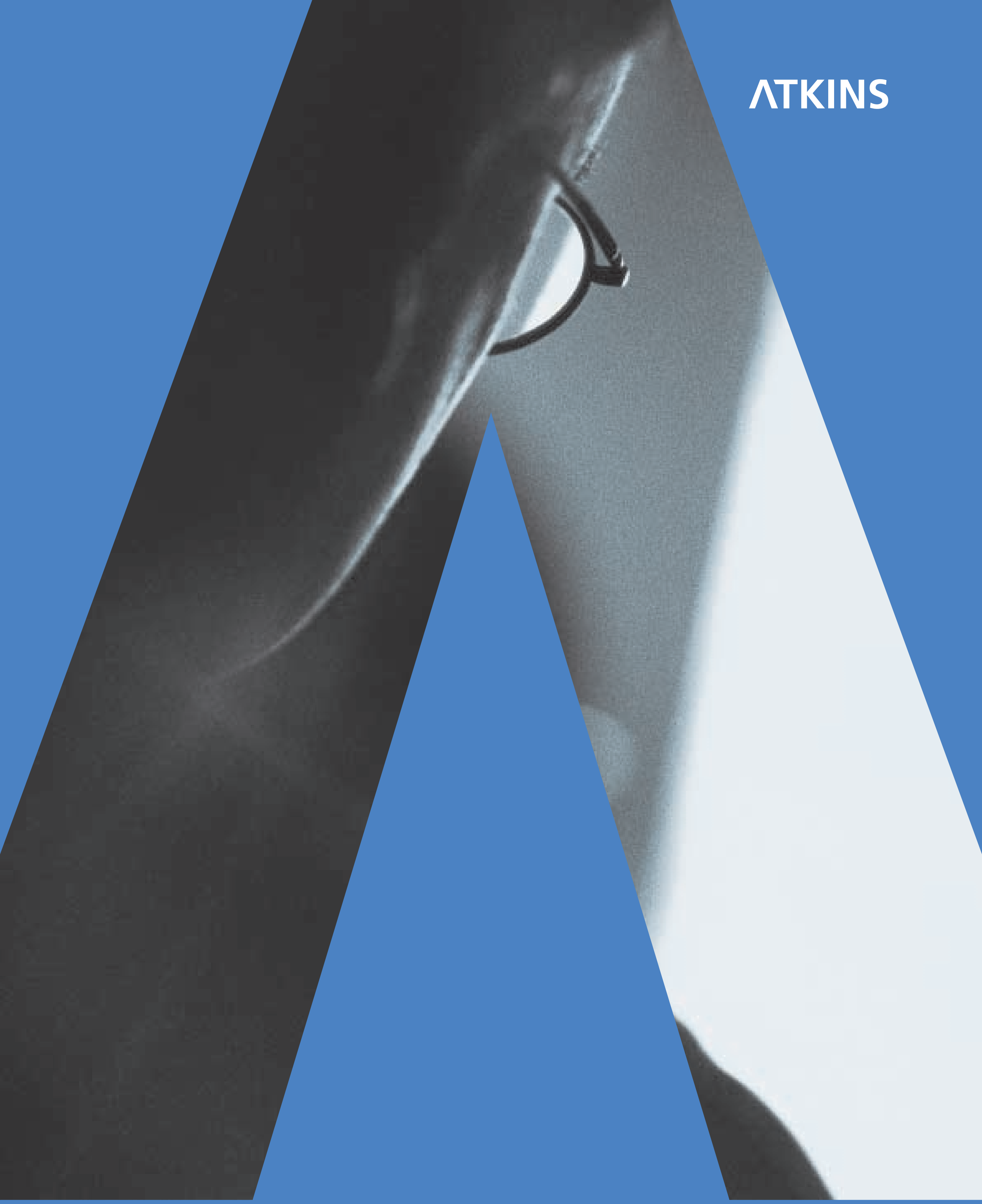
ATKINS



# Delivering integrated support solutions
## Interim Report 2002

# Financial summary

| | **6 months to 30.09.02** | 6 months to 30.09.01[1] | 12 months to 31.03.02 |
|---|---|---|---|
| Turnover[2] | **£449.2m** | £385.3m | £806.3m |
| Operating (loss)/profit[2] | **£(20.7)m** | £10.3m | £13.9m |
| (Loss)/profit before tax | **£(32.8)m** | £14.6m | £20.9m |
| Adjusted (loss)/profit before tax[3] | **£(2.5)m** | £18.6m | £38.1m[5] |
| Basic EPS | **(36.2)p** | 8.3p | 13.1p |
| Adjusted EPS[3] | **(5.0)p** | 12.9p | 31.4p |
| Dividend | – | 3.78p | 11.34p |
| Net (debt)[4] | **£(105.4)m** | £(31.6)m | £(57.2)m |

**Notes**

(1) Restated following adoption of UITF 34 "Pre-contract costs".
(2) Excluding share of JVs. Organic turnover (turnover before acquisitions) increased by 13%.
(3) Before Metronet bid costs, pension credit, goodwill amortisation, exceptional items and EBTs.
(4) Excluding cash held in the EBTs and on behalf of contractors.
(5) Year to 31 March 2002 adjusted to exclude exceptional items and Metronet bid costs.

**Contents**

# Chairman's statement

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**Overview**
These results are slightly better than we expected when we made our trading statement on 1 October 2002. We forecast a loss in the order of £5.0m for the half-year to 30 September 2002: these results show an Adjusted loss before tax of £2.5m on a like for like basis (before Metronet bid costs, pension credit, goodwill amortisation, exceptional items and EBTs).

Total turnover increased by 17%, of which 13% was organic. This reflects significant top-line growth in the business. The Group's public sector and regulated industries businesses have been trading broadly as expected, with a strong workload.

The Group's results have been significantly impacted by the problems arising from the implementation of our new finance systems and the associated disruption to the business. Since the beginning of October, we have made substantial progress in sorting out these problems. Although the systems are still not performing entirely satisfactorily, we have largely caught up on billing and debt collection is much improved.

We plan to strengthen the senior management team by the appointment of a chief operating officer.

We are focused on further cost reductions and improving margins and the Board is optimistic that we can re-establish the Group's financial performance.

**Financial performance**
Turnover (excluding share of Joint Ventures) increased by £63.9m (17%) to £449.2m. Of this £49.2m (13%) represents organic growth and £14.7m (4%) results from the acquisition of Hanscomb in 2002 and the acquisition of Scanrail in 2001.

| | **H1 2002-3 £m** | H1 2001-2 £m |
|---|---|---|
| Contribution from divisions | **47.2** | 51.2 |
| Overheads | **(57.5)** | (37.6) |
| Divisional (loss)/profit (accounts Note 2) | **(10.3)** | 13.6 |
| Joint Ventures profit (accounts Note 4) | **5.7** | 4.5 |
| Net Interest payable | **(1.4)** | (0.3) |
| Add back Metronet bid costs | **3.5** | 0.8 |
| **Adjusted (loss)/profit before tax** | **(2.5)** | 18.6 |
| Less Metronet bid costs | **(3.5)** | (0.8) |
| Pension credit | **1.9** | 1.7 |
| Amortisation of goodwill | **(5.3)** | (4.5) |
| Exceptional cost | **(5.4)** | – |
| EBTs – amounts written off investments (accounts Note 10) | **(16.4)** | – |
| EBTs – own shares' amortisation/other (accounts Note 10) | **(1.6)** | (0.4) |
| **(Loss)/profit before tax** | **(32.8)** | 14.6 |

The Group has completely replaced its UK IT infrastructure and back office systems. As a result of the intensive capital investment programme in 2001, the Group's cost base has increased. To offset this, the Group announced a cost reduction programme in October 2002. This is continuing and is expected to reduce the Group's headcount by around 400 by March 2003. Annual cost savings of over £15m are expected. We anticipate incurring one-off exceptional costs of up to £15m in respect of these manpower reductions and other restructuring charges.

The Group capitalises Private Finance Initiative bidding costs only when it is virtually certain that such projects will reach financial close. The above results were after charging £6.8m (H1 2001: £3.1m) on PFI bidding, including the Metronet bid for London Underground £3.5m (£0.8m). Costs capitalised in the half-year amounted to £0.2m (£nil) in respect of the Merton PFI schools project, which reached financial close in November.

The Directors have reviewed the carrying value of goodwill. In light of the slowdown in the North American market, the Directors have concluded that it is appropriate to make an impairment provision of £5.4m to the value of the goodwill relating to Benham.

The Group's accounting policy in respect of WS Atkins shares held by the Employee Benefit Trusts has been that these shares are carried at cost less amortisation (on a straight line basis over the period from grant to initial exercise date). In the light of recent events and the consequent fall in the Group's share price the Directors have reviewed the carrying value of the shares and have accordingly made a provision for the fall in value. The provision made at 30 September 2002 amounted to £16.4m based on the share price of £1.89 at that date.

The Group has continued to account for pension costs under SSAP 24, whilst making FRS 17 disclosures in accordance with the transitional requirements. A pension credit of £1.9m (£1.7m) relates to the Main Staff scheme and the Railways scheme and is based on the latest SSAP 24 actuarial valuation of each scheme (1 April 2001 and 1 January 2002 respectively). The Group's actuary has indicated that there would be no material change to the combined SSAP 24 costs of the two schemes for the six months to September 2002 had the valuations been undertaken at 31 March 2002 and the SSAP 24 costs based upon them.

Net debt was £105.4m at 30 September 2002, (£57.2m at 31 March 2002). As a result of a programme of corrective action, significant progress has been made to stabilise the net debt position. The Group retains the support of its banks and is working with them to put in place new facilities before the end of the financial year.

**Divisional review**
The underlying operational performance of the Group is sound. The contribution of the divisions, before central overheads, for the six months was £47.2m (£51.2m). As noted, the problems with the implementation of our new finance systems and Shared Service Facility had a significant impact on the half-year results of the majority of our UK divisions, due to the increased cost base and to the business disruption associated with the system implementation. Associated central costs are allocated across all the UK divisions: as a result, all the UK divisions show losses. In addition the cost of PFI bids (£6.8m) also affected divisional results.

**Transport**
Turnover in the division for the six months was £143.6m (£104.8m). Contribution for the half-year was £21.3m (£18.1m). Losses for the half-year were £2.3m (£5.5m profit) after charging £3.7m (£0.9m) on PFI bid costs.

*Highways & Transportation*
Highways & Transportation continues to operate successfully. In Transport Planning our services are increasingly being sought and we were recently appointed to undertake the A52 Multi-Modal Study in the East Midlands for the Department for Transport. Elsewhere, we have won a two-year extension of our contract with the Welsh Assembly for the management of travel information services in South Wales.

# Chairman's statement continued

On 1 July, Optima Infrastructure Management, a fully integrated 50:50 Joint Venture (JV) between Atkins and Accord-Jarvis, began its first Managing Agent Contractor (MAC) contract for the Highways Agency. Design framework contracts with the Highways Agency are also delivering a solid stream of work.

The creation of strong partnerships between the public and private sectors is a continuing trend, and our new contracts with Northamptonshire County Council and Hampshire County Council are developing successfully.

*Rail*
Network Rail's acquisition of Railtrack and the reorganisation of the Strategic Rail Authority have not materially impacted our workload. Several important new contracts were won in the period, including West Coast Main Line Depot Rerailing, and Sheerness Branch Re-signalling. We welcome the opportunity to work with the new management team at Network Rail and believe our Rail business is well positioned to benefit from increased investment in the UK rail network.

**Government Services**
Government Services encompasses a range of activities delivering whole life cycle asset management, consultancy and outsourcing services to the public and private sectors.

Turnover in the division for the six months was £107.3m (£99.7m). Contribution was £10.8m (£13.4m). Losses for the half-year were £7.1m (£0.6m profit) after charging £3.1m (£2.2m) on PFI bid costs.

*Health, Education and Defence*
In Health, our first PFI hospital at Wythenshawe is now open and operating successfully. We are bidding for large PFI hospital schemes in a JV with AMEC.

In Education we have been awarded a three-year contract from the Welsh Assembly's Department for Education and Lifelong Learning. OFSTED's report on educational services in the London Borough of Southwark showed substantial improvement has been made since our involvement.

Defence has had a number of contract successes including Airbus and the Defence Housing Executive. The Airbus contract is a partnership with Inbis to assist with the A380 wing programme over three years.

*Design, Environment and Engineering*
We have a leading position in the environmental sector and property design and continue to progress significant opportunities. A key win in the period is the provision of state of the art building services concept design for the 81-storey China World Trade Centre in Beijing.

*Business Services*
In April 2002, Business Services was awarded a five-year contract to provide information technology support services to the Food Standards Agency. We have also been appointed as Prime Partner to Partnership in Action Barnsley, working to create a fully integrated health and social care service delivery model.

**Industry**
The businesses in our Industry Group provide technical services to a wide range of manufacturing industries and utilities.

Turnover in the division for the six months was £45.5m (£35.8m). Underlying profit contribution was £8.1m (£9.3m). Losses for the half-year were £2.4m (£0.5m profit).

This performance was dominated by restructuring in our Telecoms unit which has been downsized in response to market conditions, and investment in Nuclear which is experiencing rapid growth. These businesses are expected to return to profit in the second half of the year and to make a positive contribution to the full-year result.

The Power, Process and Water units all continue to trade well and have strong order books.

Our Industry Group has won important new work in the period including major projects at Sellafield for BNFL, management of the Government's new Energy Loan Scheme, significant consultancy projects in the Water sector and Process projects in the Middle East and Canada.

**Commercial Services**
Commercial Services provides total property solutions from surveying and project management to estate agency and facilities management.

Turnover in the division for the six months was £60.2m (£60.2m). Contribution for the half-year was £4.5m (£5.8m). Losses for the half-year were £0.5m (£3.3m profit).

Atkins Faithful & Gould won a range of projects in the period, including: supporting Sunderland Arc in the Regeneration of the City of Sunderland; property management for Derbyshire County Council; and a range of services for the Kings Cross Hub project. However there has been weakness in the commercial property market and this has had an adverse impact on results.

Lambert Smith Hampton has won new contracts from Telereal (formerly BT property) in addition to its existing maintenance contract. Whilst the property market in London has weakened over the last six months, performance in the regional business has continued to deliver good results.

Corporate & Retail Asset Management has seen contract wins that include an extension to June 2004 of the contract to manage 3,000 facilities for Barclays. In addition to managing the provision of maintenance services to Bradford & Bingley's network of 600 branches, we have now expanded the services to include the coordination of maintenance to Head Office properties for Bradford & Bingley Group. We have also won a landmark contract to provide total facilities management services for Anglian Water's headquarters estate. This is an initial three-year contract with an option to extend to five, and will earn revenues in the order of £7.5m.

**International**
Our main international operations are in North America. Businesses in Asia, Europe and the Middle East are grouped together in the 'Rest of the World' category.

Turnover in this business for the six months was £92.6m (£84.8m). Contribution in the period was £2.5m (£4.7m). Profits for the half-year were £2.0m (£3.7m). The International business has not been affected by the finance systems problem in the UK.

*North America*
This business continues to be impacted by deferred corporate spending in the United States. Work continues to focus on strengthening our relationships with existing clients in an effort to take more work from our competitors in the private sector as well as position ourselves for recovery. We are marketing to the Government sector with our existing call off contracts as well as taking a more coordinated approach across the Group with the recently acquired Hanscomb business.

Despite difficult market conditions in North America, we have won a range of new contracts including: Command and General Staff College, Fort Leavenworth, Kansas; General Motors Energy Saving Project Implementation Services; and the Transportation Security Administration Airport Security Program, as part of the Boeing Company team.

Hanscomb, acquired in June 2002, has performed well and obtained some excellent long term contracts with clients such as South Carolina Schools and Honda.

*Rest of the World*
The rest of our International business in Europe, the Middle East and South East Asia continues to operate satisfactorily.

**Joint Ventures**
Our JV continue to perform satisfactorily with profits of £5.7m (£4.5m). There was a strong performance in the period from our Connect Roads PFI business and from the South Africa Telkom outsourcing contract.

**Interim Dividend**
In view of the Group's half-year performance, the Board has concluded that it is prudent not to pay an interim dividend. On the basis that the Group achieves the expected Adjusted profit before tax outcome for the year to March 2003, it would be the Board's intention to rebase the dividend and declare its future dividend policy at the time of the full-year results. The dividend policy is likely to be in the order of two and a half times covered by the earnings of the business.

**Board**
Mr Christopher Kemball and Mr Paul Marsh joined the Board as Non-Executive Directors on 14 May 2002. Mr Roger Umney retired as a Non-Executive Director on 1 October 2002.

Mr Stephen Billingham joined the Board as Group Finance Director on 1 October 2002. He originally joined Atkins in late 2000 as Group Financial Controller and Deputy Finance Director. Prior to taking up his new post, he spent a year on full-time secondment as the Finance Director of Metronet, the consortium (in which Atkins has a 20% stake) bidding for London Underground Public Private Partnership.

Mr Robin Southwell, the former Chief Executive, left the Board on 30 September 2002. Mr Ric Piper, the former Group Finance Director, left the Board on 1 October 2002.

**Outlook**
The strategy review that was undertaken last year has been well received both internally and externally, leading to better focus on our markets and the way in which we relate to our customers. The markets for our core businesses are good and are expected to remain so for several years. There are also a number of developing businesses that have significant potential.

Although there are difficulties in some of our private sector markets, the strength of Atkins is in its diversity and its ability to re-deploy resources into more buoyant sectors. The Board remains confident in the underlying strength and potential of the Group.

**Michael Jeffries**
Chairman
12 December 2002

# Consolidated profit and loss account

**for the six months ended 30 September 2002 (unaudited)**

| | Notes | **6 months to 30.09.02 £m** | Restated* 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|---|
| **Turnover: Group and share of Joint Ventures** | 2 | **487.0** | 410.7 | 880.9 |
| Less: share of Joint Ventures' turnover | 4 | **(37.8)** | (25.4) | (74.6) |
| **Turnover** | | **449.2** | 385.3 | 806.3 |
| Continuing | | **439.8** | 385.3 | 806.3 |
| Acquisitions | | **9.4** | – | – |
| Cost of sales | | **(284.0)** | (247.7) | (546.1) |
| **Gross profit** | | **165.2** | 137.6 | 260.2 |
| Administrative expenses | | **(185.9)** | (127.3) | (246.3) |
| Non-exceptional | | **(180.5)** | (127.3) | (240.2) |
| Exceptional | 3 | **(5.4)** | – | (6.1) |
| **Operating (loss)/profit: Group excluding share of Joint Ventures** | | **(20.7)** | 10.3 | 13.9 |
| Continuing operations | | **(22.0)** | 10.3 | 13.9 |
| Acquisitions | | **1.3** | – | – |
| **Operating profit: share of Joint Ventures** | 4 | **9.1** | 7.4 | 14.5 |
| **Operating (loss)/profit: Group and share of Joint Ventures** | | **(11.6)** | 17.7 | 28.4 |
| Interest receivable and similar income | | **2.0** | 1.7 | 3.6 |
| Operations | | **1.0** | 1.6 | 3.0 |
| Joint Ventures | 4 | **1.0** | 0.1 | 0.6 |
| Amounts written off investments | | **(16.4)** | – | – |
| Interest payable and similar charges | | **(6.8)** | (4.8) | (11.1) |
| Operations | | **(2.4)** | (1.8) | (3.6) |
| Joint Ventures | 4 | **(4.4)** | (3.0) | (7.5) |
| **(Loss)/profit on ordinary activities before taxation** | | **(32.8)** | 14.6 | 20.9 |
| Operations | | **(38.5)** | 10.1 | 13.3 |
| Joint Ventures | 4 | **5.7** | 4.5 | 7.6 |
| Taxation on (loss)/profit on ordinary activities | 5 | **(0.2)** | (7.1) | (9.1) |
| Operations | | **1.6** | (5.9) | (7.0) |
| Joint Ventures | 4 | **(1.8)** | (1.2) | (2.1) |
| **(Loss)/profit on ordinary activities after taxation** | | **(33.0)** | 7.5 | 11.8 |
| Operations | | **(36.9)** | 4.2 | 6.3 |
| Joint Ventures | 4 | **3.9** | 3.3 | 5.5 |
| Dividends | | **–** | (3.6) | (10.2) |
| **Retained (loss)/profit for the year transferred to reserves** | | **(33.0)** | 3.9 | 1.6 |
| Basic earnings per share | 6 | **(36.2)p** | 8.3p | 13.1p |
| Fully diluted earnings per share | 6 | **(36.2)p** | 8.1p | 12.8p |
| Adjusted earnings per share | 6 | **(5.0)p** | 12.9p | 31.4p |
| Dividends per share | | | | |
| Interim | | **–** | 3.78p | 3.78p |
| Final | | | – | 7.56p |
| | | **–** | 3.78p | 11.34p |

*Restated following adoption of UITF 34 (see Note 7).

# Consolidated balance sheet

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| as at 30 September 2002 (unaudited) | Notes | 30.09.02 £m | Restated* 30.09.01 £m | 31.03.02 £m |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Intangible assets | | **81.4** | 77.0 | 72.7 |
| Tangible assets | | **68.1** | 50.9 | 74.5 |
| | | | | |
| Investments in Joint Ventures | 4 | **22.9** | 16.0 | 17.4 |
| Share of gross assets | | **161.4** | 137.1 | 146.3 |
| Share of gross liabilities | | **(138.5)** | (121.1) | (128.9) |
| Investments – own shares | | **13.1** | 25.5 | 29.0 |
| Investments – other | | **0.7** | 0.7 | 0.7 |
| Investments – total | | **36.7** | 42.2 | 47.1 |
| | | **186.2** | 170.1 | 194.3 |
| | | | | |
| **Current assets** | | | | |
| Stocks | | **0.3** | 0.2 | 0.8 |
| Debtors | | **267.3** | 216.2 | 228.8 |
| Investments | | **8.3** | 19.4 | 9.3 |
| Cash at bank and in hand | 8(c) | **24.4** | 39.0 | 25.8 |
| | | **300.3** | 274.8 | 264.7 |
| **Current liabilities** | | | | |
| Creditors: amounts falling due within one year | | **(361.8)** | (238.6) | (276.3) |
| **Net current (liabilities)/assets** | | **(61.5)** | 36.2 | (11.6) |
| **Total assets less current liabilities** | | **124.7** | 206.3 | 182.7 |
| | | | | |
| Creditors: amounts falling due after more than one year | | **(10.0)** | (63.1) | (43.4) |
| Provisions for liabilities and charges | | **(20.7)** | (26.1) | (23.9) |
| **Net assets** | | **94.0** | 117.1 | 115.4 |
| | | | | |
| **Capital and reserves** | | | | |
| Called up share capital | | **0.5** | 0.5 | 0.5 |
| Share premium accounts | | **55.2** | 41.4 | 42.1 |
| Capital redemption reserve | | **0.2** | 0.2 | 0.2 |
| Merger reserve | | **8.7** | 8.7 | 8.7 |
| Employee Benefit Trust reserves | | **11.1** | 15.0 | 15.5 |
| Profit and loss account | | **18.3** | 51.3 | 48.4 |
| **Shareholders' funds – equity interests** | | **94.0** | 117.1 | 115.4 |

*Restated following adoption of UITF 34 (see Note 7).

# Consolidated cash flow statement

| for the six months ended 30 September 2002 (unaudited) | Notes | 6 months to 30.09.02 £m | Restated* 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|---|
| **Net cash (outflow)/inflow from operating activities** | 8(b) | **(45.0)** | (19.5) | 20.3 |
| **Dividends received from Joint Ventures** | | **0.5** | 0.1 | 0.8 |
| **Returns on investments and servicing of finance** | | | | |
| Interest received | | **1.0** | 1.6 | 3.0 |
| Interest paid | | **(2.2)** | (1.7) | (3.4) |
| – bank loans, overdrafts and other | | **(2.0)** | (1.4) | (3.0) |
| – finance leases | | **(0.2)** | (0.3) | (0.4) |
| **Taxation paid** | | **(0.9)** | (1.0) | (11.0) |
| **Capital expenditure and financial investment** | | | | |
| Purchases less disposals of fixed assets | | **(5.4)** | (15.8) | (52.2) |
| Purchases of fixed asset investments – Joint Ventures | | **(4.0)** | (2.5) | (2.5) |
| Purchases of own shares by Employee Benefit Trusts | | **(2.6)** | (13.8) | (18.4) |
| Sales of own shares by Employee Benefit Trusts | | **0.3** | 2.5 | 3.3 |
| Sale of non-liquid current asset investment | | **0.2** | 0.7 | 0.7 |
| | | **(11.5)** | (28.9) | (69.1) |
| **Acquisitions** | | | | |
| Subsidiary undertakings acquired: | | | | |
| Hanscomb | | | | |
| – cash consideration including expenses | | **(6.8)** | – | – |
| – cash acquired | | **1.7** | – | – |
| Prior year acquisitions | | **(0.3)** | (7.1) | (7.1) |
| | | **(5.4)** | (7.1) | (7.1) |
| **Equity dividends paid** | | **–** | (6.2) | (8.9) |
| **Cash (outflow) before use of liquid resources and financing** | | **(63.5)** | (62.7) | (75.4) |
| **Management of liquid resources** | | | | |
| Decrease/(increase) in current asset investments | | **0.9** | (2.2) | 7.8 |
| **Financing** | | | | |
| Cash inflow from short term loans | | **74.3** | 8.2 | 12.3 |
| Redemption of loan stock | | **(0.5)** | (0.2) | (0.4) |
| Cash inflow from long term loans | | **–** | 22.4 | 3.4 |
| Capital element of finance lease rental payments | | **(1.2)** | (1.4) | (2.9) |
| Shares issued | | – | – | 0.1 |
| | | **72.6** | 29.0 | 12.5 |
| **Increase/(decrease) in cash** | | **10.0** | (35.9) | (55.1) |

*Restated following adoption of UITF 34 (see Note 7).

# Statement of total recognised gains and losses

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| for the six months ended 30 September 2002 (unaudited) | **6 months to 30.09.02 £m** | Restated* 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|
| (Loss)/profit for the financial period | | | |
| Operations | **(36.9)** | 4.2 | 6.3 |
| Joint Ventures | **3.9** | 3.3 | 5.5 |
| | **(33.0)** | 7.5 | 11.8 |
| Differences on exchange | **(1.5)** | (0.4) | (0.5) |
| Total gains and losses recognised in the period | **(34.5)** | 7.1 | 11.3 |
| Prior year adjustment | **–** | (2.7) | |
| Total gains and losses recognised since last Annual Report | **(34.5)** | 4.4 | |

Historical cost profits and losses do not differ materially from those disclosed in the Group profit and loss account.

# Reconciliation of movements in shareholders' funds

| for the six months ended 30 September 2002 (unaudited) | **6 months to 30.09.02 £m** | Restated* 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|
| Profit for the period | | | |
| Operations | **(36.9)** | 4.2 | 6.3 |
| Joint Ventures | **3.9** | 3.3 | 5.5 |
| | **(33.0)** | 7.5 | 11.8 |
| Dividends | **–** | (3.6) | (10.2) |
| | **(33.0)** | 3.9 | 1.6 |
| Other recognised (losses)/relating to the period | **(1.5)** | (0.4) | (0.5) |
| Issue of new shares | **13.1** | 0.4 | 1.1 |
| Net additions to shareholders' funds | **(21.4)** | 3.9 | 2.2 |
| | | | |
| Opening shareholders' funds | **115.4** | 113.2 | 113.2 |
| Closing shareholders' funds | **94.0** | 117.1 | 115.4 |

*Restated following adoption of UITF 34 (see Note 7).

# Notes to the financial statements

**1 Preparation of interim financial statements**

The interim financial statements, which are abridged and unaudited, have been prepared in accordance with the guidelines published by the Accounting Standards Board and are prepared on a consistent basis using accounting policies set out in the 2002 Annual Report.

UITF Abstract 34 Pre-contract bid costs was adopted for the first time in the March 2002 financial statements. The comparative figures for the six months to 30 September 2001 have been restated accordingly. The effect on profit after tax is shown in Note 7.

The balance sheet as at 31 March 2002 and the results for the year then ended have been abridged from the Group's 2002 statutory accounts which have been filed with the Registrar of Companies; the auditors' opinion on those accounts was unqualified and did not include a statement under Section 237 (2) of (3) of the Companies Act 1985. The interim statement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

**2 Segmental analysis**

| | **Continuing operations £m** | **Acquisitions £m** | **6 months to 30.09.02 £m** | 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|---|---|
| **A. Turnover** | | | | | |
| By class of business | | | | | |
| Transport | **143.6** | **–** | **143.6** | 104.8 | 224.1 |
| Government Services | **107.3** | **–** | **107.3** | 99.7 | 205.1 |
| Commercial Services | **60.2** | **–** | **60.2** | 60.2 | 119.5 |
| Industry | **45.5** | **–** | **45.5** | 35.8 | 80.2 |
| International | **83.2** | **9.4** | **92.6** | 84.8 | 177.4 |
| Total before Joint Ventures | **439.8** | **9.4** | **449.2** | 385.3 | 806.3 |
| Joint Ventures | **37.8** | **–** | **37.8** | 25.4 | 74.6 |
| United Kingdom | **13.9** | **–** | **13.9** | 11.6 | 22.3 |
| Overseas | **23.9** | **–** | **23.9** | 13.8 | 52.3 |
| | **477.6** | **9.4** | **487.0** | 410.7 | 880.9 |

ATKINS

## 2 Segmental analysis (continued)

| | **6 Months to 30.09.02 £m** | Restated* 6 Months to 30.09.01 £m | 12 Months to 31.03.02 £m |
|---|---|---|---|
| **B. Operating (loss)/profit** | | | |
| By class of business | | | |
| Operating (loss)/profit before amortisation of goodwill | **(10.3)** | 13.6 | 27.5 |
| Transport | **(2.3)** | 5.5 | 9.0 |
| Government Services | **(7.1)** | 0.6 | (0.9) |
| Commercial Services | **(0.5)** | 3.3 | 7.9 |
| Industry | **(2.4)** | 0.5 | 2.1 |
| International | **2.0** | 3.7 | 9.4 |
| Amortisation of goodwill | **5.3** | 4.5 | 9.4 |
| Transport | **–** | – | – |
| Government Services | **0.1** | – | 0.1 |
| Commercial Services | **2.6** | 2.6 | 5.3 |
| Industry | **0.1** | 0.1 | 0.1 |
| International | **2.5** | 1.8 | 3.9 |
| Operating (loss)/profit after amortisation of goodwill | **(15.6)** | 9.1 | 18.1 |
| Transport | **(2.3)** | 5.6 | 9.0 |
| Government Services | **(7.2)** | 0.5 | (1.0) |
| Commercial Services | **(3.1)** | 0.7 | 2.6 |
| Industry | **(2.5)** | 0.4 | 2.0 |
| International | **(0.5)** | 1.9 | 5.5 |
| Amortisation of pension surplus | **1.9** | 1.7 | 3.4 |
| | **(13.7)** | 10.8 | 21.5 |
| Contribution to Employee Benefit Trusts | **(2.3)** | (0.4) | (1.9) |
| Employee Benefit Trusts | **0.7** | (0.1) | 0.4 |
| Total before Joint Ventures and exceptional items | **(15.3)** | 10.3 | 20.0 |
| Joint Ventures | **9.1** | 7.4 | 14.5 |
| Exceptional items (Note 3) | **(5.4)** | – | (6.1) |
| Operating (loss)/profit | **(11.6)** | 17.7 | 28.4 |

| | **6 Months to 30.09.02 %** | Restated* 6 Months to 30.09.01 % | 12 Months to 31.03.02 % |
|---|---|---|---|
| **C. Operating margins**** | | | |
| By class of business | | | |
| Transport | **(1.6)** | 5.3 | 4.0 |
| Government Services | **(6.6)** | 0.6 | (0.4) |
| Commercial Services | **(0.8)** | 5.5 | 6.6 |
| Industry | **(5.3)** | 1.4 | 2.6 |
| International | **2.1** | 4.4 | 5.3 |
| **Total** | **(2.3)** | 3.5 | 3.4 |

*Restated following adoption of UITF 34 Pre-contract bid costs.

**Excluding amortisation of goodwill, amortisation of the pension surplus, Employee Benefit Trusts, share of Joint Ventures and exceptional items.

# Notes to the financial statements continued

## 3 Exceptional items

During the period, an impairment charge of £5.4m was made against the carrying value of goodwill in Atkins Benham Inc. In the year ended March 2002, a charge of £6.1m was made to cover redundancies and accelerated depreciation of fixed assets associated with the companies restructuring programme.

## 4 Joint Ventures

| | **6 months to 30.09.02 £m** | 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|
| **Income from interests in Joint Ventures** | | | |
| Turnover | **37.8** | 25.4 | 74.6 |
| Share of operating profit in Joint Ventures | **9.1** | 7.4 | 14.5 |
| Share of interest receivable by Joint Ventures | **1.0** | 0.1 | 0.6 |
| Share of interest payable by Joint Ventures | **(4.4)** | (3.0) | (7.5) |
| Profit on ordinary activities before taxation | **5.7** | 4.5 | 7.6 |
| Taxation on profit on ordinary activities | **(1.8)** | (1.2) | (2.1) |
| Profit on ordinary activities after taxation | **3.9** | 3.3 | 5.5 |
| **Share of net assets of Joint Ventures** | | | |
| Intangible assets – Goodwill | **0.6** | 0.6 | 0.6 |
| Tangible fixed assets | **112.5** | 76.4 | 104.0 |
| Current assets | **48.3** | 60.1 | 41.7 |
| | **161.4** | 137.1 | 146.3 |
| Liabilities due within one year | **(17.9)** | (16.5) | (21.9) |
| Liabilities due after one year | **(120.6)** | (104.6) | (107.0) |
| | **(138.5)** | (121.1) | (128.9) |
| | **22.9** | 16.0 | 17.4 |

## 5 Taxation on loss on ordinary activities

The interim period is regarded as an integral part of the annual period and all tax liabilities are disclosed as such.

The Group tax charge represents the Group's share of Joint Venture tax, overseas tax and an increase in the deferred tax asset.

| | **6 months to 30.09.02 £m** | Restated* 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|
| Group – current tax | **0.5** | 5.3 | 4.8 |
| Group – deferred tax movement | **(2.1)** | 0.5 | 2.2 |
| Joint Ventures | **1.8** | 1.3 | 2.1 |
| | **0.2** | 7.1 | 9.1 |

*Restated following adoption of UITF 34.

## 6 Earnings per share

Basic earnings per share are calculated in accordance with FRS 14 Earnings per share, by dividing (loss)/profit, after charging tax, of £(33.0)m (six months 2001: £7.5m full year 2001/2002: £11.8m) by the weighted average number of shares in issue during the period of 91,141,210 (six months 2001): 90,786,550, full year 2001/2002: 90,537,512), excluding 5,535,277 shares held by the Employee Benefit Trusts (EBT's) 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 92,562,140 (six months 2001: 92,323,818, full year 2001: 92,398,113). The options relate to the SAYE schemes which mature between October 2002 and September 2004, to the Equity Participation Plans and Long Term Incentive Plans, and to "incentive to sell" schemes for Benham employees.

The Adjusted earnings per share information has been calculated before the post-tax effect on amortisation of goodwill, pensions credit, Metronet bid costs, EBTs and exceptional costs. The Board believes that this additional measure provides a better indicator of the underlying trends in the business. In accordance with FRS 14, there is deemed to be no diluting effect of potential ordinary shares where there is a basic loss per ordinary share.

| | **6 months to 30.09.02** | 6 months* to 30.09.01 | 12 months to 31.03.02 |
|---|---|---|---|
| (Loss)/profit after taxation | **£(33.0)m** | £7.5m | £11.8m |
| Average shares ('000) | **91,141** | 90,787 | 90,537 |
| Fully diluted earnings per share | **(36.2)p** | 8.1p | 12.8p |
| Basic earnings per share | **(36.2)p** | 8.3p | 13.1p |
| Adjustments after accounting for tax – | | | |
| Amortisation of goodwill | **5.8p** | 5.0p | 10.4p |
| EBT – contributions | **1.9p** | 0.9p | 1.3p |
| EBT – amounts written off investments | **16.1p** | – | – |
| EBT – amortisation/other | **(0.8)p** | – | (0.7)p |
| Pension credit | **(2.7)p** | (2.4)p | (4.9)p |
| Metronet bid costs | **5.0p** | 1.1p | 5.5p |
| Exceptional costs | **5.9p** | – | 6.7p |
| Adjusted earnings per share | **(5.0)p** | 12.9p | 31.4p |
| Fully diluted adjusted earnings per share | **(5.0)p** | 12.6p | 30.7p |

*Restated following adoption of UITF 34.

## 7 Impact of change in accounting policies

As detailed in the financial statements for the year ended 31 March 2002, the Group changed its accounting policies in respect of pre-contract costs and bid cost recovery fee recognition under proposals outlined in Urgent Issues Task Force (UITF) Abstract 34 Pre-contract costs.

The impact on the results for the six months ended 30 September 2001 is as follows:

| | £m |
|---|---|
| Bid cost recovery fee recognition | (1.3) |
| Taxation (including deferred tax) | 0.4 |
| Increase in profit after tax | (0.9) |
| Effect on prior years | (1.8) |
| Cumulative effect on profit and loss reserves | (2.7) |
| Closing reserves as previously stated | 54.0 |
| Closing reserves as restated | 51.3 |

# Notes to the financial statements continued

**8 (a) Reconciliation of net cash flow to movement in funds**

| | **6 months to 30.9.02 £m** | 6 months to 30.9.01 £m | 12 months to 31.3.02 £m |
|---|---|---|---|
| Cash increase/(decrease) | **10.0** | (35.9) | (55.1) |
| Cash outflow from lease financing | **1.2** | 1.4 | 2.9 |
| Cash used to (decrease)/increase liquid resources | **(0.9)** | 2.2 | (7.8) |
| Cash (inflow) from short term loans (non-EBT) | **(74.3)** | (8.2) | (12.3) |
| Cash outflow from redemption of loan stock | **0.5** | 0.2 | 0.4 |
| Cash (outflow) from long term loans | **–** | (22.4) | (3.4) |
| Change in (net debt) resulting from cash flows | **(63.5)** | (62.7) | (75.3) |
| (Decrease) in funds from new finance leases taken out | **(1.8)** | (1.6) | (2.9) |
| Increase/(decrease) in current asset investment market value | **0.1** | – | (0.2) |
| Profit on sale of current asset investments | **–** | – | 0.1 |
| Translation difference | **1.8** | 0.6 | 0.1 |
| Movement in (net debt) in year | **(63.4)** | (63.7) | (78.2) |
| Net (debt)/funds at beginning of year | **(37.3)** | 40.9 | 40.9 |
| **Net debt at 30 September 2002** | **(100.7)** | (22.8) | (37.3) |

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

| | **6 months to 30.9.02 £m** | 6 months to 30.9.01 £m | 12 months to 31.3.02 £m |
|---|---|---|---|
| Operating (loss)/profit excluding share of Joint Ventures | **(20.7)** | 10.3 | 13.9 |
| Operations including amortisation of goodwill | **(19.1)** | 10.8 | 15.4 |
| Employee Benefit Trusts | **(1.6)** | (0.5) | (1.5) |
| Depreciation charges | **11.5** | 6.7 | 17.1 |
| Amortisation and impairment of goodwill | **10.7** | 5.8 | 9.4 |
| Amortisation of own shares | **1.8** | (1.1) | 1.8 |
| Loss/(profit) on disposal of tangible fixed assets | **–** | 0.2 | (0.3) |
| (Profit) on disposal of current asset investments | **–** | (0.7) | (0.1) |
| (Profit) on disposal of current asset non-liquid investments | **(0.1)** | – | (0.7) |
| Decrease/(increase) in stocks | **0.5** | – | (0.6) |
| (Increase) in debtors | **(24.7)** | (26.3) | (42.2) |
| (Decrease)/increase in other creditors due within one year | **(6.3)** | 12.3 | 35.0 |
| Increase in other creditors due after one year | **–** | 1.2 | 1.2 |
| (Decrease) in pension fund provision | **(3.2)** | (2.9) | (5.2) |
| Exchange rate effect on current assets | **–** | (0.1) | – |
| | **(30.5)** | 5.4 | 29.3 |
| Operations | **(30.0)** | 4.7 | 29.6 |
| Employee Benefit Trusts | **(0.5)** | 0.7 | (0.3) |
| (Decrease) in amounts due to contractors | **(14.5)** | (24.9) | (9.0) |
| Net cash (outflow)/inflow from operating activities | **(45.0)** | (19.5) | 20.3 |

## 8 (c) Analysis of net funds

| | At 31.03.02 £m | Cash flow £m | Other non-cash changes £m | Exchange movement £m | At 30.09.02 £m | At 30.09.01 £m |
|---|---|---|---|---|---|---|
| Cash at bank and in hand | 6.3 | 14.3 | – | (0.5) | **20.1** | 30.7 |
| Bank overdrafts | (14.6) | 10.9 | – | – | **(3.7)** | (8.6) |
| Current asset liquid investments | 8.1 | (0.9) | 0.1 | – | **7.3** | 18.2 |
| **Debt due within one year** | | | | | | |
| Loan notes | (1.7) | 0.5 | – | – | **(1.2)** | (1.9) |
| Short term loans | (14.9) | (74.3) | (32.1) | – | **(121.3)** | (10.9) |
| Finance leases | (2.2) | 1.2 | (0.6) | – | **(1.6)** | (2.0) |
| **Debt due after one year** | | | | | | |
| Long term loans | (34.4) | – | 32.1 | 2.3 | **–** | (52.8) |
| Finance leases | (3.8) | – | (1.2) | – | **(5.0)** | (4.3) |
| **Total** | (57.2) | (48.3) | (1.7) | 1.8 | **(105.4)** | (31.6) |
| Cash held on behalf of contractors | 16.5 | (14.5) | – | – | **2.0** | 0.5 |
| EBT – cash | 3.0 | (0.7) | – | – | **2.3** | 7.9 |
| EBT – certificate of tax deposit | 0.4 | – | – | – | **0.4** | 0.4 |
| | (37.3) | (63.5) | (1.7) | 1.8 | **(100.7)** | (22.8) |
| **Bank balances and cashflows as shown on the balance sheet and cashflow:** | | | | | | |
| Cash at bank and in hand | 6.3 | 14.3 | – | (0.5) | **20.1** | 30.7 |
| Cash held on behalf of contractors | 16.5 | (14.5) | – | – | **2.0** | 0.5 |
| Employee Benefit Trusts | 3.0 | (0.7) | – | – | **2.3** | 7.8 |
| Cash as shown on balance sheet | 25.8 | (0.9) | – | (0.5) | **24.4** | 39.0 |
| Overdrafts | (14.6) | 10.9 | – | – | **(3.7)** | (8.6) |
| Net cash and cashflow | 11.2 | 10.0 | – | (0.5) | **20.7** | 30.4 |

## 9 Acquisitions

In June 2002 the Group acquired 100% of the share capital of Hanscomb International Corp. an Atlanta based project and programme management consultancy. The total consideration was £22.0m of which £6.8m was paid in cash, £2.4m by the purchase of shares for future transfer and £12.8m by the issue of 3,039,617 shares at £4.225 per share. After provisional fair value adjustments, goodwill arising on this transaction was £21.4m, which is being amortised over ten years.

Hanscomb employs 370 staff and its businesses are based in the United States, United Kingdom and Europe.

In addition, £0.3m deferred consideration was paid in the period in respect of prior year acquisitions.

A fair value table will be disclosed in the Annual Report for this acquisition.

# Notes to the financial statements continued

**10 Employee Benefit Trusts**

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

| | **6 months to 30.09.02 £m** | 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|
| **Operating (loss)*** | **(1.3)** | (0.3) | (1.5) |
| (Loss) on sale of fixed asset investments | **(0.3)** | (0.2) | – |
| Interest receivable and similar income | **–** | 0.1 | 0.2 |
| Amounts written off investments | **(16.4)** | – | – |
| **(Loss) on ordinary activities before taxation** | **(18.0)** | (0.4) | (1.3) |
| Taxation on (loss) on ordinary activities | **–** | – | – |
| **(Loss) on ordinary activities after taxation** | **(18.0)** | (0.4) | (1.3) |
| Capital grant | **2.3** | 0.4 | 1.9 |
| Impact of group loan write off | **11.3** | – | – |
| **Retained (loss)/profit for the period** | **(4.4)** | – | 0.6 |

*Operating loss is stated after the utilisation of £Nil of deferred consideration creditor in respect of amortisation of shares purchased for the future satisfaction of the Benham deferred consideration arrangements. (Six months ended September 2001: £0.6m, full year March 2002: £0.8m).

The carrying value of the shares was reviewed in the light of the recent developments and the consequent impact on the Company's share price. The Directors have concluded that it is appropriate to write down the carrying value of the shares to the market price at 30 September 2002 of £1.89. This has resulted in an impairment charge of £16.4m.

**11 Pensions**

The Group operates both defined benefit and defined contribution schemes.

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

| | **6 months to 30.09.02 £m** | 6 months to 30.09.01 £m | 12 months to 31.03.02 £m |
|---|---|---|---|
| Regular pension cost | **11.0** | 10.7 | 21.5 |
| Less employees contribution | **(3.5)** | (3.5) | (6.9) |
| | **7.5** | 7.2 | 14.6 |
| Main Staff Scheme | **6.0** | 6.0 | 12.0 |
| Railways Scheme | **1.3** | 1.0 | 2.2 |
| Others | **0.2** | 0.2 | 0.4 |
| Amortisation of surplus | **(1.9)** | (1.7) | (3.4) |
| Main Staff Scheme | **(0.8)** | (0.7) | (1.4) |
| Railways Scheme | **(1.1)** | (1.0) | (2.0) |
| Net pension cost of Defined Benefits Schemes | **5.6** | 5.5 | 11.2 |
| Cost of Defined Contribution Schemes | **3.3** | 1.3 | 5.4 |
| Unfunded Director's promise | **–** | – | 0.025 |
| Total pension cost | **8.9** | 6.8 | 16.6 |

The last actuarial valuation of the defined benefits section of the Main Staff Scheme for SSAP 24 purposes was at 1 April 2001 and the latest actuarial valuation of the Railways Scheme was 1 January 2002.

As noted in the 2002 accounts, the Board has decided to defer full implementation of FRS 17 Retirement Benefits following the UK Accounting Standards Board proposal to extend the transitional regime for FRS 17. At 31 March 2002 using FRS 17 assumptions there was a net deficit of £4.8m after tax, in relation to the UK defined benefit schemes (Main Staff Scheme and Railways Scheme). Although there is no requirement to undertake a full actuarial valuation of these schemes at 30 September 2002 it is estimated that the deficit has increased to £110m after tax.

**11 Pensions (continued)**

The pension charge for the six months to 30 September 2002 for the Main Staff Scheme and the Railways Scheme under FRS 17 would be as follows:

| | Main Staff Scheme £m | Railways Scheme £m | Total £m |
|---|---|---|---|
| Current service cost | **7.5** | **1.5** | **9.0** |
| Expected return on pension scheme assets | **(13.6)** | **(3.9)** | **(17.5)** |
| Interest on pension scheme liabilities | **11.9** | **2.9** | **14.8** |
| Total | **5.8** | **0.5** | **6.3** |

# Investors' information

The Interim Report is being sent to all shareholders. Copies are available from the Company Secretary, WS Atkins plc, Woodcote Grove, Ashley Road, Epsom, Surrey KT18 5BW. The Company's registered number is 1885586.

*Registrar*
Administrative enquiries about the holding of WS Atkins plc shares should be directed in the first instance to The Registrar whose address is Registration Department, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ, Telephone: 0870 1623 100, website: www.capita-irg.com.

*Share dealing service*
A postal dealing service is offered by: WS Atkins plc Share Dealing Service, Cazenove, 12 Tokenhouse Yard, London EC2R 7AN, Telephone: 020 7606 1768, website: www.cazenove.com.

*WS Atkins Corporate Individual Savings Account ("ISA")*
Details can be obtained from Carr Sheppards Crosthwaite ISA Administration, Clock House, Dogflud Way, Farnham, Surrey GU9 7UL, Telephone: 01252 712049, website: www.carr-sheppards.co.uk.

*Amalgamation of accounts*
Shareholders who receive duplicate sets of Company mailings owing to multiple accounts in their name should write to the Registrar to have their accounts amalgamated.

**Design** Merchant with Langsford Corporate Design
**Print** Royle Corporate Print

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