

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 is given below. Accounting policies have been applied consistently with previous years.

The Directors have reviewed the appropriateness of the Group's accounting policies in accordance with FRS 18, Accounting policies, and believe that they continue to be appropriate.

Under the transitional rules of FRS 17, Retirement Benefits, the Group has made certain disclosures in relation to the balance sheet and performance statements which are presented in note 28.

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 below.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the Company, all of its subsidiary undertakings and share of Joint Ventures. The results of subsidiary undertakings acquired during the year are included in the profit and loss account from the date of acquisition and the results of subsidiary undertakings disposed during the year are included in the profit and loss account up to the date of disposal.

The accounts of the Employee Benefit Trusts (EBTs) are incorporated into the results of the Group as, although they are administered by independent Trustees and their assets are held separately from the Group, in practice the Group's advice on 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.

In accordance with UITF 38, Accounting for Employee Share Ownership Plan (ESOP) Trusts, shares in WS Atkins plc held by the EBTs are shown as a reduction in shareholders' funds. Other assets and liabilities held by the EBTs are consolidated with the assets of the Group.

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 20 years and represents the periods over which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets. Provision is made for impairment.

Goodwill which arose prior to 1 April 1997 has been written off to the profit and loss reserve. Profit or loss on disposal of the underlying business to which it relates includes goodwill that has not previously been charged to the profit and loss account.

Joint Ventures

In accordance with FRS 9, 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.

The Group undertakes PFI/PPP activities through its Joint Ventures (Special Purpose Companies). These activities include the construction and operation of infrastructure for the Public Sector (PFI/PPP concessions).

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 and joint control 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 Joint Venture's assets and liabilities.

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

Accounting policies used by Joint Ventures

Assets constructed as part of a PFI/PPP concession are classified as fixed assets where the Special Purpose Company takes a greater share of the risk associated with the asset than the Public Sector Authority. The fixed assets are amortised over the lower of their useful lives and the remaining contract period.

Where the Public Sector Authority assumes the greater share of the risk, the asset is classified as a long term receivable. Payments received from the Public Sector Authority are then apportioned between capital, interest and operating payments. Interest receivable is recognised on the basis of a specific rate of return on the associated asset.

Revenue is recognised when earned and in accordance with obligations delivered.

Fees paid by a Special Purpose Company (SPC) to its shareholders subsequent to Financial Close on a PFI/PPP concession are capitalised in the balance sheet of the SPC and amortised over the period of the concession, after adjusting for impairment if necessary. The Group treats the fees received in accordance with UITF 34, Pre-contract costs, as set out in the policy on Pre-contract costs relating to PFI/PPP investments which involve SPCs on page 53.

Joint Ventures (continued)

Interest that is directly attributable to the financing of tangible fixed assets in the course of construction is capitalised as part of the cost of those assets commencing at the start of construction and ceasing when the asset is complete and ready for use.

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 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.

Contract accounting

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 completion basis when the outcome of a contract or project can be reasonably foreseen. Provision is made in full for estimated losses. Where the outcome of a contract cannot be reasonably foreseen, profit is taken on completion. Where a contract spans two accounting periods profit is not generally recognised until the contract is 50% complete.

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, Pre-contract costs. Costs incurred before it is virtually certain that a contract will be obtained are charged to expenses. Directly attributable costs incurred after that point are recognised in the balance sheet and charged to the profit and loss account over the same period as the Group's interest in any SPC charges the equivalent capitalised amounts to the profit and loss account.

Bid recovery fees are deferred and credited to the profit and loss account over the same period as the Group's interest in any SPC charges the equivalent capitalised amounts to the profit and loss account.

Where the Group's interest in an SPC reduces, the deferred bid recovery fees are credited to the profit and loss account in proportion to the reduction in the Group's interest.

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 to 20 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	2½ to 5 years
Corporate Information Systems	6 years

No depreciation is provided in respect of freehold land.

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 charged to the profit and loss account as incurred.

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Accounting policies (continued)

Share Scheme Reserve and cost of options

The Share Scheme Reserve represents the investment in own shares which are held by the EBTs primarily to satisfy the Group's liabilities to employees for share options and other long term incentive plans.

In accordance with UITF 17, as amended, Employee share schemes, the difference between the market value of the shares at the date of the award and any consideration paid for the shares is charged to the profit and loss account over the performance period of each scheme. Any cumulative charge relating to options which have lapsed in the year is reversed in the year of lapse. The charge is applied to all share option schemes including SAYE schemes.

Current asset investments

Current asset investments include UK Government securities, short-term deposits and marketable securities and restricted cash deposits, which are shown at market value. Restricted cash deposits relate to accounts where withdrawals are restricted under contractual agreements. These are treated as liquid resources within the cash flow statement.

Leases

Assets held under leases that result in Group companies receiving substantially all of the risks and rewards of ownership are classified as finance leases and capitalised as tangible fixed assets at the estimated present value of the underlying lease payments. The interest element of the rental obligation is allocated to accounting periods to reflect a constant rate of interest on the outstanding obligation. The corresponding finance lease obligation is included within creditors. Rentals under operating leases are charged to the 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 investment. Rental income from operating leases is accounted for on a straight line basis over the period of the lease and included in turnover.

Interest

Interest is charged to the profit and loss account over the term of the underlying instrument.

Pension schemes

Contributions to funded defined benefit pension schemes are calculated as a percentage of the pensionable salaries of employees, agreed on independent actuarial advice. 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

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date or, if appropriate, at the forward contract rate.

The results of overseas subsidiaries and Joint Ventures are translated at average rates of exchange for the year and their assets and liabilities are translated at year end rates. Exchange differences on opening net assets and results for the year less offsetting foreign currency loans and other hedging instruments to the extent that they hedge the Group's investments are reported in the statement of total recognised gains and losses. All other exchange differences are dealt with in the profit and loss account.

Financial derivatives

The Group uses derivative financial instruments to hedge exposures to fluctuations in foreign currencies. Forward contracts used to hedge foreign currency investments are revalued to year end rates and any exchange differences are taken to reserves. Gains and losses on financial instruments used to hedge foreign currency transactions are recognised on maturity of the underlying transaction in the profit and loss account or as adjustments to carrying amounts in the balance sheet. Gains and losses on financial instruments which are terminated because the underlying exposure ceases to exist are taken immediately to the profit and loss account. The Group does not hold financial assets or liabilities for trading.

Warrants

Warrants are held within shareholders' funds at the fair value of the consideration received at the date of issue. The fair value is deemed to be the difference between the exercise price of the warrants and the prevailing market value of the shares at the date of issuing the warrants. Where warrants are issued as consideration for the cost of a debt instrument the fair value of the warrant is charged to the profit and loss account on a weighted average basis over the life of the debt instrument. Warrants that lapse unexercised are credited back to the profit and loss account reserve.

1. Segmental analysis

	Turnover 2005 £m	Turnover 2004 £m	Profit/(loss) before taxation 2005 £m	Profit/(loss) before taxation 2004 £m	Net assets/ (liabilities) 2005 £m	Net assets/ (liabilities) 2004 £m
A. Geographic area by location of operations						
United Kingdom	831.9	825.6	40.4	33.5	71.8	36.9
– Continuing operations	831.9	825.6	49.9	43.7	72.1	34.0
– Goodwill	–	–	(3.7)	(5.4)	15.6	18.9
– Amortisation of pension deficit	–	–	(4.6)	(3.4)	–	–
– Employee Benefit Trusts	–	–	(1.2)	(1.4)	(15.9)	(16.0)
Overseas	123.1	124.8	(1.4)	2.1	4.8	25.9
Other European countries						
– Continuing operations	40.6	44.2	2.8	2.2	(2.4)	(2.5)
– Goodwill	–	–	(0.6)	(0.6)	3.5	4.4
Middle East	22.9	17.8	2.7	1.9	(6.4)	0.7
Asia/Pacific	27.6	34.1	(0.2)	0.8	–	3.6
North America						
– Continuing operations	32.0	28.7	1.0	(0.4)	4.1	6.2
– Goodwill	–	–	(1.6)	(1.8)	6.0	13.5
– Exceptional items – impairment of goodwill	–	–	(5.5)	–	–	–
United Kingdom						
– Discontinued operations	–	9.6	–	0.2	–	–
North America						
– Discontinued operations	–	31.8	–	(1.3)	–	–
Total before Joint Ventures and exceptional items	955.0	991.8	39.0	34.5	76.6	62.8
Joint Ventures	202.3	250.0	23.2	32.8	41.6	25.9
United Kingdom – continuing operations	191.8	162.8	21.1	20.1	39.2	21.4
United Kingdom – discontinued operations	1.0	31.3	–	8.1	–	2.9
Overseas – continuing operations	9.5	24.9	2.1	2.6	2.4	1.6
Overseas – discontinued operations	–	31.0	–	2.0	–	–
	1,157.3	1,241.8	62.2	67.3	118.2	88.7
Profit on sale of subsidiary undertaking and Joint Ventures	–	–	3.7	13.5	–	–
Interest receivable and similar income	–	–	20.7	15.7	–	–
Interest payable and similar charges	–	–	(26.5)	(34.5)	–	–
	1,157.3	1,241.8	60.1	62.0	118.2	88.7

There was no material difference between geographic turnover by location of operation and by location of customer.

Turnover excludes recharges of £76.6m (2004: £125.0m) where 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 to the customer at cost.

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1. Segmental analysis (continued)

	Turnover 2005 £m	Turnover 2004 £m	Profit/(loss) before taxation 2005 £m	Profit/(loss) before taxation 2004 £m	Net assets/ (liabilities) 2005 £m	Net assets/ (liabilities) 2004 £m
B. By class of business						
Before goodwill						
Transport	394.4	410.3	21.3	23.5	(18.3)	(18.6)
Design and Engineering Solutions	288.4	264.3	24.5	13.4	0.5	11.7
Management and Project Services	210.8	209.0	6.6	3.6	(0.7)	4.8
Equity Investments	61.4	66.8	4.3	5.9	(17.9)	(22.8)
	955.0	950.4	56.7	46.4	(36.4)	(24.9)
Discontinued operations	–	41.4	–	(1.1)	–	–
Trading result	955.0	991.8	56.7	45.3	(36.4)	(24.9)
Goodwill – continuing operations	–	–	(11.4)	(7.8)	25.1	36.8
Transport	–	–	(0.7)	(0.8)	3.8	5.1
Design and Engineering Solutions	–	–	(0.2)	(0.1)	0.6	1.0
Management and Project Services	–	–	(2.2)	(2.2)	8.6	15.8
Equity Investments	–	–	(2.8)	(4.7)	12.1	14.9
Goodwill amortisation	–	–	(5.9)	(7.8)	25.1	36.8
Exceptional items – impairment of goodwill	–	–	(5.5)	–	–	–
After goodwill	955.0	950.4	45.3	38.6	(11.3)	11.9
Transport	394.4	410.3	20.6	22.7	(14.5)	(13.5)
Design and Engineering Solutions	288.4	264.3	24.3	13.3	1.1	12.7
Management and Project Services	210.8	209.0	(1.1)	1.4	7.9	20.6
Equity Investments	61.4	66.8	1.5	1.2	(5.8)	(7.9)
Discontinued operations	–	41.4	–	(1.1)	–	–
	955.0	991.8	45.3	37.5	(11.3)	11.9
PFI/PPP bid costs	–	–	(0.5)	(3.0)	–	–
Colchester Garrison dilution gain	–	–	–	4.8	–	–
Amortisation of pension deficit	–	–	(4.6)	(3.4)	–	–
Employee Benefit Trusts	–	–	(1.2)	(1.4)	(15.9)	(16.0)
Corporate net assets	–	–	–	–	103.8	66.9
Total before Joint Ventures and exceptional items	955.0	991.8	39.0	34.5	76.6	62.8
Joint Ventures	202.3	250.0	23.2	32.8	41.6	25.9
Transport	11.0	19.3	0.7	0.8	0.8	0.8
Design and Engineering Solutions	0.9	0.1	0.2	(0.2)	0.1	(0.2)
Management and Project Services	1.9	17.1	0.7	1.0	0.8	0.4
Equity Investments	187.5	151.2	21.6	21.1	39.9	22.0
Discontinued operations	1.0	62.3	–	10.1	–	2.9
	1,157.3	1,241.8	62.2	67.3	118.2	88.7
Profit on sale of subsidiary undertaking and Joint Ventures	–	–	3.7	13.5	–	–
Interest receivable and similar income	–	–	20.7	15.7	–	–
Interest payable and similar charges	–	–	(26.5)	(34.5)	–	–
	1,157.3	1,241.8	60.1	62.0	118.2	88.7

1. Segmental analysis (continued)

	Net assets/ (liabilities) 2005 £m	Net assets/ (liabilities) 2004 £m
Corporate net assets comprise:		
Fixed assets	47.0	54.3
Net cash balances	29.5	53.6
Current asset investments	97.6	30.0
Trade creditors and amounts due to sub-contractors	(34.9)	(33.1)
Deferred tax	13.0	12.8
Corporation tax creditor	(10.8)	(13.9)
Proposed dividends	(7.9)	(6.8)
Provision for liabilities and charges	(29.5)	(34.1)
Other	(0.2)	4.1
	103.8	66.9

	Operating margins 2005 %	Operating margins 2004 %
C. Trading operating margins		
By class of business		
Transport	5.4	5.7
Design and Engineering Solutions	8.5	5.1
Management and Project Services	3.1	1.7
Equity Investments	7.0	8.8
Continuing operations	5.9	4.9
Discontinued operations	–	(2.7)
	5.9	4.6

Trading operating margins exclude amortisation of goodwill and pension fund deficit, PFI/PPP bid costs, exceptional items, Colchester Garrison dilution gain, Employee Benefit Trusts and share of Joint Ventures.

2. Operating profit

	2005 Continuing £m	Continuing £m	Discontinued £m	2004 Total £m
Turnover	955.0	950.4	41.4	991.8
Cost of sales	(579.3)	(587.8)	(31.4)	(619.2)
Gross profit	375.7	362.6	10.0	372.6
Administrative expenses	(336.7)	(327.0)	(11.1)	(338.1)
Selling costs	(25.6)	(29.9)	(0.7)	(30.6)
Administrative expenses excluding selling costs and exceptionals	(305.6)	(297.1)	(10.4)	(307.5)
Exceptional administrative expenses	(5.5)	–	–	–
Operating profit/(loss) excluding share of Joint Ventures	39.0	35.6	(1.1)	34.5

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2. Operating profit (continued)

	2005 Total £m	2004 Total £m
Operating profit/(loss) is arrived at after charging/(crediting)		
Depreciation and impairment of tangible fixed assets:		
owned	21.7	15.1
leased	2.5	3.9
Profit on sale of tangible fixed assets	(0.4)	(0.1)
Amortisation and impairment of intangible fixed assets:		
amortisation of goodwill	5.9	7.8
impairment of goodwill	5.5	–
Payments under operating leases:		
other – land and buildings	23.5	22.2
plant, machinery and vehicles	7.0	6.0
Amounts payable to auditors: PricewaterhouseCoopers LLP		
audit services ⁽¹⁾ – for current year	0.8	0.8
non-audit services – taxation services (compliance)	0.1	0.1
– taxation services (advisory)	0.1	0.1
– further assurance	0.2	–

(1) Includes £50,000 audit fee for the holding company (2004: £50,000).

3. Exceptional items

	2005 Total £m	2004 Total £m
Operating items		
Impairment of goodwill	(5.5)	–
	(5.5)	–
Non-operating items		
Profit on disposal of subsidiary undertaking	–	0.9
Profit on disposal of Joint Ventures	3.7	12.6
	(1.8)	13.5

Impairment of goodwill

The provision for impairment of goodwill is in relation to the North American business and is as a result of an impairment review as detailed in note 12.

Disposal of Joint Ventures

In January 2005 the Group sold its interest in Mercia Healthcare (Holdings) Limited. The share of net assets of the Joint Venture at the date of disposal and the related sales proceeds, were as follows:

	£m
Net assets	2.8
Deferred income released	(0.9)
Profit on disposal	3.7
Disposal proceeds – cash	5.6

The profit before tax for the Group's interest in the above Joint Venture up to the date of disposal was £0.2m (full year 2004: £0.3m).

4. Joint Ventures

4.a) Share of income from interests in Joint Ventures

	Metronet continuing £m	Others continuing £m	Others discontinued £m	2005 Total £m	Metronet continuing £m	Others continuing £m	Others discontinued £m	2004 Total £m
Turnover	135.5	65.8	1.0	202.3	123.2	64.5	62.3	250.0
Operating expenditure	(118.1)	(60.0)	(1.0)	(179.1)	(105.8)	(59.2)	(52.2)	(217.2)
Operating profit	17.4	5.8	–	23.2	17.4	5.3	10.1	32.8
Interest receivable	7.6	5.0	1.3	13.9	8.1	1.0	3.2	12.3
Interest payable	(15.0)	(5.1)	(1.1)	(21.2)	(14.7)	(2.9)	(6.9)	(24.5)
Profit before taxation	10.0	5.7	0.2	15.9	10.8	3.4	6.4	20.6
Taxation	(3.4)	(2.2)	(0.1)	(5.7)	(3.6)	(0.4)	(2.1)	(6.1)
Profit after taxation	6.6	3.5	0.1	10.2	7.2	3.0	4.3	14.5

4.b) Share of net assets in Joint Ventures

	Metronet continuing £m	Others continuing £m	2005 Total £m	Metronet continuing £m	Others continuing £m	Others discontinued £m	2004 Total £m
Gross assets	367.3	135.1	502.4	333.0	121.9	19.1	474.0
Goodwill	7.8	–	7.8	8.3	–	–	8.3
Fixed Assets	182.1	2.0	184.1	94.0	12.6	–	106.6
Cash at bank and in hand	76.1	14.9	91.0	70.3	10.8	1.0	82.1
Other current assets	101.3	118.2	219.5	160.4	98.5	18.1	277.0
Gross liabilities	(331.8)	(130.7)	(462.5)	(315.4)	(118.2)	(19.1)	(452.7)
Liabilities due within one year	(81.5)	(23.2)	(104.7)	(66.0)	(13.5)	(1.3)	(80.8)
Long term debt	(233.8)	(101.3)	(335.1)	(228.9)	(100.6)	(17.2)	(346.7)
Other long term liabilities	(16.5)	(6.2)	(22.7)	(20.5)	(4.1)	(0.6)	(25.2)
	35.5	4.4	39.9	17.6	3.7	–	21.3
Loans to Joint Ventures	–	1.7	1.7	–	1.7	2.9	4.6
Total share of net assets	35.5	6.1	41.6	17.6	5.4	2.9	25.9

4.c) Joint Venture transactions with the Group

	Metronet £m	Others £m	2005 Total £m	Metronet £m	Others £m	2004 Total £m
Turnover	4.7	81.4	86.1	2.9	45.6	48.5
Included in liabilities due within one year:						
– Trading balances	1.4	7.6	9.0	0.6	5.1	5.7
Included in liabilities due after more than one year:						
– Subordinated debt with WS Atkins	–	1.7	1.7	–	4.1	4.1

4.d) Loan balances held by Joint Ventures

	Loan at 31 March 2005 £m	Term Remaining
Metronet – Bank facility	184.0	7-26 yrs
Metronet – Bonds	975.6	28 yrs
South Manchester Healthcare (Holdings) Limited	74.9	18 yrs
RMPA Holdings Limited	580.0	33 yrs
Total Solutions for Industry Limited	4.3	11 yrs
New Schools (Penweddig) Holdings Limited	9.3	23 yrs

Loan balances held by the Joint Ventures have not been guaranteed by the Group.

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4. Joint Ventures (continued)

4.e) Group share of capital commitments

	Metronet £m	Others £m	2005 Total £m	Metronet £m	Others £m	2004 Total £m
Capital commitments	1,025.3	0.1	1,025.4	1,066.0	4.5	1,070.5

The comparative capital commitments for Metronet have been restated from a total of £372.3m to bring the value into line with the final audited signed financial statements of the Metronet Companies for the year ended 31 March 2004.

Capital commitments for Metronet represent long-term contractual commitment under the 30-year Public Private Partnership (PPP) contract signed with London Underground Limited on 4 April 2003. The 30-year contract is broken down into four 7½ year periods.

4.f) Metronet Financial Close

On 4 April 2003, Financial Close was reached on the 30-year Metronet London Underground PPP in which the Group is a 20% equal partner.

At Financial Close, Atkins received £20.1m in respect of bid cost recoveries and project development fees from Metronet. In line with the Group's accounting policy in relation to pre-contract costs incurred on PFI/PPP investments, this sum was recognised on the balance sheet and will be released to the profit and loss account over 30 years.

Atkins is required to invest £70m in Metronet by way of equity and shareholder subordinated debt over the first six years of the concession. During the year ended 31 March 2005, the Group invested £11.1m (2004: £10.4m). The outstanding investment required is £48.5m (2004: £59.6m). Atkins obtained standby Letters of Credit from its bankers to support the deferred element of its commitment. The fees for the standby Letters of Credit included an agreement to issue warrants in respect of 4,715,200 shares (which represented 4.73% of Atkins' issued share capital at the time), all of which were exercised during the year to 31 March 2004. The cost of these warrants was £6.9m, representing the difference between the market price of the shares at Financial Close, 147p per share, and the amount payable on exercise of the warrants, being the nominal value of the shares issued of 0.5p per share. This amount will be charged to the profit and loss account on a weighted average basis over the life of the Letters of Credit.

The contract

The Metronet PPP companies have two separate 30-year performance-based contracts which together cover over two-thirds of the London Underground network. The contracts, which are split into four 7½ year periods, cover inter alia the repairs, refurbishment and modernisation of the infrastructure. The contracts are subject to periodic review at the end of each 7½ year period. The periodic reviews allow for restating the scope of the work, the level of payment, the contractual terms and the performance requirements.

The Metronet PPP companies have 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.

The Metronet PPP companies' revenues consist of a fixed element (Underlying Infrastructure Service Charge) which is adjusted for performance. Performance is measured under three categories: capability, availability and ambience. Shareholder returns are sensitive to these performance-based measures.

Consolidation of Metronet's results

In line with the Group's accounting policies on Joint Ventures, the results of Metronet have been accounted for under the gross equity method of accounting.

As part of its consolidation of the Metronet PPP companies' balance sheets, Atkins initially recognised £8.7m of goodwill associated with liabilities inherited when the PPP companies were acquired from London Underground Limited. This is being amortised over 20 years. The charge for the year was £0.5m (2004: £0.4m).

In the year ended 31 March 2005 a provision of £14.0m was made for the financial impact of the potential late delivery of station improvements. No account has been taken of the potential recovery through either extension of time or negotiated claims unless Metronet is virtually certain that such mitigations will be delivered.

5. Interest receivable and similar income

	2005 £m	2004 £m
Group interest receivable	6.8	3.4
Joint Ventures	13.9	12.3
	20.7	15.7

6. Interest payable and similar charges

	2005 £m	2004 £m
Interest payable on loans and other borrowings wholly repayable within five years:		
Bank loans and overdrafts	0.6	3.7
Hire purchase and finance leases	0.6	0.7
Letters of credit charges	2.6	4.2
Unwinding of discount	0.5	0.4
Other	1.0	1.0
	5.3	10.0
Joint Ventures	21.2	24.5
	26.5	34.5

7. Staff numbers and costs

	As at 31 March 2005 No.	As at 31 March 2004 No.	Average during the year 2005 No.	Average during the year 2004 No.
Number of persons (including Executive Directors) employed by the Group				
By class of business:				
Transport	4,702	4,706	4,718	4,587
Design and Engineering Solutions	4,956	4,339	4,782	4,434
Management and Project Services	3,219	3,597	3,264	3,812
Equity investments	911	946	905	1,008
Discontinued	–	–	–	230
Corporate	102	103	106	105
	13,890	13,691	13,775	14,176
Those persons were based as follows:				
UK	11,197	11,325	11,253	11,494
Non-UK	2,693	2,366	2,522	2,682
	13,890	13,691	13,775	14,176

Aggregate payroll costs of those persons amounted to:

	2005 £m	2004 £m
Salaries	406.8	389.6
Profit share and performance-related bonus	15.3	15.9
Social security costs	36.6	36.8
Pension costs	28.5	29.3
	487.2	471.6

2005 costs include £1.3m redundancy costs (2004: £0.8m).

Details of Directors' remuneration (including pensions) and interests are detailed in the Remuneration Report, which forms part of these financial statements.

Notes to the financial statements

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8. Taxation

8.a) Tax on profit on ordinary activities

	2005 £m	2004 £m
UK corporation tax at 30% (2004: 30%)	13.3	12.5
Relief for overseas taxation	(0.3)	(0.1)
UK current tax charge	13.0	12.4
Overseas tax	2.7	0.5
Group current tax charge	15.7	12.9
Joint Ventures	5.7	6.1
Total current tax	21.4	19.0
Deferred tax:		
Short-term timing differences	(0.2)	4.5
	(0.2)	4.5
Tax on profit on ordinary activities before exceptional items	21.2	23.5
Exceptional items	0.3	1.1
Tax on profit on ordinary activities	21.5	24.6

8.b) Factors affecting current tax charge

The following table provides a reconciliation of the UK statutory corporation tax rate to the current tax rate of the Group profit before taxation.

	2005 £m	2004 £m
Analysis of profit/(loss) before taxation:		
Operations	46.0	27.9
Joint Ventures	15.9	20.6
Exceptionals – operating	(5.5)	–
Exceptionals – non-operating	3.7	13.5
	60.1	62.0
Taxation:		
Operations	15.5	17.4
Joint Ventures	5.7	6.1
Exceptionals – operating	–	–
Exceptionals – non-operating	0.3	1.1
	21.5	24.6
Tax rate	35.8%	39.7%
		% of profit before tax
UK statutory corporation tax rate	30.0	30.0
Increase/(decrease) resulting from:		
Goodwill amortisation and impairment	5.6	3.8
Expenses not deductible for tax purposes	1.6	2.9
Adjustment in respect of overseas tax rates	0.8	(0.2)
Exceptional items	(1.1)	(4.8)
Timing differences including EBTs	(0.4)	8.5
Other	(0.7)	(0.5)
Tax rate	35.8	39.7
Impact of deferred tax	0.3	(7.3)
Current tax rate	36.1	32.4

8.c) Tax on Adjusted profit before tax

	2005 £m	2004 £m
Analysis of Adjusted profit before taxation:		
Operations	57.7	35.6
Joint Ventures	15.9	20.6
	73.6	56.2
Tax on Adjusted profit before taxation	23.0	17.7
Tax rate	31.3%	31.5%

Analysis of tax charge on Adjusted profit before taxation:

	2005 £m	2004 £m
Total tax charge on profit on ordinary activities	21.5	24.6
Explained by:		
Exceptionals	(0.3)	(1.1)
Amortisation of pension deficit	1.4	1.0
Adjustment in respect of EBTs	0.4	(4.9)
Colchester Garrison dilution gain	–	(1.5)
Other	–	(0.4)
Tax charge on Adjusted profit before taxation	23.0	17.7

9. Dividends

	2005 £m	2004 £m
Interim paid – 4p per share (2004: 2p)	3.9	2.0
Final proposed – 8p per share (2004: 7p)	7.9	6.8
	11.8	8.8

The Employee Benefit Trusts waived their entitlement to dividends which reduced the total dividend by £0.6m (2004: £0.5m).

10. Profits of the parent company

The parent company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985.

The retained profit for the year was £13.6m (2004: £15.9m) and the profit on ordinary activities after taxation was £25.4m (2004: £24.7m).

11. Earnings per share

Basic earnings per share are calculated in accordance with FRS 14, Earnings per share, by dividing profit after tax of £38.6m (2004: £37.4m) by the weighted average number of shares in issue during the period of 99,063,593 (2004: 96,473,370), excluding 5,444,201 (2004: 5,498,429) 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 100,550,490 (2004: 97,668,548). The options relate to the SAYE schemes, Equity Participation Plans and Long Term Incentive Plans.

The Adjusted earnings per share information has been calculated based on an Adjusted profit after tax of £50.6m (2004: £38.5m). Adjusted profit is before amortisation of pension deficit, amortisation of goodwill, exceptional items, Colchester Garrison dilution gain in 2004 and Employee Benefit Trusts. The Board believes that this additional measure provides a better indicator of the underlying trends in the business.

Notes to the financial statements

continued

11. Earnings per share (continued)

	2005		2004	
Average shares ('000)	99,064		96,473	
No. of shares used in fully diluted EPS ('000)	100,550		97,669	

	£m	2005 Basic p/share	Fully diluted p/share	£m	2004 Basic p/share	Fully diluted p/share
Profit after taxation	38.6			37.4		
Basic earnings per share/fully diluted earnings per share		39.0	38.4		38.8	38.3
Adjustments after accounting for tax:						
Amortisation of goodwill	5.9	6.0	5.9	7.8	8.1	8.1
EBTs	0.8	0.8	0.8	1.8	1.8	1.8
Tax on intra-group loans to EBTs	–	–	–	4.9	5.1	5.1
Amortisation of pension fund deficit	3.2	3.2	3.1	2.4	2.5	2.5
Colchester Garrison dilution gain	–	–	–	(3.4)	(3.5)	(3.5)
Exceptional items	2.1	2.1	2.1	(12.4)	(12.9)	(12.9)
Adjusted profit after tax/Basic Adjusted earnings per share						
/Fully diluted Adjusted earnings per share	50.6	51.1	50.3	38.5	39.9	39.4

12. Intangible fixed assets

	2005 £m	2004 £m
Goodwill		
Cost at 1 April	77.1	114.5
Disposal of Atkins Americas Holdings Inc	–	(31.1)
Disposal of Lambert Smith Hampton Belfast office	–	(2.3)
Difference on exchange	(0.2)	(4.0)
Cost at 31 March	76.9	77.1
Amortisation at 1 April	40.3	65.0
Amortisation charge for the year	5.9	7.8
Disposal of Atkins Americas Holdings Inc	–	(31.1)
Disposal of Lambert Smith Hampton Belfast office	–	(0.7)
Impairment provision	5.5	–
Difference on exchange	0.1	(0.7)
Amortisation at 31 March	51.8	40.3
Net Book Value at 31 March	25.1	36.8

In accordance with FRS 11, Impairment of fixed assets and goodwill, the carrying value of the Group's goodwill 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 cash flow projections using a discount rate of 11% based on the Group's weighted average cost of capital. The review has resulted in an impairment charge of £5.5m to goodwill in relation to the North American business.

13. Tangible fixed assets

	Freehold land and property £m	Short-term leasehold property £m	Plant, machinery & vehicles £m	Total £m
Group				
Cost at 1 April 2004	9.6	7.5	97.3	114.4
Additions	0.5	0.7	17.4	18.6
Disposals	–	–	(13.5)	(13.5)
Cost at 31 March 2005	10.1	8.2	101.2	119.5
Depreciation at 1 April 2004	6.7	1.8	49.0	57.5
Disposals	–	–	(11.8)	(11.8)
Depreciation charge for the year	0.3	1.2	22.7	24.2
Depreciation at 31 March 2005	7.0	3.0	59.9	69.9
Net Book Value at 31 March 2005	3.1	5.2	41.3	49.6
Net Book Value at 31 March 2004	2.9	5.7	48.3	56.9

Included in the depreciation charge for the year is £3.8m accelerated depreciation following a reduction in the estimated useful life of certain IT fixed assets due to a re-evaluation of replacement cycles.

The market value of Freehold land and property is estimated at £10.5m (2004: £10.5m).

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

	2005 £m	2004 £m
Cost	14.9	13.9
Depreciation	(6.8)	(5.1)
Net Book Value	8.1	8.8

Additions to fixed assets funded by finance leases were £2.4m (2004: £4.8m).

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

	2005 £m	2004 £m
Cost	2.5	5.4
Depreciation	(1.2)	(3.1)
Net Book Value	1.3	2.3

Rents receivable from operating leases of £1.4m (2004: £0.5m) are included in turnover.

Notes to the financial statements

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14. Fixed assets – unlisted investments

	Subsidiaries £m	Joint Ventures £m	Total £m
Company			
Cost at 1 April 2004	111.9	4.1	116.0
Additions	1.0	–	1.0
Disposals	(0.1)	(2.4)	(2.5)
Transfers from other Group companies	57.3	–	57.3
Transfers to other Group companies	(61.1)	–	(61.1)
Cost at 31 March 2005	109.0	1.7	110.7
Provisions at 1 April 2004	22.0	–	22.0
Charge for the year	0.3	–	0.3
Provisions at 31 March 2005	22.3	–	22.3
Net Book Value at 31 March 2005	86.7	1.7	88.4
Net Book Value at 31 March 2004	89.9	4.1	94.0

Transfers to and from Group companies all relate to Group reorganisations. During the year WS Atkins plc increased its investment in WS Atkins (Guernsey) Limited by £1.0m.

15. Stocks

	2005 £m	Group 2004 £m
Stocks of raw materials and consumables	0.2	0.5

16. Debtors

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Amounts due within one year:				
Trade debtors	183.0	159.5	–	–
Amounts recoverable on contracts	60.5	71.1	–	–
Deferred tax (note 21)	1.3	1.5	–	–
Other debtors	18.7	15.9	–	–
Other prepayments and accrued income	6.5	11.4	–	–
Amounts due from subsidiary undertakings	–	–	41.4	21.4
Dividends receivable	–	–	–	0.2
	270.0	259.4	41.4	21.6
Amounts due after more than one year:				
Deferred tax (note 21)	11.7	11.3	–	–
Other Debtors	2.7	4.6	–	–
	284.4	275.3	41.4	21.6

Included above are amounts due from Joint Ventures of £9.0m (2004: £5.7m).

17. Current asset investments

	2005 £m	Group 2004 £m
Restricted cash deposits	20.1	20.1
Short term deposits and marketable securities	77.5	9.9
	97.6	30.0

Current asset liquid investments (defined as a liquid resource for FRS 1 disclosure) are shown at market value, which is £144,000 above historic cost (2004: £60,000 above historic cost).

18. Creditors: Amounts falling due within one year

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Loan notes	–	0.7	–	0.7
Fees invoiced in advance	145.9	129.4	–	–
Trade creditors	18.9	21.0	–	–
Amounts due to sub-contractors	16.0	12.0	–	–
Amounts due to subsidiary undertakings	–	–	13.9	14.1
Corporation tax	10.8	13.9	1.4	1.1
Social security and other taxation	26.0	26.1	–	–
Dividend payable	7.9	6.8	7.9	6.8
Hire purchase and finance leases	2.6	3.3	–	–
Deferred consideration on acquisitions	0.9	1.3	–	–
Deferred PFI/PPP bid costs recovered and development fees	0.8	0.9	–	–
Accruals and deferred income	98.9	90.1	–	–
Other creditors	27.7	26.5	–	–
	356.4	332.0	23.2	22.7

Deferred consideration represents the balance outstanding in respect of the purchase of Hanscomb Inc and is after utilisation of £0.4m (2004: £0.6m) of the charge for options.

Of the trade creditors and accruals above, £1.7m relates to the purchase of fixed assets (2004: £nil).

19. Creditors: Amounts falling due after more than one year

	2005 £m	Group 2004 £m
Bank loan repayable between two and five years	10.5	23.2
Hire purchase and finance leases:		
Repayable between one and two years	2.5	2.1
Repayable between two and five years	2.9	3.2
Repayable after more than five years	0.2	0.1
Deferred PFI/PPP bid costs recovered and development fees:		
Maturing between one and two years	0.8	0.9
Maturing between two and five years	2.6	2.8
Maturing after more than five years	23.1	24.5
	42.6	56.8

Bank loans and hire purchase and finance lease creditors are payable in instalments and deferred PFI/PPP bid costs and development fees are non-instalment creditors.

The Company had no creditors falling due after more than one year (2004: nil).

Notes to the financial statements

continued

20. Provisions for liabilities and charges

	Onerous contracts £m	Vacant property £m	Pensions £m	Total £m
Group				
Balance at 1 April 2004	4.2	6.4	23.5	34.1
Charge to Profit and Loss account	3.9	2.7	18.4	25.0
Provisions utilised	(0.5)	(3.3)	–	(3.8)
Unwinding of discount	0.2	0.3	–	0.5
Pension contributions	–	–	(26.3)	(26.3)
Balance at 31 March 2005	7.8	6.1	15.6	29.5

The pension provision represents the excess of accumulated costs over the amount funded. During the year the Group made an additional cash contribution of £8.6m (2004: £nil).

The onerous contracts and vacant property provisions are discounted at a rate of 6%.

The in-year provision for onerous contracts relates to PFI school facilities management contracts in the Management and Project Services segment.

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

Maturity profile of provisions

	2005 £m	2004 £m
Within one year	2.8	2.3
Between one and two years	2.6	3.0
Between two and five years	3.6	1.2
Over five years	20.5	27.6
	29.5	34.1

21. Deferred taxation

	2005 £m	2004 £m
Group		
Amounts due within one year:		
Accelerated depreciation	0.7	0.3
Employee Benefit Trusts	0.1	1.3
Overseas	0.5	(0.3)
Other timing differences	–	0.2
	1.3	1.5
Amounts due after more than one year:		
Accelerated depreciation	4.9	4.3
Deferred income	2.1	–
Pension accrual	4.7	7.0
	11.7	11.3
Total deferred taxation	13.0	12.8
Analysis of movement during the year:		
Asset as at 1 April	12.8	17.3
Deferred tax credited/(charged) to the profit and loss account	0.2	(4.5)
Asset at 31 March	13.0	12.8

22. Share capital

	Group and Company	
	No. Shares	£m
Authorised		
Authorised at 1 April 2004 and 31 March 2005 ordinary shares of 0.5p	150,000,000	0.8
Issued and fully paid		
Issued and fully paid at 1 April 2004	104,443,551	0.5
Issued in respect of:		
International sharesave	6,867	–
Issued and fully paid at 31 March 2005	104,450,418	0.5

The nominal value of shares allotted in the year was £34 for consideration of £0.1m.

As at 31 March 2005 there were 5,159,101 (2004: 5,498,429) ordinary shares held by the Employee Benefit Trusts, excluding Bonus Awards made under the terms of the WS Atkins Pre-Tax Equity Participation Plan which will vest unconditionally, of which 2,311,952 (2004: 3,000,903) were being held for transfer to Directors and employees, some of which are contingent on performance conditions, under the following share incentive schemes.

Name of scheme	Date award granted	Exercise price per share	Nominal exercisable/transferable period of the award	Number of awards outstanding
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	18/07/01	0.0p	18/07/04 – 18/07/08	4,864
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	21/09/01	0.0p	21/09/04 – 21/09/08	16,179
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	30/11/01	0.0p	30/11/04 – 30/11/11	5,674
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	30/06/03	0.0p	30/06/06 – 30/06/13	221,816
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	17/09/03	0.0p	01/04/07	24,000
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	17/09/03	0.0p	01/04/07 – 17/09/13	422,500
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	01/10/03	0.0p	01/04/07	179,000
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	01/10/03	0.0p	01/04/07 – 01/10/13	578,983
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	25/06/04	0.0p	01/04/08	21,000
WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan	25/06/04	0.0p	01/04/08 – 25/06/14	574,800
WS Atkins 1997 Executive Long Term Incentive Plan	15/06/98	0.0p	15/06/01 – 15/06/06	12,649
WS Atkins 1997 Executive Long Term Incentive Plan	30/11/01	0.0p	30/11/04 – 30/11/11	5,106
WS Atkins 1997 Executive Long Term Incentive Plan	29/07/02	0.0p	29/07/05 – 29/07/12	38,579
WS Atkins Pre-Tax Equity Participation Plan	22/07/98	0.0p	22/07/01 – 22/07/05	9,575
WS Atkins Pre-Tax Equity Participation Plan	18/07/01	0.0p	18/07/04 – 18/07/08	7,238
WS Atkins Pre-Tax Equity Participation Plan	30/06/03	0.0p	30/06/06 – 30/06/13	235,000
WS Atkins Post-Tax Equity Participation Plan	18/07/01	0.0p	18/07/04 – 18/07/08	329
WS Atkins Deferred Bonus Plan	04/12/00	0.0p	04/12/03 – 04/12/10	583
WS Atkins Deferred Bonus Plan	08/06/01	0.0p	08/06/04 – 08/06/11	1,721
WS Atkins Deferred Bonus Plan	26/07/02	0.0p	26/07/06 – 26/07/12	13,861
WS Atkins Deferred Bonus Plan	29/07/02	0.0p	29/07/05 – 29/07/12	61,720
WS Atkins Deferred Bonus Plan	26/08/02	0.0p	26/08/05 – 26/08/12	167,154
WS Atkins Deferred Bonus Plan	02/09/02	0.0p	31/05/05 – 02/09/12	54,509
WS Atkins Deferred Bonus Plan	13/12/02	0.0p	13/12/05 – 13/12/12	21,276
WS Atkins Deferred Bonus Plan	13/12/02	0.0p	13/12/06 – 13/12/12	141,958
WS Atkins Deferred Bonus Plan	22/07/03	0.0p	22/07/06 – 22/07/13	100,563
WS Atkins Deferred Bonus Plan	25/06/04	0.0p	25/06/07 – 25/06/14	228,954
WS Atkins Employees' Stock Option Plan	01/06/00	622.5p	01/06/03 – 01/06/10	800
WS Atkins Employees' Stock Option Plan	08/06/01	832.5p	08/06/04 – 08/06/11	1,100
WS Atkins Employees' Stock Option Plan	29/07/02	324.0p	29/07/05 – 29/07/12	5,000

Notes to the financial statements

continued

22. Share capital (continued)

Name of scheme	Date award granted	Exercise price per share	Nominal exercisable/transferable period of the award	Number of awards outstanding
WS Atkins Restricted Stock Unit Plan for Key Employees	02/07/02	0.0p	02/07/05	200,270
WS Atkins Restricted Stock Unit Plan for Key Employees	13/12/02	0.0p	13/12/05	25,000
WS Atkins Restricted Stock Unit Plan for Key Employees	22/07/03	0.0p	22/07/06	154,103
WS Atkins Restricted Stock Unit Plan for Key Employees	07/01/04	0.0p	07/01/07	37,750
WS Atkins Restricted Stock Unit Plan for Executives	02/07/02	0.0p	02/07/05	13,299
WS Atkins Sharesave Scheme	06/07/01	666.0p	01/09/04 – 01/03/05	4,590
WS Atkins Sharesave Scheme	22/08/02	259.2p	01/11/05 – 01/05/06	520,732
WS Atkins International Sharesave Scheme	22/10/01	528.0p	01/01/05 – 01/07/05	8,506
WS Atkins International Sharesave Scheme Irish Section	22/10/01	528.0p	01/01/05 – 01/07/05	720
				4,121,461
Less:				
Sharesave options to be satisfied by issue of new shares				(9,226)
WS Atkins 2003 Senior Executive Plan and Key Employee Long Term Incentive Plan which may be satisfied by issue of new shares				(1,800,283)
Shares held by the Employee Benefit Trusts to satisfy outstanding options				2,311,952

23. Reserves

	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Goodwill written off £m	EBT reserves £m	Share scheme reserve £m	Other profit and loss account £m	Total profit and loss account £m	Total reserves £m
Group									
Balance at 31 March 2004	62.3	0.2	8.7	(15.9)	18.0	(30.6)	45.5	17.0	88.2
Retained profit for the year	–	–	–	–	–	–	26.8	26.8	26.8
Net differences on exchange	–	–	–	–	–	–	(0.2)	(0.2)	(0.2)
Issue of new shares	0.1	–	–	–	–	–	–	–	0.1
EBTs	–	–	–	–	(0.5)	1.9	1.4	2.8	2.8
Balance at 31 March 2005	62.4	0.2	8.7	(15.9)	17.5	(28.7)	73.5	46.4	117.7
Company									
Balance at 31 March 2004	62.3	0.2	8.7	–	–	–	21.2	21.2	92.4
Retained profit for the year	–	–	–	–	–	–	13.6	13.6	13.6
Issue of new shares	0.1	–	–	–	–	–	–	–	0.1
Balance at 31 March 2005	62.4	0.2	8.7	–	–	–	34.8	34.8	106.1

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 the profit and loss reserve.

At 31 March 2005 the Share Scheme Reserve represents 5,159,101 (2004: 5,498,429) shares in W S Atkins plc being 4.9% of the entire issued share capital (2004: 5.3%). These ordinary shares have been acquired by the EBTs for subsequent transfer to employees, and are substantially reserved to meet commitments under the employee incentive schemes. The nominal value of the above shares was £25,796. Based on the closing mid-market price of 641 pence the market value of the above shares on 31 March 2005 was £33.1m (2004: £32.3m). The EBTs waived their right to dividends on these shares.

24. Related party transactions

Details of the Directors' shareholdings and share options are given in the Remuneration Report, which forms part of these financial statements.

The Company has taken advantage of the exemption provided by FRS 8, Related Party Disclosures and not disclosed transactions with subsidiary undertakings 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.

25. Financial and capital commitments

	2005 £m	Group 2004 £m
Capital expenditure contracted for but not provided	1.9	1.1

In addition to the above, the Group is committed to make payments for equity and debt into Special Purpose Companies under Private Finance Initiative (PFI) and Public Private Partnership (PPP) contracts of £55.9m (2004: £67.4m).

	Plant, machinery and vehicles		Land and buildings	
	2005 £m	2004 £m	2005 £m	2004 £m
Operating leases: Amounts payable in the next year in respect of commitments expiring:				
Within one year	2.0	1.4	0.9	2.6
Between two and five years	3.8	4.0	6.8	5.4
After five years	0.2	–	19.2	14.5
	6.0	5.4	26.9	22.5

26. Financial instruments

A description of the policies relating to financial instruments is set out in the Financial review on page 25 and also the accounting policies on page 52, which form part of these financial statements.

26.a) Maturity of financial liabilities

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Less than one year	5.4	6.3	–	0.7
Between one and two years	5.1	5.1	–	–
Between two and five years	17.0	27.6	–	–
More than five years	5.1	4.2	–	–
	32.6	43.2	–	0.7

The financial liabilities included in the above table are finance lease balances, the bank loan, the vacant property provision and the onerous contract provision as shown in notes 18, 19 and 20. Deferred PFI/PPP bid costs recovered and development fees are excluded from the table above. The comparatives in the table above have been restated to include the vacant property and onerous contracts provisions.

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met:

	2005 £m	Group 2004 £m
Expiring between one and two years	–	5.0
Expiring in more than five years	49.5	54.4
	49.5	59.4

All of the Group's undrawn committed borrowing facilities will be subject to floating rates of interest.

The Group's principal borrowing facilities of £60.0m (2004: £83.2m) are unsecured. The Group's hire purchase and finance lease creditors are secured over the assets to which they relate.

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26. Financial instruments (continued)

26.b) Currency exposures

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

The table below shows the extent to which the 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.

As at 31 March 2005	Net foreign currency monetary assets/(liabilities)				Total 2005 £m
	Sterling £m	US\$ £m	Euro £m	Other currencies £m	
Functional currency of Group operation					
Sterling	–	–	1.1	0.3	1.4
Euro	1.2	–	–	–	1.2
Other currencies	7.4	3.2	0.2	0.1	10.9
Total	8.6	3.2	1.3	0.4	13.5

As at 31 March 2004	Net foreign currency monetary assets/(liabilities)				Total 2004 £m
	Sterling £m	US\$ £m	Euro £m	Other currencies £m	
Functional currency of Group operation					
Sterling	–	(16.5)	(0.5)	(2.1)	(19.1)
Euro	0.5	(0.1)	–	0.1	0.5
Other currencies	0.6	1.1	–	0.4	2.1
Total	1.1	(15.5)	(0.5)	(1.6)	(16.5)

26.c) Financial assets and liabilities

Assets

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

As at 31 March 2005	Sterling £m	Euro £m	US Dollar £m	Danish Kroner £m	S African Rand £m	Total 2005 £m
Fixed rate	5.3	–	–	–	–	5.3
Floating rate	112.8	2.7	1.6	2.7	0.3	120.1
Non interest bearing	2.0	–	–	–	0.7	2.7
Total	120.1	2.7	1.6	2.7	1.0	128.1

As at 31 March 2004	Sterling £m	Euro £m	US Dollar £m	Danish Kroner £m	S African Rand £m	Total 2004 £m
Fixed rate	7.0	–	–	–	–	7.0
Floating rate	80.9	2.0	1.4	2.9	6.8	94.0
Non interest bearing	3.5	–	–	–	1.1	4.6
Total	91.4	2.0	1.4	2.9	7.9	105.6

Floating rate assets include monies deposited on money markets for periods varying from overnight to seven years.

Fixed rate assets represent deposits bearing a weighted average interest rate of 5.2% (2004: 5.8%), over a weighted average remaining period of 21 months (2004: 28 months).

The comparatives in the table above have been restated to include other long term debtors.

26.c) Financial assets and liabilities (continued)

Liabilities

The interest rate profile of the Group's financial liabilities, excluding short-term creditors except for short-term finance lease creditors, at 31 March 2005 are set out in the table below. The Group's liabilities with respect to deferred PFI/PPP bid costs recovered and development fees and the pension provision, which are free of interest, are excluded from the table below and described in notes 18, 19 and 20.

	Floating rate liabilities 2005 £m	Fixed rate finance leases 2005 £m	Total 2005 £m	Floating rate liabilities 2004 £m	Fixed rate finance leases 2004 £m	Total 2004 £m
Sterling	13.9	8.2	22.1	11.3	8.7	20.0
US Dollar	10.5	–	10.5	16.8	–	16.8
Euro	–	–	–	1.4	–	1.4
Danish Kroner	–	–	–	5.0	–	5.0
Total	24.4	8.2	32.6	34.5	8.7	43.2

Floating rate liabilities include bank borrowings, the vacant property provision and the onerous contract provision. Bank borrowings bear interest rates fixed in advance for periods ranging from three to six months by reference to the relevant currency's inter-bank rate. The vacant property and onerous contracts provisions are discounted at a rate of 6% and are payable over the next 24 years.

Fixed rate liabilities represent short and long-term finance lease balances. The weighted average interest rate on the fixed rate finance leases is 7.9% (2004: 8.1%), over a weighted average remaining period of 29 months (2004: 34 months).

The comparatives in the table above have been restated to include the vacant property and onerous contracts provisions.

The net foreign currency gain on foreign currency borrowings less foreign currency deposits was £0.5m, all of which was realised, and was included in the profit and loss account for the year.

Fair values

The fair value of the financial assets and liabilities of the Group, with the exception of the forward currency contracts, are considered to be equivalent to their book value. The fair value of these assets and liabilities have been determined by discounting future cash flows 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.

Financial instruments held to hedge future sales and purchases in foreign currencies

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

	2005 Book value £m	2005 Fair value £m	2004 Book value £m	2004 Fair value £m
Forward currency hedges	16.9	17.0	13.9	14.1

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

27. Contingent liabilities

The Group has given indemnities in respect of overseas office overdrafts, performance bonds, advance payment bonds, Letters of Credit and import duty guarantees issued on its behalf. The amount outstanding at 31 March 2005 was £104.1m (2004: £113.8m) including £54.0m in respect of the Metronet PPP companies (2004: £59.6m). The indemnities, which arose in the ordinary course of business, are not expected to result in any material financial loss.

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28. Pension schemes

28.a) SSAP 24 Pensions

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 Schemes			
	Atkins Staff Scheme 2005 No.	2004 No.	Railways Scheme 2005 No.	2004 No.	Atkins Staff Scheme 2005 No.	2004 No.	F&G 2005 No.	2004 No.
Members	3,208	3,772	562	568	3,982	3,711	698	735
Deferred pensioners	6,118	5,820	279	280	1,602	827	756	457
Pensioners	1,947	1,784	110	103	–	–	12	–
	11,273	11,376	951	951	5,584	4,538	1,466	1,192

The defined benefit section of the Atkins Staff Scheme is closed to new entrants, who are now offered membership of the defined contribution section. The comparative number for the Atkins Staff Scheme has been revised to include 194 further members.

The main assumptions used for the April 2004 SSAP 24 assessment are listed in the table below (with 2001 valuation assumptions as comparatives).

	2004	2001
Rate of inflation	3.00%	3.00%
Real pension increases:		
– Fixed	2.00%	2.00%
– Limited price indexation	0.00%	0.00%
Real salary increases	1.50%	1.50%
Real investment return:		
– future service	4.00%	4.25%
– past service	4.10%	3.50%

The most recent triennial full valuation of the Atkins Staff Scheme took place on 1 April 2004 based on the 2004 assumptions in the above table using the projected unit method. The total market value of the assets at the date of the 2004 Valuation was £390.5m and the past service shortfall was £69.0m. The value of the assets was sufficient to cover approximately 85% of the benefits that had accrued to members allowing for assumed future increases in salaries. For the purposes of SSAP 24 the shortfall 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 entrants the current service costs, under the projected unit valuation method, will increase as a percentage of salary as members of the scheme approach retirement, although the overall cost of the scheme will decrease as the number of members decreases.

The most recent triennial full valuation of the Railways Pension Scheme took place at 31 December 2001 using the projected unit method. A funding update was produced as at 1 April 2004, based on the 2004 assumptions in the above table. The total market value of the assets at 1 April 2004 was sufficient to cover approximately 112% of the benefits that had accrued to members allowing for assumed future increases in salaries. The excess of assets over accrued liabilities ('surplus') of £12.0m is being amortised as a level percentage of salary over the estimated service lives of current employees in the Scheme through to 2016. In addition there is a pension prepayment, representing the excess of the amount funded over the accumulated pension cost, of £2.5m (2004: £2.5m). 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 Atkins McCarthy Pension Scheme in the Republic of Ireland (closed to new entrants) and a range of defined contribution schemes or equivalent in a number of the overseas subsidiaries.

28. Pension schemes (continued)

28.a) SSAP 24 Pensions (continued)

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

	2005 £m	2004 £m
Regular pension cost	20.6	22.2
Less employees' contribution	(6.8)	(5.7)
Employer's regular pension cost	13.8	16.5
Atkins Staff Scheme	10.1	13.1
Railways Scheme	3.1	3.0
Other	0.6	0.4
Amortisation of deficit/(surplus)	4.6	3.4
Atkins Staff Scheme	5.7	5.1
Railways Scheme	(1.1)	(1.7)
Net pension cost of defined benefit schemes	18.4	19.9
Cost of defined contribution schemes	10.1	9.2
Unfunded pension promise	–	0.2
Total pension cost	28.5	29.3

The net cost of the defined benefit schemes was £18.4m, a decrease of £1.5m from the previous year analysed as follows:

	£m
Impact of 2004 Full Valuation:	
Regular pension cost	(0.5)
Amortisation of deficit	1.2
Membership changes, salary increases and changes to member contributions (net)	(2.2)
Net decrease in cost	(1.5)

In September 2003 the Group agreed with its employees to jointly fund the pension fund deficit over 15 years. The Group made additional contributions of £3.5m during the year ended 31 March 2005 and will make additional contributions of £4.3m during the year ending 31 March 2006. Following the 2004 actuarial valuation of the Atkins Staff Scheme the Group intends to accelerate the payment of its contributions to fund the actuarial deficit. The Group made an additional contribution of £8.6m in January 2005 and intends to make additional contributions of approximately £10m per annum over the next two years. No additional funding is currently required by the Railways Scheme.

The next full triennial actuarial valuation is at 1 April 2007 for the Atkins Staff Scheme. The results of the full triennial valuation of the Railways Scheme as at 31 December 2004 will be available during the course of 2005/6.

A provision of £15.6m (which incorporates the unfunded pension promise) is included in provisions for liabilities and charges representing the excess of accumulated pension cost over the amount funded (2004: £23.5m).

Notes to the financial statements

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28. Pension schemes (continued)

28.b) Financial Reporting Standard 17 – Retirement Benefits (FRS 17)

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 scheme which operates overseas.

The latest full actuarial valuation was conducted as at 1 April 2004 for the Atkins Staff Scheme and as at 31 December 2001 for the Railways Scheme. These have been updated to 31 March 2005 by a qualified independent actuary. The principal assumptions used by the actuary were as follows:

	At 31 March 2005	At 31 March 2004	At 31 March 2003
Rate of increase in salaries ⁽¹⁾	4.30%	4.25%	3.90%
Rate of increase of pensions in payment			
– Limited Price Indexation	2.80%	2.75%	2.40%
– Fixed 5%	5.00%	5.00%	5.00%
Rate of increase of deferred pensions	2.80%	2.75%	2.40%
Discount rate	5.40%	5.50%	5.40%
Inflation assumption	2.80%	2.75%	2.40%

(1) plus 0.75% p.a. promotional salary scale for the Railways Scheme.

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

	Long term rate of return	2005		Total £m
		Atkins Staff Scheme £m	Railways Scheme £m	
Assets at market value				
Equities	7.75%	288.7	99.4	388.1
Bonds	5.00%	137.5	12.0	149.5
Property	6.40%	–	10.1	10.1
Other/cash	4.75%	19.3	(0.2)	19.1
Total market value of assets		445.5	121.3	566.8
Present value of scheme liabilities		(680.6)	(147.6)	(828.2)
Deficit in scheme		(235.1)	(26.3)	(261.4)
Members' share of deficit		–	10.5	10.5
Related deferred tax asset		70.5	4.7	75.2
Net pension liability		(164.6)	(11.1)	(175.7)

	Long term rate of return	2004		Total £m
		Atkins Staff Scheme £m	Railways Scheme £m	
Assets at market value				
Equities	8.00%	252.9	88.4	341.3
Bonds	5.10%	118.3	10.8	129.1
Property	6.80%	–	7.5	7.5
Other/cash	4.00%	20.0	0.2	20.2
Total market value of assets		391.2	106.9	498.1
Present value of scheme liabilities		(607.6)	(130.8)	(738.4)
Deficit in scheme		(216.4)	(23.9)	(240.3)
Members' share of deficit		–	9.6	9.6
Related deferred tax asset		64.9	4.3	69.2
Net pension liability		(151.5)	(10.0)	(161.5)

28. Pension schemes (continued)

28.b) Financial Reporting Standard 17 – Retirement Benefits (FRS 17) (continued)

	Long term rate of return	2003		Total £m
		Atkins Staff Scheme £m	Railways Scheme £m	
Assets at market value				
Equities	8.00%	199.5	70.3	269.8
Bonds	4.80%	123.0	5.9	128.9
Property	6.70%	–	6.3	6.3
Other/cash	3.75%	4.6	0.6	5.2
Total market value of assets		327.1	83.1	410.2
Present value of scheme liabilities		(530.7)	(110.8)	(641.5)
Deficit in scheme		(203.6)	(27.7)	(231.3)
Members' share of deficit		–	11.1	11.1
Related deferred tax asset		61.1	5.0	66.1
Net pension liability		(142.5)	(11.6)	(154.1)

The following amounts would have been recognised in the performance statements in the year to 31 March 2005 under the requirements of FRS 17.

	2005		Total £m
	Atkins Staff Scheme £m	Railways Scheme £m	
Impact on operating profit			
Current service cost	(16.7)	(3.2)	(19.9)
Impact on other finance income/(charges)			
Expected return on pension scheme assets	27.5	4.9	32.4
Interest on pension scheme liabilities	(33.1)	(4.1)	(37.2)
Net return	(5.6)	0.8	(4.8)
Total profit and loss impact	(22.3)	(2.4)	(24.7)
Statement of total recognised gains and losses			
(Gain)/loss on pension scheme assets	(7.5)	(3.3)	(10.8)
<i>% of assets at end of period</i>	2%	3%	2%
Experience losses/(gains) arising on the scheme liabilities	10.4	1.1	11.5
<i>% of liabilities at end of period</i>	2%	1%	1%
(Gain)/loss on changes in assumptions underlying the present value of the scheme liabilities	17.8	2.7	20.5
Actuarial loss/(gain) recognised	20.7	0.5	21.2
<i>% of liabilities at end of period</i>	3%	–	3%

Notes to the financial statements

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28. Pension schemes (continued)

28.b) Financial Reporting Standard 17 – Retirement Benefits (FRS 17) (continued)

	Atkins Staff Scheme £m	2004 Railways Scheme £m	Total £m
Impact on operating profit			
Current service cost	(17.3)	(2.9)	(20.2)
Impact on other finance income/(charges)			
Expected return on pension scheme assets	22.2	3.8	26.0
Interest on pension scheme liabilities	(28.3)	(3.3)	(31.6)
Net return	(6.1)	0.5	(5.6)
Total profit and loss impact	(23.4)	(2.4)	(25.8)
Statement of total recognised gains and losses			
(Gain)/loss on pension scheme assets	(39.0)	(10.2)	(49.2)
<i>% of assets at end of period</i>	10%	10%	10%
Experience losses/(gains) arising on the scheme liabilities	–	2.8	2.8
<i>% of liabilities at end of period</i>	0%	2%	0%
(Gain)/loss on changes in assumptions underlying the present value of the scheme liabilities	41.3	3.9	45.2
Actuarial loss/(gain) recognised	2.3	(3.5)	(1.2)
<i>% of liabilities at end of period</i>	0%	3%	0%

	Atkins Staff Scheme £m	2003 Railways Scheme £m	Total £m
Impact on operating profit			
Current service cost	(15.9)	(2.6)	(18.5)
Impact on other finance income/(charges)			
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			
(Gain)/loss on pension scheme assets	90.9	20.2	111.1
<i>% of assets at end of period</i>	(28)%	(24)%	(27)%
Experience losses/(gains) arising on the scheme liabilities	28.9	1.0	29.9
<i>% of liabilities at end of period</i>	5%	1%	5%
(Gain)/loss on 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
<i>% of liabilities at end of period</i>	36%	27%	33%

28. Pension schemes (continued)

28.b) Financial Reporting Standard 17 – Retirement Benefits (FRS 17) (continued)

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:

	2005 £m	2004 £m
Net assets		
Net assets	118.2	88.7
Adjust for SSAP 24 provision (net of deferred tax)	10.9	16.2
FRS 17 Pension liability (net of deferred tax)	(175.7)	(161.5)
Net liabilities including FRS 17 pension liability	(46.6)	(56.6)
Reserves		
Profit and loss account reserve	46.4	17.0
Adjust for SSAP 24 provision (net of deferred tax)	10.9	16.2
FRS 17 Pension liability (net of deferred tax)	(175.7)	(161.5)
Profit and loss account reserve including FRS 17 pension liability	(118.4)	(128.3)

Movement in the pension scheme deficit during the year:

	2005			2004		
	Atkins Staff Scheme £m	Railways Scheme £m	Total £m	Atkins Staff Scheme £m	Railways Scheme £m	Total £m
At 1 April	(216.4)	(14.3)	(230.7)	(203.6)	(16.6)	(220.2)
Current service cost	(16.7)	(3.2)	(19.9)	(17.3)	(2.9)	(20.2)
Contributions	24.3	1.4	25.7	12.9	1.2	14.1
Net finance income/(charge)	(5.6)	0.8	(4.8)	(6.1)	0.5	(5.6)
Actuarial gain/(loss)	(20.7)	(0.5)	(21.2)	(2.3)	3.5	1.2
At 31 March	(235.1)	(15.8)	(250.9)	(216.4)	(14.3)	(230.7)

29. Cash flow

29.a) Reconciliation of net cash flow to movement in funds

	2005 £m	2004 £m
Cash (decrease)/increase	(38.5)	47.7
Cash outflow due to lease repayments	2.9	3.0
Cash outflow from change in liquid resources	67.5	23.1
Cash outflow from change in short-term loans (non-EBT)	–	47.9
Cash outflow from redemption of loan stock	0.7	0.2
Cash outflow from change in long-term loans	12.6	13.5
Increase in net funds resulting from cash flows	45.2	135.4
Increase in debt from new finance leases	(2.4)	(4.8)
Increase in current asset investment market value	0.1	–
Translation difference	0.6	(1.2)
Increase in net funds in year	43.5	129.4
Net funds/(debt) at 1 April	83.6	(45.8)
Net funds at 31 March	127.1	83.6

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29.b) Reconciliation of operating profit to net cash inflow from operating activities

	2005 £m	2004 £m
Operating profit	39.0	34.5
Operations including amortisation of goodwill	38.8	34.7
Employee Benefit Trusts	0.2	(0.2)
Depreciation charges	24.2	19.0
Release of deferred income	(0.8)	(5.6)
Amortisation and impairment of goodwill	11.4	7.8
Options charge	1.2	1.3
Profit on disposal of tangible fixed assets	(0.4)	(0.1)
Decrease/(increase) in stocks	0.3	(0.1)
Increase in debtors	(15.5)	(31.5)
Increase in other creditors due within one year	24.4	69.5
Decrease in other creditors due after one year	–	(0.8)
Increase in other provisions for liabilities and charges	2.8	6.0
Exchange rate effect on current assets	(0.1)	–
	86.5	100.0
(Decrease)/increase in pension fund provision	(7.9)	5.4
	78.6	105.4
Operations	78.7	104.9
Employee Benefit Trusts	(0.1)	0.5
Increase/(decrease) in amounts due to sub-contractors	4.0	(11.0)
Net cash inflow from operating activities	82.6	94.4
Continuing operations	82.6	96.6
Discontinued operations	–	(2.2)

29.c) Analysis of net funds

	At 31 March 2004 £m	Cash flow £m	Other non cash changes £m	Exchange movement £m	At 31 March 2005 £m
Cash at bank and in hand	71.0	(43.7)	–	0.5	27.8
Current asset liquid investments	30.0	67.5	0.1	–	97.6
Debt due within one year	(0.7)	0.7	–	–	–
Debt due after one year	(23.2)	12.6	–	0.1	(10.5)
Finance leases	(8.7)	2.9	(2.4)	–	(8.2)
Total	68.4	40.0	(2.3)	0.6	106.7
Cash held on behalf of sub-contractors	12.0	4.0	–	–	16.0
EBT – cash	3.2	1.2	–	–	4.4
	83.6	45.2	(2.3)	0.6	127.1

Bank balances and cash flows as shown on the balance sheet and cash flow:

Cash at bank and in hand	71.0	(43.7)	–	0.5	27.8
Cash held on behalf of sub-contractors	12.0	4.0	–	–	16.0
Employee Benefit Trusts	3.2	1.2	–	–	4.4
Cash as shown on balance sheet	86.2	(38.5)	–	0.5	48.2
Net cash and cash flow	86.2	(38.5)	–	0.5	48.2

30. Subsidiary undertakings

The following companies were the principal subsidiary undertakings as at 31 March 2005:

	Country of registration/ incorporation	Class and percentage of shares held	Nature of business
Atkins Beta Limited ⁽²⁾	England and Wales	100% ordinary	Management activities holding company
Atkins China Limited	China	100% ordinary	Consulting engineers
Atkins Consultants Limited ⁽¹⁾	England and Wales	100% ordinary	Consulting engineers
Atkins Danmark A/S ⁽¹⁾	Denmark	100% ordinary	Transport and engineering consultants
Atkins Facilities Management Limited	England and Wales	100% ordinary	Property services
Atkins Investments Limited ⁽¹⁾	England and Wales	100% ordinary	Investment company
Atkins Limited ⁽¹⁾	England and Wales	100% ordinary	Consulting engineers
Atkins Planning and Management Consultants Limited	England and Wales	100% ordinary	Consulting engineers
Atkins Rail Limited	England and Wales	100% ordinary	Design engineers for the railway industry
Atkins Metro Limited	England and Wales	100% ordinary	Holding company
ATMOS Limited	England and Wales	100% ordinary	Maintenance services
Faithful & Gould Limited ⁽¹⁾	England and Wales	100% ordinary	Quantity surveyors and cost estimators
Hanscomb Inc ⁽¹⁾	USA	100% ordinary	Project and programme management consultants
Lambert Smith Hampton Group Limited ⁽¹⁾	England and Wales	100% ordinary	Property consultants
WS Atkins & Partners Overseas ⁽¹⁾	Gibraltar	100% ordinary	Consulting engineers
WS Atkins (UK Holdings) Limited	England and Wales	100% ordinary	Management activities holding company
WS Atkins Insurance (Guernsey) Limited	Guernsey	100% ordinary	Insurance
WS Atkins International Limited	England and Wales	100% ordinary	Consulting engineers

(1) The equity of these subsidiary undertakings is held by another subsidiary undertaking.

(2) Incorporated during the year.

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.

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

Notes to the financial statements

continued

31. 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
DG 21 LLC ⁽³⁾	Delaware limited liability company involved in the 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, US.	24.5%	31 December 2002 independent review only	Deloitte & Touche LLP
Hanscomb / GMK Partnership ⁽³⁾	Provide programme and project management services to Richmond County (Georgia, US) school district for the repair and maintenance of multiple facilities.	51.0%	n/a	n/a
HHG Partnership ⁽³⁾	Provide construction management services to America Honda Motor Corporation for the development of a manufacturing facility in Lincoln, Alabama, US.	33.3%	n/a	n/a
Institutional Resources LLP ⁽³⁾	Provide construction, project services and bond financing to Greenville County (South Carolina, US) for the rehabilitation and redevelopment of schools facilities in the district.	25.0%	n/a	Hawkins, Conrad, Brinson & Co PLLC
Mercia Healthcare (Holdings) Limited ⁽²⁾	Holding company for companies involved in the design and build of hospital accommodation and the provision of full services to the accommodation within which the NHS may provide core clinical services.	25.0%	31 March 2004	Pricewaterhouse-Coopers LLP
Metronet BCV Holdings Limited ⁽³⁾	Holding company for the infraco which has contracted with LUL for the repairs, refurbishment and modernisation of part of the London Underground.	20.0%	31 March 2004	Deloitte & Touche LLP
Metronet SSL Holdings Limited ⁽³⁾	Holding company for the infraco which has contracted with LUL for the repairs, refurbishment and modernisation of part of the London Underground.	20.0%	31 March 2004	Deloitte & Touche LLP
NewSchools (Penweddig) Holdings Limited ⁽³⁾	Provision of design and build, financing and operating services to a new secondary school in Aberystwyth, Wales.	42.5%	31 March 2004	Deloitte & Touche LLP
Optima (unincorporated) ⁽³⁾	Undertakes motorway and trunk road maintenance and management for the Highways Agency's Area 11 network, operating in the Midlands.	50.0%	n/a	n/a
RMPA Holdings Limited ⁽³⁾	Holding company for companies involved in the design, financing and construction of the MoD garrison facility at Colchester.	14.0%	Not yet published	KPMG LLP
Sonico Limited ⁽³⁾	Provide construction and hire of water treatment plants.	45.0%	31 March 2004	Pricewaterhouse-Coopers LLP

31. Joint Ventures (continued)

Name	Nature of business	Proportion of share held ⁽¹⁾	Date of last audited financial statements	External auditors
South Manchester Healthcare (Holdings) Limited	Holding company for companies involved in the design and build of hospital accommodation and the provision of full services to the accommodation within which the NHS may provide core clinical services.	25.0%	31 March 2004	Pricewaterhouse-Coopers LLP
Total Solutions for Industry Limited ⁽²⁾	Joint Venture to provide industrial PFI-type solutions.	50.0%	31 December 2003	Deloitte & Touche LLP
Trans4m Limited ⁽³⁾	Managing contractor for the provision of refurbishment and modernisation of station assets and the maintenance and remediation of civil assets as part of the LUL PPP.	25.0%	31 March 2004	Grant Thornton

(1) Proportion of shares held are in respect of ordinary share capital. There are no special rights or constraints on the shares. There are no restrictions on distributions from any of these Joint Ventures.

(2) Sold in year.

(3) Owned by a subsidiary undertaking other than WS Atkins plc.

All Joint Ventures operate in the United Kingdom unless otherwise stated.