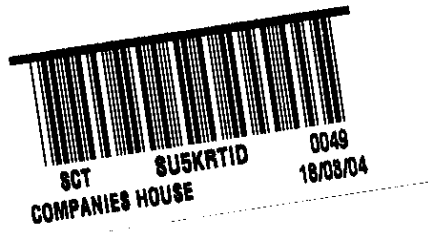


URS Corporation Limited

Annual report and financial statements  
for the year ended 31 October 2002

Registered Number 118271



# URS Corporation Limited

## Annual report and financial statements for the year ended 31 October 2002

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# **URS Corporation Limited**

## **Directors and advisers for the year ended 31 October 2002**

### **Directors**

K Ainsworth  
J G Alexander (resigned 20 March 2002)  
C Darling (resigned 12 April 2002)  
A Elliott-Frey (appointed 18 March 2002)  
I C Loveday (appointed 1 November 2001)  
A V Marrett (resigned 2 December 2002)  
J Miller  
G Ward (resigned 20 October 2003)  
I A Wotherspoon (resigned 31 January 2002)  
P Monaghan (resigned 1 November 2001)

### **Secretary**

A Elliott-Frey

### **Independent auditors**

PricewaterhouseCoopers LLP  
Kintyre House  
209 West George Street  
Glasgow  
G2 2LW

### **Registered Office**

Kinneil House  
243 West George Street  
Glasgow  
G2 4QE

# URS Corporation Limited

## Directors' report for the year ended 31 October 2002

The directors present their report and audited financial statements of the company for the year ended 31 October 2002.

### Principal activities

The principal activity of the company is structural, civil engineering and environmental consulting.

### Review of business and future developments

The company's loss for the year is £3,810,839 (2001: profit £2,454,203). Turnover and costs have increased due to the inclusion for a full 12 months of the former Dames & Moore business which was acquired on 31 October 2001. There have been further additional costs incurred due to the ongoing integration and rationalisation of the former Thorburn Colquhoun and Dames & Moore businesses. The results for 2002 also include a one-off impairment of goodwill charge of £1,480,000 resulting from the acquisition of the former Dames & Moore business. The directors anticipate the trading results for the forthcoming year to 31 October 2003 will show a significant improvement on 2002. The directors do not recommend the payment of a dividend.

### Directors and their interests

The directors of the company who served during the year are listed on page 3. No director held any shares in the company at 31 October 2002.

The company's ultimate parent undertaking is incorporated outside the United Kingdom. As permitted by statutory instrument, the register of directors' shareholdings maintained in accordance with Section 325 of the Companies Act 1985, does not include the interests of directors in the shares of the ultimate parent undertaking.

Any interests in, or option to purchase, the share capital of fellow subsidiary undertakings are disclosed in the financial statements of the relevant companies.

### Policy on payment to creditors

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is company policy that every effort is made to ensure that payments to suppliers are made in accordance with these terms, provided the supplier is also complying with all relevant terms and conditions. Our average payment terms, based on the period end creditors balance, were 36 days (2001: 45 days).

### Employees

The company's policy and practice is to encourage the employment of disabled persons (or persons becoming disabled whilst employed), their recruitment, training, career development and promotion.

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 October 2002 and that applicable accounting standards have been followed.

# URS Corporation Limited

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership ("LLP") from 1 January 2003, PricewaterhouseCoopers resigned on 18 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the board



**A Elliott-Frey**

Director

5 February 2004

# URS Corporation Limited

## Independent auditors' report to the members of URS Corporation Limited

We have audited the financial statements on pages 7 to 25 which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 October 2002 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Glasgow

5 February 2004

# URS Corporation Limited

## Profit and loss account for the year ended 31 October 2002

	Notes	2002 £	2001 £
Turnover	1	48,186,323	25,037,438
Cost of sales		(27,338,088)	(12,788,480)
Gross profit		20,848,235	12,248,958
Administrative expenses		(24,237,495)	(13,262,513)
Exceptional item – impairment of goodwill	6	(1,480,000)	-
Other operating income	2	1,372,972	3,735,382
Operating (loss)/profit	3	(3,496,288)	2,721,827
Interest receivable		27,612	7,481
Interest payable	7	(451,112)	(275,105)
Other financial loss	21	(89,000)	-
(Loss)/profit on ordinary activities before taxation		(4,008,788)	2,454,203
Taxation	8	197,949	-
(Loss)/profit for the financial year	18	(3,810,839)	2,454,203

The above results relate to continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year, and their historical cost equivalents.

## Statement of recognised gains and losses for the year ended 31 October 2002

	Note	2002 £	2001 £
(Loss)/profit for the financial year		(3,810,839)	2,454,203
Actuarial gain on defined benefit pension scheme	21	167,000	-
Total recognised gains and losses relating to the year		(3,643,839)	2,454,203

# URS Corporation Limited

## Balance sheet as at 31 October 2002

	Notes	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	10	4,359,082	3,049,730
Investments	11	3	502
		<b>4,359,085</b>	<b>3,050,232</b>
<b>Current assets</b>			
Stock	12	81,836	191,100
Debtors	13	19,787,327	17,637,433
Cash at bank and in hand		880,394	1,790,304
<b>Total current assets</b>		<b>20,749,557</b>	<b>19,618,837</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(17,664,887)</b>	<b>(12,914,503)</b>
<b>Net current assets</b>		<b>3,084,670</b>	<b>6,704,334</b>
<b>Total assets less current liabilities</b>		<b>7,443,755</b>	<b>9,754,566</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(113,578)</b>	<b>(168,550)</b>
<b>Defined benefit pension scheme liabilities</b>	21	<b>(1,388,000)</b>	-
<b>Net assets</b>		<b>5,942,177</b>	<b>9,586,016</b>
<b>Capital and reserves</b>			
Called up share capital	17	1,635,000	1,635,000
Share premium account	18	4,875,000	4,875,000
Profit and loss account	18	(567,823)	3,076,016
<b>Total equity shareholders' funds</b>	19	<b>5,942,177</b>	<b>9,586,016</b>

The financial statements on pages 7 to 25 were approved by the board of directors on 5 February 2004 and were signed on its behalf by:



A Elliott-Frey  
Director



# URS Corporation Limited

## Accounting policies

### Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt by virtue of Section 228, Companies Act 1985, from the requirement to prepare group accounts and to deliver them to the Registrar of Companies because the company is included in the consolidated accounts of URS Europe Limited, a company registered in England.

The financial statements present information on the company as an individual undertaking and not of its group.

### Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers during the year.

### Long term contracts

Long term contracts, which are included in debtors as "amounts recoverable on contracts", are stated at cost, plus attributable profits, less provisions for any anticipated final losses, less payments receivable on account. The profit attributable to the stage of completion of a long term contract is recognised if the outcome of the contract can be foreseen with reasonable certainty.

When payments to account on a contract exceed the value of the relevant work in progress the excess is included in creditors as "payments received on account".

### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life. The rates are as follows:

Leasehold improvements	-	over the period of the lease
Fixtures and fittings	-	over a period of 10 years.
Plant and machinery	-	over a period of 7 years.
Computer Equipment	-	over a period of 5 years

### Foreign currencies

Exchange differences arising on the settlement of foreign currency transactions are reflected in the profit and loss account in the year in which they occur.

Monetary assets and liabilities denominated in foreign currencies are re-translated using the rate of exchange ruling at the balance sheet date and any differences arising are included in the profit and loss account in the year in which they occur.

### Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are the differences between the Company's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# URS Corporation Limited

## **Pension costs**

The group provides pension benefits through both defined benefit and defined contribution arrangements.

The company's defined benefit pension scheme was acquired as part of the acquisition of the UK business of Dames & Moore. As this previous entity was a UK branch of an overseas partnership, the scheme had not been previously accounted for under either SSAP 24 or FRS 17. The company has fully adopted FRS 17 as the basis of accounting for this scheme in the current year.

An actuarial valuation of the company's defined benefit schemes was carried out as at 31 October 2002 by qualified independent actuaries. Scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. The post-retirement benefit surplus or deficit is included on the company's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the profit and loss account within administrative expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income/(loss). Actuarial gains and losses, including differences between the expected and actual return on scheme assets are recognised, net of the related deferred tax, in the statement of total recognised gains and losses.

The costs of the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they fall due.

## **Leased assets**

Where assets are acquired by arrangements which give rights approximating to ownership (finance leases or hire purchase) the amount representing the outright purchase price of such assets is included in tangible fixed assets in the appropriate category. Depreciation is provided in the same way as owned tangible fixed assets. The principal element of future rental payments is treated as a liability within creditors. Payments are allocated between principal and finance elements. The principal element of payments is applied to reduce the outstanding liability and the finance charge is charged to the profit and loss account in the period to which it relates.

Rental payments due under operating leases are charged to the profit and loss account in the period to which they relate.

## **Joint arrangements**

The company has a contractual agreement with another participant to engage in a joint activity that does not create an entity carrying on a trade or business of its own. The company includes its share of assets, liabilities and cash flows in such a joint arrangement, measured in accordance with the terms of the arrangement, which is usually pro-rata to the company's interest in the joint arrangement.

## **Cash flow statement and related parties disclosure**

The company is exempt under Financial Reporting Standard No. 1 (FRS1) 'Cash Flow Statements' from the requirements to prepare a separate cash flow statement, as it is a wholly owned subsidiary of URS Europe Limited.

Separate disclosures relating to transactions and balances with companies in the URS Corporation group in terms of Financial Reporting Standard No 8 are not made since the company has taken advantage of the exemption in paragraph 3(c) of the standard.

# URS Corporation Limited

## Goodwill

Purchased goodwill represents the excess of the fair value of the purchase consideration over the fair value of the net assets acquired. Goodwill is capitalised and amortised through the profit and loss account over its estimated useful economic life.

# URS Corporation Limited

## Notes to the financial statements for the year ended 31 October 2002

### 1. Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers during the year, and excludes intercompany trading.

### 2. Other operating income

	2002	2001
	£	£
Recharges to other European URS subsidiaries for pooled technical services	1,372,972	-
Waiving of amounts due from other group companies	-	(572,883)
Waiving of amounts due to other group companies	-	4,308,265
	1,372,972	3,735,382

### 3. Operating (loss)/profit

	2002	2001
	£	£
<b>Operating (loss)/profit is stated after charging/(crediting):</b>		
Operating lease charges		
- Hire of plant and machinery	230,818	165,525
- Other	1,404,519	1,239,745
Depreciation		
- Assets held under hire purchase contracts	111,451	151,994
- Owned assets	660,707	239,631
Impairment of goodwill	1,480,000	-
Licence fee and administration cost recharges from URS Corporation	980,359	322,863
Exchange loss/(gain) on foreign currency settlements	18,056	(29,077)

The remuneration of the auditors is not included as a cost within these accounts. Although the amounts were paid by URS Corporation Limited, the amounts are recharged to the ultimate parent undertaking.

# URS Corporation Limited

## 4. Directors' emoluments

	2002	2001
	£	£
Aggregate emoluments	474,676	758,615
Compensation for loss of office	130,000	-
Company contributions to defined contribution scheme	13,066	82,158
Company contributions to defined benefit scheme	18,628	-

The emoluments of the highest paid director were £150,178 (2001: £143,015) and pension contributions of £8,724 (2001: £13,150).

One director (2001: three) has retirement benefits accruing under a defined contribution scheme.

Two directors (2001: none) have retirement benefits accruing under a defined benefit scheme.

Two of the directors are paid by the ultimate parent undertaking and one director was paid by a fellow subsidiary of URS Corporation. No recharge is made in respect of their services to URS Corporation Limited.

## 5. Employee information

The average monthly number of staff (including directors) employed by the company during the year was:

	2002	2001
	Number	Number
Administration	69	91
Technical	702	434
	771	525

The aggregate payroll costs of these staff were as follows:

	2002	2001
	£	£
Wages and salaries	22,110,830	11,636,613
Social security costs	2,129,614	1,069,015
Pension costs (note 21)	987,014	616,358
	25,227,458	13,321,986

# URS Corporation Limited

## 6. Exceptional item

	2002	2001
	£	£
<b>Recognised in arriving at operating (loss)/profit:</b>		
Impairment of goodwill	1,480,000	-

An exceptional charge of £1,480,000 was incurred in the year relating to the impairment of goodwill arising as a result of the revision of the fair values of the acquisition of the UK business of Dames & Moore in the year ended 31 October 2001, as disclosed in notes 9 and 16.

## 7. Interest payable

	2002	2001
	£	£
Bank overdraft interest	252,348	178,862
Hire purchase contracts	91,425	96,243
Interest on amounts due to parent undertaking	107,339	-
	451,112	275,105

## 8. Taxation

### (a) Analysis of charge in the year

	2002	As restated 2001
	£	£
<b>Current Tax</b>		
UK Corporation tax at 30% (2001: 30%)	-	-
Adjustments in respect of prior years	197,949	-
<b>Total current tax charge</b>	197,949	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax</b>	-	-
<b>Tax on (loss)/profit on ordinary activities</b>	197,949	-

# URS Corporation Limited

## 8. Taxation (continued)

The differences between the total current tax shown overleaf and the amount calculated by applying the standard rate of tax to the loss before tax are as follows:

### (b) Factors affecting tax charge for the year

	2002	As restated 2001
	£	£
(Loss)/profit on ordinary activities before tax	(4,008,788)	2,454,203
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(1,202,636)	736,261
Effects of:		
Expenses not deductible for tax purposes	478,720	8,813
Capital allowances in excess of depreciation	85,986	107,118
Unrelieved tax losses	(683,021)	(494,509)
Non-taxable income	-	1,120,616
Other deferred tax movements	(126,881)	(5,777)
Prior period adjustment	197,949	-
<b>Company's current tax charge for the year</b>	<b>197,949</b>	<b>-</b>

Factors that may effect future periods:

A deferred tax asset, principally relating to unutilised tax losses, of £637,302 (2001: £295,873) has not been recognised as the realisation of this asset is uncertain as it is dependent on suitable taxable profits in future periods.

# URS Corporation Limited

## 9. Intangible assets

	Note	Purchased Goodwill £
<b>Cost</b>		
At 1 November 2001		-
Addition during the year	16	1,480,000
<b>At 31 October 2002</b>		<b>1,480,000</b>
<b>Amortisation</b>		
At 1 November 2001		-
Impairment during the year	6	(1,480,000)
<b>At 31 October 2002</b>		<b>(1,480,000)</b>
<b>Net book value</b>		
<b>At 31 October 2002</b>		<b>-</b>

The purchased goodwill, arising as a result of the revision of the fair values of the acquisition of the UK business of Dames & Moore in the year ended 31 October 2001, was regarded by the directors as fully impaired as a result of the current level of losses incurred by that business.



# URS Corporation Limited

## 10. Tangible assets

	Leasehold improvements	Motor vehicles	Fixtures & fittings	Plant, machinery & computer equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 November 2001	981,580	56,260	345,371	4,804,843	6,188,054
Additions	1,398,510	-	536,892	146,108	2,081,510
Disposals	-	(56,260)	(382,546)	(981,594)	(1,364,140)
<b>At 31 October 2002</b>	<b>2,380,090</b>	<b>-</b>	<b>499,717</b>	<b>3,969,357</b>	<b>6,905,424</b>
<b>Depreciation</b>					
At 1 November 2001	208,492	56,260	146,304	2,727,268	3,138,324
Charge for year	135,154	-	334,917	302,087	772,158
Disposals	-	(56,260)	(382,546)	(981,594)	(1,364,140)
<b>At 31 October 2002</b>	<b>343,646</b>	<b>-</b>	<b>98,675</b>	<b>2,047,761</b>	<b>2,546,342</b>
<b>Net book value</b>					
<b>At 31 October 2002</b>	<b>2,036,444</b>	<b>-</b>	<b>401,042</b>	<b>1,921,596</b>	<b>4,359,082</b>
At 31 October 2001	773,088	-	199,067	2,077,575	3,049,730

The net book value at 31 October 2002 includes £242,147 (2001: £323,280) in respect of assets held under hire purchase contracts. The depreciation charge for the year on these assets amounted to £111,451 (2001: £151,994).

## 11. Fixed asset investments

	Shares in subsidiary undertakings
	£
At cost at 1 November 2001	502
Additions	1
Disposals	(500)
<b>At cost at 31 October 2002</b>	<b>3</b>

# URS Corporation Limited

## 11. Fixed asset investments (continued)

Details of the principal subsidiary undertaking and joint arrangement are as follows:

Subsidiary undertaking	Country of registration and incorporation	Description of holding	Proportion held
URS Verification Limited	England	Ordinary £1	100%

The principal business activity of the above company is the provision of services relating to ISO 14001 certification, greenhouse gas services and report verification.

Joint arrangement	Proportion held
Carillion-URS	30%

The principal business activities of the above joint arrangement is the managing agent and contractor relating to the motorway and trunk road network in Highways Agency Area Number 8.

## 12. Stocks

	2002 £	2001 £
Raw materials and consumables	81,836	191,100

# URS Corporation Limited

## 13. Debtors

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	10,172,446	8,698,501
Amounts recoverable on contracts	8,650,875	8,417,545
Amounts due by group undertakings	-	246,854
Prepayments	473,060	237,228
Other debtors and accrued income	108,458	37,305
Corporation tax	382,488	-
	<b>19,787,327</b>	<b>17,637,433</b>

## 14. Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft (secured)	3,104,879	3,835,574
Trade creditors	3,807,378	2,720,722
Amounts due to group undertakings	6,468,391	695,108
Other taxation and social security	1,525,263	1,392,710
Accruals	1,581,009	2,584,119
Payments received on account	1,049,398	1,477,922
Obligations under hire purchase contracts	128,569	127,240
Corporation tax	-	81,108
	<b>17,664,887</b>	<b>12,914,503</b>

The bank overdraft is secured by a floating charge over the assets of the company and other group undertakings.

## 15. Creditors: amounts falling due after more than one year

	2002 £	2001 £
Obligations under hire purchase contracts – due between two and five years	113,578	168,550

# URS Corporation Limited

## 16. Revision to provisional fair values of acquisition

On 31 October 2001 the company acquired the UK business of Dames & Moore, a fellow subsidiary undertaking of URS Corporation for a total consideration of £651,904.

At that time an assessment was made of the provisional fair value of the net assets acquired. However, no adjustments were made to the book values of the net assets. In the year ended 31 October 2002 these fair values have been finalised as permitted by FRS 7. The details of the adjustment to the provisional fair values are set out below.

	Provisional fair value at 31 October 2001 £	Fair value adjustment £	Final fair value at 31 October 2002 £
Tangible fixed assets	1,384,620	-	1,384,620
Debtors	10,087,007	-	10,087,007
Cash	321,176	-	321,176
Creditors	(11,140,899)	-	(11,140,899)
Defined benefit pension liabilities	-	(1,480,000)	(1,480,000)
Net assets/(liabilities)	651,904	(1,480,000)	(828,096)
Consideration	651,904	-	651,904
Consideration satisfied by:			
Cash paid	1,000	-	1,000
Loan received from URS Corporation	650,904	-	650,904
	651,904	-	651,904
Goodwill arising on acquisition	-	-	1,480,000

The book value of the assets and liabilities have been taken from the management accounts of Dames & Moore at 31 October 2001. Revision has been made to the provisional fair values originally attributed to the net assets of Dames & Moore in the 31 October 2001 accounts to incorporate the defined benefit pension liability as disclosed in note 21.

# URS Corporation Limited

## 17. Called up share capital

	2002	2001
	£	£
Authorised, allotted and fully paid		
1,635,000 ordinary shares of £1 each	1,635,000	1,635,000

## 18. Reserves

	Share premium account £	Profit and loss account £
As at 1 November 2001	4,875,000	3,076,016
Loss for the financial year	-	(3,810,839)
Actuarial gain on defined benefit pension scheme	-	167,000
As at 31 October 2002	4,875,000	(567,823)

## 19. Reconciliation of movement in shareholders' funds

	2002	2001
	£	£
Opening shareholders' funds	9,586,016	631,813
Loss for the financial year	(3,810,839)	2,454,203
Actuarial gain on defined benefit pension scheme	167,000	-
Proceeds of ordinary shares issued for cash	-	6,500,000
Closing shareholders' funds	5,942,177	9,586,016

# URS Corporation Limited

## 20. Financial commitments

At 31 October 2002 the company had an annual commitment under non-cancellable operating leases expiring as follows:

	2002		2001	
	Land & buildings £	Other £	Land & buildings £	Other £
Expiring within one year	63,265	-	240,000	6,503
Expiring between two and five years	224,845	54,884	101,128	125,939
Expiring after five years	1,467,383	-	399,899	-
	1,755,493	54,884	741,027	132,442

## 21. Pensions

### Defined contribution scheme

The company participates in a group operated defined contribution scheme. Contributions to the scheme are charged to the profit and loss account when they become due. The pension charge for the year was £616,991 (2001: £616,358).

### Defined benefit scheme

The company operates a defined benefit pension scheme, the Dames & Moore Pension Fund, with assets held in a separately administered fund. The scheme was closed to new members on 1 November 2001. The scheme is valued by an independent actuary every 3 years with the most recent valuation being 5 April 2001. The results of that valuation showed a funding deficit of £138,000 and the employer contribution rate was set at 10.8% of pensionable salaries.

An FRS 17 actuarial valuation of the pension scheme was carried out at 31 October 2002 by Scottish Life, consulting actuaries. The major assumptions used by the actuary were:

	2002	2001
	%	%
Rate of increase in salaries	3.9	3.9
Rate of increase in pensions in payment	3.0	3.0
Discount rate	5.6	5.3
Inflation assumption	2.4	2.4

# URS Corporation Limited

## 21. Pensions (continued)

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected 31 October 2002 %	Value at 31 October 2002 £	Long-term rate of return expected 31 October 2001 %	Value at 31 October 2001 £
Other	5	3,337,000	5	3,200,000
Total market value of assets		3,337,000		3,200,000
Present value of scheme liabilities		(4,725,000)		(4,680,000)
Deficit in scheme		(1,388,000)		(1,480,000)
Related deferred tax asset		-		-
<b>Net pension liability</b>		<b>(1,388,000)</b>		<b>(1,480,000)</b>

### Analysis of the amount charged to operating (loss)/profit

	2002 £	2001 £
Current service cost	370,000	-
Past service cost	-	-
<b>Total operating charge</b>	<b>370,000</b>	<b>-</b>

### Analysis of the amount charged to other financial loss

	2002 £	2001 £
Expected return on pension scheme assets	168,000	-
Interest on pension scheme liabilities	(257,000)	-
<b>Net loss</b>	<b>(89,000)</b>	<b>-</b>

# URS Corporation Limited

## 21. Pensions (continued)

### Analysis of the amount recognised in statement of total recognised gains and losses

	2002	2001
	£	£
Actual return less expected return on pension scheme assets	(370,000)	-
Experience gains and losses arising on scheme liabilities	74,000	-
Changes in assumptions underlying the present value of the scheme liabilities	463,000	-
<b>Actuarial gain recognised in the STRGL</b>	<b>167,000</b>	<b>-</b>

### Movement in deficit during the year

	£
Opening balance at 1 November 2001	-
Fair value adjustment (note 16)	(1,480,000)
Movement in the year:	
Current service cost	(370,000)
Contributions	384,000
Past service costs	-
Other finance loss	(89,000)
Actuarial gain	167,000
<b>Deficit at 31 October 2002</b>	<b>(1,388,000)</b>

### History of experience gains and losses

Difference between the expected and actual return on the scheme assets:	
Amount	(£370,000)
Percentage of scheme assets	(11%)
Experience gains and losses on scheme liabilities:	
Amount	(£74,000)
Percentage of the present value of scheme liabilities	2%
Total amount recognised in the statement of total recognised gains and losses:	
Amount	£167,000
Percentage of the present value of scheme liabilities	4%



# **URS Corporation Limited**

## **22. Contingent liability**

The company, in common with other undertakings in the URS Europe Limited group, has given cross guarantees in respect of bank advances to the group and other loans. At 31 October 2002, this contingent liability amounted to £3,104,879 (2001: £2,094,968). The group bank overdrafts are secured by floating charges and debentures over the assets of the company and other group undertakings.

## **23. Parent undertakings**

The directors regard URS Corporation, which is incorporated in the United States of America, as the ultimate parent undertaking. The results of the company are consolidated by URS Corporation and those consolidated financial statements are available from 600 Montgomery Street, 25<sup>th</sup> Floor, San Francisco, CA 94111-2727, United States.

URS Europe Limited, a company registered in England, is the intermediate parent undertaking. The results of the company are consolidated by URS Europe Limited and those consolidated financial statements are available from their registered office at St Georges House, 5 St Georges Road, London, SW19 4DR.