

WS Atkins plc
Transition to International Financial Reporting Standards (“IFRS”)
Restatement of financial information for the year ended 31 March 2005

21 July 2005

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Introduction

As required by European Union law, the Group will prepare its financial statements under International Financial Reporting Standards (IFRS) with effect from 1 April 2005. Previously the Group has applied United Kingdom Generally Accepted Accounting Principles ("UK GAAP").

The first financial statements that will be prepared for the Group under IFRS will be the interim financial statements for the six months to 30 September 2005.

In addition to the detailed reconciliations contained within the Appendices, this announcement provides:

- a summary of the effect of IFRS on the Group's previously reported results for the year ended 31 March 2005;
- an explanation of the principal differences between UK GAAP and IFRS which affect the Group;
- an explanation of the basis of preparation of IFRS results; and
- the Group's principal accounting policies under IFRS.

Effect of IFRS on previously reported results for the year ended 31 March 2005

Conversion to IFRS is an accounting change which should have no impact on the Group's operational performance, risk profile or ability to generate cash. Financing arrangements and dividend payments are not expected to be affected as there are sufficient distributable reserves to enable payment of dividends to shareholders for the foreseeable future.

The effect of IFRS on the Group's reported profits for the period ended 31 March 2005 is not significant. Net assets are, however, significantly affected by recognition of the deficit on the Group's defined benefit pension schemes.

The standards in respect of PFI/PPP concessions have not been finalised and only draft interpretations are available. These have fundamental accounting implications for the Group's interests in such concessions, particularly Metronet. The guidance is potentially subject to change following a consultation process which is currently ongoing. As a result, the Pro-forma indicative IFRS results which have not been audited and are given below are indicative only and further amendment to these figures will be necessary once the new accounting rules have been finalised in this area.

Results for period ended 31 March 2005 - unaudited	UK GAAP	IFRS*	Pro-forma indicative
	£m	£m	IFRS**
			£m
Profit attributable to equity shareholders	38.6	38.9	40.9
Fully diluted earnings per share	38.4p	38.7p	40.7p
Net assets / (liabilities)	118.2	(44.9)	(51.1)
Cashflow from operations	82.6	88.1	88.1
Net funds	106.7	106.7	106.7

* excluding the impact of IFRIC Drafts 12-14 on concession accounting which are subject to IFRIC adoption and EU endorsement, and IAS 32 and 39 which will be adopted with effect from 1 April 2005.

** including the indicative impact of IFRIC Drafts 12-14 and IAS 32 and 39.

Principal differences between UK GAAP and IFRS which affect the Group

The Group's assessment, which has not been audited, of the major differences between UK GAAP and IFRS is discussed below. This summary is not intended to be a complete list of affected areas and it is possible that further significant differences may arise as a result of further interpretations or pronouncements issued by the International Accounting Standards Board and its committees.

1. *Defined benefit pension schemes*

Under UK GAAP, the Group accounted for defined benefit pension schemes under SSAP 24, *Accounting for Pension Costs*, and published the transitional disclosures required under FRS 17, *Retirement Benefits*. The cost of providing the defined benefit pensions was charged against "Operating Profit". This included the amortisation of the pension scheme surpluses and deficits over the remaining services lives of participating employees.

On transition to IFRS, the Group adopted IAS 19, *Employee Benefits*. The methodology and assumptions used to account for pensions under IAS 19 are substantially consistent with those used under FRS 17, except in respect of death-in-service benefits. Under IAS 19, there is a requirement to create a liability for potential future death-in-service benefits and as a result there is a higher balance sheet deficit and charge against profit than previously indicated by FRS 17.

The Group has elected to recognise actuarial gains and losses in full in the period in which they occur in the statement of recognised income and expense rather than spreading the amounts over a longer period through the profit and loss account.

Recognition of the IAS 19 deficit significantly affects the Group's net asset position. The Group has made arrangements to ensure that sufficient distributable reserves are in place to enable payment of dividends for the foreseeable future.

The following adjustments result from these changes:

- an increased pre-tax charge in the Income statement of £7.4m, comprising an increased charge within operating profit of £2.0m and an increase in the Group's net interest expense of £5.4m. The net interest charge is made up of a notional charge arising on the projected scheme obligations of £37.8m, partly offset by the estimated return on the schemes' assets of £32.4m; and
- a post-tax reduction in net assets of £172.5m on the restated 31 March 2005 Balance Sheet.

2. *Goodwill*

Under UK GAAP goodwill arising on acquisition of businesses was amortised on a straight-line basis over its estimated useful economic life, which was usually expected to be 20 years. On transition to IFRS on 1 April 2004, amortisation ceased to be charged. Instead, annual reviews of goodwill will be performed to test for potential impairment in accordance with IFRS 3, *Business combinations*. The Group has elected not to apply IFRS 3 retrospectively to business combinations prior to IFRS adoption.

The following adjustments result from these changes:

- £5.9m of annual goodwill amortisation charged under UK GAAP in 2004/05 is credited back to income under IFRS, £1.7m in relation to the Hanscomb acquisition and £4.2m in relation to other acquisitions;
- goodwill in Hanscomb is written down by £7.2m under IFRS to bring the year end carrying value into line with that assessed as appropriate under both UK GAAP and IFRS. This amount was included in the profit and loss account under UK GAAP made up of regular amortisation of goodwill of £1.7m (included within the £5.9m referred to above) and an exceptional impairment charge of £5.5m. Under IFRS, this item is not classified as an exceptional item; and

- the Group's carrying value of Goodwill at 31 March 2005 is correspondingly increased by £4.2m (i.e. the write-back of the goodwill amortisation charge for the year excluding the £1.7m in relation to the Hanscomb acquisition).

3. *Share-based payments*

Under UK GAAP, the cost recognised in respect of share options is based on the share price of the underlying shares at the date of grant. The cost was spread over the vesting period for all schemes except the Deferred Bonus Plan (DBP) which was charged in full in the year the performance was measured. Under IFRS 2, *Share-based payments*, the cost is based on the fair value of the options, spread over the vesting and performance periods for all schemes.

The majority of the Group's employee share incentives are issued under a Long Term Incentive Plan (LTIP) that awards shares at nominal value to the employees subject to vesting criteria. These vesting criteria are explained in detail in the Annual Report and Accounts. The fair value at the date of grant of these LTIP share options is estimated using a mathematical model which takes account of the likely vesting of the shares due to achievement of market-based performance conditions (i.e. Total Shareholder Return conditions, where these apply).

The following adjustments result from these changes:

- the charge to the Income Statement falls by £0.8m pre-tax; and
- net assets increase by £5.7m to reflect the release of the accumulated accrual in respect of the DBP schemes.

4. *Intangible fixed assets*

Due to a difference between the specific requirements of which internally developed costs should be capitalised as tangible assets under UK GAAP and as intangibles under IFRS, the carrying value of the corporate information systems will be written down by £8.9m on transition to IFRS (£6.2m net of deferred tax). This reduces the annual amortisation charge in respect of this asset by £2.3m in 2004/05.

Under IAS 38, *Intangible Assets*, the remaining value of the Group's corporate information systems will be re-classified on transition as an intangible asset. UK GAAP treated such software as part of the related hardware and thus as a tangible fixed asset. IAS 38 specifies that these costs must be treated as an intangible fixed asset unless the software is an "integral part of the related hardware" (i.e. the machine is unable to operate without that specific software). The asset will continue to be amortised over the remainder of its useful economic life (i.e. up to 31 March 2007). In addition, other software licences previously classified as prepayments within debtors will now also be re-classified as intangible fixed assets.

The following adjustments result from these changes:

- the charge to the Income Statement falls by £2.3m pre-tax; and
- net assets are reduced by £4.6m at 31 March 2005, reflecting the £8.9m referred to above adjusted to include the £2.3m amortisation for the year ended 31 March 2005 and an associated £2.0m deferred tax adjustment.

5. *Lease incentives*

Under IAS 17, *Leases*, lease incentives must be amortised over the whole of the lease term. Under UK GAAP, such lease incentives were amortised over the period from inception of the lease until the first rent review, which in most cases was shorter than the whole lease term. The Group has adjusted the amortisation period and the following adjustments result from these changes:

- the charge to the Income Statement increases by £1.3m pre-tax; and
- net assets decrease by £3.8m.

6. Proposed dividends

Under UK GAAP, proposed dividends were accrued in the accounting period to which they related. Under IAS 10, *Events after balance sheet date*, dividends are recognised in the accounting period in which they are declared or approved by shareholders.

Under UK GAAP a provision for the 2005 final dividend of £7.9m was included. This dividend had not been declared or approved by the shareholders at 31 March 2005 and as a result net assets at 31 March 2005 increase by £7.9m under IFRS as the accrual for the final dividend is reversed.

7. Taxation

Deferred tax liabilities and assets are classified as non-current irrespective of the expected timing of the reversal of the underlying taxable temporary difference. Current tax assets and liabilities are shown separately on the face of the balance sheet.

The principal impact of adopting IFRS has been to recognise deferred tax on the defined benefit pension scheme deficit (see note 1 above).

8. Format of financial statements

The adoption of IFRS will result in certain changes to the way in which information is presented in the Group's financial statements. Two particular areas are significant:

- a) The Group has chosen, as permitted by IAS 31, *Interests in Joint Ventures*, to use the equity method to consolidate its interests in joint venture entities, meaning that the post-tax results and net assets of joint ventures will be shown as single line item on the face of the profit and loss account and balance sheet respectively. The post-tax results of the joint ventures will be included within the Group's profit on ordinary activities before taxation.
- b) In previous years the Directors considered that Adjusted Profit, defined as profit before amortisation of pension deficit, amortisation of goodwill, exceptional items, the 2004 Colchester Garrison dilution gain and Employee Benefit Trusts, was a fairer reflection of the ongoing performance of the Group. This definition will not be used in future and as a result Adjusted Profit will not be shown.

9. Segmental Information

As previously announced, the Group's reportable segments will change.

The Group currently reports its operations in three principal segments (Transport; Design and Engineering Solutions; and Management and Project Services), supported by Equity Investments. IAS 14, *Segment reporting*, places increased emphasis on the alignment of reporting segments with the organisational units used by management. As a result, the Group will now report additional segments, disaggregating the primary business segments previously reported under UK GAAP as summarised below:

UK GAAP segments	IFRS segments
Transport	Rail Highways & Transportation
Design and Engineering Solutions	Design & Engineering Solutions China & Middle East
Management and Project Services	Management and Project Services Asset management
Equity Investments	Equity Investments

Basis of preparation of IFRS results

The Group's IFRS results have been prepared in accordance with IFRS 1 *First time adoption*. IFRS 1 requires full retrospective application of all applicable accounting standards, and the IFRS accounts have been prepared using accounting policies which the Directors expect to be applicable as at 31 March 2006 except as follows:

- IAS 32 and 39 on Financial instruments will be adopted with effect from 1 April 2005; and
- The International Financial Reporting Interpretations Committee ("IFRIC") has published draft guidance on accounting for assets constructed or managed under PFI/PPP concessions. The guidance requires these assets to be classified as financial assets rather than fixed or leased assets, but is potentially subject to change following a consultation process which is currently ongoing. We will continue to monitor the progress of IFRIC's proposals, but will not be able to finalise the effect on the Group's PFI/PPP concessions until the new accounting rules are confirmed. For the purposes of this report the previous accounting rules have been applied in the preparation of the IFRS results.

IFRS 1 includes a number of specific exemptions where the IASB considers that retrospective application could prove to be too difficult or could result in a cost exceeding likely benefits to users. The Group has elected to make use of the following exemptions:

- Business combinations

The Group has elected not to apply IFRS 3, *Business Combinations*, retrospectively to past business combinations. As a result the carrying value of goodwill recorded under UK GAAP as at 1 April 2004 has been fixed. Also goodwill previously written off to reserves under UK GAAP will be deemed to be zero and will not be taken into account in determining any gain or loss on the disposal of the acquired entity.

- Employee benefits

The Group has elected to recognise all cumulative actuarial gains and losses in equity at 1 April 2004, the date of transition to IFRS.

- Cumulative translation differences

The Group has elected to deem all cumulative foreign currency translation differences arising on the re-translation into Sterling of the Group's net investments in foreign operations to be zero at 1 April 2004 for all overseas subsidiaries, joint ventures and associates.

- Share-based payment transactions

The Group has applied IFRS 2 retrospectively to equity instruments granted on or after 7 November 2002.

- Financial instruments

The Group has elected not to apply IAS 32 and IAS 39 in its comparative financial statements for 2004/05. The Group will adopt these standards with effect from 1 April 2005.

Basis of preparation of Pro-forma indicative IFRS results

As previously indicated, the Group has elected not to adopt the standards on Financial Instruments (IAS 32 and IAS 39) until 1 April 2005. These standards have a significant impact upon the Group and particularly affect the results and net assets of the Group's PFI/PPP concessions, particularly Metronet.

Pro-forma indicative IFRS financial statements, which include the impact of IAS 32 and IAS 39 as if the Group had adopted them for the year ended 31 March 2005, are included in this statement. The principal changes are:

PFI/PPP concession assets and income

Under UK GAAP, PFI/PPP assets are treated as tangible fixed assets. Under IFRS and the draft interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), D12 to D14, on accounting for service concessions, the assets of the Group's PFI/PPP concessions will be treated as financial assets.

The Pro-forma indicative effect on the Group's results for the year ended 31 March 2005 would have been to increase the Profit from Joint Ventures by £2.0m.

These draft interpretations in respect of PFI/PPP concessions are fundamental to how the Group accounts for its interests in PFI/PPP concessions. The draft interpretations are potentially subject to change following a consultation process which is currently ongoing. We will not be able to finalise the effect on the Group's PFI/PPP concessions until the new accounting rules are confirmed.

Appendix I

Reconciliation of the consolidated and Pro-forma indicative income statements for the year ended 31 March 2005

	UK GAAP in IFRS format	IAS 10 Final Dividend	IAS 16 Re-classify Software	IAS 17 Lease incentives	IAS 19 Pensions	IAS 31 Joint ventures	IAS 38 Intangible assets	IFRS 2 Share based payments	IFRS 3 Goodwill	Total effect of translation to IFRS	Restated under IFRS	IAS 39 and D12-14	Pro forma IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue (Group and share of Joint Ventures)	1,157.3									-	1,157.3	85.6	1,242.9
Less: Share of Joint Ventures' revenue	(202.3)									-	(202.3)	(85.6)	(287.9)
Revenue	955.0	-	-	-	-	-	-	-	-	-	955.0	-	955.0
Cost of sales	(579.3)									-	(579.3)		(579.3)
Administration expenses	(336.7)			(1.3)	(2.0)		2.3	0.8	4.2	4.0	(332.7)		(332.7)
Operating profit⁽¹⁾	39.0	-	-	(1.3)	(2.0)	-	2.3	0.8	4.2	4.0	43.0	-	43.0
Finance income	6.8									-	6.8		6.8
Finance cost	(5.3)				(5.4)					(5.4)	(10.7)		(10.7)
Net finance income/(cost) ⁽¹⁾	1.5				(5.4)					(5.4)	(3.9)	-	(3.9)
Profit from Joint Ventures ⁽²⁾	15.9					(5.7)				(5.7)	10.2	2.0	12.2
Profit before tax from continuing operations	56.4	-	-	(1.3)	(7.4)	(5.7)	2.3	0.8	4.2	(7.1)	49.3	2.0	51.3
Taxation	(21.5)			0.4	2.2	5.7	(0.7)	(0.2)		7.4	(14.1)		(14.1)
Profit for the year from continuing operations	34.9	-	-	(0.9)	(5.2)	-	1.6	0.6	4.2	0.3	35.2	2.0	37.2
Profit after tax from discontinued operations	3.7									-	3.7		3.7
Profit for the year attributable to equity shareholders	38.6	-	-	(0.9)	(5.2)	-	1.6	0.6	4.2	0.3	38.9	2.0	40.9

Note 1: Excluding Joint Ventures.

Note 2: Profit from Joint Ventures is shown before tax under UK GAAP and after tax under IFRS. Accordingly the Joint Venture tax has been reclassified from taxation to profit from Joint Ventures

Appendix I

Reconciliation of the consolidated and Pro-forma indicative income statements for the six months ended 30 September 2004

	UK GAAP in IFRS format	IAS 10 Final Dividend	IAS 16 Re-classify Software	IAS 17 Lease incentives	IAS 19 Pensions	IAS 31 Joint ventures	IAS 38 Intangible assets	IFRS 2 Share based payments	IFRS 3 Goodwill	Total effect of translation to IFRS	Restated under IFRS	IAS 39 and D12-14	Pro forma IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue (Group and share of Joint Ventures)	544.2									-	544.2	44.6	588.8
Less: Share of Joint Ventures' revenue	(80.8)									-	(80.8)	(44.6)	(125.4)
Revenue	463.4	-	-	-	-	-	-	-	-	-	463.4	-	463.4
Cost of sales	(301.5)									-	(301.5)		(301.5)
Administration expenses	(142.5)			(0.9)	(0.9)		1.1	1.0	3.8	4.1	(138.4)		(138.4)
Operating profit⁽¹⁾	19.4	-	-	(0.9)	(0.9)	-	1.1	1.0	3.8	4.1	23.5	-	23.5
Net finance income/(cost) ⁽¹⁾	(0.1)				(2.7)					(2.7)	(2.8)		(2.8)
Profit from Joint Ventures ⁽²⁾	7.3					(2.6)				(2.6)	4.7	0.6	5.3
Profit before tax from continuing operations	26.6	-	-	(0.9)	(3.6)	(2.6)	1.1	1.0	3.8	(1.2)	25.4	0.6	26.0
Taxation	(9.6)			0.3	1.1	2.6	(0.3)	(0.3)		3.4	(6.2)		(6.2)
Profit for the year from continuing operations	17.0	-	-	(0.6)	(2.5)	-	0.8	0.7	3.8	2.2	19.2	0.6	19.8
Profit after tax from discontinued operations	-									-	-		-
Profit for the year attributable to equity shareholders	17.0	-	-	(0.6)	(2.5)	-	0.8	0.7	3.8	2.2	19.2	0.6	19.8

Note 1: Excluding Joint Ventures.

Note 2: Profit from Joint Ventures is shown before tax under UK GAAP and after tax under IFRS. Accordingly the Joint Venture tax has been reclassified from taxation to profit from Joint Ventures

Appendix II

Reconciliation of the consolidated and Pro-forma indicative balance sheets at 31 March 2005

	UK GAAP in IFRS format	IAS 10 Final Dividend	IAS 16 Re-classify Software	IAS 17 Lease incentives	IAS 19 Pensions	IAS 31 Joint ventures	IAS 38 Intangible assets	IFRS 2 Share based payments	IFRS 3 Goodwill	Total effect of translation to IFRS	Restated under IFRS	IAS 39 and D12-14	Pro forma IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets													
Non-current assets													
Goodwill	25.1								4.2	4.2	29.3		29.3
Intangible assets	-		17.4				(6.6)			10.8	10.8		10.8
Property, plant and equipment	49.6		(15.4)							(15.4)	34.2		34.2
Financial assets - Available-for sale investments	20.1									-	20.1		20.1
Investments accounted for using equity method	41.6									-	41.6	(6.2)	35.4
Deferred tax assets (cumulative)	13.0			1.6	73.8		2.0	3.3		80.7	93.7		93.7
Trade and other receivables	2.7									-	2.7		2.7
	152.1	-	2.0	1.6	73.8	-	(4.6)	3.3	4.2	80.3	232.4	(6.2)	226.2
Current assets													
Inventories	0.2									-	0.2		0.2
Trade and other receivables	268.7		(2.0)							(2.0)	266.7		266.7
Available-for-sale investments	77.5									-	77.5		77.5
Cash and cash equivalents	48.2									-	48.2		48.2
	394.6	-	(2.0)	-	-	-	-	-	-	(2.0)	392.6	-	392.6
Liabilities													
Current liabilities													
Other financial liabilities	(2.6)									-	(2.6)		(2.6)
Trade and other payables	(343.0)	7.9						2.4		10.3	(332.7)		(332.7)
Current tax liabilities	(10.8)									-	(10.8)		(10.8)
Provisions	(2.8)									-	(2.8)		(2.8)
	(359.2)	7.9	-	-	-	-	-	2.4	-	10.3	(348.9)	-	(348.9)
Net current assets	35.4	7.9	(2.0)	-	-	-	-	2.4	-	8.3	43.7	-	43.7
Non-current liabilities													
Other financial liabilities	(16.1)			(5.4)						(5.4)	(21.5)		(21.5)
Provisions	(11.1)									-	(11.1)		(11.1)
Retirement benefits liability	(15.6)				(246.3)					(246.3)	(261.9)		(261.9)
Other non-current liabilities	(26.5)									-	(26.5)		(26.5)
	(69.3)	-	-	(5.4)	(246.3)	-	-	-	-	(251.7)	(321.0)	-	(321.0)
Net assets	118.2	7.9	-	(3.8)	(172.5)	-	(4.6)	5.7	4.2	(163.1)	(44.9)	(6.2)	(51.1)
Capital and reserves													
Ordinary shares	0.5									-	0.5		0.5
Share premium account	62.4									-	62.4		62.4
Capital redemption reserve	0.2									-	0.2		0.2
Merger reserve	8.7									-	8.7		8.7
Retained earnings	46.4	7.9	-	(3.8)	(172.5)	-	(4.6)	5.7	4.2	(163.1)	(116.7)	(6.2)	(122.9)
Shareholders' funds - equity interests	118.2	7.9	-	(3.8)	(172.5)	-	(4.6)	5.7	4.2	(163.1)	(44.9)	(6.2)	(51.1)

Appendix II

Reconciliation of the consolidated and Pro-forma indicative balance sheets at 30 September 2004

	UK GAAP in IFRS format	IAS 10 Final Dividend	IAS 16 Re-classify Software	IAS 17 Lease incentives	IAS 19 Pensions	IAS 31 Joint ventures	IAS 38 Intangible assets	IFRS 2 Share based payments	IFRS 3 Goodwill	Total effect of translation to IFRS £m	Restated under IFRS	IAS 39 and D12-14	Pro forma IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets													
Non-current assets													
Goodwill	33.0								3.8	3.8	36.8		36.8
Intangible assets	-		21.2				(7.8)			13.4	13.4		13.4
Property, plant and equipment	50.2		(17.9)							(17.9)	32.3		32.3
Financial assets - Available-for sale investments	20.1									-	20.1		20.1
Investments accounted for using equity method	33.9									-	33.9	(6.9)	27.0
Deferred tax assets	13.2			1.5	70.9		2.4	3.2		78.0	91.2		91.2
Trade and other receivables										-	-		-
	150.4	-	3.3	1.5	70.9	-	(5.4)	3.2	3.8	77.3	227.7	(6.9)	220.8
Current assets													
Inventories	0.4									-	0.4		0.4
Trade and other receivables	204.8		(3.3)							(3.3)	201.5		201.5
Available-for-sale investments	19.6									-	19.6		19.6
Cash and cash equivalents	83.9									-	83.9		83.9
	308.7	-	(3.3)	-	-	-	-	-	-	(3.3)	305.4	-	305.4
Liabilities													
Current liabilities													
Other financial liabilities	(1.9)									-	(1.9)		(1.9)
Trade and other payables	(252.1)	3.9						1.9		5.8	(246.3)		(246.3)
Current tax liabilities	(9.7)									-	(9.7)		(9.7)
Provisions	(2.3)									-	(2.3)		(2.3)
	(266.0)	3.9	-	-	-	-	-	1.9	-	5.8	(260.2)	-	(260.2)
Net current assets	42.7	3.9	(3.3)	-	-	-	-	1.9	-	2.5	45.2	-	45.2
Non-current liabilities													
Other financial liabilities	(28.2)			(5.0)						(5.0)	(33.2)		(33.2)
Provisions	(8.9)									-	(8.9)		(8.9)
Retirement benefits liability	(23.8)				(236.6)					(236.6)	(260.4)		(260.4)
Other non-current liabilities	(28.6)									-	(28.6)		(28.6)
	(89.5)	-	-	(5.0)	(236.6)	-	-	-	-	(241.6)	(331.1)	-	(331.1)
Net assets	103.6	3.9	-	(3.5)	(165.7)	-	(5.4)	5.1	3.8	(161.8)	(58.2)	(6.9)	(65.1)
Capital and reserves													
Ordinary shares	0.5									-	0.5		0.5
Share premium account	62.3									-	62.3		62.3
Capital redemption reserve	0.2									-	0.2		0.2
Merger reserve	8.7									-	8.7		8.7
Retained earnings	31.9	3.9	-	(3.5)	(165.7)	-	(5.4)	5.1	3.8	(161.8)	(129.9)	(6.9)	(136.8)
Shareholders' funds - equity interests	103.6	3.9	-	(3.5)	(165.7)	-	(5.4)	5.1	3.8	(161.8)	(58.2)	(6.9)	(65.1)

Appendix II

Reconciliation of the consolidated and Pro-forma indicative balance sheets at 1 April 2004

	UK GAAP in IFRS format	IAS 10 Final Dividend	IAS 16 Re-classify Software	IAS 17 Lease incentives	IAS 19 Pensions	IAS 31 Joint ventures	IAS 38 Intangible assets	IFRS 2 Share based payments	IFRS 3 Goodwill	Total effect of translation to IFRS	Restated under IFRS	IAS 39 and D12-14	Pro forma IFRS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets													
Non-current assets													
Goodwill	36.8									-	36.8		36.8
Intangible assets	-		22.9				(8.9)			14.0	14.0		14.0
Property, plant and equipment	56.9		(20.5)							(20.5)	36.4		36.4
Financial assets - Available-for sale investments	20.1									-	20.1		20.1
Investments accounted for using equity method	25.9									-	25.9	(1.8)	24.1
Deferred tax assets	12.8			1.2	65.2		2.7	3.5		72.6	85.4		85.4
Trade and other receivables	4.6									-	4.6		4.6
	157.1	-	2.4	1.2	65.2	-	(6.2)	3.5	-	66.1	223.2	(1.8)	221.4
Current assets													
Inventories	0.5									-	0.5		0.5
Trade and other receivables	257.9		(2.4)							(2.4)	255.5		255.5
Available-for-sale investments	9.9									-	9.9		9.9
Cash and cash equivalents	86.2									-	86.2		86.2
	354.5	-	(2.4)	-	-	-	-	-	-	(2.4)	352.1	-	352.1
Liabilities													
Current liabilities													
Other financial liabilities	(4.0)									-	(4.0)		(4.0)
Trade and other payables	(314.1)	6.9						1.2		8.1	(306.0)		(306.0)
Current tax liabilities	(13.9)									-	(13.9)		(13.9)
Provisions	(2.3)									-	(2.3)		(2.3)
	(334.3)	6.9	-	-	-	-	-	1.2	-	8.1	(326.2)	-	(326.2)
Net current assets	20.2	6.9	(2.4)	-	-	-	-	1.2	-	5.7	25.9	-	25.9
Non-current liabilities													
Other financial liabilities	(28.6)			(4.1)						(4.1)	(32.7)		(32.7)
Provisions	(8.3)									-	(8.3)		(8.3)
Retirement benefits liability	(23.5)				(217.4)					(217.4)	(240.9)		(240.9)
Other non-current liabilities	(28.2)			(4.1)	(217.4)	-	-	-	-	-	(28.2)		(28.2)
	(88.6)	-	-	(4.1)	(217.4)	-	-	-	-	(221.5)	(310.1)	-	(310.1)
Net assets	88.7	6.9	-	(2.9)	(152.2)	-	(6.2)	4.7	-	(149.7)	(61.0)	(1.8)	(62.8)
Capital and reserves													
Ordinary shares	0.5									-	0.5		0.5
Share premium account	62.3									-	62.3		62.3
Capital redemption reserve	0.2									-	0.2		0.2
Merger reserve	8.7									-	8.7		8.7
Retained earnings	17.0	6.9	-	(2.9)	(152.2)	-	(6.2)	4.7	-	(149.7)	(132.7)	(1.8)	(134.5)
Shareholders' funds - equity interests	88.7	6.9	-	(2.9)	(152.2)	-	(6.2)	4.7	-	(149.7)	(61.0)	(1.8)	(62.8)

Appendix III

Earnings per share and Pro-forma indicative earnings per share under IFRS for the year ended 31 March 2005

	UK GAAP in IFRS format	IAS 10 Final Dividend	IAS 16 Re-classify Software	IAS 17 Lease incentives	IAS 19 Pensions	IAS 31 Joint ventures	IAS 38 Intangible assets	IFRS 2 Share based payments	IFRS 3 Goodwill	Total effect of translation to IFRS	Restated under IFRS	IAS 39 and D12-14	Pro forma IFRS
Basic	39.0 p	-	-	(0.9)p	(5.2)p	-	1.6 p	0.6 p	4.2 p	0.3 p	39.3 p	2.0 p	41.3 p
Fully Diluted	38.4 p	-	-	(0.9)p	(5.1)p	-	1.6 p	0.6 p	4.1 p	0.3 p	38.7 p	2.0 p	40.7 p

Earnings per share and Pro-forma indicative earnings per share under IFRS for the six months ended 30 September 2004

	UK GAAP in IFRS format	IAS 10 Final Dividend	IAS 16 Re-classify Software	IAS 17 Lease incentives	IAS 19 Pensions	IAS 31 Joint ventures	IAS 38 Intangible assets	IFRS 2 Share based payments	IFRS 3 Goodwill	Total effect of translation to IFRS	Restated under IFRS	IAS 39 and D12-14	Pro forma IFRS
Basic	17.2 p	-	-	(0.6)p	(2.5)p	-	0.8 p	0.7 p	3.8 p	2.2 p	19.4 p	0.6 p	20.0 p
Fully Diluted	16.9 p	-	-	(0.6)p	(2.5)p	-	0.8 p	0.7 p	3.8 p	2.2 p	19.1 p	0.6 p	19.7 p

Appendix IV

Restated segmental analysis for the year ended 31 March 2005

	Total turnover	Inter-segment turnover	Turnover	Operating profit (excluding impairment of goodwill)	Operating margins
	£m	£m	£m	£m	%
Rail	206.7	(19.1)	187.6	8.9	4.7%
H&T	220.6	(13.8)	206.8	9.6	4.6%
Design and Engineering Solutions	279.3	(17.4)	261.9	21.1	8.1%
China and Middle East	26.5	-	26.5	2.0	7.5%
Management and Project Services	156.8	(4.6)	152.2	9.5	6.2%
Asset Management	59.5	(0.9)	58.6	(4.7)	(8.0)%
Equity Investments	61.4	-	61.4	4.3	7.0%
Total before bid costs	1,010.8	(55.8)	955.0	50.7	5.3%
PFI/PPP Bid costs	-	-	-	(0.5)	n/a
Total continuing segments	1,010.8	(55.8)	955.0	50.2	5.3%

	Depreciation	Goodwill impairment	Amortisation of intangibles	Share of operating profit of JVs & Assocs
	£m	£m	£m	£m
Rail	(2.8)	-	(0.3)	-
H&T	(4.2)	-	(0.6)	0.8
Design & Engineering Solutions	(6.1)	-	(0.8)	0.2
China & Middle East	(0.5)	-	-	-
Management and Project Services	(2.5)	(7.2)	(0.3)	0.7
Asset Management	(1.3)	-	(0.2)	-
Equity Investments	(1.7)	-	(0.1)	8.5
Total continuing segments	(19.1)	(7.2)	(2.3)	10.2

The information presented in the table above excludes the indicative pro forma adjustments in relation to IAS 32 and 39 and IFRIC Draft 12 to 14.

Appendix IV

Restated segmental analysis for the six months ended 30 September 2004

	Total turnover	Inter-segment turnover	Turnover	Operating profit	Operating margins
	£m	£m	£m	£m	%
Rail	106.1	(2.8)	103.3	6.9	6.7%
H&T	103.4	(2.0)	101.4	3.9	3.8%
Design and Engineering Solutions	135.3	(18.7)	116.6	8.1	6.9%
China and Middle East	12.8	-	12.8	0.8	6.3%
Management and Project Services	73.7	(4.3)	69.4	2.9	4.2%
Asset Management	30.2	(0.7)	29.5	(0.5)	(1.7)%
Equity Investments	29.5	0.9	30.4	1.5	4.9%
Total before bid costs	491.0	(27.6)	463.4	23.6	5.1%
PFI/PPP Bid costs	-	-	-	(0.1)	n/a
Total continuing segments	491.0	(27.6)	463.4	23.5	5.1%

	Depreciation	Goodwill impairment	Amortisation of intangibles	Share of operating profit of JVs & Assocs
	£m	£m	£m	£m
Rail	(1.3)	-	(0.2)	-
H&T	(1.7)	-	(0.4)	0.3
Design & Engineering Solutions	(2.6)	-	(0.5)	-
China & Middle East	(0.2)	-	-	-
Management and Project Services	(1.1)	-	(0.2)	0.4
Asset Management	(0.5)	-	(0.1)	-
Equity Investments	(0.8)	-	(0.1)	4.0
Total continuing segments	(8.2)	-	(1.5)	4.7

The information presented in the table above excludes the indicative pro forma adjustments in relation to IAS 32 and 39 and IFRIC Draft 12 to 14.

Appendix V

Principal Accounting Policies under IFRS

The following accounting policies have been applied in the preparation of the IFRS information.

Basis of accounting

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the statements of the International Financial Reporting Interpretations Committee, and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. A summary of the more important accounting policies applied in the preparation of the financial statements is given below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Basis of consolidation

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

The accounts of the Employee Benefit Trusts (EBTs) are incorporated into the results of the Group as, although they are administered by independent Trustees and their assets are held separately from those of the Group, in practice the Group's advice on how the assets are used for the benefit of employees is normally accepted. The Group bears the major risks and rewards of the assets held by the EBTs until the shares vest unconditionally in the employees. Shares in WS Atkins plc held by the EBTs are shown as a reduction in shareholders' funds. Other assets and liabilities held by the EBTs are consolidated with the assets of the Group.

Joint Ventures

In accordance with IAS 31 Interests in Joint Ventures, the Group accounts for Joint Ventures under the equity method of accounting. The Group's share of a Joint Venture's profit after tax is included from the date on which the Group acquires joint control. Within the consolidated balance sheet the investment is recorded at cost (classified as a non-current asset) and subsequently adjusted to reflect the Group's share of the Joint Venture's net profit or loss.

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

The results, assets and liabilities of Joint Ventures are stated in accordance with Group accounting policies. Where Joint Ventures adopt accounting policies that are different from the Group, their reported results are restated to comply with the Group's accounting policies.

Where Joint Ventures do not adopt accounting periods that are co-terminus with the Group's, results and net assets are based upon accounts drawn up to the Group's accounting reference date.

PFI/PPP concessions

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

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

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

Appendix V

Principal Accounting Policies under IFRS

Fees paid by a Special Purpose Company (SPC) to its shareholders subsequent to Financial Close on a PFI/PPP concession are capitalised in the balance sheet of the SPC and amortised over the period of the concession, after adjusting for impairment if necessary.

The Group treats the fees received in accordance with the policy on Pre-contract costs relating to PFI/PPP investments which involve SPCs. Interest that is directly attributable to the financing of tangible fixed assets in the course of construction is capitalised as part of the cost of those assets commencing at the start of construction and ceasing when the asset is complete and ready for use.

Revenue

Revenue from long-term contracts comprises the value of work performed during the period calculated in accordance with the Group's policy for Contract accounting set out below. Revenue from other contract activities represents fee income receivable in respect of services provided during the period.

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

Contract accounting

The value of contract work in progress comprises the costs incurred on contracts plus an appropriate proportion of overheads and attributable profit. Fees invoiced on account are deducted from the value of work in progress and the balance is separately disclosed in debtors as amounts recoverable on contracts, unless such fees exceed the value of the work in progress on any contract when the excess is separately disclosed in current liabilities as fees invoiced in advance.

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

Revenue recognition on outsourcing contracts is determined by reference to the proportion of the annual service delivered to date. Where the costs of obligations in relation to the non-renewal or termination of a contract are higher in the final period of the contract a proportion of revenue is deferred each period to meet these anticipated costs. Full provision is made for losses on outsourcing contracts if the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. In assessing the amount of the loss to provide on an outsourcing contract, account is taken of the Group's share of the forecast results from any Joint Ventures which the contract is servicing.

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a first-in, first-out basis.

Pre-contract costs

The Group accounts for all pre-contract costs in accordance with IAS 11 Construction contracts. Costs incurred before it becomes probable that a contract will be obtained are charged to expenses. Directly attributable costs incurred after that point are recognised in the balance sheet and charged to the profit and loss account over the same period as the Group's interest in any Special Purpose Company (SPC) charges the equivalent capitalised amounts to the profit and loss account.

Bid recovery fees are deferred and credited to the profit and loss account over the same period as the Group's interest in any SPC charges the equivalent capitalised amounts to the profit and loss account. Where the Group's interest in an SPC reduces, the deferred bid recovery fees are credited to the profit and loss account in proportion to the reduction of the Group's interest.

Intangible assets

Goodwill

On acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises when the fair value of the consideration given for a business exceeds the fair value of the net assets. In accordance with IFRS 3 Business combinations, goodwill arising on acquisitions is capitalised and is subject to impairment review both annually and

Appendix V

Principal Accounting Policies under IFRS

when there are indications that the carrying value may not be recoverable. Prior to 1 April 2004, goodwill was amortised over its estimated useful life; such amortisation ceased on 31 March 2004.

Goodwill which arose prior to 1 April 1997 has been written off to the profit and loss reserve. Profit or loss on disposal of the underlying businesses to which this goodwill related will include goodwill not previously charged to the profit and loss account.

Acquired intangibles

The Group accounts for intangible assets acquired in business combinations in accordance with IFRS 3. Such intangible assets are recognised separately if they meet the criteria for recognition, and amortised over their expected useful economic lives unless these are indefinite in which case they are reviewed regularly for impairment in accordance with IAS 38 Intangible assets.

Corporate information systems

In accordance with IAS 38 Intangible assets, the Group's corporate information systems are treated as an intangible asset. Costs included are those directly attributable to the design, construction and testing of new systems (including major enhancements) from the point of inception to the point of satisfactory completion where the probable future economic benefits arising from the investment could be assessed with reasonable certainty at the time the costs are incurred. Maintenance and minor modifications are expensed to profit and loss as incurred.

The useful life of the corporate information systems is estimated to be six years. Amortisation is calculated to write the asset off over the term of its useful life on a straight-line basis.

Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation. Cost comprises purchase price after discounts and rebates plus all directly attributable costs of bringing the asset to working condition for its intended use.

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

Freehold buildings	10 to 50 years
Short leasehold	over the life of the lease
Plant and machinery	3 to 10 years
Special purpose industrial motor vehicles	3 to 12 years
Other motor vehicles	3 to 4 years
Information Technology	2 ½ to 5 years

No depreciation is provided in respect of freehold land.

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

Share scheme reserve

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

Share-based payments

In accordance with IFRS 2 Share-based Payments, the fair value of share-based payments awarded after 7 November 2002 is charged to the income statement over the performance and vesting periods of the instruments; no charge is made in respect of instruments awarded before this date because the Group is excluded under the terms of IFRS 2 from applying the standard to these instruments.

Current asset investments

Current asset investments include UK Government securities, restricted cash deposits and short-term deposits and marketable securities, which are shown at market value. Restricted cash deposits relate to accounts where withdrawals are restricted under contractual agreements.

Appendix V

Principal Accounting Policies under IFRS

Lease obligations

Finance leases

Lease arrangements which transfer substantially all the risks and rewards of ownership to the lessee are treated as finance leases. Assets held under finance leases are capitalised within tangible fixed assets and depreciated over the shorter of the lease term or the useful life of the asset. A liability is recognised for the present value of the minimum lease payments within current and/or non-current liabilities as appropriate. Rental payments are apportioned between capital and interest expense to achieve a constant rate of charge on the outstanding obligation.

Where the Group acts as a lessor in a finance lease, debtors under finance leases represent outstanding amounts due under these agreements less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investment.

Operating leases

Where the Group acts as lessee in an operating lease arrangement, the costs of operating leases are charged to profit and loss account as incurred. Lease incentives received are recognised over the lease term on a straight-line basis.

Where the Group acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

Pension schemes

The Group operates defined contribution and defined benefit pension schemes which require payments to be made into separately administered funds. Regular valuations are prepared by independent professionally qualified actuaries to determine the level of contributions required to fund the benefits set out in the scheme rules.

The Group accounts for pensions in accordance with IAS 19 Employee benefits. The cost of the defined contribution schemes is charged to operating profit as incurred. The cost of defined benefit schemes is charged as follows:

- the regular service cost incurred during the period to provide retirement benefits to employees, together with the cost of any benefits relating to past service, is charged to operating profit;
- gains or losses arising from settlements or curtailments not covered by actuarial assumptions are included in operating profit;
- a charge representing the expected increase in scheme liabilities is included in net finance costs. This is based on the present value of scheme liabilities at the beginning of the period and amended for changes in scheme liabilities during the period; and
- a credit representing the expected return on scheme assets is included within net finance costs. This is based on the market value of the assets of the schemes at the start of the period.

For defined benefit schemes, differences between actual and expected returns on assets during the period are recognised immediately in the statement of recognised income and expense, together with differences arising from changes in assumptions. The difference between the market value of scheme assets and the present value of scheme liabilities is recognised as a retirement benefit asset or liability on the consolidated balance sheet. To the extent that it is recoverable, any related deferred tax asset or liability is included in the relevant category of debtor/creditor.

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

Deferred tax

Deferred tax is recognised in respect of all taxable temporary differences that have originated but not reversed at the balance sheet date. Deferred tax is measured on a non-discounted basis using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only when it is regarded as more likely than not to be recovered.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and Joint Ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

Appendix V

Principal Accounting Policies under IFRS

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date.

Trading results of overseas subsidiaries are translated at average rates of exchange. Differences resulting from the retranslation of opening net assets and results for the period at closing rates are taken to the Statement of Recognised Income and Expense.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge exposures to fluctuations in foreign currencies. Forward contracts used to hedge foreign currency investments are revalued to year end rates and any exchange differences are taken to reserves. Gains and losses on financial instruments used to hedge foreign currency transactions are recognised on maturity of the underlying transaction in the profit and loss account or as adjustments to carrying amounts in the balance sheet. Gains and losses on financial instruments which are terminated because the underlying exposure ceases to exist are taken immediately to the profit and loss account.

Pro-forma indicative accounting policies

The following accounting policies have been applied in addition to or in place of the policies detailed above in the preparation of the Pro-forma indicative results.

PFI/PPP concessions

Assets constructed by PFI/PPP concession companies are classified in the accounts of the Joint Ventures as Financial assets or intangible assets, depending on whether the grantor or user has the primary responsibility to pay the operator for the concession services.

Income is recognised by the Joint Ventures by allocating a proportion of total cash projected to be received over the life of the project to service costs by means of a deemed constant rate of return on those costs. The residual element of projected cash is allocated to the financial asset using the effective interest method, giving rise to interest income which is recognised in the income statement.

Foreign currency transactions

Where the Group hedges net investments in foreign entities through foreign currency borrowings, the gains or losses on the translation of the borrowings are recognised in equity. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in equity with any ineffective portion being recognised in the income statement. The Group has not separated out the interest element of the fair value of the forward currency contract. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Derivative financial instruments and hedging activities

The fair value of financial assets is measured at each balance sheet date by computing the discounted future value of the cash flow allocated to the financial asset. The movement in the fair value of available for sale financial asset since the previous balance sheet date is taken to equity.

With effect from 1 April 2005 financial instruments are accounted for in accordance with IAS 39 Financial instruments: recognition and measurement. Derivatives are initially accounted and measured at fair value on the date a contract is entered into and subsequently measured at fair value. Where a derivative is a designated hedging instrument and is assessed as being effective in accordance with IAS 39, the gain or loss on re-measurement is recognised in equity. In all other cases the gain or loss is taken to the profit and loss account.