Integrated solutions for tomorrow's world

WS Atkins plc Interim results for the six months ended 30 September 2001

WS Atkins

WS Atkins' vision is to be the world's first choice supplier of technical services and integrated solutions.

WS Atkins plc is one of the world's leading providers of professional, technologically-based consultancy and support services. In recent years, it has expanded from its historical base in traditional engineering, management consultancy and property services into related technological consultancy, provision of outsourced facilities and the management of turnkey, often complex operations. Through the deployment of its new strategy "Realising our Potential" the Company has focused on its customers and enhanced its generic competencies to provide total solutions to this new business faced orientation.

Atkins provides services for a wide range of public sector organisations and blue chip private sector companies.

Atkins' operations are based in some 125 offices throughout the UK, and a further 48 offices providing consultancy services in Continental Europe, the Middle East, Asia Pacific and the Americas.

Chairman's statement

The results for the six months ended 30 September 2001 show further growth in both turnover and profit, excluding Amortisation of Goodwill and Employee Benefit Trusts. Turnover grew by 23% to £386.5m (2000: £314.4m), adjusted profit before tax rose by 12% to £20.8m (2000: £18.5m) and adjusted earnings per share increased by 6% to 14.4p (2000: 13.6p).

The Group's order in-take and overall results in the period have been satisfactory, especially when viewed against a background of more challenging conditions in the Group's private sector markets. In addition, we have taken the opportunity to restructure and to make considerable investment to improve the Group's competitive position and ensure we are able to respond positively to future opportunities.

Our operations and performance are reviewed in detail in the Operating Review and in the Financial Review.

Interim Dividend
The Board has declared an interim dividend of 3.78p (2000: 3.60p) per share, an increase of 5%. This will be paid on 31 January 2002 to those shareholders on the register on 7 December 2001.

Shareholders' Interests
We received an encouraging and generally very positive response to our fourth shareholder survey, which was included with the 2001 Annual Report.

The Board continues to give a high priority to communications with shareholders. The presentation of the interim results to analysts and institutional shareholders will in future also be available on the Group's website: www.wsatkins.com.

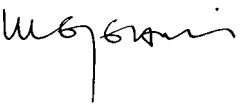
Shareholders will be pleased to hear that 4,580 (2000: 4,255) staff participated in the 2001 UK Sharesave Scheme ('SAYE'), which was once again heavily over-subscribed. The second International Sharesave Scheme was also successful, with over 900 staff participating in the Middle East, the Far East, the United States, Denmark and the Irish Republic. The response to both Schemes indicates the continuing strong confidence of those who work for the Group.

Strategic Progress and Prospects
As I have reported before, customers in both the private and the public sectors continue to increase their demand for integrated solutions founded on strong technology and the effective management of change. This plays to the Atkins' core strengths, which underpin the "Realising our Potential" strategy announced in July. It also supports the investment expenditure the Group is making, both in marketing and new systems, with the Shared Service Facility in Worcester on target to commence operations in January 2002.

The Group's financial structure and approach remain prudent, including in the valuation of contracts. We continue to fully expense all bidding costs until appointed single preferred bidder and confident of reaching Financial Close.

The UK Government's "Instruction to Deliver" improved public services provides the Group with significant opportunities over the medium term, especially in Education, Health and Transport. The UK Government's decision to place Railtrack into Administration has served to draw attention to the continuing need for investment in the rail network where we believe 75% of the planned expenditure over the next several years is necessary and unavoidable. The Group remains the market leader in the provision of high-level design and support services in the rail sector with a unique range of skills. We remain optimistic about the medium term opportunities for our rail business and for the Group's involvement in the Metronet bid for the London Underground Public Private Partnership, in which we have a 20% shareholding.

The Group has a strong management team led by Robin Southwell, and the support of an experienced board and committed staff. Change, and more challenging times, in the world markets also bring opportunities, which the Group has a strong track record of identifying and exploiting. I remain confident that the Group will continue to innovate and deliver sustainable growth.



Michael Jeffries
Chairman
29 November 2001

Chief Executive's statement

The robustness of our results for this first half should be viewed in the context of the prevailing trading environment and are a sound testament to the quality of our people and their work. Further information is contained in the Operating Review and the Financial Review.

There are three factors which I wish to highlight to assist your evaluation of our performance:

Firstly, the beneficial qualities of a broad based portfolio of customer focused businesses providing effective routes to market for our range of professional skills and competencies without substantial reliance on any one or more sector or customer.

Secondly, during periods of increased uncertainty and change WS Atkins continues to adhere to its prudent accounting policies, including:

- Bid costs fully expensed as and when they occur, save where we are appointed single preferred bidder and where such costs may be foreseen, with reasonable certainty, as being recoverable at Financial Close;
- Conservative profit recognition policies, with immediate recognition of forecast losses;
- Strict policies on debtor management and full provisioning.

Thirdly, our speedy communication and initial implementation of the "Realising our Potential" strategy, under which WS Atkins seeks to achieve its vision of becoming the Global Integrated Solutions provider of choice.

Already we see early and encouraging signs of the success of this initiative which we intend to optimise and periodically update you on in the future.

Whatever the trading environment, companies with clear purpose and great people will prevail and I endorse the Chairman's confidence in the Group's future.

Robin Southwell
Chief Executive
29 November 2001

Operating review

Introduction – Strategy and Business Description
The first six months of this financial year have been a period of considerable change for WS Atkins and one in which our ability to prosper in challenging times has again been evident. Significant wins include contracts for Roads in Northamptonshire and Bradford of up to eight and five years duration respectively. Also, contract wins have been achieved in the Telecommunications business with a five-year outsourcing contract for Cable and Wireless.

We announced in July 2001 the "Realising our Potential" strategy to achieve clear, customer focused businesses in 15 key market sectors. Whilst it is early days, we are confident that the new strategy will enable us to build on our existing strong presence and accelerate our penetration in important growth markets both in the UK and overseas.

For shareholder reporting purposes, the Group is organised into four segments:

Transport

Businesses	Road Rail
Description	These businesses offer a range of services from Transport Planning and Infrastructure Maintenance and Design to Construction Management.
Operating Profit[2]	£5.6m
Turnover[1]	£104.8m

Government Services

Businesses	Education Healthcare Defence Business Services
Description	These businesses are increasingly providing support to major central and local government departments through Managed Services, PFIs (Private Finance Initiatives) and PPPs (Public Private Partnerships), areas in which WS Atkins is already a market leader.
Operating Profit[2]	£1.8m
Turnover[1]	£100.9m

Commercial and Industrial

Businesses	Lambert Smith Hampton "LSH" Atkins Faithful & Gould Aviation and Airports Nuclear Power Process Telecommunications Water
Description	LSH and Atkins F&G provide specialist property and cost management services across a range of sectors. The Industry businesses provide specialist capabilities in design, asset management and business processes to provide strategic and operational support to clients.
Operating Profit[2]	£3.8m
Turnover[1]	£96.0m

International

Businesses	North America Europe Middle East Asia Pacific
Description	These businesses provide local support for a range of WS Atkins' services appropriate for each geographic market.
Operating Profit[2]	£3.7m
Turnover[1]	£84.8m

(1) Excluding Share of Joint Ventures.
(2) Excluding Share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

Within each segment the market-facing businesses are supported by centres of excellence, including those for information and management services and the execution of Public Private Partnerships, where we have significantly strengthened the Group's capabilities in these important areas.

Operational Performance
Our broad and balanced portfolio enabled the delivery of a further period of strong overall performance.

	2001 £m	2000 £m	Increase/ (Decrease) %
Turnover[1]	**386.5**	314.4	23%
Operating Profit[2]	**14.9**	14.4	3%
Operating Margin %[2]	**3.8%**	4.6%	(0.8)%
Joint Ventures (net)	**4.4**	0.9	389%
Profit from operations	**19.3**	15.3	26%
Pension Credit	**1.7**	3.3	(48)%
Net Interest (Payable)[1]	**(0.2)**	(0.1)	(100)%
Profit Before Tax[3]	**20.8**	18.5	12%
Earnings Per Share[3]	**14.4p**	13.6p	6%

Notes:
(1) Excluding Share of Joint Ventures and Employee Benefit Trusts.
(2) Excluding Share of Joint Ventures, Amortisation of Goodwill, Pension Credit and Employee Benefit Trusts.
(3) Excluding Amortisation of Goodwill and Employee Benefit Trusts.

Further information on the Group's overall financial performance is given in the Financial Review.

The report of activities and prospects in each of our markets is reviewed below, together with updates on three key areas: Technology & Business Processes; Health, Safety and the Environment; and People and Performance.

Transport

	2001 £m	2000 £m	Increase/ (Decrease) %
Turnover	**104.8**	89.0	18%
Operating Profit*	**5.6**	5.3	6%
Operating Margin*	**5.3%**	6.0%	(0.7)%

* Excluding share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

Introduction – Turnover is split approximately 60:40 between Road and Rail. The business continued to report strong performance, benefiting from increasing levels of investment in UK transport.

Our **Road** business provides integrated services for a range of public and private sector clients in both the roads and general transportation sectors.

With turnover up by 6%, supported by increased expenditure in UK transport infrastructure, we have maintained our market leadership in key segments. In the highways maintenance sector we have increased our market share in both the Highways Agency and Local Authority markets:

- Commenced the Managing Agent contract with the Highways Agency – Area 6, covering all of the 550 kilometres of trunk roads in East Anglia, giving the Group a total of 6 of the 24 contracts in England.
- The Area 2 contract has been extended by two years to April 2005 and Area 4 until May 2003.
- Preparing to bid (as a 50% partner with the current term maintenance contractor in the region) for the first "MAC" contract, combining the role of Managing Agent and Term Maintenance Contractor in the Midlands.

In the local authority market, we started the year very positively with the award of:

- A five-year term maintenance contract for Bradford Metropolitan District Council, and;
- A five-year (extendable to eight years) partnering contract with Northamptonshire County Council to provide integrated highways management and maintenance services.

Looking to the future, we have secured a position on 4 out of 5 national, regional framework contracts established by the Highways Agency to help deliver the objectives of the Government's Ten-Year Plan. These include areas where WS Atkins has a significant expertise such as the design of improvement schemes and the provision of technology services related to communication systems across the trunk road and motorway networks. We have already received a number of commissions under these framework contracts. We have also started a contract in a consortium for the Department of Transport, Local Government and the Regions ("DTLR") to undertake trials in Leeds for a road user charging scheme.

Our Transport Planning business operates across all forms of transport. Jointly with our Rail business, we have been awarded the study for the Strategic Rail Authority to introduce a new High Speed Rail line between the North and South of England. The study will determine the need for a new high speed line between London and the North to meet projected increases in demand after 2010, when it is expected that the capacities on the West Coast and East Coast Main Lines will reach their limit. We have also won another major multimodal transport study for DTLR, this time examining the corridor between London and Reading.

Our involvement in road Private Finance Initiative opportunities continues as Connect (with our partner Balfour Beatty) in England and as ErinRoute (with Balfour Beatty, Carillion and Egis) in Ireland. Steady progress continues on our existing contracts, and we are bidding for a number of further opportunities.

Rail
During the past six months WS Atkins Rail has continued to prosper in the established heavy rail market both in the UK and abroad, and in developing metro and light rail markets. Turnover rose by 38%.

The current confusion in the UK rail industry, following Railtrack being placed into Administration, has not materially impacted on our operations to date. Whilst we remain very watchful of short-term issues (particularly over the timing of major enhancement contract awards over the coming 12 months), we remain optimistic about the longer-term. The overall condition of rail assets and public transport needs in the UK make continued heavy investment in this sector essential. The Group has a unique range of skills and remains confident that the opportunities outweigh the risks over the longer-term.

Our success in modernising sections of the West Coast Main Line ("WCML") continues, with an £11million early works contract awarded in October 2001 in partnership with Carillion for the line between Rugby and Coventry. This contract follows the award of a £3million development contract in March 2001, in which WS Atkins Rail provides the signalling and telecommunication scope of works and outline design for the Rugby to Coventry stretch of the WCML.

The Metronet consortium, in which the Group is a 20% shareholder, has been selected as the preferred bidder for the Sub-Surface Lines (Circle, District and Metropolitan) and the Bakerloo, Central and Victoria Lines concessions of the London Underground PPP project. This represents a major opportunity for the Group to participate in the modernisation of the Underground over the next 30 years, and negotiations continue with London Underground in a constructive atmosphere. We currently anticipate financial close for both concessions around the end of the financial year.

Outside the UK, in July 2001 we completed our acquisition of ScanRail, the transport and engineering consultancy division of Danish National Railways. The business, now trading as Atkins Danmark, is already expanding and is a valuable addition to our Rail business.

Further afield, we are responding imaginatively to the UK's shortage of skilled railway design engineers by establishing a design office employing highly qualified and experienced railway design engineers at the Group's premises in the People's Republic of China, to develop work for the UK. This builds on the success of a similar initiative at Sharjah in our United Arab Emirates offices.

Government Services

	2001 £m	2000 £m	Increase/ (Decrease) %
Turnover	**100.9**	74.2	36%
Operating Profit*	**1.8**	1.7	6%
Operating Margin*	**1.8%**	2.4%	(0.6)%

* Excluding share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

We are continuing to see strong growth, as the role of the private sector in delivering public services expands. This growth arises both from the development of the Public Private Partnership ("PPP") market, in which WS Atkins is already a leader, and also from the expansion of the Managed Services market in health, education and local authority services.

In Education, NewSchools, our joint venture with Innisfree, has continued to perform strongly and is now managing four PFI contracts for Ceredigion, London Borough of Waltham Forest, Cornwall and Kent schools, for over 13,000 pupils. We were appointed single preferred bidder in September 2001 by the London Borough of Merton to provide services to a further 7,000 pupils. We reached financial close on the Swanscombe project for Kent County Council and completed the Lammas School in the London Borough of Waltham Forest.

Our **Education** services partnership contract with the London Borough of Southwark Council began in April 2001, and is progressing well. This involves over 300 WS Atkins' staff delivering education services to 35,000 pupils in over 100 schools.

In **Healthcare**, the Wythenshawe Hospital was successfully fully commissioned and occupied; in addition, the first stage handover on the Hereford Hospital project was completed to programme.

Our **Defence** Facilities Management business continues to perform satisfactorily, with prospects for expanding through bidding for the regional prime-contracting opportunities, which will mainly be tendered in the coming years. The Colchester Garrison project continues with the main parameters of the project agreed with the Ministry of Defence; financial close is currently expected in Spring 2002. A limited refinancing and restructuring of our Bridgend Prison joint venture was carried out.

The **Business Services** market offers promising future opportunities. Local Authorities, through the "Best Value" process highlighting under-performing services, are increasingly looking to work with the private sector to deliver improvement. In just three years WS Atkins has become recognised as a strong process service provider for the public sector. Our existing managed service commissions in Information Technology, Payroll, Revenues & Benefits, and Property provide a platform from which to grow in the wider market.

There are significant opportunities for WS Atkins to work in partnership with Local Authorities to refresh IT systems and to realise efficiencies from providing back office systems and procedures, driven by the e-government agenda.

The last 12 months have seen a change in the market, with less single service opportunities and an increase in large multiservice partnerships. This trend is likely to continue and to include multiauthority partnerships, for which WS Atkins is well positioned.

Government Services and our other market-facing businesses are supported by a Business Delivery organisation which leverages core capability in management, finance, IT, business systems and specialist engineering & technology across the Group. Business Delivery also provides services directly to clients, as reported below.

In **Facilities Management** ("FM"), we have a strong presence in the FM market, particularly in the Financial Services and Retail segments for clients such as Royal Bank of Scotland, Barclays, Marks & Spencer, Boots the Chemist, Littlewoods, BP and Texaco. We now manage contracts on behalf of clients with an annual value in excess of £600m, giving our clients significant supply chain advantage.

In addition, our 38.25% WS Atkins owned joint venture with Rebserve for South Africa Telkom continues to operate satisfactorily and we are considering business development opportunities.

Management Consultancy has secured contracts for regulatory bodies: Postcomm, Ofwat, and the Radio Communications Agency. We have also been engaged in the areas of business planning and strategy for Ispat, the Indian steel group, in performance improvement for GlaxoSmithKline, and work for Trinity Mirror, on a major strategic UK wide programme for the replacement and modification of printing facilities.

Our **Information Technology** business has completed implementation of a new website for the UK's Environment Agency and further development is under way, including real time flood alert information.

Our **Major Projects** business has resecured the Level 3 pan-European fibre optic network maintenance contract through to November 2002. We continue working on the Swiss Cottage Regeneration scheme and have recently won a contract with Technicolor for a new factory overseas. We are continuing to expand our ongoing pan-European partnership with Shell Retail, including a potential expansion of these works into the environmental field.

The acquisition of Boward Computer Services in July (a specialist systems integration consultancy) has strengthened our **Systems Engineering** business. Our defence systems and equipment services continue to expand. Delivery of the major study for the NATO Submarine Rescue System has been successfully achieved and we are now positioning ourselves for a major role in the design, build and service provision of this international collaborative programme. In the oil and gas market, our expertise in offshore structural integrity should see good progress, despite the current oil price environment, as it enables clients to minimise operating costs.

Land, Environment & Ground Engineering supports a number of the Group's market facing businesses through the provision of leading edge science and technology across a range of disciplines. An example is the major contribution to the Metronet bids in terms of expertise in earth structures, retaining walls and tunnels.

Property Design is another central resource which aids the client-facing businesses. We have received a number of important design commissions. These include a number of Healthcare projects in Ireland and Scotland, the most recent being the Psychiatric Unit at the Royal Edinburgh Hospital. Internationally, we have won a high profile design competition for a 350 bed hotel complex in Tunis, and developed the concept design for a 30 storey residential and office development in Dallas, USA.

Commercial & Industrial

	2001 £m	2000 £m	Increase/ (Decrease) %
Turnover	**96.0**	85.5	12%
Operating Profit*	**3.8**	5.3	(28)%
Operating Margin*	**4.0%**	6.2%	(2.2)%

* Excluding share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

Introduction – Commercial and Industrial comprises Lambert Smith Hampton for commercial surveying; Atkins Faithful & Gould for cost management; and our Industry group. Turnover is split approximately 33% Lambert Smith Hampton, 30% Atkins Faithful & Gould and 37% Industry.

Lambert Smith Hampton's ("LSH") turnover is approximately 60% consultancy and 40% from agency business. Some 75% of turnover is from the private sector and 25% from the public and regulated sector. LSH provides national coverage through 29 regional offices.

LSH continues to seek longer-term partnership contracts; 30% of consultancy related turnover comes from such longer-term contracts. The three-year contract with Lunn Poly commenced in July 2001. Other contract wins include a three year contract for Southampton City Council's property portfolio; a panel appointment to advise English Partnerships on its national portfolio for the period October 2001 to March 2004; and a new contract from the Driving Standards Agency, to manage its 100 property estate in the Midlands and Eastern Area.

LSH has benefited from strong demand for services in connection with the train operating companies' refranchising programme and has also won a three year contract from the Strategic Rail Authority, to provide full estate management services, including disposals, to its 620 remaining sites across the UK.

The BBC has re-appointed LSH to manage its estate of 500 properties nationwide, for three years, with an option to extend for a further two years. The contract covers all aspects of estate management, from professional work, property management and development to acquisitions and disposals.

In January 2001 LSH created the Global Property Alliance ("GPA"), which has begun to bear fruit. The American GPA member, Julien J Studley, has recently provided a number of opportunities, including the instruction from Gateway Computers to sell the largest industrial facility to come to the market in Ireland this year.

The short-term outlook for the consultancy market remains firm as clients review their requirements and re-organise their occupational portfolios. LSH is partly cushioned from the full effects of the slowdown in transactional activity in the London and Home Counties market – which represents some 25% of turnover – by its strong position in regional markets, which have yet to be impacted to the same extent.

Atkins Faithful & Gould ("Atkins F&G") provides cost management expertise in commercial, cost and project consultancy across a wide spectrum of sectors, which will continue to drive performance and offer a wide range of opportunities. Independent services are provided directly to clients and, where appropriate, jointly with the market-facing businesses.

In Industry, investment in Pharmaceuticals remains buoyant and opportunities continue in the UK, Europe, North America and the Far East. Our work continues with GlaxoSmithKline and our framework agreement with AstraZeneca has been extended for another two and a half years to cover £250million investments in the North West of England. We continue to be the major provider of Project Services support to Merck, GlaxoSmithKline and Schering-Plough on projects in Singapore.

In Transport, Atkins F&G is currently the largest supplier of independent commercial services in the UK rail industry; it is also seeking new opportunities in the areas of light rail and public transit systems, and working jointly with the Road business.

In Property, both the commercial office and residential markets are experiencing a slowdown. In the UK property sector, we continue work with HBOS to provide strategic asset management support to Barclays Bank (under a three year commission), and one-stop support to Derbyshire County Council in connection with asset management of a schools improvement programme. Various joint initiatives with LSH are underway on urban regeneration, commercial property and in the High Street sector.

Overall, the Atkins F&G business continues to expand organically and is selectively targeting acquisitions, which will enhance geographic presence or specialist capability in line with the objective of reinforcing its global position and added value consultancy service capability.

Industry

Introduction – Good progress has been made in structuring our activities within six market-facing businesses. Each is targeted for significant growth and will have the capability to support clients strategically, particularly in relation to capital expenditure; in designing and delivering infrastructure, and in operating assets and business processes. Progress for each of these businesses is summarised below:

Our **Telecommunications** business continues to expand and strengthen. At a time when expenditure in the sector is constrained, and with severe pressure on both new entrants and the more established players in the market, our strategy for growth as a technical service provider is holding up well. As a result we continue to develop a leading client base including: Orange, Vodafone, Easynet, Cable and Wireless, BT, NTL and Hutchison 3G.

The highlight of the year to date has been the award by Cable & Wireless ("C&W") of the five-year, £130million contract for outsourced network maintenance management. WS Atkins was chosen to provide a turnkey solution for the C&W field operations division in the UK, with a team of some 200 field operations staff transferred to WS Atkins. We are responsible for network build, customer connections, plant enquiries, diversionary works and fault repair on the C&W UK network. As the telecommunications industry shows an increased trend to outsourcing, we are well positioned to benefit.

We are growing strongly in the **Nuclear** sector and have made further progress in and beyond our historically strong areas of technical and safety services.

The decommissioning market is growing and we have benefited with design commissions and the development of long term environmental care and structural maintenance systems for BNFL, UKAEA and AWE.

In **Aviation and Airports**, significant successes include a major study, for the Civil Aviation Authority; two commissions at London City Airport, utilising our heavy civil engineering and pavement design skills; and providing management, design and commissioning skills to Manchester Airport for extensions to their baggage handling systems.

Our **Water** business continues to provide services to our key customers in the UK, via both frameworks agreements and tendered commissions. With the addition during the period of Thames Water and Severn Trent Water, we have now secured three or five year frameworks agreements with seven of the ten major water and sewerage companies of England & Wales.

We also have a strong position in Scotland with frameworks for network engineering services with West of Scotland Water, and North of Scotland Water.

For the Environment Agency, we have two national frameworks, one for modelling and mapping flood risk zones, and one for providing engineering and environmental services for flood defence and related schemes, confirming our leading position in this market.

Power supports its industrial and commercial sector clients. We have launched a Managed Energy Service enabling clients to benefit from effective energy procurement control and management as well as innovative project finance and asset operation. We are currently delivering energy service contracts for Sonoco Board Mills and Fribo Foods, involving the development and operation of tailored Combined Heat and Power Plant.

Our services to the Power sector continue to grow. Our joint venture with Hawker Siddeley, which delivers complete High Voltage installations for distribution and transmission companies, is gaining market share.

In **Process**, continuing progress has been made in developing our trading relationships with key clients. In Oil & Gas, increasing development activity in the UK sector has allowed us to support new projects for clients including BP and Shell.

An increasing proportion of our Oil & Gas work is international. Our Houston office continues to be extremely busy and from the UK we are currently supporting project work in locations such as Brazil, Vietnam, Kazakhstan and Nigeria.

International

	2001	2000	Increased/
	£m	£m	(Decreased) %
Turnover	**84.8**	65.7	29%
Operating Profit*	**3.7**	2.1	76%
Operating Margin*	**4.4%**	3.1%	1.3%

* Excluding share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

Based on the acquisition made in January 2000, our North America business has 18 offices in 14 States, with 960 staff. Current workload is approximately 50% in the private sector and 50% in the public sector. The business has been reorganised to better address key markets and programmes launched to improve cross-selling. Early results included the design of a $20million plastic film manufacturing plant for Exxon Mobil, and the award of a $19.7million, design-build laboratory project for the United States Air Force.

Success in transferring technology and best practice between the UK and the US has enabled Atkins Benham to provide: co-ordinated environmental services to Halliburton, both in the US and in the UK; the concept design of an $80million float glass plant for Pilkington Glass (a WS Atkins' client); and the successful transfer of the performance contracting experience of WS Atkins to win the engineering, procurement, construction, financing and operations of a $9.4million Heating, Ventilating, Air Conditioning (HVAC) upgrade, to the Ford Michigan Truck Plant in Detroit.

Market conditions in the US are mixed. Whilst public sector work is steadily increasing the private sector is hesitant, with many businesses taking a cautious approach to future investments. In response to this we reduced our staffing levels in October by approximately 5% and are targeting our efforts on sectors resilient in current conditions.

In mainland **Europe**, the acquisition of ScanRail in Denmark, continued organic growth (especially in Ireland and Poland) and our firmly established structure for undertaking pan-European contracts has put us in a strong position. We now have trading operations in over 20 European countries with over 800 staff.

In Greece, work has expanded to support the preparations for hosting the Olympic Games in 2004 and includes consultancy for the new Athens Tram, and advice on meeting the water and sewerage needs.

In Poland, we continue to develop our position in roads and to work with Tesco on their expansion programme.

Our business in the **Middle East** continues to expand, with turnover up 34%. We have secured the design for a 62 kilometre highway in Oman and a contract for the management of road maintenance. In Dubai, the commission for the cut-flower cargo handling facility at Dubai Airport has been won. Following our successful involvement in the Dubai Internet City, we are part of the winning consortium for the design of the Cairo Internet City.

In **Asia Pacific**, Hong Kong has shown further improvement in spite of the continuing difficult economic climate. Our rail sector expertise has secured further commissions from both the Kowloon Canton Railway Corporation and the Mass Transit Railway Corporation, with the potential for significant new projects during the next financial year.

In mainland China, we have expanded the offices in Shenzen and Beijing. A representative office in Shanghai has also been opened. Our major project for the Beijing Athletes' Village was successfully completed for the student games in the summer. This, and our work in Athens, puts us in a strong position to benefit from the 2008 Beijing Olympic Games. With the announcement in November 2001 of China's membership of the World Trade Organisation, opportunities are expected to significantly increase in the medium term.

Technology & Business Processes
The new Group Information Services organisation, which was created in April 2001, has focused on consolidating Information Technology resources and designing a distributed computing platform that will support the Group's businesses and deliver improved performance. The major task of replacement and enhancement for the Group's entire IT infrastructure is making good progress in achieving the first milestone of around 9,000 UK users by the start of calendar year 2002. Completion is planned for mid-2002.

The first wave of **NOVA**, our three-year programme to improve back office systems, goes live in January 2002.

In Spring 2002, we will begin to implement Wave 2, which involves the roll-out to our offices around the world and the introduction of a new e-procurement process to deliver significant sourcing efficiencies.

Our new **Shared Services Facility** ("SSF") in Worcester, which will allow us to deliver a wide range of back office processes and provide high quality internal customer service, becomes operational in January 2002. It will initially deliver Finance and the first tranche of the Human Resources services to the UK businesses.

In **Supply Chain Management**, we have started to make positive contributions following the formation of a Group sourcing initiative. A portfolio of principal supplier partners for all major categories of expenditure will be complete by the end of the current calendar year.

In **Research & Innovation**, we have continued to develop the use of our collaborative technology – ProNET – and now have 3,600 registered users, 1,000 of whom are external to WS Atkins, being members of our supply chains or clients.

In life-cycle asset management we have now developed an integrated set of techniques for whole life cost and asset management, incorporating new build, planned replacements and FM. This is now employed on every PFI bid.

Health, Safety & Environment
A review of the Group's Health & Safety (H&S) management system, which was conducted in the final quarter of last financial year, identified a number of areas where improvements could be made. An action plan was developed; this is two-thirds complete and has led to a number of H&S initiatives being established throughout the Group. Internal H&S training continues to be a priority.

There is continued interest in our key market sectors in the environmental performance of the Group, and some have audited us against their supply chain environmental requirements. Many of our larger clients now have a request for environmental performance data or draft project environmental management plan included in their tender specification. Partly in response to this, we have begun to formalise our environmental management system ("EMS") and procedures and we are moving forward to meet the requirements of ISO14001, the international EMS standard.

People and Performance
In the first six months of the financial year, Group staffing increased by 12% to 14,408, predominantly through organic growth, including outsourcing wins.

Having communicated the Group's new "Realising our Potential" strategy to all our employees, it was encouraging to receive positive support from 95% of managers and over 80% of other employees.

Voluntary staff attrition of 16% (annualised) is running 1% below the rate for 2000/2001 year end. This is better than the UK average for the professional, technical and managerial categories reported in a recent study by the Chartered Institute of Personnel and Development.

Financial review

Accounting Policies & Developments
The Group has carried out a thorough review of its accounting policies and estimation techniques in accordance with the requirement of Financial Reporting Standard ("FRS") 18 Accounting Policies and concluded that no change is required to the accounting policies disclosed in the 2001 Annual Report except FRS 19 Deferred Tax. The effects of complying with FRS 19 are reported under Taxation below.

In addition, the Group has included the effect of the latest triennial valuation of the Atkins Staff Pension Scheme which took place as at 1 April 2001. Information on the valuation, together with information on the estimated effects of FRS 17 Retirement Benefits which the Group anticipates adopting on 1 April 2002, is given under Pensions below.

Profit and Loss Summary
The Group results may be summarised as follows:

	2001 £m	2000 £m
Operating profit from segments[1]	**14.9**	14.4
Joint Ventures	**7.4**	2.8
Operating profit (before Pension Credit, Amortisation of Goodwill and EBT's)	**22.3**	17.2
Pension credit	**1.7**	3.3
Amortisation of Goodwill	**(4.5)**	(4.4)
Employee Benefit Trusts	**(0.5)**	(1.6)
Operating Profit	**19.0**	14.5
Interest (net)	**(3.1)**	(2.0)
Profit Before Tax	**15.9**	12.5

[1] Excluding Share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

There were two acquisitions in the period – ScanRail (now trading as Atkins Danmark) in July 2001 and Boward Computer Systems ("Boward") also in July 2001, with a combined cash outflow of £6.5m.

As a part of the "Realising our Potential" strategy announced in July 2001, there will be a one-time Restructuring charge of around £10million, which is expected to be mainly taken in second half of the year ending 31 March 2002. These costs will relate mainly to staff restructuring and the establishment of the Shared Services Facility.

Amortisation of goodwill rose by £0.1m from £4.4m to £4.5m. The increase was due to the acquisitions of ScanRail and Boward. The goodwill arising on acquisition will be amortised over 10 years.

The decrease in the Employee Benefit Trust loss (before interest) from £1.6m to £0.5m was mainly due to the utilisation of £0.6m of deferred consideration creditor (in respect of amortisation of shares purchased for the future satisfaction of the Benham deferred consideration arrangements) and lower amortisation charges.

The results from operating activities were:

	2001 £m	2000 £m
Turnover[1]	**386.5**	314.4
Operating profit[2]	**14.9**	14.4
Operating margin[2]	***3.8%***	*4.6%*
Joint Ventures (net of interest expense)	**4.4**	0.9
Profit from Operations	**19.3**	15.3
Pension credit	**1.7**	3.3
Net Interest (Payable)[1]	**(0.2)**	(0.1)
Profit Before Tax	**20.8**	18.5
Effective Tax Rate	**34.0%**	30.4%
Average number of shares (million)	**95.2**	94.2
Adjusted Earnings per Share	**14.4p**	13.6p
Contribution from Operations	**93%**	83%

[1] Excluding share of Joint Ventures.
[2] Excluding share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

The results were after charging £3.1m (2000: £2.8m) on PFI bidding (including the bid for London Underground), £0.4m (2000: Nil) for the "Realising our Potential" Strategy study and launch and Nil (2000: £0.6m) for a strategic study into new corporate information systems.

The Group capitalises its Private Finance Initiative bidding costs from the point at which its consortium is appointed sole preferred bidder and when such costs may be foreseen, with reasonable certainty, as being recoverable at Financial Close. This accounting practice, which the Board believes reflects the underlying commercial position, resulted in £nil being capitalised as at 30 September 2001 (2000 £0.7m).

Turnover

Turnover (excluding share of Joint Ventures' turnover) was £386.5m (2000: £314.4m). The increase of £72.1m (23%) may be analysed as follows:

	Date Acquired	£m	% change
Turnover 2000		314.4	
Acquisitions in year		4.8	2%
ScanRail	July 2001	4.4	2%
Boward	July 2001	0.4	–
Organic growth from continuing operations		67.3	21%
Increase		72.1	23%
Turnover 2001		386.5	

Note: There were no acquisitions in the prior year.

Segmental Performance

Operating profit (excluding share of Joint Ventures, Pension Credit, Amortisation of Goodwill and the Employee Benefit Trusts) was £14.9m (2000: £14.4m). Operating margin decreased to 3.8% (2000: 4.6%).

Excluding investment on PFI bidding costs, and strategy study noted above, the operating margin would have been 4.7% (2000: 5.7%).

With effect from 1 April 2001, the Group reports to shareholders under the four segments of Transport, Government Services, Commercial & Industrial and International. The previous segmental reporting (Property, Transport, Management & Industry and International) is reported in Note 2 to the accounts.

The segmental performance was as follows:

	Turnover		Operating Profit[1]		Operating Margins[1]	
	2001	2000	**2001**	2000	**2001**	2000
	£m	£m	**£m**	£m	**%**	%
Transport	**104.8**	89.0	**5.6**	5.3	**5.3**	6.0
Government	**100.9**	74.2	**1.8**	1.7	**1.8**	2.4
Commercial & Industrial	**96.0**	85.5	**3.8**	5.3	**4.0**	6.2
UK operations	**301.7**	248.7	**11.2**	12.3	**3.7**	5.0
International	**84.8**	65.7	**3.7**	2.1	**4.4**	3.1
	386.5	314.4	**14.9**	14.4	**3.8**	4.6

This may be analysed between Continuing Operations and Acquisitions in the year as follows:

	Turnover		Operating Profit[1]		Operating Margins[1]	
	2001	2000	**2001**	2000	**2001**	2000
	£m	£m	**£m**	£m	**%**	%
Continuing Operations						
Transport	**104.8**	89.0	**5.6**	5.3	**5.3**	6.0
Government	**100.5**	74.2	**1.7**	1.7	**1.7**	2.4
Commercial & Industrial	**96.0**	85.5	**3.8**	5.3	**4.0**	6.2
United Kingdom	**301.3**	248.7	**11.1**	12.3	**3.7**	5.0
International	**80.4**	65.7	**3.5**	2.1	**4.4**	3.1
Continuing Operations	**381.7**	314.4	**14.6**	14.4	**3.8**	4.6
Acquisitions in Year	**4.8**		**0.3**		**6.3**	
ScanRail	**4.4**		**0.2**		**4.6**	
Boward	**0.42**		**0.06**		**14.3**	
Total Group	**386.5**	314.4	**14.9**	14.4	**3.8**	4.6

[1] Excludes share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

Turnover from continuing operations rose 21% to £381.7m with operating profit up 1.4% to £14.6m and operating margin of 3.8% (2000: 4.6%). Operating margins from continuing operations in the UK were 3.7% (2000: 5.0%) with operating margins in International up from 2000: 3.1% to 2001: 4.4%.

In **Transport**, turnover grew 18% to £104.8m, with operating profit up from £5.3m to £5.6m. Reported profits continued to be impacted by fully expensing the bid costs for the London Underground concessions.

Turnover is approximately 60% Road and 40% Rail.

Road's turnover increased by 6%, reflecting the strong market position held by all the businesses in this sector. We have increased our Managing Agent role for the Highways Agency by securing a five year contract for Area 6 in East Anglia, won a five year maintenance contract for the City of Bradford Metropolitan District Council and a five year (extendable to eight years) partnering contract with Northamptonshire County Council, which commenced in October 2001. The prior period benefited from success on a number of long running contracts.

In Rail, turnover rose by 38%. Alliance contracts with Railtrack for the West Coast Main Line upgrading scheme account for around 45% of turnover and are particularly important within Control and Signalling and Electrification. The control and systems team started work on the pre-design phase of the Rugby re-signalling project, which may mature into another sizeable Alliance contract. Other highlights included territorial gains in Scotland and in the South of England for bridge structural inspection work, and safety-related projects within

Rolling Stock to fit Train Protection Warning System to Railtrack's own vehicle fleet and to replace fire suppression systems for Angel Trains. ATMOS Rail continues to flourish following its launch last year and was awarded a significant contract to install power supplies to railway telecommunication transmitters.

Since the Government's decision to place Railtrack into Administration, contracts have been honoured, with prompt payment of invoices.

In **Government Services**, turnover rose 36% to £100.9m. With margins down from 2.4% to 1.8%, profits were essentially unchanged at £1.8m. Of the turnover increase of £26.7m, £9.1m (34%) was from the education services contract for the London Borough of Southwark, which commenced in April 2001.

Included in the above figures is Boward, where turnover in the 2 months since acquisition was £0.42m, with profit of £0.06m. Integration of this business, which designs and implements control systems, is now well advanced resulting in a number of important orders being won.

Across the segment there were encouraging performances from the Land Environment and Ground Engineering business, from Management Consultancy and from much of Property Design, outside Scotland, where restructuring costs were incurred at the end of the period.

Ahead of significant growth opportunities, performance improvement programmes are in place in Facilities Management, Managed Services and for parts of Defence.

Commercial & Industrial turnover increased by 12% to £96.0m, but with profits down from £5.3m to £3.8m. The reduction in profit was essentially all due to investment in Telecommunications where the five year outsourcing contract for Cable & Wireless began in October 2001. Elsewhere in Industry, there were strong performances from the Nuclear and Water businesses.

Both LSH and Atkins F&G performed well with turnover up 14% and 8% respectively. Both businesses benefited from a diversified portfolio, both by geographic region and end market. A slower property market in London and the Home Counties, which represents about one-quarter of the business, impacted LSH, with a correspondingly strong performance elsewhere. The Health & Safety business was closed. In Atkins F&G, the North of England businesses, which account for some 30% of turnover, were affected by slowdowns in its predominantly industrial client base. There were strong performances from the Midlands and South of England and Scotland to allow an encouraging overall performance.

International reported turnover of £84.8m, an increase of 29%, with margins up from 3.1% to 4.4%. Included in the above figures is ScanRail, the engineering consultancy division of the Danish National Railway Agency, where turnover in the 2 months since acquisition was £4.4m, with profit of £0.2m. Integration of the business, which now trades as Atkins Danmark, is well advanced.

	Turnover		Operating Profit[1]		Operating Margins[1]	
	2001	2000	**2001**	2000	**2001**	2000
	£m	£m	**£m**	£m	**%**	%
North America	**46.5**	38.9	**1.8**	2.4	**3.9**	6.2
Europe	**9.2**	5.8	**0.0**	(0.1)	**0.0**	(1.7)
Middle East	**7.0**	5.1	**0.7**	0.4	**10.0**	7.8
Asia Pacific	**17.7**	15.9	**1.0**	(0.6)	**5.7**	(3.8)
Continuing operations	**80.4**	65.7	**3.5**	2.1	**4.4**	3.1
Atkins Danmark	**4.4**		**0.2**		**4.6**	
Total	**84.8**	65.7	**3.7**	2.1	**4.4**	3.1

[1] Excludes share of Joint Ventures, Pension Credit, Amortisation of Goodwill and Employee Benefit Trusts.

In North America, turnover was up 20% at £46.5m. Against a background of tougher trading conditions, profit fell by 25% to £1.8m, with margins of 3.9% (2000: 6.2%). The systems engineering business, which services the automotive and other industrial sectors, was particularly impacted. A close watch on the balance between the resources for the medium term and short term workload is being maintained.

Elsewhere in International, there were encouraging performances in the Middle East – profit up 75% at £0.7m – and in Asia Pacific, where the loss of £(0.6)m in the first half last year improved to profits of £0.4m in the second half and to £1.0m in the first half of this year.

Share of profit from and net assets invested in Joint Ventures
In accordance with FRS9 Associates and Joint Ventures, the Group has reported £4.4m (2000: £0.9m) as its share of the profit before tax of its Joint Ventures. £4.4m incorporates the Group's share of operating profit of £7.4m (2000: £2.8m) less net interest payable £3.0m (2000: £1.9m). The results include contribution from the outsourcing contract for South Africa Telkom, where services commenced in August 2000, together with the Group's share of its PFI contracts.

During the period, the Group invested £2.5 million in its PFI shareholdings taking the total at 30 September 2001 to £10.4m, with a further £5.1m committed by way of equity as other support on existing contracts. The Group has reported on the Consolidated Balance Sheet its share of Joint Venture gross assets of £137.1m (2000: £88.1m) and gross liabilities of £121.1m (2000: £81.4m); net assets were £16.0m (2000: £6.7m).

Non-Operating Income (excluding Share of Joint Ventures)
Comprising net interest payable of £(0.2)m (2000: £(0.1)m) and the pension credit of £1.7m (2000: £3.3m), non-operating income of £1.5m (2000: £3.2m) made a smaller contribution to adjusted profit before tax in 2001: 7% (2000: 17%).

The effect of the pension credit is described below under Pensions.

Interest

Net interest payable may be analysed as follows:

	2001 £m	2000 £m
Operations	**(0.2)**	(0.1)
Employee Benefit Trusts	**0.1**	–
Share of Joint Ventures	**(3.0)**	(1.9)
	(3.1)	(2.0)

Pensions

The Group operates a number of defined benefit and defined contribution schemes, the main ones being the WS Atkins scheme and the Railways' scheme.

As at 30 September 2001 approximately 6,400 of the Group's employees were members of the defined benefits schemes, of whom approximately 5,800 were members of the WS Atkins staff scheme and 600 were members of the shared cost section of the Railways pension scheme.

The growing cost of providing this type of defined benefit arrangement has long been understood, and action has already been taken by the Board to contain the impact on the Group's Profit and Loss Account. As previously announced, as from April 2001, the retirement age for most UK staff was increased from 60 to 65 and certain benefits were amended. In addition, the defined benefits section was closed to new entrants. Staff joining since 1 April 2001 have been offered membership of a defined contribution section, which had some 850 members by 30 September 2001. Specific conditions apply to staff transferring to the Group joining with protected Transfer of Undertaking Protection of Employment ("TUPE") rights.

In addition, there are two non United Kingdom defined benefits schemes. One is in the United States which was closed to new entrants in 1989. The other is a small scheme for certain employees in Ireland with approximately 90 members. The United States, the Ireland scheme and an unfunded promise to a Director have not been included in this analysis.

The latest actuarial valuation of the defined benefits section of the Staff Scheme took place at 1 April 2001. Based on the Group's accounting policy in accordance with Statement of Standard Accounting Practice ("SSAP") 24, the total market value of the assets was £374.5m and the actuarial value of the assets was sufficient to cover approximately 105% of the benefits that had accrued to members allowing for assumed future increases in earnings. The excess of £18.5m is being amortised as a level percentage of salary over the estimated service lives of current employees.

This has resulted in a reduction in the Pension Credit of £1.6m, as shown below:

	2001 £m	2000 £m	Change £m
Atkins Scheme	**0.7**	2.4	(1.7)
Railways Scheme	**1.0**	0.9	0.1
	1.7	3.3	(1.6)

Cash contributions to the scheme are based on the Trustee's valuation, which resulted in an excess of accrued liabilities ("deficit") of £20m. This will require the Group making additional cash contributions, estimated at £1.3m p.a (0.9% of pensionable salaries) over 15 years.

The Board have decided to fully implement FRS 17 Retirement Benefits for the year beginning 1 April 2002 and, in accordance with the transitional arrangements outlined in the FRS, to provide Balance Sheet information for the current year.

The FRS 17 value of liabilities of the defined benefit section of the WS Atkins staff scheme at 1 April 2001 was £367m and the market value of assets was £374m, giving a pension scheme surplus of £7m before tax. Pension costs for the Group for the full year 2001/2002 are estimated as approximately £1.6m higher under FRS 17 compared to SSAP 24, based on expected pensionable salaries, analysed as follows:

	£m	£m
Company Regular Pension cost		4.3
Amortisation of surplus		3.3
Interest cost	28.1	
Expected Return on Assets	(34.1)	(6.0)
		1.6

Profit Before Tax

The profit before tax may be analysed as follows:

	2001 £m	2000 £m
Operations	**20.8**	18.5
Amortisation of Goodwill	**(4.5)**	(4.4)
Employee Benefit Trusts	**(0.4)**	(1.6)
	15.9	12.5

Adjusted profit before tax increased by 12% from £18.5m to £20.8m (as adjusted to exclude Amortisation of Goodwill and the Employee Benefit Trusts).

Taxation
The Group uses the integral method for estimating its taxation in the Interim Results.

Excluding amortisation of goodwill and the Employee Benefit Trusts, the Group's effective tax rate was 34.0% (2000: 30.4%, restated for FRS 19). The variation between this rate and the UK Corporation tax rate is explained as follows:

	Half year ended September 30		Full year ended March 31
	2001	2000*	2001*
UK corporation tax rate	**30.0%**	30.0%	30.0%
Permanent & other difference	**1.9%**	0.4%	0.9%
Overseas activities	**1.5%**	0.0%	1.0%
Joint Ventures	**0.6%**	0.0%	0.0%
	34.0%	30.4%	31.9%
Adjustment in respect of prior years			(3.9)%
	34.0%	30.4%	28.0%

* Restated following adoption of FRS19.

The main causes of the effective tax rate being above the UK standard rate are the permanent disallowances (including freehold depreciation) and overseas taxation.

The increase in the effective tax rate compared to the restated full year comparative is primarily due to overseas tax and the prior year adjustment.

On a cash basis the tax rate was 30% (2000: 35.4%). The reduction in the effective tax rate on a cash basis is primarily due to the recommencement in April 2001 of full cash contributions into the main pension scheme.

FRS 19 Deferred Tax
During the period, the Group has complied with FRS 19 Deferred Tax. The Standard requires full provision to be made for deferred tax assets and liabilities arising from timing differences between recognition of gains and losses in the financial statements and their recognition in a tax computation. This change to full provision particularly affects the Group in the treatment of tax differences on the pension surplus, amortisation of shares in the Employee Benefit Trusts and acquisition accounting. The effect on prior periods was to increase the Group's net assets at 31 March 2001 by £6.8m to £115.0m:

	£m	£m
Net assets as previously reported at 31 March 2001		108.2
Cumulative Deferred tax effect		
Pension	8.9	
Fixed Assets	0.3	
Employee Benefit Trusts	(2.8)	
Fair value on acquisition	3.5	
Goodwill	(3.1)	6.8
Restated net assets at 31 March 2001		115.0

The effect on Financial Year 2000/2001's profits (excluding Amortisation of Goodwill and Employee Benefits Trusts) was:

	First Half £m	Full Year £m
Adjusted Profit After Tax		
As reported	11.9	30.0
Adjusted	0.9	1.7
Restated	12.8	31.7

	Pence	Pence
Earnings per share		
As reported	12.7	31.7
Adjusted	0.9	1.8
Restated	13.6	33.5

Profit after Taxation

	2001 £m	2000 £m
Operations	**13.7**	12.8
Amortisation of Goodwill	**(4.5)**	(4.4)
Employee Benefit Trusts	**(0.8)**	(1.3)
	8.4	7.1

Earnings Per Share
Earnings per share (as adjusted to exclude Amortisation of Goodwill and the Employee Benefit Trusts) rose 6% from 13.6p to 14.4p.

The Board believes that this additional measure provides a better indicator of the underlying trends in the business.

Cash Flow

The Group's cash flow (excluding the Employee Benefit Trusts and cash held on behalf of contractors) may be analysed as follows:

	2001 £m	2000 £m
Profit from Operations	**14.9**	14.4
Depreciation	**6.7**	5.8
EBITDA	**21.6**	20.2
Movement in Working Capital	**(15.7)**	(27.5)
Pension credit	**1.7**	3.3
(Decrease)/Increase in Pension Fund Provision	**(2.8)**	2.9
Net Fixed Asset Expenditure	**(18.3)**	(4.1)
– Purchases less disposals of fixed assets	**(15.8)**	(4.1)
– Purchases of fixed asset investments	**(2.5)**	–
Net Interest/Other Income	**0.3**	(0.5)
Taxation	**(1.0)**	(3.3)
Free Cash Flow	**(14.2)**	(9.0)
Acquisitions	**(7.0)**	(0.4)
Equity Dividends Paid	**(6.2)**	(5.0)
Cash Outflow Before Financing	**(27.4)**	(14.4)
Financing Activities	**(2.4)**	(1.2)
Loans to EBT	**(13.9)**	–
– Geared Option scheme	**(10.8)**	–
– Other	**(3.1)**	–
Current asset provisions and translation movements	**0.6**	(1.3)
Movement in Net debt	**(43.1)**	(16.9)
Net funds as at 31 March 2001	**11.5**	7.1
Net debt as at 30 September 2001	**(31.6)**	(9.8)

Free Cash Flow was £(14.2)m (2000: £(9.0)m), compared with Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") on the same basis of £21.6m (2000: £20.2m).

Excluding the effect of cash contributions into the pension fund, the outflow in working capital was £(15.7)m (2000: £(27.5)m).

The Group's net capital expenditure (mainly on Information Technology) amounted to £15.8m (2000: £4.1m). The significant increase was due to the Group's technology Refresh and NOVA back office systems programmes.

The £7.0m outflow on acquisitions was for ScanRail £5.8m, Boward £0.7m, deferred cash consideration of £0.2m for Atkins Benham and £0.3m for McCarthy. Remaining to be paid on Benham is £2.1m and, subject to future performance, £0.2m on Boward.

Dividends paid were £6.2m (2000: £5.0m), up 24% due to fewer shareholders taking up the scrip dividend option.

The loan to the EBT of £13.9m is explained below under Employee Benefit Trusts.

Cash Funds

	2001 £m	2000 £m
Cash at bank and in hand	**30.7**	25.7
Bank overdrafts	**(8.6)**	(5.5)
Current asset liquid investments	**18.2**	14.8
Loan notes	**(1.9)**	(2.6)
Short term loans	**(10.9)**	–
Long term loans	**(52.8)**	(35.9)
Finance leases	**(6.3)**	(6.3)
	(31.6)	(9.8)
Cash held on behalf of contractors	**0.5**	–
Employee Benefit Trusts	**8.3**	4.8
	(22.8)	(5.0)

As at 30 September 2001 the Group had unutilised committed borrowing facilities of approximately £21m. Since 30 September 2001 committed borrowing facilities have increased by £10m.

Employee Benefit Trusts

During the period the Company made a loan of £10.8 million to the Employee Benefit Trusts ('EBTs') to acquire shares for the Geared Option Scheme, formerly called the Leveraged Co-Investment Plan ('LCIP'), which was approved by Shareholders at the Annual General Meeting in August 2000. The approved plan, utilising an investment company, was amended by the Remuneration Committee in September 2001 and replaced by an option arrangement following negotiations with the Inland Revenue. The arrangement preserves the commercial aspects of the LCIP. By 30 September 2001, the EBTs had purchased 1,593,155 shares with the funds. Options for 846,832 shares were granted to two executive directors and one senior manager at an exercise price of £6.79 increasing each month to allow for interest costs and dividends with the option holders required to deposit 87,419 shares with the EBTs.

The shares which a participant has deposited with the trustee of the EBT are at risk, since if the Matching Award lapses unexercised (on the earliest of the participant leaving employment, 10 years after grant and the participant seeking to withdraw his deposited shares), the participant has agreed to give some or all of these shares to the EBT to the extent that the EBT makes a loss from holding the shares subject to the Matching Award (taking into account interest costs and dividends). Accordingly, if the share price declines, or fails to increase by more than the cost of borrowing less dividends, the participant may lose some or all of the shares he has acquired.

The remaining £3.1m loan relates to £1.9m in respect of the US Stock Option Plan and £1.2m in respect of the purchase of shares for National Insurance hedging.

Staff Numbers
Staff numbers rose by 12% from 12,843 at 31 March 2001 to 14,408 at 30 September 2001. In addition, at 30 September 2001 the Group's share of staff in its Joint Ventures was 972.

Group Finance Director
29 November 2001

Consolidated profit & loss account

for the six months ended 30 September 2001
(unaudited)

	Notes	6 months to 30.9.01 £000	Restated* 6 months to 30.9.00 £000	Restated* 12 months to 31.3.01 £000
Turnover: Group and Share of Joint Ventures	2	**411,973**	331,744	712,364
Less: Share of Joint Ventures' turnover	3	**(25,434)**	(17,391)	(38,327)
Turnover		**386,539**	314,353	674,037
– continuing operations		**381,677**	314,353	674,037
– acquisitions		**4,862**	–	–
Cost of sales		**(247,651)**	(182,227)	(420,713)
Gross profit		**138,888**	132,126	253,324
Administrative expenses		**(127,342)**	(120,385)	(225,791)
Operating profit	2	**11,546**	11,741	27,533
Continuing operations		**11,439**	11,741	27,533
Acquisitions		**107**	–	–
Operating profit is analysed between:				
Earnings before interest, tax, depreciation and amortisation		**24,068**	23,956	51,637
Depreciation		**(6,658)**	(5,711)	(11,513)
Operating profit before amortisation		**17,410**	18,245	40,124
Own shares amortisation (Employee Benefit Trust)		**(1,342)**	(2,110)	(3,645)
Goodwill amortisation – Group		**(4,522)**	(4,394)	(8,946)
Operating profit		**11,546**	11,741	27,533
Share of operating profit in Joint Ventures		**7,448**	2,808	8,709
		18,994	14,549	36,242
Interest receivable and similar income		**1,749**	1,599	3,701
Operations		**1,630**	1,547	3,476
Joint Ventures	3	**119**	52	225
Interest payable and similar charges		**(4,851)**	(3,646)	(8,070)
Operations		**(1,744)**	(1,643)	(3,486)
Joint Ventures	3	**(3,107)**	(2,003)	(4,584)
Profit on ordinary activities before taxation		**15,892**	12,502	31,873
Operations		**11,432**	11,645	27,523
Joint Ventures	3	**4,460**	857	4,350
Taxation on profit on ordinary activities	4	(7,485)	(5,451)	(11,647)
Operations		**(6,256)**	(5,365)	(10,458)
Joint Ventures	3	**(1,229)**	(86)	(1,189)
Profit on ordinary activities after taxation		**8,407**	7,051	20,226
Operations		**5,176**	6,280	17,065
Joint Ventures	3	**3,231**	771	3,161
Dividends	5	**(3,642)**	(3,414)	(9,911)
Retained profit for the period transferred to reserves	9	**4,765**	3,637	10,315
Basic earnings per share	6	**9.3p**	7.9p	22.4p
Fully Diluted earnings per share	6	**9.1p**	7.6p	21.8p
Adjusted earnings per share before amortisation of goodwill and the Employee Benefit Trusts	6	**14.4p**	13.6p	33.5p
Dividends per share	5			
– Interim		**3.78p**	3.60p	3.60p
– Final		**–**	–	7.20p
		3.78p	3.60p	10.80p

* Restated following adoption of FRS 19 (see Note 1).

Consolidated balance sheet

as at 30 September 2001
(unaudited)

	Notes	30.9.01 £000	Restated* 30.9.00 £000	Restated* 31.3.01 £000
Fixed assets				
Intangible assets		**77,050**	78,905	75,306
Tangible assets		**50,881**	29,482	34,888
Investments in Joint Ventures	3	**16,014**	6,649	11,193
Share of gross assets		**137,141**	88,072	126,990
Share of gross liabilities		**(121,127)**	(81,423)	(115,797)
Investments – other		**692**	100	100
Investments – own shares	10	**25,496**	14,283	16,142
Investments – total		**42,202**	21,032	27,435
		170,133	129,419	137,629
Current assets				
Stocks		**217**	231	225
Debtors		**214,677**	195,228	186,828
Investments		**19,416**	16,078	17,342
Cash at bank and in hand	7c)	**39,047**	30,167	70,970
		273,357	241,704	275,365
Current liabilities				
Creditors: amounts falling due within one year		**(239,294)**	(192,473)	(232,149)
Net current assets		**34,063**	49,231	43,216
Total assets less current liabilities		**204,196**	178,650	180,845
Creditors: amounts falling due after more than one year		**(58,133)**	(43,440)	(36,726)
Provisions for liabilities and charges		**(26,315)**	(26,880)	(29,152)
		119,748	108,330	114,967
Capital and reserves				
Called up share capital		**481**	481	481
Share premium account	9	**41,399**	40,542	40,987
Capital redemption reserve	9	**219**	219	219
Merger reserve	9	**8,673**	8,673	8,673
Employee Benefit Trusts reserves	9	**14,982**	14,987	15,569
Profit and loss account	9	**53,994**	43,428	49,038
Shareholders' funds equity interests		**119,748**	108,330	114,967

* Restated following adoption of FRS 19 (see Note 1).

Consolidated cash flow statement

for the six months ended 30 September 2001
(unaudited)

	Notes	**6 months to 30.9.01 £000**	6 months to 30.9.00 £000	12 months to 31.3.01 £000
Net cash (outflow)/inflow from operating activities	7b)	**(19,543)**	(12,897)	61,164
Dividends received from Joint Ventures		**94**	–	645
Returns on investments and servicing of finance				
Interest received		**1,630**	1,547	3,476
Interest paid		**(1,725)**	(1,643)	(2,955)
– bank loans, overdrafts and other		**(1,456)**	(1,351)	(2,399)
– finance leases		**(269)**	(292)	(556)
Taxation paid		**(1,017)**	(3,285)	(12,223)
Capital expenditure and financial investment				
Purchases less disposals of fixed assets		**(15,807)**	(4,143)	(11,006)
Purchases of fixed asset investments – Joint Ventures		**(2,473)**	(19)	(3,120)
Purchases of own shares by Employee Benefit Trusts		**(13,845)**	(2,234)	(7,055)
Sales of own shares by Employee Benefit Trusts		**2,466**	1,840	2,022
Sales of non-liquid current asset investment		**744**	95	95
		(28,915)	(4,461)	(19,064)
Acquisitions				
Subsidiary undertakings acquired:				
ScanRail – cash consideration including expenses		**(5,833)**	–	–
Boward – cash consideration including expenses		**(675)**	–	–
Yeoman & Edwards – deferred cash consideration		**–**	–	(51)
Benham – deferred cash consideration		**(174)**	(410)	(1,245)
McCarthy – deferred cash consideration		**(333)**	–	–
		(7,015)	(410)	(1,296)
Equity dividends paid		**(6,198)**	(4,993)	(8,074)
Cash (outflow)/inflow before use of liquid resources and financing		**(62,689)**	(26,142)	21,673
Management of liquid resources				
(Increase) in current asset liquid investments		**(2,207)**	(353)	(1,435)
Financing				
Cash inflow/(outflow) from short-term loans		**8,272**	(638)	1,867
Redemption of loan stock		**(238)**	(292)	(741)
Cash inflow from long term loans		**22,412**	5,716	122
Capital element of finance lease rental payments		**(1,419)**	(1,486)	(3,055)
		29,027	3,300	(1,807)
(Decrease)/Increase in cash		**(35,869)**	(23,195)	18,431

Statement of total recognised gains and losses

for the six months ended 30 September 2001
(unaudited)

	Notes	**6 months to 30.9.01 £000**	Restated* 6 month to 30.9.00 £000	Restated* 12 months to 31.3.01 £000
Profit for the period				
Operations		**5,176**	6,280	17,065
Joint Ventures		**3,231**	771	3,161
		8,407	7,051	20,226
Differences on exchange	9	**(422)**	1,264	779
Total gains and losses recognised in the period		**7,985**	8,315	21,005
Prior period adjustment (Note 4)		**6,797**		
Total gains and losses recognised since last annual report		**14,782**		

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 2001
(unaudited)

	6 months to 30.9.01 £000	Restated* 6 months to 30.9.00 £000	Restated* 12 months to 31.3.01 £000
Profit for the period			
Operations	**5,176**	6,280	17,065
Joint Ventures	**3,231**	771	3,161
Profit for the period	**8,407**	7,051	20,226
Dividends	**(3,642)**	(3,414)	(9,911)
	4,765	3,637	10,315
Other recognised (losses)/gains relating to the period	**(422)**	1,264	779
Sales of new shares by Employee Benefit Trusts	**26**	30	29
Issue of new shares	**412**	3,297	3,742
Net additions to shareholders' funds	**4,781**	8,228	14,865
Opening shareholders' funds	**114,967**	100,102	100,102
Closing shareholders' funds	**119,748**	108,330	114,967

* Restated following adoption of FRS 19 (see Note 1).

Notes to the interim 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 2001 Annual Report with the exception of the policy on deferred tax.

FRS 19 Deferred Tax has been adopted for the first time in this interim statement and the comparative figures have been restated accordingly. The effect on profit after tax is shown in Note 4 and the effect on earnings per share is shown in Note 6.

The balance sheet as at 31 March 2001 and the results for the year then ended have been abridged from the Group's 2001 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) or (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 £000	Acquisitions £000	6 months to 30.09.01 £000	6 months to 30.9.00 £000	12 months to 31.3.01 £000
A Turnover					
Geographic area by location of customer					
United Kingdom	**298,700**	**424**	**299,124**	239,127	512,088
Overseas	**82,977**	**4,438**	**87,415**	75,226	161,949
Other European countries	**10,584**	**4,438**	**15,022**	11,363	27,589
Middle East	**7,247**	**–**	**7,247**	6,558	12,627
Asia/Pacific	**18,505**	**–**	**18,505**	17,637	35,486
North America	**46,641**	**–**	**46,641**	39,668	86,247
Total before Joint Ventures	**381,677**	**4,862**	**386,539**	314,353	674,037
Joint Ventures	**25,434**	**–**	**25,434**	17,391	38,327
United Kingdom	**11,624**	**–**	**11,624**	8,219	14,673
Overseas	**13,810**	**–**	**13,810**	9,172	23,654
	407,111	**4,862**	**411,973**	331,744	712,364
Geographic area by location of operations					
United Kingdom	**301,352**	**424**	**301,776**	248,663	531,701
Overseas	**80,325**	**4,438**	**84,763**	65,690	142,336
Other European countries	**9,223**	**4,438**	**13,661**	5,746	13,865
Middle East	**6,866**	**–**	**6,866**	5,137	11,239
Asia/Pacific	**17,723**	**–**	**17,723**	15,881	31,939
North America	**46,513**	**–**	**46,513**	38,926	85,293
	381,677	**4,862**	**386,539**	314,353	674,037
Joint Ventures	**25,434**	**–**	**25,434**	17,391	38,327
United Kingdom	**11,624**	**–**	**11,624**	8,219	14,673
Overseas	**13,810**	**–**	**13,810**	9,172	23,654
	407,111	**4,862**	**411,973**	331,744	712,364
By class of business					
Transport	**104,779**	**–**	**104,779**	89,018	188,324
Government Services	**100,512**	**424**	**100,936**	74,134	161,464
Commercial & Industrial	**96,061**	**–**	**96,061**	85,511	181,913
International	**80,325**	**4,438**	**84,763**	65,690	142,336
	381,677	**4,862**	**386,539**	314,353	674,037
By class of business (previous segmental structure)					
Property	**121,969**	**–**	**121,969**	106,591	224,326
Transport	**104,779**	**–**	**104,779**	89,018	188,324
Management & Industry	**74,604**	**424**	**75,028**	53,054	119,051
International	**80,325**	**4,438**	**84,763**	65,690	142,336
	381,677	**4,862**	**386,539**	314,353	674,037

Turnover excludes recharges of £73,007,000 (6 months 2000: £49,257,000, full year 2000/2001: £139,599,000) where under certain service contracts the Group manages customer expenditure and is obliged to purchase goods and services from third party contractors and recharge them to the customer at cost. Joint Venture turnover excludes recharges of £25,797,000 (6 months 2000: Nil, full year 2000/2001: £20,308,000).

2 Segmental Analysis (continued)

	6 months to 30.9.01 £000	Restated* 6 months to 30.9.00 £000	Restated* 12 months to 31.3.01 £000
B Operating profit before taxation			
Geographic area by location of operations			
United Kingdom	**9,637**	11,348	23,303
Continuing operations	**11,100**	12,405	25,237
Amortisation of goodwill	**(2,715)**	(2,743)	(5,458)
Acquisitions	**59**	–	–
Amortisation of goodwill on acquisitions	**(24)**	–	–
Amortisation of pension surplus	**1,686**	3,313	6,837
Contribution to Employee Benefit Trusts	**(385)**	(2,394)	(5,946)
Employee Benefit Trusts	**(84)**	767	2,633
Overseas	**1,909**	393	4,230
Other European countries – operations	**17**	(163)	834
Other European countries – amortisation of goodwill	**(75)**	(75)	(150)
Other European countries – acquisition	**205**	–	–
Amortisation of goodwill on acquisitions	**(133)**	–	–
Middle East	**634**	406	891
Asia/Pacific	**1,041**	(582)	(213)
North America – operations	**1,795**	2,383	6,206
North America – amortisation of goodwill	**(1,575)**	(1,576)	(3,338)
Total before Joint Ventures	**11,546**	11,741	27,533
Joint Ventures	**7,448**	2,808	8,709
United Kingdom	**5,986**	2,331	6,548
Overseas	**1,462**	477	2,161
	18,994	14,549	36,242
By class of business			
Profit before amortisation of goodwill	**14,851**	14,449	32,955
Transport	**5,550**	5,345	10,603
Government Services	**1,806**	1,750	1,311
Commercial & Industrial	**3,803**	5,310	13,323
International	**3,692**	2,044	7,718
Amortisation of goodwill	**4,522**	4,394	8,946
Transport	**–**	–	–
Government Services	**24**	–	–
Commercial & Industrial	**2,715**	2,743	5,458
International	**1,783**	1,651	3,488
Profit after amortisation of goodwill	**10,329**	10,055	24,009
Transport	**5,550**	5,345	10,603
Government Services	**1,782**	1,750	1,311
Commercial & Industrial	**1,088**	2,567	7,865
International	**1,909**	393	4,230
Amortisation of pension surplus	**1,686**	3,313	6,837
	12,015	13,368	30,846
Contribution to Employee Benefit Trusts	**(385)**	(2,394)	(5,946)
Employee Benefit Trusts	**(84)**	767	2,633
Total before Joint Ventures	**11,546**	11,741	27,533
Joint Ventures	**7,448**	2,808	8,709
	18,994	14,549	36,242

* Goodwill restated on implementation of FRS 19.

2 Segmental Analysis (continued)

B Operating profit before taxation (continued)

	6 months to 30.9.01 £000	Restated* 6 months to 30.9.00 £000	Restated* 12 months to 31.3.01 £000
By class of business (previous segmental structure)			
Profit before amortisation of goodwill	**14,851**	14,449	32,955
Property	**2,211**	5,340	8,976
Transport	**5,550**	5,345	10,603
Management & Industry	**3,398**	1,720	5,658
International	**3,692**	2,044	7,718
Amortisation of goodwill	**4,522**	4,394	8,946
Property	**2,641**	2,669	5,311
Transport	**–**	–	–
Management & Industry	**98**	74	147
International	**1,783**	1,651	3,488
Profit after amortisation of goodwill	**10,329**	10,055	24,009
Property	**(430)**	2,671	3,665
Transport	**5,550**	5,345	10,603
Management & Industry	**3,300**	1,646	5,511
International	**1,909**	393	4,230

C Operating Margins**

	6 months to 30.9.01 %	Restated* 6 months to 30.9.00 %	Restated* 12 months to 31.3.01 %
By class of business			
Transport	**5.3**	6.0	5.6
Government Services	**1.8**	2.4	0.8
Commercial & Industrial	**4.0**	6.2	7.3
International	**4.4**	3.1	5.4
Total	**3.8**	4.6	4.9
By class of business (previous segmental structure)			
Property	**1.8**	5.0	4.0
Transport	**5.3**	6.0	5.6
Management & Industry	**4.5**	3.2	4.8
International	**4.4**	3.1	5.4
Total	**3.8**	4.6	4.9

* Goodwill restated on implementation of FRS 19.

** Excluding amortisation of goodwill, Pension Credit, Employee Benefit Trusts and share of Joint Ventures.

3 Joint Ventures

	6 months to 30.9.01 £000	6 months to 30.9.00 £000	12 months to 31.3.01 £000
Income from interests in Joint Ventures			
Turnover	**25,434**	17,391	38,327
Operating profit	**7,464**	2,810	8,721
Amortisation of goodwill	**(16)**	(2)	(12)
Share of operating profit in Joint Ventures	**7,448**	2,808	8,709
Interest receivable by Joint Ventures	**119**	52	225
Interest payable by Joint Ventures	**(3,107)**	(2,003)	(4,584)
Profit on ordinary activities before taxation	**4,460**	857	4,350
Taxation on profit on ordinary activities	**(1,229)**	(86)	(1,189)
Profit on ordinary activities after taxation	**3,231**	771	3,161

	30.9.01 £000	30.9.00 £000	31.3.01 £000
Share of net assets of Joint Ventures			
Intangible assets – Goodwill	**609**	87	625
Tangible fixed assets	**76,476**	47,025	71,834
Current assets	**60,056**	40,960	54,531
	137,141	88,072	126,990
Liabilities due within one year	**(16,539)**	(6,355)	(20,265)
Liabilities due after one year	**(104,588)**	(75,068)	(95,532)
	(121,127)	(81,423)	(115,797)
	16,014	6,649	11,193

4 Taxation on Profit on Ordinary Activities

The Group tax charge represents the annual effective tax rate of 34.0% applied on adjusted profit 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 main cause of the effective tax rate being above the UK standard rate are the permanent disallowances (including freehold depreciation) and overseas taxation.

Taxation comprises UK tax of £5,486,000 (6 months 2000: £4,904,000, full year 2000/2001: £10,568,000), overseas tax of £1,125,000 (6 months 2000: £913,000, full year 2000/2001: £1,671,000) and deferred tax of £874,000 (6 months 2000 £366,000 credit, full year 2000/2001 £592,000 credit). UK tax includes £469,000 (6 months 2000: £86,000, full year 2000/2001: £628,000) in respect of Joint Ventures and overseas tax includes £760,000 (6 months 2000 £nil, full year 2000/2001 £561,000) in respect of Joint Ventures.

FRS 19 – Deferred Tax has been adopted for the first time in this interim statement. The FRS requires that deferred tax is recognised on all timing differences which has resulted in a restatement of previously reported figures. The effect has been to decrease profit after tax by £675,000 (6 months 2000: £559,000 increase, full year 2000/2001: £978,000 increase) and to increase net assets at 30 September 2001 by £6,221,000 (30 September 2000: £6,564,000, 31 March 2001: £6,797,000).

5 Dividends

The Employee Benefit Trusts waived their entitlement to dividends in 2000/2001 which reduced the interim dividend by £169,000 and the final dividend by £375,000. No dividends have yet been waived for 2001/2002.

6 Earnings per share

Basic earnings per share are calculated in accordance with FRS 14 Earnings per share, by dividing profit, after charging tax, of £8,407,000 (6 months 2000: £7,051,000, full year 2000/2001: £20,226,000), by the weighted average number of shares in issue during the period of 90,786,550 (6 months 2000: 89,566,023, full year 2000/2001: 90,147,320), excluding 5,506,428 shares held by the EBTs which have not unconditionally vested in the employees.

6 Earnings per share (continued)

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 92,323,818 (6 months 2000: 92,626,505, full year 2000/2001: 92,984,643). The options relate to the SAYE schemes (which mature between October 2001 and September 2004), to the Equity Participation Plans and Long Term Incentive Plans, and to Incentive to Sell Option schemes for Benham employees (see below).

The Adjusted earnings per share information has been calculated before amortisation of goodwill and including shares held by the EBTs but excluding shares held by the QUEST, which has waived its right to dividends. The Board believes that this additional measure provides a better indicator of the underlying trends in the business. If the weighted average number per share had excluded the shares held by the EBTs, the adjusted earnings per share would have been 15.1p (6 months 2000: 14.3p, full year 2000/2001: 35.1p).

	Basic EPS £000	Amortisation of goodwill £000	EBT Contribution £000	Employee Benefit Trusts £000	Adjusted EPS £000
30 September 2001					
Profit before taxation	15,892	4,522	385	(17)	20,782
Current Tax	(6,611)	–	(115)	–	(6,726)
Deferred Tax	(874)	–	534	–	(340)
Profit after taxation	8,407	4,522	804	(17)	13,716
Average shares ('000)	90,787	–	–	4,387	95,174
Earnings per share before restatement	10.0p				14.8p
Goodwill restatement	0.2p				–
Deferred tax restatement	(0.9)p				(0.4)p
Earnings per share restated	9.3p				14.4p
Fully diluted earnings per share	9.1p				14.4p
30 September 2000 (restated*)					
Profit before taxation	12,502	4,394	2,394	(828)	18,462
Current Tax	(5,817)	–	(718)	–	(6,535)
Deferred Tax	366	–	550	–	916
Profit after taxation	7,051	4,394	2,226	(828)	12,843
Average shares ('000)	89,566	–	–	4,626	94,192
Earnings per share before restatement	7.2p				12.7p
Goodwill restatement	0.2p				–
Deferred tax restatement	0.5p				0.9p
Earnings per share restated	7.9p				13.6p
Fully diluted earnings per share	7.6p				13.6p
31 March 2001 (restated*)					
Profit before taxation	31,873	8,946	5,946	(2,758)	44,007
Current Tax	(12,239)	–	(1,784)	–	(14,023)
Deferred Tax	592	–	1,100	–	1,692
Profit after Taxation	20,226	8,946	5,262	(2,758)	31,676
Average shares ('000)	90,147	–	–	4,435	94,582
Earnings per share before restatement	21.4p				31.7p
Goodwill restatement	0.4p				–
Deferred Tax restatement	0.6p				1.8p
Earnings per share restated	22.4p				33.5p
Fully diluted earnings per share	21.8p				33.4p

* As referred to in Note 1 FRS 19 – Deferred Tax has been adopted and the above comparative figures have been restated accordingly. The effect on adjusted earnings per share has been a decrease from 14.8p to 14.4p (6 months 2000 increase from 12.7p to 13.6p, full year 2000/2001 increase from 31.7p to 33.5p). Fully Diluted adjusted earnings per share has decreased from 14.7p to 14.4p (6 months 2000 increase from 12.5p to 13.6p, full year 2000/2001 increase from 31.6p to 33.4p).

6 Earnings per share (continued)

Shares used for basis of earnings per share calculations:

	6 months to 30.9.01 No.	6 months to 30.9.00 No.	12 months to 31.3.01 No.
Shares in issue at start of period	**96,273,362**	95,723,978	95,723,978
New Shares – QUEST	**–**	3,298	150,882
SAYE options exercised	**14,775**	213	17,994
Scrip dividends	**4,841**	33,287	89,342
	96,292,978	95,760,776	95,982,196
Less: average number of shares held by QUEST	**(1,119,250)**	(1,568,688)	(1,399,960)
Share base for Adjusted earnings per share	**95,173,728**	94,192,088	94,582,236
Less: average number of shares held by EBTs	**(4,387,178)**	(4,626,065)	(4,434,916)
Share base for Basic earnings per share	**90,786,550**	89,566,023	90,147,320
Options granted in respect of shares already issued into EBTs:			
SAYE schemes	**187,427**	425,293	526,572
Equity Participation Plans	**175,084**	222,181	316,735
Long Term Incentive Plans	**739,578**	2,138,274	1,602,423
Benham Incentive to Sell Options	**407,761**	–	361,938
Options granted in respect of shares yet to be issued:			
SAYE schemes	**27,418**	274,734	29,655
Share base for Fully Diluted earnings per share	**92,323,818**	92,626,505	92,984,643

7 a) Reconciliation of Net Cash Flow to Movement in Funds

	6 months to 30.9.01 £000	6 months to 30.9.00 £000	12 months to 31.3.01 £000
Cash (decrease)/increase	**(35,869)**	(23,195)	18,431
Cash outflow from lease financing	**1,419**	1,486	3,055
Cash used to increase liquid resources	**2,207**	353	1,435
Cash inflow/(outflow) from short term loans (non-EBT)	**(8,272)**	638	(1,867)
Cash outflow from redemption of loan stock	**238**	292	741
Cash (inflow) from long term loans	**(22,412)**	(5,716)	(122)
Change in net debt/(net funds) resulting from cash flows	**(62,689)**	(26,142)	21,673
(Decrease) in funds from new finance leases taken out	**(1,628)**	(1,189)	(2,605)
Movement in current asset investment market value	**(41)**	136	400
Profit/(Loss) on sale of current asset liquid investments	**26**	–	(65)
Translation difference	**639**	(1,453)	(2,192)
Movement in (net debt)/net funds in period	**(63,693)**	(28,648)	17,211
Net funds as at beginning of year	**40,862**	23,651	23,651
Net (debt)/funds as at 30 September 2001	**(22,831)**	(4,997)	40,862

7 b) Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities

	6 months to 30.9.01 £000	6 months to 30.9.00 £000	12 months to 31.3.01 £000
Operating profit	**11,546**	11,741	27,533
Operations including amortisation of goodwill	**12,015**	13,368	30,846
Employee Benefit Trusts	**(469)**	(1,627)	(3,313)
Depreciation charges	**6,658**	5,711	11,513
Amortisation	**5,864**	6,504	12,591
(Profit) on disposal of fixed assets	**(1,077)**	(386)	(735)
Loss/(Profit) on disposal of fixed asset investments	**210**	(211)	(51)
(Profit)/Loss on disposal of current asset investments	**(26)**	–	65
(Loss) on disposal of current asset non-liquid investments	**(681)**	–	–
Decrease/(Increase) in market value of current asset liquid investments	**41**	–	(400)
Decrease in stocks	**8**	68	74
(Increase) in debtors	**(26,403)**	(33,791)	(22,107)
Increase in other creditors due within one year	**12,243**	7,997	15,436
(Decrease)/Increase in pension fund provision	**(2,837)**	2,860	5,123
Increase in provisions for liabilities and charges	**–**	20	29
Exchange rate effect	**(107)**	–	48
	5,439	513	49,119
Operations	**4,779**	(1,134)	47,174
Employee Benefit Trusts	**660**	1,647	1,945
(Decrease)/Increase in amounts due to contractors	**(24,982)**	(13,410)	12,045
Net cash (outflow)/inflow from operating activities	**(19,543)**	(12,897)	61,164

7 c) Analysis of Net Debt

	At 31.03.01 £000	**Cash Flow £000**	**Other non-cash changes £000**	**Exchange movement £000**	**At 30.09.01 £000**	At 30.9.00 £000
Cash at bank and in hand	42,040	(11,243)	–	(135)	**30,662**	25,750
Bank overdrafts	(4,532)	(4,081)	–	–	**(8,613)**	(5,524)
Current asset liquid investments	16,047	2,207	(15)	–	**18,239**	14,766
Debt due within one year						
Loan notes	(2,102)	238	–	–	**(1,864)**	(2,551)
Short term loans	(2,603)	(8,272)	–	–	**(10,875)**	–
Finance leases	(2,198)	951	(805)	–	**(2,052)**	(2,303)
Debt due after one year						
Long term loans	(31,162)	(22,412)	–	774	**(52,800)**	(35,946)
Finance leases	(3,958)	468	(823)	–	**(4,313)**	(4,006)
Total	11,532	(42,144)	(1,643)	639	**(31,616)**	(9,814)
Cash held on behalf of contractors	25,497	(24,982)	–	–	**515**	42
EBT – cash	3,433	4,437	–	–	**7,870**	4,375
EBT – certificate of tax deposit	400	–	–	–	**400**	400
	40,862	(62,689)	(1,643)	639	**(22,831)**	(4,997)

7 c) Analysis of Net Debt (continued)

	At 31.03.01 £000	Cash Flow £000	Other non-cash changes £000	Exchange movement £000	At 30.09.01 £000	At 30.9.00 £000
Bank balances and cashflows as shown on the balance sheet and cashflow:						
Cash at bank and in hand	42,040	(11,243)	–	(135)	**30,662**	25,750
Cash held on behalf of contractors	25,497	(24,982)	–	–	**515**	42
Employee Benefit Trusts	3,433	4,437	–	–	**7,870**	4,375
Cash as shown on balance sheet	70,970	(31,788)	–	(135)	**39,047**	30,167
Overdrafts	(4,532)	(4,081)	–	–	**(8,613)**	(5,524)
Net cash and cashflow	66,438	(35,869)	–	(135)	**30,434**	24,643

8 Acquisitions

On 1 July 2001 the Group acquired the business assets and liabilities of ScanRail, the engineering consultancy division of the Danish National Railway Agency, for a consideration of £5,251,000. The net liabilities have been included in the accounts at the fair value at the date of acquisition of £(109,000).

	Fair value £000
Tangible fixed assets	1,053
Current assets	1,016
Current liabilities	(2,178)
Net (liabilities) acquired	(109)
Consideration	
Cash paid	5,833
Due to be recovered	(582)
	5,251
Goodwill capitalised	5,360

There was no cash included in the net assets acquired.

Goodwill arising on the acquisition is being amortised over ten years which is the period over which the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets. A charge of £129,000 has been made to the profit and loss account for amortisation for the 3 months to 30 September 2001.

On 31 July 2001 the Group acquired the business of Boward Computer Services Ltd for an initial consideration of £630,000. The assets acquired have been included in the accounts at fair value at the date of acquisition.

		Adjustments		
	Book value £000	Fair value £000	Accounting £000	Fair value £000
Tangible fixed assets	688	(688)	–	–
Current assets	401	(360)	(193)	(152)
Current liabilities	(347)	–	–	(347)
Net (liabilities) acquired	742	(1,048)	(193)	(499)
Consideration				
Cash paid				630
Legal expenses – cash				45
Legal expenses – accrued				88
Deferred consideration				205
				968
Goodwill capitalised				1,467

8 Acquisitions (continued)

There was no cash included in the net assets acquired.
The fair value adjustments relate mainly to work in progress (£210,000), debtors (£150,000) and fixed assets (£688,000). The accounting adjustment of £193,000 relates to the harmonisation of work in progress valuation policies.

Goodwill arising on the acquisition is being amortised over ten years which is the period over which the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets. A charge of £24,000 has been made to the profit and loss account for amortisation for the 2 months to 30 September 2001.

The deferred consideration is payable upon the achievement of certain performance targets. This represents the maximum amount that is reasonably expected to be payable. Of the deferred consideration, £130,000 will be settled by the issue to the vendors of 16,961 new WS Atkins plc ordinary shares at £7.665 per share (subject to Board approval).

Initial estimates of the deferred consideration will be revised as further and more certain information becomes available with corresponding adjustments to goodwill.

9 Reserves

	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Total profit and loss account £000	EBT reserves £000	Total reserves £000
Balance at 31 March 2001*	40,987	219	8,673	49,038	15,569	114,486
Retained profit for the period	–	–	–	4,765	–	4,765
Net differences on exchange	–	–	–	(422)	–	(422)
Issue of new shares	412	–	–	–	–	412
EBT contribution	–	–	–	(385)	385	–
Transfer to EBT reserve	–	–	–	998	(998)	–
Sales of new shares by EBTs	–	–	–	–	26	26
Balance at 30 September 2001	**41,399**	**219**	**8,673**	**53,994**	**14,982**	**119,267**

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 £15,887,000, of which positive and negative goodwill totalled £26,251,000 and £10,364,000 respectively, has been written off to profit and loss.

* Restated following adoption of FRS 19 (see Note 1).

10 Employee Benefit Trusts

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

Profit and Loss account	6 months to 30.9.01 £000	6 months to 30.9.00 £000	12 months to 31.3.01 £000
Operating (loss)*	**(259)**	(1,702)	(3,364)
(Loss)/Profit on sale of fixed asset investments	**(210)**	75	51
Interest receivable and similar income	**101**	60	123
Interest payable and similar charges	**–**	–	–
	(368)	(1,567)	(3,190)
Dividend income	**–**	1	2
Capital grant	**385**	2,394	5,946
Profit on ordinary activities before taxation	**17**	828	2,758
Taxation on profit on ordinary activities	**–**	–	–
Retained profit for the period	**17**	828	2,758

* Operating loss is stated after the utilisation of £630,000 of deferred consideration creditor in respect of amortisation of shares purchased for the future satisfaction of the Benham deferred consideration arrangements.

10 Employee Benefit Trusts (continued)

Balance Sheet	No.	**30.9.01 £000**	30.9.00 £000	31.3.01 £000
Fixed Assets at cost:				
Listed Investments in own Shares				
WS Atkins plc ordinary 0.5p shares				
– held for exercise of existing options	1,715,563	**10,735**	7,373	6,312
– held for employees' benefit	2,613,563	**3,562**	3,456	3,516
– held for future staff participation	2,235,175	**11,199**	3,454	6,314
	6,564,301	**25,496**	14,283	16,142
Cash		**7,870**	4,375	3,433
Other debtors		**133**	67	437
Current asset investments		**400**	400	400
Taxation payable		**(408)**	(413)	(408)
Other creditors falling due within one year		**(1,986)**	(3,725)	(4,435)
		31,505	14,987	15,569

11 Pensions

The Group operates both defined benefit and defined contribution schemes.

As at 30 September 2001 approximately 5,800 of the Group's employees were members of the defined benefits section of the WS Atkins Staff Scheme and some 850 employees were members of the defined contribution section. In addition to the Main Staff Scheme there were approximately 600 employees who were members of the shared cost section of the Railways Pension scheme (a defined benefits scheme), approximately 700 members of the Faithful and Gould's defined contribution scheme and a small number who were members of two non United Kingdom schemes.

The latest actuarial valuation of the defined benefits section of the Staff Scheme for SSAP 24 purposes was at 1 April 2001.

The main assumptions used for the SSAP 24 valuation together with the assumptions used by the Trustees for funding purposes are listed in the table below:

	SSAP24	Trustees
Rate of inflation	3.0%	3.0%
Real pension increases		
Fixed	2.0%	2.0%
Limited Price Indexation	0.0%	0.0%
Real salary increases	1.5%	1.5%
Real dividend growth	1.25%	1.0%
Real investment return	4.25%	4.0%

The total market value of the assets at the date of the Valuation was £374.5m and the actuarial value of the assets was sufficient to cover approximately 105% of the benefits that had accrued to members allowing for assumed future increases in earnings. The excess £18.5m is being amortised as a level percentage of salary over the estimated service lives of current employees in the scheme through to 2016. Contributions at around the ongoing rate for funding purposes recommenced in April 2001.

As noted in the 2001 Annual Report, as from 1 April 2001 the defined benefit section of the main staff scheme was closed to new entrants, who are now offered membership of a defined contribution section. In addition, the retirement age for most of the UK staff was increased from 60 to 65, and certain benefits were reduced. The savings from these changes offset additional costs arising from the Actuarial Valuation assumptions and increase in membership and salaries.

The next triennial actuarial valuation of the Railways scheme is as at 31 December 2001.

11 Pensions (continued)

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

	6 months to 30.09.01 £000	6 months to 30.09.00 £000	12 months to 31.03.01 £000
Regular pension cost	**10,695**	11,667	23,754
Less Employees contribution	**(3,485)**	(3,030)	(6,290)
Employers Regular Pension cost	**7,210**	8,637	17,464
Main Staff scheme	**6,030**	7,581	15,333
Railways scheme	**1,038**	947	1,899
Overseas schemes	**142**	109	232
Amortisation of Surplus	**(1,686)**	(3,314)	(6,837)
Main Staff scheme	**(696)**	(2,452)	(5,099)
Railways scheme	**(990)**	(862)	(1,738)
Net Pension cost of Defined Benefits schemes	**5,524**	5,323	10,627
Cost of Defined Contribution schemes	**1,275**	1,030	2,192
Unfunded Director's promise	**–**	15	29
Total pension cost	**6,799**	6,368	12,848

As a result of applying the 2001 SSAP 24 actuarial assumptions to the unfunded Director's promise, the reserve of £386,000 (established by 31 March 2001) is considered sufficient to cover past service liabilities at September 2001. There is therefore no charge for the six month period to September 2001.

Financial Reporting Standard ("FRS") 17 – Retirement Benefits

FRS 17 requires the defined benefit schemes' surplus/deficit (as calculated under the FRS) to be reflected on the balance sheet. In addition it prescribes the method for evaluating the scheme cost in the profit and loss account which differs from the basis of actuarial valuation for SSAP 24.

Compliance with the FRS is mandatory for accounting periods ending on or after 22 June 2002, with a period of transition, during which memorandum information must be disclosed.

The Board has decided to provide closing Balance Sheet information for the year ending 31 March 2002 (in accordance with the FRS's transitional arrangements) and to fully implement FRS17 for the year beginning 1 April 2002.

At the date of the latest triennial Actuarial Valuation as at 1 April 2001, the defined benefit section of the Staff scheme showed a surplus of £7.0m, before deferred tax.

	£m	**£m**
Assets at market value		
Equities	270.2	
Fixed interest bonds	63.1	
Indexed linked bonds	6.4	
Cash	34.8	
Total market value of assets		374.5
Present value of scheme liabilities		(367.5)
Surplus in scheme		7.0
Related deferred tax liability		(2.1)
Net pension asset		4.9

The market value of the Main staff pension scheme assets at 30 September 2001 was approximately £342.0m.

The market value of the Railways scheme assets at 1 April 2001 was £115m (September 2001: £105m) and the value of past service liabilities on the same date was £99m.

11 Pensions (continued)

Excluding the non UK schemes and the unfunded Director's promise, the impact of FRS 17 on the Group's Profit Before Tax for the year ending 31 March 2002 is estimated to be a reduction of £1.6m.

	SSAP 24 2001 valuation £m	FRS 17 2001 valuation £m	Anticipated Impact of FRS 17 on 2001/2 £m
Company Regular Pension cost	14.0	18.3	(4.3)
Amortisation of surplus	(3.3)		(3.3)
Interest cost		28.1	
Expected Return on Assets		(34.1)	
		(6.0)	6.0
	10.7	12.3	(1.6)

The impact on the Group balance sheet as at 31 March 2001 is estimated to be as follows:

	£m	£m
Group Net assets March 2001 as restated for FRS 19		115.0
FRS 17 adjustments		
Pension fund net assets	489.5	
Pension fund liabilities	(456.5)	
Deferred tax liability	(10.0)	23.0
Release of provision for liabilities and charges (net of tax)		20.2
Expected Net assets post FRS17 and FRS 19		158.2

12 Approval of Interim Financial Statements

These financial statements were approved by the Board on 28 November 2001.

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 612 3000, 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.

Scrip Dividend Plan – Copies of the explanatory brochure and application form are available from the Registrar.

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.

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