 March 2003	21.9	0.2	22.1
Net Book Value at 31 March 2003	**50.3**	**8.2**	**58.5**
Net Book Value at 1 April 2002	53.1	8.2	61.3

Details of principal subsidiary undertakings are set out in Note 33.

16 Stocks

	Group	
	2003 £m	2002 £m
Stocks of raw materials and consumables	**0.4**	0.8

Notes to the financial statements continued

17 Debtors

	Group		Company	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Amounts due within one year:				
Trade debtors	**185.5**	131.6	**–**	–
Amounts recoverable on contracts	**13.4**	63.1	**–**	–
Deferred tax (Note 22)	**12.1**	9.2	**–**	–
Finance lease debtor	**0.3**	–	**–**	–
Other debtors	**10.5**	8.9	**–**	–
Other prepayments and accrued income	**14.1**	15.9	**–**	–
Dividends receivable	**–**	0.1	**24.8**	14.8
	235.9	228.8	**24.8**	14.8
Amounts due after more than one year:				
Deferred tax (Note 22)	**5.2**	–	**–**	–
Finance lease debtor	**3.1**	–	**–**	–
Total debtors	**244.2**	228.8	**24.8**	14.8

18 Current asset investments

	Group	
	2003 £m	2002 £m
Short term deposits and marketable securities	**6.5**	8.1
Certificates of tax deposit	**0.4**	0.4
Liquid investments	**6.9**	8.5
Land	**0.6**	0.8
	7.5	9.3

Current asset liquid investments are shown at market value, which is £52,000 above historic cost (2002: £21,000 below historic cost).

Certificates of tax deposit consisted of £0.4m in respect of Employee Benefit Trusts (2002: £0.4m).

19 Creditors: amounts falling due within one year

	Group		Company	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Loan notes	**0.9**	1.7	**0.9**	1.7
Bank loan (secured)	**47.9**	14.9	**–**	–
Bank overdrafts (secured)	**2.2**	14.6	**–**	–
Fees invoiced in advance	**70.7**	70.7	**–**	–
Trade creditors	**35.0**	46.4	**–**	–
Amounts due to sub-contractors (Note 31 c)	**23.0**	16.5	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**9.5**	7.7
UK corporation tax	**2.0**	4.4	**–**	–
Social security and other taxation	**36.0**	20.9	**–**	–
Dividend payable	**2.8**	6.9	**2.8**	6.9
Hire purchase and finance leases	**2.1**	2.2	**–**	–
Deferred consideration on acquisitions (see below)	**0.9**	1.3	**–**	–
Deferred PFI bid cost recovery	**0.2**	0.1	**–**	–
Accruals and deferred income	**66.7**	63.1	**–**	–
Other creditors	**12.1**	12.6	**–**	–
	302.5	276.3	**13.2**	16.3

Total deferred consideration amounted to £2.0m of which £0.9m falls due within one year and £1.1m falls due after more than one year (Note 20). Of the total deferred consideration, £0.2m relates to the final instalment for the acquisition of Atkins Americas Inc., formerly Benham, which was settled in April 2003. The remaining £1.8m relates to the acquisition of Hanscomb (£2.3m at acquisition (Note 32) less utilisation of £0.5m (Note 25)).

Of the trade creditors and accruals above, £0.2m relates to the purchase of fixed assets (2002: £2.9m).

20 Creditors: amounts falling due after more than one year

	Group 2003 £m	2002 £m
Bank loan repayable between two and five years (secured)	**39.6**	34.4
Hire purchase and finance leases:		
Repayable between one and two years	**1.6**	1.4
Repayable between two and five years	**2.5**	2.2
Repayable after more than five years	**0.7**	0.2
Deferred consideration (Note 19)	**1.1**	0.2
Deferred bid cost recovery fees	**5.6**	5.0
	51.1	43.4

The Company had no creditors falling due after more than one year.

21 Provisions for liabilities and charges

	Vacant property £m	Pensions £m	Ex Director's unfunded pension promise £m	Total £m
Balance at 1 April 2002	–	23.5	0.4	23.9
Charged/(credited) to profit and loss account	4.8	10.5	(0.2)	15.1
Pensions contributions/provisions utilised	–	(16.3)	–	(16.3)
Balance at 31 March 2003	**4.8**	**17.7**	**0.2**	**22.7**

The pension provision represents the excess of accumulated costs over the amount funded. The ex Director's unfunded pension promise provision was reduced in the year as it was no longer salary related (Note 30).

No provision has been released or applied for any purpose other than that for which it was established.

22 Deferred taxation

	2003 £m	2002 £m
Amounts due within one year:		
Accelerated depreciation	**–**	0.7
Employee Benefit Trusts	**0.8**	(2.7)
Overseas	**1.8**	1.9
Pension accrual	**1.8**	7.2
UITF 34 adjustment	**–**	1.0
Tax losses	**7.3**	–
Other timing differences	**0.4**	1.1
	12.1	9.2
Amounts due after more than one year:		
Accelerated depreciation	**1.6**	–
Pension accrual	**3.6**	–
	5.2	–
Total deferred taxation	**17.3**	9.2

Notes to the financial statements continued

23 Share capital

	Group and Company No. of shares	£m
Authorised		
Authorised at 1 April 2002 and 31 March 2003 ordinary shares of 0.5p	150,000,000	0.8
Issued and fully paid		
Issued and fully paid at 1 April 2002	96,510,192	0.5
Issue of new shares in respect of:		
acquisition of Hanscomb	3,039,617	
QUEST	79,238	
scrip dividend	94,975	
Issued and fully paid at 31 March 2003	**99,724,022**	**0.5**

As at the 31 March 2003 there were 6,628,437 (2002: 6,765,542) ordinary shares held by the Employee Benefit Trusts of which 3,423,876 (2002: 3,990,174) were being held for transfer to Directors and employees, some of which are contingent on future earnings per share performance conditions, under the following share incentive schemes:

Name of Scheme	Date award granted	Exercise price per share	Normal exercisable/ transferable period of the award	Number of awards outstanding
WS Atkins 1997 Senior Executive Long Term Incentive Plan	15/06/98	0.0p	15/06/01-15/06/06	20,056
	18/07/01	0.0p	18/07/04-18/07/08	83,001
	21/09/01	0.0p	21/09/01-21/09/08	53,932
	30/11/01	0.0p	30/11/04-30/11/11	75,144
WS Atkins 1997 Executive Long Term Incentive Plan	15/06/98	0.0p	15/06/01-15/06/06	73,911
	30/11/01	0.0p	30/11/04-30/11/11	18,722
	29/07/02	0.0p	29/07/05-29/07/12	50,924
Lambert Smith Hampton Executive Option Scheme	03/06/99	399.0p	03/06/04-03/06/06	3,736
	16/06/99	399.0p	01/02/04-16/06/06	13,326
	16/06/99	399.0p	16/06/04-16/06/06	3,736
WS Atkins Geared Option Scheme	28/09/01	724.9p	28/09/04-28/09/11	44,182
	31/12/01	724.9p	31/12/04-31/12/11	42,903
	31/01/02	724.9p	31/01/05-31/01/12	34,783
WS Atkins Pre Tax Equity Participation Plan	01/08/97	0.0p	01/08/00-01/08/04	47,301
	16/03/98	0.0p	16/03/01-16/03/05	30,800
	22/07/98	0.0p	22/07/01-22/07/05	34,417
	22/07/99	0.0p	22/07/02-22/07/06	46,335
	11/01/00	0.0p	11/01/03-11/08/07	4,528
	20/07/00	0.0p	20/07/03-20/07/07	55,339
	18/07/01	0.0p	18/07/04-18/07/08	117,325
WS Atkins Post Tax Equity Participation Plan	01/08/97	0.0p	01/08/00-01/08/04	5,059
	22/07/98	0.0p	22/07/01-22/07/05	1,546
	18/07/01	0.0p	18/07/04-18/07/08	1,436

23 Share capital (continued)

Name of Scheme	Date award granted	Exercise price per share	Normal exercisable/ transferable period of the award	Number of awards outstanding
WS Atkins Deferred Bonus Share Option Plan	23/12/99	0.0p	23/12/04-23/12/09	17,600
	18/02/00	0.0p	18/02/03-18/02/10	20,259
	12/06/00	0.0p	12/06/03-12/06/10	24,458
	04/12/00	0.0p	04/12/03-04/12/10	4,664
	08/06/01	0.0p	08/06/04-08/06/11	58,287
	30/11/01	0.0p	25/07/04-30/11/11	5,106
	26/07/02	0.0p	26/07/06-26/07/12	18,019
	29/07/02	0.0p	29/07/05-29/07/12	74,064
	26/08/02	0.0p	26/08/05-26/08/12	217,251
	02/09/02	0.0p	31/05/05-02/09/12	177,816
	13/12/02	0.0p	13/12/05-13/12/12	31,914
	13/12/02	0.0p	13/12/06-13/12/12	202,569
The Atkins Executive Share Option Scheme	01/02/95	137.5p	01/02/98-01/02/05	2,680
Executive Share Bonuses	01/04/00	0.0p	01/04/04-01/04/07	87,364
WS Atkins Employees' Stock Option Plan	01/06/00	622.5p	01/06/03-01/06/10	81,464
	08/06/01	832.5p	08/06/04-08/06/11	102,722
	29/07/02	324p	29/07/05-29/07/12	128,900
WS Atkins Restricted Stock Unit Plan for Key Employees	02/07/02	0.0p	02/07/05	288,769
	13/12/02	0.0p	13/12/05	30,000
WS Atkins Restricted Stock Unit Plan for Executives	02/07/02	0.0p	02/07/05	39,897
	02/07/02	0.0p	02/01/03	2,869
	02/07/02	0.0p	02/07/03	9,814
	02/07/02	0.0p	02/01/04	9,814
	02/07/02	0.0p	02/07/04	9,820
WS Atkins Sharesave Scheme	16/07/99	424.0p	01/09/02-28/02/03	2,991
	07/07/00	502.0p	01/09/03-29/02/04	494,883
	06/07/01	666.0p	01/09/04-01/03/05	582,928
	22/08/02	259.2p	01/11/05-01/05/06	711,983
WS Atkins International Sharesave Scheme	20/10/00	672.0p	20/01/04-01/07/04	59,881
	22/10/01	528.0p	01/01/05-01/07/05	66,843
WS Atkins International Sharesave Scheme Irish Section	20/10/00	672.0p	01/01/04-01/07/04	5,169
	22/10/01	528.0p	01/01/05-01/07/05	6,872
WS Atkins Employees' Stock Purchase Plan	22/10/01	472.0p	01/02/04-01/02/04	36,520
				4,476,632
Sharesave options to be satisfied by new issue of shares				1,052,756
Shares held by the Employee Benefit Trusts to satisfy outstanding options				3,423,876

On 4 April 2003 the Company issued 2,357,600 'A' warrants, 1,178,800 'B' warrants and 1,178,800 'C' warrants which are convertible into ordinary shares of 0.5p each in three tranches. The 'A' warrants are convertible on or after 4 July 2003. The 'B' warrants are convertible on or after the 4 October 2003 and the 'C' warrants are convertible on or after the 4 January 2004.

Notes to the financial statements continued

24 Reserves

	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Goodwill written off £m	EBT reserves £m	Other profit and loss account £m	Total profit and loss account £m	Total reserves £m
Group								
Balance at 31 March 2002	42.1	0.2	8.7	(15.9)	15.5	64.3	63.9	114.9
Retained loss for the year	–	–	–	–	–	(57.1)	(57.1)	(57.1)
Net differences on exchange	–	–	–	–	–	(1.9)	(1.9)	(1.9)
Issue of new shares	13.3	–	–	–	–	–	–	13.3
EBT contribution	–	–	–	–	2.5	(2.5)	–	–
Transfer to EBT reserve	–	–	–	–	(16.9)	16.9	–	–
Balance at 31 March 2003	**55.4**	**0.2**	**8.7**	**(15.9)**	**1.1**	**19.7**	**4.9**	**69.2**
Company								
Balance at 31 March 2002	42.1	0.2	8.7	–	–	8.3	8.3	59.3
Retained loss for the year	–	–	–	–	–	(3.0)	(3.0)	(3.0)
Issue of new shares	13.3	–	–	–	–	–	–	13.3
Balance at 31 March 2003	**55.4**	**0.2**	**8.7**	**–**	**–**	**5.3**	**5.3**	**69.6**

In accordance with FRS 10 Goodwill and intangible assets, purchased goodwill arising on acquisitions since 1 April 1997 has been capitalised. Goodwill which arose prior to 1 April 1997 amounting to £15.9m, of which positive and negative goodwill totalled £26.3m and £10.4m respectively, has been written off to profit and loss.

25 Employee Benefit Trusts

At 31 March 2003 there were four Employee Benefit Trusts (EBTs). The EBTs have acquired ordinary shares to facilitate employee shareholdings through the WS Atkins incentive arrangements detailed in Note 23.

In compliance with UITF 13 the accounts of the EBTs have been incorporated into the results of the Group as, although they are controlled by independent Trustees and their assets are held separately from those of the Group, in practice the Group's advice as to how the assets are used for the benefit of employees is normally accepted. The Group bears the major risks and rewards of the assets held by the EBTs until the shares vest unconditionally in the employees.

The contribution of the EBTs to the profit or loss reported by the Group and the net assets held by the EBTs included in the Group figures are shown below. The information is based on the audited financial statements of the EBTs.

The financial accounts of the EBTs have been prepared under the historical cost convention. Income has been recognised as it becomes receivable and costs written off against profit on an accruals basis.

The cost of shares is amortised on a straight line basis down to the exercise price of each incentive scheme over the period to initial exercise date. Cumulative amortisation relating to options which have lapsed during the year is written back to profit and loss. Provision is made for impairment where there is considered to be a permanent distribution in value.

The shares held for the Geared Option Scheme are carried at cost, except where the Group considers there has been a permanent diminution in value. This review is undertaken annually for the Group's accounts.

25 Employee Benefit Trusts (continued)

The results included in the profit and loss account and balance sheet are as follows:

Profit and loss account	2003 £m	2002 £m
Operating profit/(loss)[(1)]	**0.2**	(1.5)
Loss on sale of fixed asset investments[(2)]	**(0.3)**	–
Interest receivable and similar income	**0.1**	0.2
	–	(1.3)
Amounts written off investments	**(16.4)**	–
Loss on ordinary activities before taxation	**(16.4)**	(1.3)
Taxation on loss on ordinary activities	**–**	–
Loss on ordinary activities after taxation	**(16.4)**	(1.3)
Capital Grant	**2.5**	1.9
Retained (loss)/profit for the period	**(13.9)**	0.6

(1) Operating profit/(loss) includes amortisation credit of £0.4m (2002 charge: £1.8m). The amortisation arises on shares held for options where the option price is below book value and the difference is amortised over the period of service to which the option relates. Where options have lapsed the prior years' amortisation is reversed.

The results are stated after the utilisation of £0.5.m (2002: £0.8m) of deferred consideration creditor (Note 19) in respect of amortisation and loss on sale of shares purchased for the future satisfaction of the Atkins Americas Inc., (formerly Benham) and Hanscomb deferred consideration arrangements.

(2) This represents the loss on the sales of investments by the EBTs which were purchased in the open market. Any gain on sales of ordinary shares issued by the Company to the EBTs has been taken directly to reserves.

Contributions by the Company and its subsidiaries to the EBTs were £2.5m (2002: £1.9m).

As explained in Note 3, a provision of £16.4m was made against the carrying value of the shares held by the EBTs.

Balance sheet	2003 £m	2002 £m
Fixed assets – Investment in own shares at Net Book Value (Note 14)	**14.7**	29.0
Cash	**2.7**	3.0
Other debtors	**0.5**	0.9
Current asset investments	**0.4**	0.4
Taxation payable	**(0.4)**	(0.4)
Other creditors falling due within one year	**(0.4)**	(1.0)
Amounts due to WS Atkins (net) – falling due after one year	**(16.4)**	(16.4)
Net assets	**1.1**	15.5

Based on a mid-market price of 128.5 pence the market value of the shares on 31 March 2003 was £8.5m (2002: £40.4m).

26 Related party transactions

Details of Directors' shareholdings and share options are given in the Remuneration report.

The Company has taken advantage of the exemption provided by FRS 8 and not disclosed transactions with subsidiary companies where over 90% of the shares in the subsidiary are owned by the Company. Any such transactions have been eliminated on consolidation.

Transactions with Joint Ventures are disclosed in Note 4.

Notes to the financial statements continued

27 Financial and capital commitments

	2003 £m	2002 £m
Capital expenditure contracted for but not provided	**0.6**	2.9

In addition to the above, the Group is committed to make payments for equity and debt into Special Purpose Companies under Private Finance Initiative contracts of £4.3m (2002: £5.2m).

	Plant, machinery and vehicles		Land and buildings	
	2003 £m	2002 £m	2003 £m	2002 £m
Operating leases				
Amounts payable in the next year in respect of commitments expiring:				
Within one year	**1.0**	1.0	**5.0**	4.1
Between two and five years	**5.1**	5.5	**6.3**	8.2
After five years	**–**	0.1	**9.7**	14.4
Total	**6.1**	6.6	**21.0**	26.7

28 Financial instruments

A description of the policies relating to financial instruments is set out in the accounting policies on page 41.

(a) Maturity of financial liabilities

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Less than one year	**53.1**	33.4	**0.9**	1.7
Between one and two years	**1.6**	1.4	**–**	–
Between two and five years	**42.1**	36.6	**–**	–
More than five years	**0.7**	0.2	**–**	–
	97.5	71.6	**0.9**	1.7

Unutilised committed borrowing facilities expiring beyond 12 months fell wholly between two and five years and amounted to £51.3m (2002: £16.2m). Unutilised committed borrowing facilities expiring within 12 months amounted to £nil (2002: £95.0m).

The Group's principal committed borrowing facilities of £140.0m are secured by a fixed and floating charge over the UK assets of the Group.

Other financial liabilities included in the above table are overdrafts, loan notes and finance lease balances as shown in Notes 19 and 20.

The Group's liability with respect to deferred consideration, which is free of interest, is excluded from the above table and described in Note 19.

(b) Currency exposures

To mitigate the effect of currency exposures arising from its net investment in the US, the Group has financed part of its investment by borrowing in US dollars.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group companies and the Group.

	Net foreign currency monetary assets/(liabilities)				
As at 31 March 2003	Sterling £m	US Dollar £m	Euro £m	Other currencies £m	Total 2003 £m
Functional currency of Group operation					
Sterling	–	(0.2)	–	–	(0.2)
US Dollar	–	–	–	–	–
Euro	–	–	–	–	–
Danish Krone	–	–	–	–	–
Other currencies	1.2	0.2	0.1	(0.4)	1.1
Total	1.2	–	0.1	(0.4)	0.9

28 Financial Instruments (continued)

Under the Group's accounting policy, foreign currency assets which are hedged using forward foreign exchange contracts or borrowings are translated at the contracted rates. The unrecognised gain or loss at the balance sheet date on forward currency contracts to be recognised in the profit and loss account of the following year is not material.

i Assets

The following analysis excludes short term debtors, cash held on behalf of sub-contractors and funds held by the Employee Benefit Trusts.

	Sterling £m	Euro £m	US Dollar £m	Danish Krone £m	Total 2003 £m	Total 2002 £m
Fixed rate cash and short-term deposits	8.1	–	–	–	8.1	9.3
Floating rate cash and short-term deposits	6.7	1.9	6.6	2.3	17.5	5.1
Total	14.8	1.9	6.6	2.3	25.6	14.4

ii Liabilities

The interest rate profile of the Group's financial liabilities, excluding short-term creditors, at 31 March 2003 was as follows:

	Floating rate liabilities 2003 £m	Fixed rate finance leases 2003 £m	Total 2003 £m	Floating rate liabilities 2002 £m	Fixed rate finance leases 2002 £m	Total 2002 £m
Sterling	55.3	2.6	57.9	31.3	6.0	37.3
US Dollar	31.3	–	31.3	26.9	–	26.9
Euro	1.4	–	1.4	1.3	–	1.3
Danish Krone	6.9	–	6.9	6.1	–	6.1
Total	94.9	2.6	97.5	65.6	6.0	71.6

The benchmark rate for determining the principal floating rate liabilities is calculated with reference to LIBOR. The weighted average interest rate on the fixed rate finance leases is 10.5%, over a weighted average period of 43 months. The Group's liability with respect to the deferred consideration, which is free of interest, is excluded from the above table and described in Note 19.

Fair values

The fair value of the assets and liabilities of the Group, with the exception of the forward currency contracts, is considered to be materially equivalent to their book value. The fair value of these assets and liabilities has been determined by discounting future cashflows of the relevant financial instrument at the Group's incremental borrowing rate. The forward currency contracts are used to manage the Group's forward currency risk.

The fair value of forward currency contracts at the year-end, based on their market value, is detailed below:

	2003 Book value £m	2003 Fair value £m	2002 Book value £m	2002 Fair value £m
Forward currency hedges	1.2	1.2	8.5	8.5

The Group did not use any derivative instrument other than the forward currency contracts during the year or at the year-end.

29 Contingent liabilities

The Group has given indemnities in respect of overseas office overdraft, performance, advance payments, letters of credit and import duty guarantees issued on its behalf. The amount outstanding at 31 March 2003 was £62.6m (2002: £64.7m). The indemnities, which arose in the ordinary course of business, are not expected to result in any material financial loss.

30 Pension Schemes

The Group operates both defined benefit and defined contribution schemes. Membership of the Group's principal pension schemes is as follows:

	Defined Benefit Schemes				Defined Contribution Scheme		Total Membership	
	Atkins Staff Scheme		Railways Scheme		Atkins Staff Scheme			
	2003 No.	2002 No.	**2003 No.**	2002 No.	**2003 No.**	2002 No.	**Total 2003 No.**	Total 2002 No.
Members	**4,450**	5,451	**605**	620	**3,041**	2,045	**8,096**	8,116
Deferred pensioners	**5,251**	4,629	**353**	243	**535**	160	**6,139**	5,032
Pensioners	**1,620**	1,445	**89**	74	**–**	–	**1,709**	1,519
	11,321	11,525	**1,047**	937	**3,576**	2,205	**15,944**	14,667

The assets of the defined benefit schemes are held in separate Trustee administered funds, and the pension cost and provision are assessed in accordance with the advice of professionally qualified actuaries.

The defined benefit section of the Atkins Staff Scheme is closed to new entrants, who are now offered membership of a defined contribution section.

The latest actuarial valuation of the defined benefit section of the Atkins Staff Scheme (for both SSAP24 and funding purposes) was at 1 April 2001, using the projected unit method. The main assumptions used for the SSAP 24 valuation of the Atkins Staff Scheme together with the assumptions used by the Trustees for funding purposes as at the last actuarial valuation are listed in the table below.

	SSAP 24	Trustees
Rate of inflation	3.00%	3.00%
Real pension increases		
Fixed	2.00%	2.00%
Limited price indexation	0%	0%
Real salary increases	1.50%	1.50%
Real dividend growth	1.25%	1.00%
Real investment return (pre-retirement)	4.25%	4.00%

Under SSAP 24 assumptions the total market value of the assets at the date of the valuation was £374.5m and the actuarial value of the assets was sufficient to cover approximately 105% of the benefits that had accrued to members allowing for assumed future increases in earnings. The excess of assets over liabilities (surplus) of £18.5m is being amortised as a level percentage of salary over the estimated service lives of current employees in the Scheme through to 2016. As the Scheme is now closed to new members the current service costs, under the projected unit valuation basis, will increase as a percentage of salary as members of the Scheme approach retirement, although the overall cost will decrease as the number of members decreases.

The most recent triennial valuation of the Railways Pension Scheme (for both SSAP24 and funding purposes) took place at 31 December 2001 using the projected unit method. The assumptions which had the most significant effect on the results of the valuation for SSAP 24 reporting are those relating to the rate of return on future investments and the rates of increases in salaries, pensions and dividend income. It was assumed that the investment return would be 2.75% higher than the rate of annual salary increases, 2.25% higher than the rate of future pension increases and 3.0% higher than the rate of dividend income. The total market value of the assets at the date of valuation was £106.8m and the actuarial value of the assets was sufficient to cover approximately 128% of the benefits that had accrued to members allowing assumed future increases in earnings.

The excess of assets over accrued liabilities (surplus) of £23.0m is being amortised as a level percentage of salary over the estimated service lives of current employees in the Scheme through to 2014. In addition to this surplus there is a pension prepayment, representing the excess of the amount funded over the accumulated pension cost, of £2.6m as at 31 March 2003 (2002: £1.6m). This has been netted with the pension provisions of the other defined benefit schemes and included in provisions for liabilities and charges.

Other pension schemes include the USA defined benefits scheme and the Eire Pension scheme (both closed to new entrants) and the Local Government Pension Scheme. The latter is a defined benefit scheme but as the Group's contributions are largely set in relation to the current service period only, costs are accounted for on a contribution basis.

30 Pension Schemes (continued)

The costs of the pension schemes under current accounting standard SSAP 24 are shown below:

	2003 £m	2002 £m
Regular pension cost	**20.9**	21.5
Less employees' contribution	**(6.7)**	(6.9)
Employer's regular pension cost	**14.2**	14.6
Atkins Staff Scheme	11.2	12.0
Railways Scheme	2.6	2.2
Other	0.4	0.4
Amortisation of surplus	**(3.7)**	(3.4)
Atkins Staff Scheme	(1.4)	(1.4)
Railways Scheme	(2.3)	(2.0)
Net pension cost of defined benefit schemes	**10.5**	11.2
Cost of defined contribution schemes	**7.7**	5.4
Unfunded ex-Director's promise (Note 21)	**(0.2)**	0.025
Total pension cost	**18.0**	16.6

The net cost of the defined benefit schemes was £10.5m, a decrease of £0.7m over the previous year analysed as follows:

	£m
2002 triennial valuation – Railways Scheme regular pension cost	**0.2**
Membership changes and salary increases (net)	**(0.9)**
Net reduction in cost	**(0.7)**

The pension cost of the defined contribution schemes was £7.7m, an increase of £2.3m. The majority of new staff are offered membership of the defined contribution schemes following the closure of the defined benefits scheme to new entrants.

A provision of £17.9m (which incorporates the unfunded ex-Director's promise) is included in provisions for liabilities and charges representing the excess of accumulated pension cost over the amount funded (2002: £23.9m).

Financial Reporting Standard 17 – Retirement benefits (FRS 17)

As noted in the 2002 accounts, the Board has decided to defer full implementation of FRS17 following the UK Accounting Standards Board proposal to extend the transitional regime for the new Standard.

The disclosures required under FRS 17 are shown below. These relate to the main UK schemes (Atkins Staff Scheme and the Railways Scheme) but they would not be materially different if they included the defined benefit schemes which operate overseas.

The latest full actuarial valuation was conducted as at 1 April 2001 for the Atkins Staff Scheme and as at 31 December 2001 for the Railways Scheme. These have been updated to 31 March 2003 by a qualified independent actuary. The principal assumptions used by the actuary were as follows:

	At 31 March 2003	At 31 March 2002
Rate of increase in salaries[1]	**3.90%**	4.00%
Rate of increase of pensions in payment – Limited price indexation	**2.40%**	2.50%
– Fixed 5%	**5.00%**	5.00%
Rate of increase of deferred pensions	**2.40%**	2.50%
Discount rate	**5.40%**	6.00%
Inflation assumption	**2.40%**	2.50%

[1] plus 0.75% p.a. promotional salary scale for the Railways Scheme.

30 Pension Schemes (continued)

The assets in the schemes and the expected rate of return as at 31 March were:

	2003 Long term rate of return	2003 Atkins Staff Scheme £m	2003 Railways Scheme £m	2003 Total £m	2002 Long term rate of return	2002 Atkins Staff Scheme £m	2002 Railways Scheme £m	2002 Total £m
Assets at market value								
Equities	**8.00%**	**199.5**	**70.3**	**269.8**	7.90%	253.7	93.5	347.2
Corporate bonds	**4.80%**	**123.0**	**5.9**	**128.9**	5.30%	111.9	7.2	119.1
Property	**6.70%**	**–**	**6.3**	**6.3**	7.10%	0.7	5.7	6.4
Other/cash	**3.75%**	**4.6**	**0.6**	**5.2**	4.00%	12.1	0.9	13.0
Total market value of assets		**327.1**	**83.1**	**410.2**		378.4	107.3	485.7
Present value of scheme liabilities		**(530.7)**	**(99.7)**	**(630.4)**		(396.1)	(96.5)	(492.6)
(Deficit)/surplus in scheme		**(203.6)**	**(16.6)**	**(220.2)**		(17.7)	10.8	(6.9)
Related deferred tax asset/(liability)		**61.1**	**5.0**	**66.1**		5.3	(3.2)	2.1
Net pension (liability)/asset		**(142.5)**	**(11.6)**	**(154.1)**		(12.4)	7.6	(4.8)

The following amounts would have been recognised in the performance statements in the year to 31 March 2003 under the requirements of FRS 17:

	Atkins Staff Scheme £m	Railways Scheme £m	Total 2003 £m
Operating profit			
Current service cost	**(15.9)**	**(2.6)**	**(18.5)**
Other finance income			
Expected return on pension scheme assets	**28.1**	**5.0**	**33.1**
Interest on pension scheme liabilities	**(23.6)**	**(3.6)**	**(27.2)**
Net return	**4.5**	**1.4**	**5.9**
Total profit and loss impact	**(11.4)**	**(1.2)**	**(12.6)**
Statement of total recognised gains and losses			
Actual return less expected return on pension scheme assets	**90.9**	**20.2**	**111.1**
% of assets at end of period	*28%*	*24%*	*27%*
Experience losses/(gains) arising on the scheme liabilities	**28.9**	**1.0**	**29.9**
% of liabilities at end of period	*5%*	*1%*	*5%*
Changes in assumptions underlying the present value of the scheme liabilities	**69.4**	**6.3**	**75.7**
Actuarial loss/(gain) recognised	**189.2**	**27.5**	**216.7**
% of liabilities at end of period	*36%*	*27%*	*33%*

If the above amounts had been recognised in the financial statements the Group's net assets and profit and loss account reserve at 31 March would be as follows:

	2003 £m	2002 £m
Net assets		
Net assets	**69.7**	115.4
Adjust for SSAP 24 provision (net of deferred tax)	**12.4**	16.7
FRS 17 pension liability (net of deferred tax)	**(154.1)**	(4.8)
Net (liabilities)/assets including FRS 17 pension liability	**(72.0)**	127.3
Reserves		
Profit and loss reserve	**4.9**	63.9
Adjust for SSAP 24 provision (net of deferred tax)	**12.4**	16.7
FRS 17 pension liability (net of deferred tax)	**(154.1)**	(4.8)
Profit and loss reserve including FRS 17 pension liability	**(136.8)**	75.8

30 Pension Schemes (continued)

Movement in the pension scheme surplus/(deficit) during the year:

	Atkins Staff Scheme £m	Railways Scheme £m	Total £m
At 1 April 2002	(17.7)	10.8	(6.9)
Current service cost	(15.9)	(2.6)	(18.5)
Contributions	14.7	1.3	16.0
Net finance income	4.5	1.4	5.9
Actuarial loss	(189.2)	(27.5)	(216.7)
At 31 March 2003	**(203.6)**	**(16.6)**	**(220.2)**

Since the date of the last formal valuations stock markets have declined and accrued liabilities of the schemes have increased as a result of changes in financial conditions. This has resulted in a deficit in the fund at 31 March 2003, calculated in accordance with the requirements of FRS 17 (see above). It is the Board's intention to request an updated actuarial valuation of the Group's defined benefit pension schemes during the first half of the new financial year and the Group's accounting estimates with respect to pensions will be reviewed following this exercise. Preliminary discussions with the actuaries indicate that in order to maintain existing benefits, additional contributions in the order of £6m per annum may be required for the Atkins Staff Scheme.

31 a) Reconciliation of net cash flow to movement in funds

	2003 £m	2002 £m
Cash increase/(decrease)	**30.3**	(55.1)
Cash outflow due to lease repayments	**2.7**	2.9
Cash inflow from decrease in liquid resources	**(1.7)**	(7.8)
Cash inflow from increase in short-term loans (non-EBT)	**(33.0)**	(12.3)
Cash outflow from redemption of loan stock	**0.8**	0.4
Cash inflow from increase in long-term loans	**(4.6)**	(3.4)
Increase in net debt resulting from cash flows	**(5.5)**	(75.3)
Increase in net debt from new finance leases	**(3.6)**	(2.9)
Increase/(decrease) in current asset investment market value (Note 18)	**0.1**	(0.2)
Profit on sale of current asset investments	**–**	0.1
Translation differences	**0.5**	0.1
Increase in net debt in year	**(8.5)**	(78.2)
(Net debt)/net funds at 1 April	**(37.3)**	40.9
Net debt at 31 March	**(45.8)**	(37.3)

31 b) Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2003 £m	2002 £m
Operating (loss)/profit	**(49.9)**	13.9
Operations including amortisation of goodwill	(49.8)	15.4
Employee Benefit Trusts	(0.1)	(1.5)
Depreciation charges	**22.2**	17.1
Impairment of fixed assets	**1.8**	–
Amortisation of goodwill	**11.1**	9.4
Impairment of goodwill	**30.7**	–
Amortisation of own shares	**(0.4)**	1.8
Loss/(profit) on disposal of tangible fixed assets	**0.4**	(0.3)
Loss on disposal of fixed asset investments – own shares	**0.3**	–
(Profit) on disposal of current asset investments	**–**	(0.1)
(Profit) on disposal of current asset non-liquid investments	**(0.1)**	(0.7)
Decrease/(increase) in stocks	**0.4**	(0.6)
Decrease/(increase) in debtors	**9.0**	(42.2)
(Decrease)/Increase in other creditors due within one year	**(4.2)**	35.0
Increase in other creditors due after one year	**0.6**	1.2
Increase in other provisions for liabilities and charges	**4.6**	–
Exchange rate effect on current assets	**(0.6)**	–
	25.9	34.5
(Decrease) in pension fund provision	**(5.8)**	(5.2)
	20.1	29.3
Operations	19.5	29.6
Employee Benefit Trusts	0.6	(0.3)
Increase/(decrease) in amounts due to sub-contractors	**6.5**	(9.0)
Net cash inflow from operating activities	**26.6**	20.3

31 c) Analysis of net funds

	At 31.3.02 £m	Cash Flow £m	Other non-cash changes £m	Exchange movement £m	At 31.3.03 £m
Cash at bank and in hand	6.3	11.7	–	1.1	**19.1**
Bank overdrafts	(14.6)	12.4	–	–	**(2.2)**
Current asset liquid investments	8.1	(1.7)	0.1	–	**6.5**
Debt due within one year					
Loan notes	(1.7)	0.8	–	–	**(0.9)**
Bank loans	(14.9)	(33.0)	–	–	**(47.9)**
Finance leases	(2.2)	2.7	(2.6)	–	**(2.1)**
Debt due after one year					
Bank loans	(34.4)	(4.6)	–	(0.6)	**(39.6)**
Finance leases	(3.8)	–	(1.0)	–	**(4.8)**
Total	(57.2)	(11.7)	(3.5)	0.5	**(71.9)**
Cash held on behalf of sub-contractors	16.5	6.5	–	–	**23.0**
EBT – cash	3.0	(0.3)	–	–	**2.7**
EBT – certificate of tax deposit	0.4	–	–	–	**0.4**
	(37.3)	(5.5)	(3.5)	0.5	**(45.8)**

Bank balances and cashflows as shown on the balance sheet and cashflow:

	At 31.3.02 £m	Cash Flow £m	Other non-cash changes £m	Exchange movement £m	At 31.3.03 £m
Cash at bank and in hand	6.3	11.7	–	1.1	**19.1**
Cash held on behalf of sub-contractors	16.5	6.5	–	–	**23.0**
Employee Benefit Trusts	3.0	(0.3)	–	–	**2.7**
Cash as shown on balance sheet	25.8	17.9	–	1.1	**44.8**
Overdrafts	(14.6)	12.4	–	–	**(2.2)**
Net cash and cashflow	11.2	30.3	–	1.1	**42.6**

The net debt at 31 March 2003 includes amounts relating to the Group's insurance subsidiary of £8.7m (2002: £10.2m).

As referred to in the accounting policy for turnover, under certain service contracts the Group manages customer expenditure and is obliged to purchase goods and services from third party sub-contractors and recharge them on to the customer at cost. As at 31 March 2003 £23.0m (2002: £16.5m) has been included within both cash and creditors (Note 19) as amounts due to sub-contractors.

31 d) Analysis of tax paid during the year

	2003 £m	2002 £m
UK corporation tax paid	**0.8**	10.1
Overseas tax paid	**1.0**	0.9
	1.8	11.0

Notes to the financial statements continued

32 Acquisitions

On 24 June 2002 the Group acquired 100% of the share capital of Hanscomb International Corp., an Atlanta based project and programme management consultancy for a consideration of £21.7m including deferred consideration of £2.3m payable in shares. Shares to the value of £2.3m have been acquired by the Employee Benefit Trusts, satisfied by a capital grant from the Company. As part of the acquisition agreement 70% will be utilised within three years of acquisition.

The net assets have been included in the accounts at fair value at the date of acquisition (£1.4m). Included in net assets acquired was cash of £1.6m. The method used to account for the transaction is acquisition accounting.

	Book value £m	Accounting adjustments £m	Fair value adjustments £m	Fair value £m
Tangible fixed assets	1.0	(0.2)	(0.2)	0.6
Current assets	12.8	(1.3)	(0.4)	11.1
Current liabilities	(9.4)	–	(0.9)	(10.3)
Net assets acquired	4.4	(1.5)	(1.5)	1.4

Consideration	21.7
Cash paid	6.0
Issue of shares	12.8
Deferred consideration	2.3
Legal expenses	0.6
Goodwill capitalised	20.3

The Accounting adjustments relate to the harmonisation of work in progress valuation policies and alignment of depreciation policies.

The Fair value adjustments arise from a review of the recoverability of work in progress and additional cut-off adjustments.

Goodwill arising on the acquisition is being amortised over ten years which is the period over which the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets. A charge of £1.5m has been made to the profit and loss account for amortisation for the 9 months to 31 March 2003.

The consideration paid in respect of prior years' acquisitions relates largely to deferred consideration in respect of the acquisition of Atkins Americas Inc., formerly the Benham Group Inc., in January 2000.

33 Subsidiary undertakings

The following companies were the principal subsidiary undertakings as at 31 March 2003:

	Country of registration/ incorporation	Class and percentage of shares held	Nature of business
ATMOS Limited	England & Wales	100% ordinary	Construction services
Faithful & Gould Limited[1]	England & Wales	100% ordinary	Quantity surveyors and cost estimators
Lambert Smith Hampton Group Limited[1]	England & Wales	100% ordinary	Property consultants
WS Atkins (Services) Limited	England & Wales	100% ordinary	Group service company
WS Atkins (UK Holdings) Limited	England & Wales	100% ordinary	Management activities holding company
WS Atkins Consultants Limited[1]	England & Wales	100% ordinary	Consulting engineers
WS Atkins Facilities Management Limited	England & Wales	100% ordinary	Property services
WS Atkins International Limited	England & Wales	100% ordinary	Consulting engineers
WS Atkins Investments Limited[1]	England & Wales	100% ordinary	Investment company
WS Atkins Planning and Management Consultants Limited	England & Wales	100% ordinary	Consulting engineers
WS Atkins Rail Limited	England & Wales	100% ordinary	Design engineers for the railways industry
Atkins Americas Inc.[1] (formerly Atkins Benham Inc.)	USA	100% ordinary	Architects and engineers
Hanscomb International Corp	USA	100% ordinary	Project and programme management consultants
Atkins China Limited	China	100% ordinary	Consulting engineers
WS Atkins & Partners Overseas[1]	Gibraltar	100% ordinary	Consulting engineers
WS Atkins Insurance (Guernsey) Limited	Guernsey	100% ordinary	Insurance
Atkins Danmark A/S[1]	Denmark	100% ordinary	Transport and engineering consultants

[1] The equity of these subsidiary undertakings is held by another subsidiary undertaking.

The percentage of the issued share capital held by the Group is equivalent to the percentage of voting rights held. The Group holds the whole of all classes of issued share capital.

All the above operate in the country of registration, except for WS Atkins & Partners Overseas which operates in the United Arab Emirates.

All of the above are included in the consolidated result of the Group.

A full list of subsidiary companies will be filed at Companies House.

Notes to the financial statements continued

34 Joint Ventures

The following represents the principal Joint Ventures in which the Group participated during the year:

Name	Nature of business	Proportion of shares held[(1)]	Date of last audited financial statements	External auditors
Connect Roads Limited	Holding company for companies involved in the design and build, financing, operation and maintenance of roads in the UK.	32.14%	31 March 2002	Deloitte & Touche LLP
DG 21 LLC	Delaware limited liability company involved in provision of all non-core services for the US Navy Facility at Diego Garcia. The principal place of business is 4801 Spring Valley Road, Suite 125B, Dallas, Texas 75244.	24.5%	31 December 2002	Deloitte & Touche LLP
Mercia Healthcare (Holdings) Limited	Holding company for companies involved in the design and construction of hospital accommodation and the provision of full services to the accommodation within which the NHS may provide core clinical services.	25%	31 December 2002	PricewaterhouseCoopers LLP
NewSchools Limited	Management Services Company for companies involved in the design and construction of school accommodation and the provision of full services to the accommodation within which the LEA may provide teaching.	50%	31 December 2002	Deloitte & Touche LLP
NewSchools (Cornwall) Holdings Limited	Holding company for company involved in the design and construction of school accommodation and the provision of full services to the accommodation within which the LEA may provide teaching.	40%	31 December 2002	Deloitte & Touche LLP
NewSchools (Leyton) Holdings Limited	Provision of design and build, financing and operating services to a new secondary school in London Borough of Waltham Forest.	42.5%	31 December 2002	Deloitte & Touche LLP
NewSchools (Merton) Holdings Limited	Provision of design and build, financing and operating services to six secondary schools in the London Borough of Merton.	42.5%	Not yet published	Deloitte & Touche LLP
NewSchools (Penweddig) Holdings Limited	Provision of design and build, financing and operating services to a new secondary school in Aberystwyth, Wales.	42.5%	31 December 2002	Deloitte & Touche LLP
NewSchools (Swanscombe) Holdings Limited	Holding company for company involved in the design and construction of school accommodation and the provision of full services to the accommodation within which the LEA may provide teaching.	65%	31 December 2002	Deloitte & Touche LLP
South Manchester Healthcare (Holdings) Limited	Holding company for companies involved in the design and construction of hospital accommodation and the provision of full services to the accommodation within which the NHS may provide core clinical services.	25%	31 December 2002	PricewaterhouseCoopers LLP
TFMC (Proprietary) Limited	Company incorporated in South Africa involved in providing asset management services in South Africa.	38.25% effective holding	30 June 2002	Fisher Hoffman PKF
Total Solutions for Industry Limited	Joint Venture to provide Industrial PFI-type solutions.	50%	31 December 2001	Deloitte & Touche LLP

(1) Proportion of shares held are in respect of ordinary share capital.

All of the above are incorporated in England and Wales unless otherwise stated.

35 Post balance sheet event

On 4 April 2003 Financial Close was reached on the £17 billion Metronet London Underground Public Private Partnership in which the Group is a 20% equal partner. The 30-year partnership, which covers over two thirds of the London Underground network, covers inter alia the repairs, refurbishment and modernisation of the stations. Metronet has contracted with Trans4m Ltd, a Joint Venture company in which Atkins has a 25% shareholding, to undertake the civil engineering work and the refurbishment programme. Trans4m Ltd has signed a 7½ year contract with Atkins for premises and civil design, inspection and assessment work and the design and build of new communication systems.

Atkins will invest £70m in Metronet by way of equity and shareholder subordinated debt over the first six years of the concession, £2m of which was invested at Financial Close. Atkins has obtained standby Letters of Credit from its banks to support the deferred element of its equity commitment. The fees for the standby Letters of Credit included an agreement to issue warrants in respect of 4,715,200 Atkins shares (representing approximately 4.73% of Atkins' current issued share capital) on Financial Close of Metronet. 50% of these warrants are exercisable at any time from 4 July 2003. A further 25% of them are exercisable at any time from 4 October 2003, and the remaining warrants are exercisable at any time from 4 January 2004. An amount of 0.5p (the nominal value of Atkins' shares) is payable in respect of each Atkins' share issued on the exercise of the warrants.